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The relevance of prior trade mark use in South African common law

Summary

The nature of the right protected by the law relating to unlawful competition is the right to goodwill, although the right to a distinctive mark, and the right to a trade secret can also feature. The existence of a general form of liability has been recognized by the courts. The interaction of reputation and goodwill was also considered. The current position is that it is only a reputation, and not also goodwill, that is required. Protection was granted in cases where a particular product was not yet on the market. The existence of an express intention to interfere with a rival's marketing campaign has been held to amount to unlawful competition. If a descriptive mark is used, the risk that it may be used by a rival must be accepted. With regard to geographical disputes, the courts consider the particular area, and third parties that have used their marks elsewhere, cannot enter the area without further ado. In the situation where there is concurrent use by two parties, it was noted that both parties could be exercising their subjective rights to use their marks. With regard to the honesty of adoption, it was submitted that the doctrine of unclean hands should not apply. It was noted that the existence of a trade mark registration is not a defence to a passing off action. Lastly, as far as the right to use a mark is concerned, the position is that against other statutory proprietors, there is a limited right to use a mark, but not against a common law user.

Die relevansie van voortydige handelsmerkgebruik in die Suid-Afrikaanse gemene reg

Die aard van die reg wat beskerm word deur die reg aangaande onregmatige mededinging die reg op werfkrag ("goodwill") is, alhoewel die reg op 'n onderskeidende merk en 'n handelsgeheim ook ter sprake kan wees. Die bestaan van 'n algemene vorm van aanspreeklikheid is deur ons howe erken. Die wisselwerking tussen reputasie en werfkrag is ook ondersoek. Die huidige posisie is dat slegs 'n reputasie, en nie werfkrag nie, vereis word. Beskerming is gegee in gevalle waar 'n besondere produk nog nie op die mark was nie. Die bestaan van 'n uitdruklike bedoeling om in te meng met 'n mededinger se bemarkingsveldtog is as onregmatige mededinging beskou. As 'n beskrywende merk gebruik word, is daar 'n risiko dat 'n mededinger dit sal gebruik. Met betrekking tot geografiese konflikte, kyk die howe na die besondere area, en derde partye wat hulle merk elders gebruik het, kan nie sonder meer die area betree nie. In die geval waar daar twee partye is wat hulle merk gelyktydig gebruik, is dit opgemerk dat beide partye hulle subjektiewe regte uitoefen om hulle merk te gebruik. Met betrekking tot die eerlikheid van aanneming, is daar voorgestel dat die leerstuk van "unclean hands" toepassing moet vind. Dit is opgelet dat die bestaan van 'n handelsmerkregistrasie nie 'n verweer teen 'n aanklampingsaksie is nie. Laastens, insoverre dit die reg om 'n merk te gebruik aanbetref, is die posisie dat teenoor ander wetlike eienaars, daar 'n beperkte reg tot gebruik is.

1. Introduction

South African law comprises two parallel systems of protection for trade mark rights: firstly, the common law, and secondly, various statutory enactments. The former system is discussed below.

2. The relevance of prior use in a common law context

2.1 Nature of right being protected

2.1.1 The right to goodwill

The protection of rights derived from the use of a mark is an issue dealt with by the law of unlawful competition. This raises the question as to wherein lies the unlawfulness of competition through the unauthorised utilisation of another's trade mark? The prevailing view is that unlawful competition is at hand where there is an infringement of a trader's goodwill, or his right to attract custom.¹ The Afrikaans term "*reg op werfkrag*" is probably more apposite. Goodwill is seen by Van Heerden and Neethling² as the force or power of an undertaking to attract or draw customers, in other words its "*werfkrag*". The term "drawing power" has also been used in this context.³ The right to goodwill is seen as a subjective right,⁴ with the goodwill as the object of the right.

2.1.2 The right to the undertaking

Domanski⁵ adopts a different approach and raises a number of objections against the views of Van Heerden and Neethling.⁶ He is of the view that "*werfkrag*" may not be the object in all instances of unlawful competition. He argues⁷ that the writers admit that not every business will succeed in acquiring "*werfkrag*", yet a business may suffer pecuniary loss through an act of unlawful competition. Furthermore, "*werfkrag*" in his view never acquires any independent existence outside the context of the business. Domanski states⁸ that the weakest feature of the writers' view is their approach that "*werfkrag*" exists as soon as the undertaking is capable of functioning as such, and that there need not be any relationships with clients as such.

As an alternative, he suggests⁹ that the undertaking as a whole, which includes "*werfkrag*" as one of its components, should be preferred to "*werfkrag*"

1 Van Heerden & Neethling 1995:117; Webster & Page 1997:15-5.

2 Van Heerden & Neethling 1995:(v).

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

4 Van Heerden & Neethling 1995:96.

5 Domanski 1993:127.

6 Van Heerden & Neethling 1983.

7 Domanski 1993:133.

8 Domanski 1993:135.

9 Domanski 1993:137.

as the legal object that is infringed by acts of unlawful competition. He sees, in particular, the right to the undertaking as a bundle or conglomerate of disparate rights, bound together in a cohesive organisation.¹⁰ Such rights would include real rights, personal rights, immaterial property rights, and possibly other subjective rights. The unitary right to the undertaking thus objectified is itself an immaterial property right.¹¹ The writer does, however, concede the following:¹²

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

The response of Van Heerden and Neethling is, among others, the following:¹³

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

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

2.1.3 The right to a distinctive mark

In the context of what may, arguably, be described as the recognition of a common law trade mark, Van Heerden and Neethling¹⁴ discuss the issue of the infringement of the right to a distinctive mark. The object of the latter is the distinguishing value of the mark.¹⁵ The nature of this right is described by the learned authors as follows:-¹⁶

