



REPORTABLE

Republic of South Africa

**IN THE HIGH COURT OF SOUTH AFRICA
(WESTERN CAPE HIGH COURT, CAPE TOWN)**

Case Number: 16926/11

and 16926A/11

In the matter between:

ETRACTION (PTY) LTD

Applicant

and

TYRECOR (PTY) LTD

Respondent

JUDGMENT DELIVERED THIS DAY OF 5TH FEBRUARY 2014

SALIE-SAMUELS AJ:

This judgment is divided into two principal parts: the application for an interdict and the counter application for partial expungement of the trade mark.

The parties were both legally represented. Mr. Seale, appeared for the Applicant and the Mr. Micaú for the Respondent.

The Application

[1] The Applicant, Etraction (Pty) Ltd (hereafter the Applicant) seeks an interdict restraining Tyrecor (Pty) Ltd (hereafter the Respondent) from infringing the Applicant's registered trade mark and costs. The application is supported by the affidavit of Imtihaz Tayob Rahimtola, a duly authorised director of the Applicant. The Applicant's trade mark is INFINITY, registration number 2008/0612 in class 12 in respect of "vehicle components and accessories; tyres, wheels, rims" dated 15 April 2008. The Applicant avers that the Respondent is infringing its rights by

"...using in relation to tyres and/or in relation to wheels and/or in relation to tyre and wheel combinations, the trade mark INFINITY or a mark so nearly resembling the Applicant's aforementioned mark as to be likely to deceive and/or to cause confusion".

[2] The Respondent, supported by the affidavit of Charl Pierre De Villiers, resists the application. The primary basis of its defence is that it's (the Respondent's) predecessor in title, Falck Trading (Pty) Ltd, commenced the use of the trade mark INFINITY during 2006 as a consequence of which Respondent and its predecessor's use of the trade mark INFINITY predates the date of registration of the Applicant's trade mark. Respondent argues that such use provides it with a defence in terms of section 36(1) of the Trade Marks Act 94 of 1993 (hereafter the Act). The Respondent also makes a counter application for partial expungement of the trade mark in respect of tyres, which will be dealt with later.

[3] The parties traversed numerous issues that cast no light on their dispute, and I will not refer to them in my judgment. The real issues between the parties in respect of the application are as follows: **Does the Applicant have a right to prevent the Respondent from using the trade mark INFINITY registered in its name in the Register of Trade Marks? Does section 36(1)(b) of the Act provide the Respondent with a defence on the facts?**

[4] It is trite law that the requirements for obtaining a final interdict are: a clear right, no other satisfactory remedy and proof of irreparable harm if the interdict is not granted.

The first issue is therefore whether or not the Applicant has a clear right. It is common cause that the Applicant is the registered proprietor of the INFINITY trade mark. A trade mark proprietor has the exclusive right, subject to the provisions of the Act, to use the trade mark. The primary provision of the Act which secure this right is section 34(1) of the Act. The Applicant relies on section 34(1)(a) and in the alternative section 34(1)(b) of the Act. The relevant portion of section 34(1)(a) provides that

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

(a) the unauthorised use in the course of trade in relation to goods or services in respect of which the trade mark is registered of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion”.

It is trite law that for there to be infringement in terms of section 34(1)(a) there must be: (i) use of the identical or a confusingly similar mark, (ii) in the course of trade, (iii) in respect of identical goods in relation to which the trade mark is registered. It is also clear that if there is use of the identical mark in respect of identical goods, the question of likelihood of deception or confusion need not be proved but is presumed. On the facts in this matter, there is no need to consider section 34(1)(b) because the trade mark INFINITY is registered in respect of tyres: there is consequently use of the identical mark in respect of identical goods, not use in respect of similar goods which is the hallmark of section 34(1)(b) of the Act.

[5] The facts are that the Respondent does not deny using the trade mark in respect of tyres and even though the Respondent contests the validity of the registration of the trade mark INFINITY in respect of tyres, the Applicant has established *prima facie* infringing use, even on the test in ***Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd*** 1984 (3) SA 623 (A) (referred to as the *Plascon-Evans* rule). The Respondent has raised both a defence and mounted a counter application in response to the application. It is clear that if the counter application succeeds, the Applicant has no right and that ends the matter. I am, however, of the view that it is more appropriate to first deal with the Respondent's defence, and then the counter application, since even if the defence succeeds, the counter application still has to be considered as it is not solely a defence to the Application.