Although distinctive marks can exist independently of the undertaking as well as of its goodwill, the intimate relation between goodwill and distinctive marks cannot be denied, nor the fact that unlike the independent components of the undertaking, distinctive marks have no autonomy outside the context of the undertaking and can only continue existing after the undertaking as economic unit has ceased to exist, in cohesion with the goodwill. It is accordingly probably more correct to describe the *distinctive mark as accessory property* and the *right thereto as an accessory right*. However, the accessory nature of

10 Domanski 1993 138.

11 Domanski 1993 141.

12 Domanski 1993 143.

13 Van Heerden & Neethling 1995:90–91.

14 Van Heerden & Neethling 1995:75, fn 181.

15 Van Heerden & Neethling 1995:108.

16 Van Heerden & Neethling 1995:110.

the right to the distinctive mark does not detract from the fact that it should be recognized beside the right to goodwill. There can be no doubt that the right to the distinctive mark is an *immaterial property right*: its object is an incorporeal creation of the human mind which can exist separately from the personality of its creator — it can be transferred (alienable) and does not cease to exist with the holder of the right.

In this context it is also necessary to have regard to the following view of Gardiner:¹⁷

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

The crucial question is, of course, when does the right to a distinctive mark come into existence? If the nature of the mark is in itself decisive, it would follow that if a mark is distinctive, the right would exist the moment that the mark was selected. On the other hand, if the right to a distinctive mark is accessory to the right to goodwill, it would seem that that right would come into existence when the right to goodwill does. The latter is stated by Van Heerden and Neethling¹⁸ to occur when the individual components of the undertaking become capable of functioning as an undertaking. Gardiner¹⁹ states that for a subjective right of property to vest in a trade mark at common law, three elements are required. The claimant must adopt the mark, it must be distinctive, and, importantly, it must be used. It thus appears that the legal position would be that even if a right to a distinctive mark is advanced, the requirement of use is still applicable.

2.1.4 The right to a trade secret

This right could also be relevant. Insofar as writers are concerned, it is of relevance to have regard to the views of Knobel.²⁰ Knobel supports the case for the recognition of a subjective right to the trade secret, being an intellectual property right. This would, of course, imply that even outside the context of, for instance, passing-off, protection might be available to a trade secret. The important question would, of course, be whether, for instance, knowledge about the name of a proposed trade mark would constitute confidential information.

17 Gardiner 1995:538 (unpublished LLD-thesis, UNISA).

18 Van Heerden & Neethling 1995:100.

19 Gardiner 1995:566.

20 Knobel 1996 (unpublished LLD-thesis, UNISA).

This appears to be the position according to Knobel. His views can be summarised as follows. Information about a (potentially) distinctive mark can, in certain circumstances, be a trade secret.²¹ If, for instance, a label is designed for use on a product to be launched, information concerning the appearance of the label, and the product in connection with which it is to be used, may well constitute trade secrets.

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

Knobel specifically states that trade secret misappropriation, whilst it usually takes place in the context of trade competition, can also occur outside such a context.²² He also indicates that it is not necessary to prove the infringement of the right to goodwill to establish the wrongfulness of such misappropriation, proof of infringement of the right to the trade secret is sufficient. He also states that in novel or borderline situations the courts can rely on the *boni mores* to solve particularly difficult questions of wrongfulness.²³ In applying the *boni mores* criteria, careful balancing of the conflicting interests of the parties involved must be performed. He also states that considerations of legal policy play an important role in this process.

It is to be noted that Knobel emphasises that the trade secret relates to a distinctive mark. A non-distinctive mark is thus excluded from protection. The question arises whether the right to a trade secret could not also feature in such a situation. Having regard to the elements of a trade secret,²⁴ it appears that in principle, protection may be possible. The decisive issue here seems to be whether the information is of economic value. In terms of case law, it was, for instance, stated in *Kemp, Sacs & Nell Real Estate (Edms) Bpk v Solfr*²⁵ that²⁶

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

It is possible to envisage situations where information about a proposed mark may be of value, even if the mark is not of a distinctive nature. For

21 Knobel 1996:226.

22 Knobel 1996:239.

23 Knobel 1996:241.

24 These are stated to be, according to Knobel 1996:283, the existence of information; that has commercial applicability; that is secret; in relation to which it is the will of the owner to keep it secret; that has economic value; and that is concrete, or has the potential to be concrete.

25 1986 (1) SA 673 (O).

26 At 692G (own emphasis).

instance, where information is obtained about a new product the market leader intends to place on the market. In terms of competition in the market, such information may be of great value to competitors. It is thus submitted that there should not be a rigid requirement that a non-distinctive mark cannot receive protection, but that the elements of a trade secret should be satisfied.²⁷ This would follow if the right to a trade secret is truly seen to be an independent subjective right.

2.2 Basis of protection

2.2.1 Recognition

Unlawful competition is prevented on an Aquilian basis. In the important decision of *Schultz v Butt*²⁸ it was said that unlawfulness, leading to Aquilian liability, may fall into an established category, but it is not limited to unlawfulness of that kind.²⁹ Writers also support the concept of a general basis of liability.³⁰

2.2.2 Criteria

In relation to the determination of the requirement of unlawfulness, it can be briefly stated that in earlier cases³¹ regard was had to the issues of fairness and honesty. In *Elida Gibbs (Pty) Limited v Colgate Palmolive (Pty) Limited (1)*³² reference was made to the decision in *Dunn & Bradstreet (Pty) Limited v SA Merchants Combined Credit Bureau (Cape) (Pty) Limited*³³ where it was said that fairness and honesty are somewhat vague and elastic terms but nevertheless relevant criteria. Dealing with these concepts, the court stated³⁴ that whilst conduct which is unfair or dishonest might also be unlawful, it does not necessarily follow that unlawful competition must be either dishonest or unfair. A related decision is that in *Union Wine Limited v E Snell & Company Limited*³⁵ where the court came to the conclusion that in the absence of dishonesty, unfairness *per se* cannot serve as a criteria for unlawfulness.³⁶

Other criteria³⁷ that have found acceptance include the *boni mores*, in particular in the decision of *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd*.³⁸ It was also approved in the leading case of *Schultz v Butt*.³⁹ The

27 See also the discussion of sabotage marketing at 2.5.3 below.

28 1986 (3) SA 667 (A).

29 At 678 H-J.

30 Loubser 2000:168 at 184.

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

32 1988 (2) SA 350 (WLD).

33 1968 (1) SA 209 (C).

34 1988 (2) SA 350 (WLD), at 354 F-H.

35 1990 (2) SA 189 (C).

36 At 203F.

37 Loubser 2000:186.

38 1981 (2) SA 173 (T).

39 fn 28.

application of the competition principle has also been proposed.⁴⁰ With regard to the evaluation of the *boni mores*, a *caveat* was, however, expressed in *Lorimar Productions Inc v Sterling Clothing Manufacturers (Pty) Limited*,⁴¹ where the court stated⁴² that a court should merely mirror the general sense of justice of the community as manifested in public opinion, and should be cautious of being used “as a spear head of the avant-garde of law reform.” The appropriate forum was said to be parliament. Writers have also expressed reservations in this regard.⁴³

2.2.3 Criticism by courts

It bears mentioning that in deciding cases in which reliance is placed on the general delict of unlawful competition, the courts have on occasion stated certain reservations and qualifications. In *Payen Components SA Limited v Bovis CC*⁴⁴ the court stated the following:⁴⁵

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

In *Blue Lion Manufacturing (Pty) Limited v National Brands Limited*,⁴⁶ the court referred⁴⁷ to the *Payen* case⁴⁸ 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.

40 Van Heerden & Neethling 1995:128. Compare further the views of Van Heerden 1990:6.

41 1981 (3) SA 1129 (T).

42 At 1155 C-E.

43 See Boberg 1990:20 40.

44 1995 (4) SA 441 (A).

45 At 453 F-H.

46 2001 (3) SA 884 (SCA).

47 At 886J-887A.

48 fn 44.

2.3 Requirements for protection

Passing off is the most important form of unlawful competition relied on in practice for the protection of trade marks on the basis of common law rights. The most authoritative definition of passing off was given in the case of *Capital Estate and General Agencies (Pty) Limited v Holiday Inns Inc.*⁴⁹

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

In *Premier Trading Company (Pty) Ltd v Sporttopia (Pty) Ltd*,⁵⁰ the Supreme Court of Appeal (SCA) reviewed earlier decisions and then stated⁵¹ the minimum requirements to be the existence of a reputation and deception, or at least confusion, caused by the conduct of the defendant, which would influence members of the public to purchase the goods. With regard to the important element of a reputation, it was said in *SC Johnson & Son Inc. v Klensan (Pty) Limited t/a Markrite*⁵² that the mere fact of large-scale advertising, or even of substantial sales does not in itself prove the existence of a reputation.⁵³ In *Reckitt and Coleman SA (Pty) Limited v SC Johnson & Son (SA) (Pty) Limited*,⁵⁴ it was said that a court can make an inference from the facts, if no direct evidence is available.⁵⁵ A similar view was expressed in the decision of *GPS Restaurante BK v Cantina Tequila (Mexican Connection) CC*,⁵⁶ where it was stated,⁵⁷ with reference to *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd*,⁵⁸ that the existence of a reputation can be inferred from the evidence of sales or of advertising.

2.4 Use by foreign plaintiffs

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

49 1977 (2) SA 916 (A), at 929 C.

50 2000 (3) SA 259 (SCA).

51 At 267 D-F.

52 1982 (4) SA 579 (T).

53 At 584E.

54 1995 (1) SA 725 (T).

55 At 732E.

56 1997 1 All SA 603.

57 At 609A.

58 1977 (3) SA 144 (T).

2.4.1 Decisions in favour of local respondent

The South African party in *Slenderella Systems Incorporated of America v Hawkins*⁵⁹ successfully relied on the absence of trading activities. A carried on business in a number of countries whilst using the trade mark Slenderella. The name has, amongst others, been advertised extensively in publications circulating in South Africa, for a period of ten years prior to the matter.⁶⁰ Several applications were also received by A for the franchising of its business operations in South Africa. B commenced use of the same mark. The court held that A wholly failed to establish that it has any right of property in South Africa and the fact that it carried on business in other jurisdictions and that magazines containing their advertisements were circulated in South Africa, cannot by themselves confer on it any such right.

A similar approach as in the above case was followed in the well-known decision in *Tie Rack plc v Tie Rack Stores (Pty) Limited*.⁶¹ A conducted business in England and a number of foreign countries, however, it did not conduct business in South Africa. A used the trade mark Tie Rack along with a distinctive logo. B conducted business in South Africa under a similar trade mark. A sought relief on the basis of passing off, unlawful competition and copyright infringement. A relied on spill-over advertising, and affidavits were also filed by South African citizens who were acquainted with A's business. The court accepted that the inference must be drawn, at least as a probability, that a deliberate attempt was made to copy A's business name, its get up and its image.⁶² It, however, stated that this is not what the enquiry is in terms of a passing-off action. Copying was said not to be the same as passing off, with reference to the decision of the House of Lords in *Erven Warnink BV v J Townend and Sons (Hull) Ltd*.⁶³ The court then had particular regard to the requirement of the existence of goodwill. The court stated that the essential question of fact is and remains whether an assailment of goodwill has been established.⁶⁴ The court then came to the conclusion that A simply did not have any goodwill, no attractive force *in this country*.⁶⁵

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

It is of interest to have regard to a comment made by the court in *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Limited*⁶⁶ on the issue of protection of overseas plaintiffs. The then Appellate Division said that it was clear that South African (and English) courts have, in fact, not protected the owners of foreign trade marks who did not have a goodwill in the country. It

59 1959 (1) 519 (W).