[6] The Respondent's defence is that section 36(1) of the Act bars the Applicant from instituting infringement proceedings against the Respondent, as its predecessor had commenced using the trade mark *prior to the Applicant applying for registration* of INFINITY in its (the Applicant's) name. The Applicant alleges in the founding affidavit deposed to by Mr Rahimtola, that it commenced its use of the trade mark INFINITY during 1995. Nothing turns on the date Applicant commenced using the trade mark INFINITY as it bases its claim squarely on the registration which is dated 15 April 2008 (this is confirmed by a certificate from the Registrar of Trade Marks attached to the Applicant's documents marked exhibit **M2**). The 15th April 2008 is, therefore, the first date from which the Applicant can claim the *exclusive* right to use the trade mark INFINITY *in South Africa*.

[7] The relevant portion of section 36(1) of the Act, provides that

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

(a) anterior to the date of first-mentioned mark in relation to those goods or services by the proprietor or a predecessor in title of his;

or

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

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

Webster & Morley *Webster & Page: The South African Law of Trade Marks, Company Names and Trading Styles* 4ed paragraph 12.45.1 (page 12-79) correctly argue that the aim of the section is to “preserve common law rights that are antecedent to the rights of the registered proprietor”. The Act does not invest a prior user with a right – it derives from the common law. How does a prior user obtain the common law right to use the trade mark? Before answering this question I will refer to the facts.

[8] The Applicant, through the founding affidavit of Mr Rahimtola, obviates the necessity for the Court to rely on the *Plascon-Evans* rule referred to earlier to establish when the Respondent’s predecessor’s use commenced. The deponent swears that:

“During 2006, I saw INFINITY tyres at an exhibition but was unable to trace the products on sale in the trade. In 2007, the Applicant noted limited sales of the INFINITY tyres but was not aware of the activities that gave rise to those sales. However, in 2008 the Applicant heard that INFINITY tyres were being imported into South Africa by the Respondent on an increasing scale” (paragraph 14).

This evidence confirms the Respondent’s version that it and its predecessor has made “continuous and *bona fide* use since July 2006, to date” (paragraph 14 of Mr

De Villiers answering affidavit). The question still arises, however, what is the basis of the Respondent's rights at common law?

[9] The Respondent's right to use the trade mark INFINITY was conferred by implication by the person in China who supplied it with the tyres it imported, whomsoever that person was. It is well established there is no need for anyone to be aware of the identity of the trade mark proprietor: in ***Birmingham Vinegar Brewery Co v Powell*** (1896) 13 RPC 235, 250 the Court held that the public may be misled by mistaking one class of goods for another even though they may not know the names of the makers of either (clearly each class consists of the one person's goods. Blanco White & Jacob *Kerly's Law of Trade Marks and Trade Names* 12ed, Sweet & Maxwell, London (1986) states that:

"It is not necessary to show that the customers who knew the goods of the plaintiff's firm by a particular name or get up knew anything whatever about the plaintiff. It is immaterial that they did not even know his name, for it is sufficient to prove that purchasers of his goods recognised, by the use of the marks in question in connection with them that they were goods of a particular class and show that such class is, in fact, constituted by his goods" (page 373, paragraph 16-32; my emphases).

The existence of implied consent to use a trade mark granted by placing goods on the market without any restrictions on exporting was confirmed by the Appellate Division in **Protective Mining & Industrial Equipment Systems (Pty) Ltd**

(formerly Hampo Systems (Pty) Ltd) v Audiolens (Cape) (Pty) Ltd (the Pentax case) 1987 (2) SA 961 (AD). **Frank & Hirsch (Pty) Ltd v Roopanand Brothers** 1987 (3) SA 165 (D) establishes that a trade mark proprietor who sells goods without restriction *unconditionally* consents to it being resold in that form under the mark (page 185B).

[10] The Applicant in the founding affidavit gives no indication of the source of the goods which it markets under the trade mark INFINITY and it does not allege that it is the manufacturer of the wheels which it markets under that trade mark. The Applicant has, throughout the proceedings, elected not to provide any direct indication of its relationship to the INFINITY tyres which it markets. It is so highly improbable that the Applicant would have described itself as “a trader in wheels, tyres and related products” had it manufactured the goods in which it trades that a relationship of that type is excluded. The significance of this finding is that the Applicant is also an importer of the tyres which it markets under the INFINITY trade mark. I agree with the submission of Mr Micau for the Respondent in that had the Applicant claimed any common law rights predating its use of the trade mark, the possibility of an action for passing-off must have been canvassed with its legal representation, however, had been abandoned. In my view abandonment of the possibility of a passing-off action strongly indicates a recognition that no enforceable common law exclusive right existed.

[11] Before I can conclude my finding whether the Respondent has the right to use the trade mark, I need to satisfy myself that the Respondent is in fact the successor in title of Falck Trading (Pty) Ltd. Counsels were requested to file additional heads

of argument dealing with the law in respect of successors or predecessors in title in relation to juristic personalities. Indeed they obliged and the Court is indebted to both counsel for the supplementary heads filed in that regard.