60 At 519H.

61 1989 (4) SA 427 (T).

62 At 441H.

63 1980 [RPC] 31.

64 1989 (4) SA 427 (T), at 443E.

65 At 445C.

66 1997 (1) SA 1 (A).

was stated that, to this extent, the common law of passing off has not been sufficient to constitute compliance with article 6bis of the Paris Convention.⁶⁷

2.4.2 Views of writers

It was stated by some commentators that it cannot be disputed that the above position runs counter to one's feeling for morality and natural justice,⁶⁸ but the situation was nevertheless seen to be justifiable.⁶⁹ In contrast, Van Heerden and Neethling⁷⁰ consider the position to be unacceptable, as the overseas trader has a definite interest in the integrity of his goodwill and suggest that that interest should be protectable by law. The authors are critical of the courts' approach that goodwill has no independent existence apart from the undertaking to which it is attached, and propose that the legal position should be the following:⁷¹

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

2.4.3 Decisions in favour of the overseas plaintiff

Protection was granted to the foreign plaintiff in *Haggard Company v SA Tailors Craft (Pty) Limited*.⁷² B, a South African company, adopted A, an American company's trade mark, and also copied its get-up. Insofar as the reputation of A was concerned, A produced evidence of the sales of 2 200 pairs of slacks over a three year period. B countered that that figure only represents 0.5 percent of the South African market. The court, *per* Mostert J, nevertheless held in favour of A, and, interestingly, stated that even if the reputation was caused by the unlawful act of B, that fact made the reputation no less part of the property of A.⁷³

2.4.4 The current position

The current position regarding the issue is contained in the case of *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd*.⁷⁴ The decision of the Supreme Court of Appeal in the above decision brought about a change in the legal position. The approach of the court was the following. Firstly, the SCA

67 At 19 D.

68 Page 1990:41 53.

69 See Page 1990:54-55.

70 Van Heerden & Neethling 1995:181-182.

71 Van Heerden & Neethling 1995:182.

72 1985 (4) SA 569 (T).

73 At 581.

74 1998 (3) SA 938 (SCA).

considered the view of the court *a quo*.⁷⁵ The latter held that the ordinary rules of jurisdiction apply and that the plaintiff must thus establish that his goodwill extends to the jurisdiction of the court. The existence of a goodwill “generated by sales,” within the jurisdiction of the court must be proven. The SCA indicated that the latter view combined two divergent issues, namely the elements of passing off, and the requirements for jurisdiction.⁷⁶ It was stated that the only component of the goodwill of a business that can be damaged by means of passing off is its reputation.⁷⁷ It was also stated that it is incorrect to equate goodwill with reputation.⁷⁸ The court mentioned that the fact that, under certain circumstances, the locality of a business might be a component of goodwill, does not mean that goodwill can only exist where the business is located.⁷⁹ The court then set out the legal position as follows:⁸⁰

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

2.4.5 Interplay with the statutory position

The position in relation to this specific aspect is not unlike that prevailing in terms of section 35 of the *Trade Marks Act* 194 of 1993, which provides protection although a person does not carry on business or has any goodwill in this country.⁸¹ There is accordingly considerable harmony in this regard between the statutory and common law. This appears further when regard is had to the *McDonald's* decision,⁸² wherein the SCA stated the following:

The Legislature intended to extend the protection of a passing-off action to foreign businessmen who did not have a business or enjoy a goodwill inside this country, provided their marks were well known in the Republic. It seems logical to accept that the degree of knowledge of the marks that is required would be *similar* to that protected in the existing law of passing-off.⁸³

There are, of course, differences to bear in mind, such as the requirement that use must be in relation to the same or similar goods or services, which

75 At 946B.

76 At 946I.

77 At 947J.

78 At 948B.

79 At 949F.

80 At 950 A-C.

81 Section 35(1).

82 1997 (1) SA 1 (A).

83 At 21 C-D (own emphasis).

applies to the infringement of well-known marks,⁸⁴ but not to passing off. Leaving that aside, however, the court's view, to a large extent, places the protection provided by section 35 on the same footing as that available by way of passing off. A reputation that is sufficient for passing off is thus seemingly sufficient for section 35 as well, and to this extent the tests are similar. Notionally, passing off, of course, relates primarily to marks that are (merely) distinctive (or have acquired secondary meaning) and not necessarily perceived to be, on some basis, to be (also) "well-known".

2.5 Acquisition of rights

2.5.1 Intention to use

That the mere intention to commence use of a mark is not sufficient to provide a party with rights, appears from the decision in *Pick-N-Pay Stores Ltd v Pick-N-Pay Superette (Pvt) Ltd*.⁸⁵ A, a well-known South African chain of supermarkets, planned to open stores in the then Rhodesia. B used the trade mark Pick-N-Pay in relation to a supermarket in Rhodesia. Having regard to the decision in *Stellenbosch Wine Trust Ltd v Oude Meester Group Ltd*,⁸⁶ where protection was granted notwithstanding the fact that the product concerned was not yet on the market, the court made the following statement:⁸⁷

Mr. Tett submitted that by analogy it could be said in this case that *in view of applicant's plans to trade in Rhodesia the fact that it had not yet entered the Rhodesian market was not a bar to relief*. I agree with Mr. Whitaker, however, that the facts in this case are completely distinguishable from the facts in the *Oude Meester* case. There would be a closer analogy if in the *Oude Meester* case the applicant has merely conceived of the idea of a new name and had not taken any steps in regard to the printing of labels or any steps preparatory to publicity. In such circumstances, had the respondent got in first, and not clandestinely, it seems to me unlikely that the applicant would have had the right to relief.

2.5.2 Promotional use

The decision in *Arjo Wiggins Ltd v Idem (Pty) Ltd*⁸⁸ established that promotional use of the mark concerned does not amount to trade mark use:⁸⁹

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

84 Section 35(3).

85 1973 (3) SA 564 (R).

86 1972 (3) SA 152 (C).

87 1973 (3) SA 564 (R), at 571E-G (own emphasis).

88 2002 (1) SA 591 (SCA).

89 At 600D-E.

It is submitted, however, that in a *common* law context, this pronouncement is not applicable. Accordingly, the only question would be whether the requirements for obtaining protection, in particular on the basis of passing off, have been met.

2.5.3 Sabotage marketing

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

2.5.3.1 General approach

A label of a competitor was obtained prior to the launching of the product in *Stellenbosch Wine Trust Ltd v Oude Meester Group Ltd*.⁹⁰ In this matter, A decided to market a wine under a particular label. An extensive advertising campaign was planned for the 31st of January 1972 but on the 19th of January 1972 B commenced marketing of a product which was said to bear a remarkable resemblance to the label of A. B argued that the product had, at the relevant time, not yet been marketed and that the label concerned had accordingly acquired no reputation.⁹¹ The court then stated:

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

The conduct of B was held to amount to passing off.⁹³ The court also considered that B competed unlawfully by taking information which it knew to be secret and confidential. The view has, however, been expressed by Van Heerden and Neethling,⁹⁴ that it was not correct to have ruled that passing off was involved, as the product was not yet on the market.⁹⁵

90 1972 (3) SA 152 (C).

91 At 159H.

92 At 160B-E.

93 At 160 F.

94 Van Heerden & Neethling 1995:172.

95 See also Knobel 1996. See 2.1.4 above.

The decision in *Carling National Breweries Incorporated v National Brewing Company*⁹⁶ involved the pre-emption of a marketing campaign of a competitor. In this decision of the Transvaal Provincial Division, a beer named Colt 45 was intended for marketing in South Africa. Marketing materials were prepared, strategic studies were done, and a short trial run was conducted. About a week prior to the launching of the beer by the appellants, the respondent advertised its intention to market a product to be called Stallion 54. Advertisements were placed in various newspapers and the product was available at certain liquor stores. The Colt 45 product was not yet available. The court, having dismissed the trade mark infringement action, remarked as follows:⁹⁷

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

The product concerned was also not yet on the market in *Pepsico Inc v United Tobacco Co Ltd*.⁹⁸ A distributed its product to the major retailers by way of advertisements and thereafter by advice and information to them in preparation for the marketing of the products. Factory equipment was purchased, which was used to make samples for testing for quality specifications. Thereafter the introduction of suitable packaging took place, as well as the development of an advertising strategy and sales merchandising which related to equipment for the presentation and sale of the product in retail outlets.⁹⁹ The court indicated¹⁰⁰ that these activities, in themselves, would not have been an introduction into the market, but it was indicated that presentations, however, took place in addition to the activities mentioned above. A reputation thus existed, and protection was granted.

2.5.3.2 The role of motive

In *Kellogg Company v Bokomo Co-operative Limited*,¹⁰¹ it was alleged that there was a deliberate attempt to prejudice a competitor's marketing efforts. This matter related to an allegation that A brought forward the launch date of its product so as to interfere with B's marketing plans. In this matter the view adopted by B was the following.¹⁰² It submitted that A's launch has been on a very limited scale, that it had no product on which to use its trade mark, and urgently purchased a cereal biscuit from a large chain store, and that the pack design of this product was made in a number of days. It was also said that

96 *Patent Journal* (Dec 1979), at 126.

97 At 128.

98 1988 (2) SA 334 (WLD).

99 At 343H-I.

100 At 343I.

101 1997 (2) SA 725 (C).

102 At 737B-D.

the only difference between A's conduct and that of the respondent in the *Pepsico* case¹⁰³ is that the respondent in the current instance alleged that it had plans to launch its product for a long time, which was a distinction not of any significance, and that A's conduct accordingly offended against the *boni mores*.¹⁰⁴ A adopted a different approach.¹⁰⁵ It was stated that it had decided to introduce line extensions to its brand and that the line extension plans faltered because of manufacturing difficulties and unavailability of technology. It also stated that it commenced the construction of a manufacturing plant at a cost of more than 60 million rand and site was ready. Having regard to all the factors the court ruled in favour of A, and stated the following:¹⁰⁶

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

Interference with a marketing campaign was not necessarily seen as unlawful in *Carling National Breweries Incorporated v National Brewing Company*.¹⁰⁷ In this decision it was stated that:¹⁰⁸

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

This statement is, as a general pronouncement, with respect, open to criticism. When regard is had to the extensive preparations and considerable cost involved in the process of launching a new product it is, arguably, against the *boni mores* to disrupt same. Usually the name will be changed somewhat, but the underlying motive is to strip the competitor of the benefit of the "novelty" value of the intended new product. The relevance of motive in determining unlawfulness is, of course, well established.¹⁰⁹

On the other hand, in *Pepsico Inc v United Tobacco Co Ltd*,¹¹⁰ the motive of the defendant was considered to be relevant. In this case, after considering

103 fn 98.

104 At 737F.

105 At 738B-F.

106 At 739E (own emphasis).

107 fn 96.