[12] The success of the Respondent's defence in terms of Section 36 depends upon whether it is able to prove that it is to be regarded as the successor in the title of an entity that made *bona fide* use of the trade mark INFINITY prior to the date of registration of the applicant's trademark. In support of its succession, the Respondent claims that Tyrecor Holdings (Pty) Ltd, a company which later changed its name to Falck Trading (Pty) Ltd thereafter continued to do so for a period of approximately 2 ½ years and that Falck Trading's business, namely that of selling tyres, was taken over by the Respondent during March 2009. The Respondent bears the *onus* of proof in respect of the claimed prior use, either by itself or by its predecessor in title. It insofar needs to discharge the burden of convincing this Court that it had acquired these rights from Falck Trading.

[13] On behalf of the Applicant, it is contended that the acquisition of the business of one company by another must take place by means of a contract, one which would transfer the business from the one company to the other. In response, the Respondent contends that the absence of documentation relating to the transfer of the business from Tyrecor Holdings (Pty) Ltd does not mean that it did not occur or moreover, that Tyrecor Holdings was not a predecessor in title regarding the importation of INFINITY branded tyres.

[14] In adjudicating this issue in dispute, I have also considered the redacted minutes of a meeting of Respondent of 8 November 2007 (paragraph 15.2, page 146 of the infringement application) which reads under the heading “shareholding” as follows:

“Falck Trading:

Falck Trading will be a property holding company and will import till Feb by which time Tyrecor licences will be sorted out”.

The Respondent submits further that no formal documents or agreements exist regarding the take-over of the business. Due to the common shareholding and directorship of the various companies, Respondent contends: *“everything was done verbally...”* (paragraph 15.3, page 147 of the infringement application.) I am persuaded that there was a transfer or an assignment of rights and obligations between the predecessor and successor in relation to the import and sale in INFINITY branded tyres . That the Respondent appears not to have a written contract in its possession or that relevant provisions of the Companies Act have not been complied with, does not vitiate such a transfer of rights and the Respondent faces sanctions embodied in the Companies Act. However, it does not in my view affect the Respondent’s defence available in terms of Sections 36 of the Act.

[12] The upshot of my finding that the Respondent had a right to use, and its predecessor in title, Falck Trading (Pty) Ltd, had used the trade mark prior to the Applicant seeking registration of the trade mark INFINITY, is that the application for

an interdict fails and the defence raised by section 36(1) of the Act succeeds with costs.

The Counter Application

Under Case No 16926A/2011

In the matter between

ETRACTION (PTY) LTD Applicant

And

TYRECOR (PTY) LTD Respondent

In re: the counter-application of

TYRECOR (PTY) LTD Applicant

And

ETRACTION (PTY) LTD First Respondent

THE REGISTRAR OF TRADE MARKS Second Respondent

[13] The Respondent in the main application (which will continue to be referred to as the Respondent) counter applies for the partial expungement of the trade mark by the deletion of “tyres” from the Applicant’s registration. The Respondent argues that from 2006 the Applicant was aware of its use of the trade mark in respect of tyres and consequently when the Applicant sought registration of the trade mark in the Applicant’s name, it did not have a *bona fide* claim to proprietorship of the trade mark

and had no *bona fide* intention of using the trade mark in respect of the goods in respect of which it is registered. The Respondent joined the Registrar of Trade Marks as a respondent in its counter application as the Registrar would be required to alter the registration of the trade mark if the counter application succeeded.

[14] The Applicant, in opposing the application for partial expungement, asserts that it had the bona fide intention of using the trade mark in relation to tyres and in amplification submits that when it filed its trademark application to register the trademark INFINITY in class 12, it was contemplated that the sourcing and branding of Applicant's INFINITY tyres would follow. It is further argued by the Applicant that it had the "definite intention" (paragraph 14.8, Page 10 of the Expungement Application) to use the mark INFINITY as its principal trade mark in relation to its own range of tyres, wheels and rims and still has the intention of doing so. In reply, it is contended on behalf of the Respondent that the Applicant's absence of any use of the trade mark INFINITY on tyres do not support the bold assertions that it wishes to use the trade mark and it would appear that it clearly never had a definite intention to use.

[15] The Respondent bases its application on three sections of the Act: 10(3), 10(7) and 27(1)(a). The essence section 10(3) is prohibition against registration of a trade mark in respect of which "the applicant for registration has no *bona fide* claim to proprietorship"; section 10(7) prohibits the registration of a mark "the application of which was made *mala fide*"; and section 27(1)(a) empowers an interested person to apply for removal of trade mark from the register if the:

“trade mark was registered without any bona fide intention on the part of the applicant for registration that it should be used in relation to those goods or services by him or any other person permitted to use the trade mark as contemplated by section 38 and there has in fact been no bona fide use of the trade mark in relation to those goods or services by any proprietor thereof or any person so permitted from the time being up to the date three months before the date of the application”.