108 At 128.

109 See Van Heerden & Neethling 1995:136.

110 1988 (2) SA 334 (WLD).

the chronology of events, the court answered the question whether the actions of the respondent amounted to unlawful competition as follows:¹¹¹

In my view, fairness and honesty applied to their actions, manifest those traits by their lack of application by the respondent. With the knowledge that the product was to be launched, they scurried off and prepared a launching on a small scale with the *express intention* of preventing the applicant from carrying out its prepared introduction and final launch ... Once the respondent became aware of this prior use of the mark, which had, in my view, acquired a reputation by its demonstration, it was sharp practice constituting unlawful competition to attempt to pre-empt the applicant's launch ...

2.5.4 Descriptive marks

2.5.4.1 Acquisition of a reputation

The *Sea Harvest Corporation (Pty) Limited v Irvin & Johnson Limited*¹¹² matter related to the use of the words "prime cut" in relation to fish products. Reliance was not placed on passing-off, but on unlawful competition.¹¹³ The court indicated that it was prepared to accept that a slogan or catchword could be protected on the basis of unlawful competition even if the conduct did not amount to passing off.¹¹⁴ The following statement was then made:¹¹⁵

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

2.5.4.2 The role of motive

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

111 At 349G-J (own emphasis).

112 1985 (2) SA 355 (C).

113 At 358H.

114 At 359I.

115 At 360B-E.

It must be indicated, firstly, that even the “intentional” adoption of a descriptive mark does not, according to some decisions, attract liability. In *Sea Harvest Corporation (Pty) Limited v Irvin & Johnson Limited*,¹¹⁶ where reliance was not placed on passing off, but on unlawful competition, the court made the following comment in regard to whether the use of a descriptive word can be unlawful in view of the intention of the respondent:¹¹⁷

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

A different approach was followed in *Appalsamy v Appalsamy*.¹¹⁸ Here A was involved in the business of manufacturing and repairing geysers under the name City Geysers. B commenced use after A of the name City Geysers Manufacturers. With regard to the relevance of the respondent’s motive, the following statement was made:¹¹⁹

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

In regard to the question whether an ulterior motive could provide the basis for protection of a non-distinctive mark, it is important to bear in mind the decision in *Bress Designs (Pty) Ltd v GY Lounge Suite Manufacturers (Pty) Ltd*.¹²⁰ Here the court took into consideration the fact that the respondent’s actions had as their sole or dominant purpose the infliction of harm for its own sake. In this decision protection was granted, although the shape of the product concerned, a sofa, was not of a distinctive nature. It is submitted that an analogy can be made with the position of a descriptive mark.

116 1985 (2) SA 355 (C).

117 At 361D-E (own emphasis).

118 1977 (3) SA 1082 (D & CLD).

119 At 1086F-H (own emphasis).

120 1991 (2) SA 455 (W).

It is of value in this regard to consider the views of Van Heerden and Neethling who deal with situations where the lawfulness of the conduct of the second user of a *descriptive* mark is revoked. This would be where the second user's purpose is to pass off his goods as that of the first user. This will, *prima facie*, be in conflict with the competition principle.¹²¹ They describe another instance as follows:¹²²

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

Mention can again be made here of the *Pepsico* case,¹²³ which made specific reference to the fact that the actions concerned were undertaken with the express intention of preventing the one party's introduction of its product.

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

Decisions such as that in *Bress Designs (Pty) Ltd v GY Lounge Suite Manufacturers (Pty) Ltd*¹²⁴ could be seen to support this approach.

2.6 Geographical dimension

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

2.6.1 Distribution of goods

In *Union Steam Bakery (Pty) Limited v Nichas*¹²⁵ A and B carried on business as bakeries. A conducted business in the town of Middelburg under the name Union Bakery, later known as Union Steam Bakery. B conducted business in

121 Van Heerden & Neethling 1995:174.

122 Van Heerden & Neethling 1995:174. The reference to "distinctive" mark in the last sentence should probably be to a descriptive mark.

123 fn 110.

124 fn 120.

125 1955 (1) SA 25 (T).

the town of Bethal some 80 kilometres away. For many years there was no conflict between the two parties, but at some stage B commenced delivery of his breads to firms in Middelburg. His bread had the imprint "Union." The court found¹²⁶ that confusion was likely.

2.6.2 Rendering of services

In *GPS Restaurant BK v Cantina Tequila (Mexican Connection CC)*¹²⁷ A used the trade mark Cantina Tequila in relation to a Mexican style restaurant in the Johannesburg suburb of Brixton. It appeared that B owned and carried on a Mexican style restaurant at the Victoria and Alfred Waterfront in Cape Town, which business has been established approximately 15 months after the date on which A commenced business. B decided to launch a Mexican style restaurant under the same trade mark in the Johannesburg suburb of Rosebank. The court stated that B will only be allowed to trade under the name Cantina Tequila in Rosebank, if no passing off was likely to occur, in view of the fact that the court came to the conclusion that A had established a goodwill that is not confined to Brixton, but extends into the northern suburbs and at least includes Rosebank.¹²⁸ Having regard to all the circumstances, the court ruled in favour of A and restrained B from using the trade mark concerned in the area of Rosebank.

2.7 Concurrent use

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

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

Traditionally, there is no right under South African common law to use a mark.¹²⁹ Some writers opine that the essence of the "defence" that is said to exist in the situation under discussion is that the matter complained of is distinctive

126 At 27E.

127 1997 1 All SA 603 (T).

128 At 613E.

129 Webster & Page 1997:15-83.

of the defendant and not of the plaintiff; that it is distinctive of neither; or that the goodwill adhering to it vests in both.¹³⁰

The doctrine of subjective rights may provide a more sound basis for an evaluation of the matter. This doctrine deals in particular with the relationship between a legal subject and a legal object. The general nature of the subject-object relationship is explained as follows by Van Zyl and Van der Vyver:¹³¹

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

More specifically, insofar as the position of the subject towards *corporeal* property rights is concerned, the authors state the following:¹³²

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

It is submitted that these views also apply to the position of a legal subject towards immaterial goods, or *intellectual* property. This conclusion would entail, firstly, that there exists, in the subject-subject relationship, the right to prevent others from infringing upon the subject-object relationship.¹³³ Secondly, and importantly, it can also be said that, flowing from the subject-object relationship, there is a positive right to *use* the mark.

In the concurrent use situation, there is clearly a conflict between the rights of the parties, and the question arises as to what criterion could be relied on to resolve the conflict. It is instructive in this context to have regard to the views of Knobel.¹³⁴ Dealing with the right to a trade secret, and in particular the situation where two parties originate the same secret, he states that in novel

130 This is the view of Webster & Page 1997:15-58, with which view Van Heerden & Neethling 1995:185 seem to agree.

131 Van Zyl & Van der Vyver 1982:415-416.

132 Van Zyl & Van der Vyver 1982:422.

133 Van Heerden & Neethling 1995:80.

134 Knobel 1996.

or borderline situations the courts can always fall back on the *boni mores* to solve particularly difficult questions of wrongfulness.¹³⁵ In applying the *boni mores* criterion, careful balancing of the conflicting interests of the parties involved must be performed. Considerations of legal policy play an important role in this process. Knobel¹³⁶ indicates that this is an unusual situation where the law awards two (or more) legal subjects equally strong subjective rights to the same legal object. The defendant is exercising his or her own subjective right, and the extent of the plaintiff's subjective right as against the defendant is accordingly limited thereby.

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

The parties' rights would have to be weighed up carefully, in order to determine when and under what circumstances the use of the concurrent user would no longer amount to unlawful competition. Clearly, the duration and extent of use would be relevant. As a minimum, in order to rely on the so-called defence of concurrent right, the mark concerned must have acquired a reputation or an own distinctive value.¹³⁷ In the English case of *Daimler Chrysler AG v Javid Alavi (t/a Merc)*,¹³⁸ it was, for instance, stated that:¹³⁹

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

2.8 Honesty of adoption

In relation to the honesty of the adoption of a mark, it is of value to consider the doctrine of "unclean hands". The question is, of course, whether the lack of "honesty" in the adoption of a mark may be relied on by a respondent in

135 Knobel 1996:241.

136 Knobel 1996:242 (own emphasis).

137 Van Heerden & Neethling 1995:185.

138 2001 [RPC] 813.

139 At par 67 (own emphasis).

a passing off action. In particular circumstances, the manner of adoption of a mark will clearly exclude protection. However, in the discussion that follows, the only question that is considered is whether the fact that a party that commences use is aware that the mark is that of another, disqualifies that party from obtaining relief.

2.8.1 Decisions

In the important decision of *Zyp Products Company Limited v Ziman Bros Limited*,¹⁴⁰ B used a label confusingly similar to that of A. Although passing off was found to exist, relief was refused on the basis that A made a false representation through the use of the words “New York” in relation to its products. The court held¹⁴¹ that the plaintiff in a passing off case is not entitled to protection if he himself by the get up of his goods makes a material false representation in relation to such goods.

Non-compliance with regulatory legislation featured in the decision in *Barclays Bank (DC & O) v Volkskas Beperk*.¹⁴² It was said¹⁴³ that there must be an element of *dolus* before protection shall be refused. In *Volkskas Beperk v Barclays Bank (DC & O)*¹⁴⁴ the court dealt, among others, with the contention that the name concerned was used without the consent of the Registrar of Banks.¹⁴⁵ In this regard it was considered¹⁴⁶ to be of importance that no *mala fides* could be established on the part of the plaintiff.

In *Tullen Industries Ltd v A de Sousa Costa (Pty) Limited*¹⁴⁷ the applicant used the symbol ® misrepresenting that the particular mark had been registered. The court, nevertheless, did grant relief and stated that relief can only be denied on proof of at least dishonesty.¹⁴⁸ The court reviewed earlier decisions, and commented on the approach adopted in the *Zyp* case¹⁴⁹ by saying that the decision was erroneously based on case law derived from the English law of equity.¹⁵⁰

Whilst bearing in mind the approach currently followed in relation to well-known marks,¹⁵¹ the approach of the then Appellate Division in the decision in *Victoria's Secret Inc v Edgars Stores Limited*¹⁵² is instructive. It was said there that, however well-known the mark Victoria's Secret may be in the United

140 1926 TPD 224.

141 At 232.

142 1951 (4) SA 630 (T).

143 At 636C.

144 1952 (3) SA 343 (A).

145 At 349A-B.

146 At 349C.

147 1976 (4) SA 218 (T).

148 At 221H.

149 fn 140.

150 At 221B.

151 Section 35 of the 1993 Act.

152 1994 (3) SA 739 (A).

States, there was no evidence that it is well-known in South Africa.¹⁵³ B, however, argued that A's claim to proprietorship of the trade mark was vitiated by its conduct in deliberately copying B's entire marketing programme and each and every aspect of their trading activities.¹⁵⁴ The court then made the following statement:¹⁵⁵

Whatever a moralist might say, Edgars' proposal to use in South Africa the trade mark VS in competition with VS Inc which owns and uses it extensively in the USA and which might come here cannot be described as fraud or as involved in any breach of the law.

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

2.8.2 Views of writers

Van Heerden and Neethling¹⁵⁶ state that in the case of the use of a misleading name the vesting of a right to the distinguishing value of a mark is denied, but then add the following:

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

It is submitted that this approach provides the answer to the question posed at the beginning of this discussion. This is namely whether protection can be excluded in cases of the "dishonest" adoption of a mark, where a mark is adopted whilst being aware of the fact that the mark is being used by another. This fact in itself should not exclude protection. For one reason, it could amount to a negation of basic principles of liability, more specifically, the existence of a reputation that is related to a geographical area, and could provide unduly wide protection. The mere fact of *knowledge* of another's use of the mark should not be decisive. The following statement of Van Heerden and Neethling¹⁵⁷ seems to provide support for this view:

153 At 748H.

154 At 752G.

155 At 753 B-C.

156 Van Heerden & Neethling 1995:184.

157 Van Heerden & Neethling 1995:185.

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

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

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

2.9.1.1 The relevant provision

In the consideration of the ability of the holder of common law rights to prevent the unlawful use of his trade mark, the relevance of the fact that the respondent has registered the mark concerned must be considered. In this regard, section 33 of the *Trade Marks Act* 194 of 1993 determines the following:

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

2.9.1.2 Application of provision

In *Glenton & Mitchell v Ceylon Tea Company*,¹⁵⁸ it was held, in relation to the predecessor of section 33, that:

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

The court then added the following:

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

This requirement was, however, not accepted in the later decision of *Solmike (Pty) Ltd v West Street Trading Co (Pty) Ltd*.¹⁵⁹

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

¹⁵⁸ 1918 WLD 118, at 126-127.

¹⁵⁹ 1981 (4) SA 706 (D & CLD), at 712A.

Some decisions, however, suggest that the fact of registration could somehow have an impact.¹⁶⁰ In this regard, the court in *Kellogg Co and Another v Bokomo Co-Operative Limited*¹⁶¹ held that:¹⁶²

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

Other decisions also seem to hold that whilst a registration does not provide a defence, *per se*, it could have some, even if marginal, value. In *Ni no's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC*¹⁶³ the following was said:¹⁶⁴

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

The correct view appears to be that the fact of registration does not constitute even a relative type of defence. Most commentators¹⁶⁵ on statutory trade mark law, however, do support the view adopted in the *Glenton*¹⁶⁶ and *Solmike*¹⁶⁷ decisions; in other words, that the wording of section 33 is to the effect that a trade mark registration is not a defence to passing off proceedings. However, writers on the common law interpret section 33 differently, namely to enact that the proprietor of a registered mark may, in addition to an infringement action, also rely on the remedy of passing off.¹⁶⁸

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

2.9.2 The right to use a mark

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

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

161 1997 (2) SA 725 (C).

162 At 736J (own emphasis).

163 1998 (3) SA 656 (C).

164 At 666H (own emphasis).

165 Webster & Page 1997:12-6 & 12-78; Job 1995:22 23.

166 fn 158.

167 fn 159.

168 Van Heerden & Neethling 1995:197 (in relation to section 43 of the previous Act.)

2.9.2.1 A statutory right to use

The previous Act did not contain a general provision¹⁶⁹ conferring the right to use a registered mark.¹⁷⁰ It merely tabulated¹⁷¹ when the rights acquired by the registration of a mark would be infringed, and the current Act has adopted the same approach.¹⁷² In several judgments it has, however, been stated that registration gives the exclusive¹⁷³ or absolute¹⁷⁴ right to use the registered mark.¹⁷⁵ The same view has been expressed by writers on the previous¹⁷⁶ as well as the current Act.¹⁷⁷ The question that is inevitably raised by the notion of a right to use, is the extent to which such a right can be maintained in the face of other registrations, or the holders of common law rights.¹⁷⁸ In relation to the former, there appears to be scope for the acceptance of a right to use the mark. However, in view of provisions such as that of section 34(1)(c), which allows infringement actions for a wide range of goods or services, and in relation to which a registration in a particular class would not *ipso facto* be a defence, it is necessary to describe this right to be of a limited nature.

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

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

171 In section 44(1).

172 See section 34(1)-(2). Section 9(1) of the British Act declares that the proprietor of a mark "has exclusive rights" in the trade mark which are infringed by use thereof without his consent. Article 5(1) of the European Directive of 21 Dec 1988 (89/104/EEC) is framed in a similar vein, stating that a registered mark confers on the proprietor "exclusive rights therein." In *Inter Lotto (UK) Ltd v Camelot Group plc* [2003] 3 All ER 191, it was confirmed that a registered mark does not entail the right to use, but only the right to exclude others from use (paragraph 35).

173 See for instance *Shalom Investments (Pty) Ltd v Dan River Mills Inc.* 1971 (1) SA 689 (A) 706 D; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd* 1977 (3) SA 144 (T) 150 B; *Tri-ang Pedigree SA (Pty) Ltd v Prima Toys (Pty) Ltd* 1985 (1) SA 448 (A) 465 F; *Nino's Italian Coffee and Sandwich Bar CC v Nino's Coffee Bar and Restaurant* 1998 (3) SA 656, at 673D-E.

174 This is the view expressed in *Adidas Sportschuhfabriken K.G. v Harry Walt & Co. Ltd* 1976 (1) SA 530 (T), at 535B.

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

176 Webster & Page 1986:256; Gardiner 1995:266.

177 Webster & Page 1997:12-6; Van Heerden & Neethling 1995:196.

178 There is yet another, public law dimension, namely the right to use one's mark as against the state, but this issue is not dealt with here. See Kur 1996:198.

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

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

2.9.2.2 A common law right to use

The conflict between concurrent users has been discussed above.¹⁷⁹ The common law user of a mark could also face a conflict between his perceived right to use his mark, and the negative or exclusionary right that the proprietor of a registered mark has. In the instance where, for example, such a proprietor institutes an infringement action, the user cannot rely, in the absence of prior¹⁸⁰ or concurrent¹⁸¹ use, on the fact of use as such.¹⁸²

179 Par 2.7 above.

180 See section 36(1).

181 See section 14(1).

182 Both of these situations are discussed in pars 3.1 & 3.3 below.

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