Notwithstanding the manner in which the Respondent has pleaded in the counter application (using “and” in the final line of paragraph 20.4 of De Villiers’ answering affidavit) should the Respondent succeed in terms of any of the sections, there will be no need to traverse any other.

[15] There is generally no bar to a person adopting for use and registering a trade mark in South Africa where that trade mark is already used by another person abroad: **Victoria’s Secret Incorporated v Edgars Stores Ltd (the Victoria’s Secret case)** 1994 (3) SA 739 (AD). In that case the question was whether Edgars was entitled to adopt and register the trade mark, VICTORIA’S SECRET, in South Africa, given that Victoria’s Secret Incorporated was the proprietor (and originator) of the trade mark in the USA. Victoria’s Secret Incorporated had applied for registration in South Africa subsequent to Edgars’ application for registration of the identical trade mark. The Court set out the law as follows:

“... a trade mark is purely a territorial concept; it is legally operative or effective only within the territory in which it is used and for which it is to be registered. Hence, the proprietorship, actual use, or proposed use of a trade mark mentioned in s 20(1) are all premised by the subsection to be within the RSA” (page 745G).

The Court in the *Victoria's Secret* case held that: “In the case of a foreign trade mark, there is no legal bar to its adoption in South Africa unless it is attended by something more ...” (page 746F). The Court explained that “unless it is attended by something more” meant that the adoption should not be attended by “any factors that may have vitiated or undermined his right or title to the proprietorship thereof. Those factors would comprehend dishonesty, breach of confidence, sharp practice, or the like” (page 747H-I).

[16] With reference to the matter before me, the Applicant had adopted the trade mark INFINITY as the trade mark was already being used by the person from whom the Applicant obtained the INFINITY merchandise which it sold. It struck me highly relevant in this matter, that sometime during March 2008 business attempts including a business meeting) were entertained by and between the parties. This in essence took the form of the Applicant trading in INFINITY branded tyres and selling thereof to the Respondent. These discussions though did not result in a successful business transaction. The Applicant's adoption of the trade mark INFINITY by applying for its registration **two weeks after discussions with the Respondent** considered in conjunction with the **Applicant's delay from the time of registration**

of the trade mark until 17 August 2011 before instituting proceedings, as well as its **use of the trade mark from 1995 until 2008** before applying for registration, constitutes conduct approaching “sharp practice”. Applicant’s conduct vitiated its application for registration as a *bona fide* claim to proprietorship of the trade mark is a primary requirement¹ for registration.

[17] The Court in **Broadway Pen Corporation & Another v Wechsler & Co (Pty) Ltd and Others (the Everglide case)** 1963 (3) SA 434 (T) found that an applicant’s claim is only *bona fide* if he/she/it intends to use the trade mark in respect of his/her/its *own goods*. The salient facts of that case were that Broadway, a USA corporation sought the expungement of the trade mark EVERGLIDE, which was registered in Wechsler’s name in South Africa. Wechsler had claimed proprietorship of the trade mark EVERGLIDE in its application for registration, despite the fact that it (Wechsler) has previously sold EVERGLIDE trademarked goods. It had also previously acknowledged Broadway’s ownership of the trade mark by unsuccessfully negotiating with Broadway to become the exclusive distributor of EVERGLIDE pens in South Africa. The trade mark EVERGLIDE, indicated that the goods had their origin in Broadway who had placed or at whose behest the trade mark was placed on the goods, not Wechsler. The Court held: “it is clear from the context ... that whoever used the mark used it as Burnham’s or Broadway’s mark to indicate *its goods*”. The Court held that Wechsler intended “merely to use the mark on behalf of Burnham or Broadway” and ordered expungement of the trade mark because the

¹ Martin BSC *The situs of the registered trade mark right considered in the light of parallel importation* LLD thesis, University of the Western Cape (2007) 211 argues that this is the basic requirement because the other aspects of the applicant’s qualifications, such as him being required to have a *bona fide* intention to use the trade mark (s 10(4)), and him not having made a *mala fide* application for registration (section 10(7)), qualify his claim to proprietorship.

“...facts point[ed] irresistibly to the conclusion that Wechsler’s intention was to use the mark in South Africa either as sole representative of or otherwise for and on behalf of Burnham or Broadway so as to indicate that the writing instruments were the latter’s and not its own goods” (page 446B).

The absence of an intention to use the trade mark in respect of its own goods disqualified Wechsler from claiming proprietorship. The phrase “use in respect of its own goods” means that the person must intend to use the trade mark in respect of goods which as a matter of law are regarded as having their origin in him/her/it. This is because the definition of a trade mark in section 2(1) of the Act requires the person to use the trade mark to distinguish the goods in relation to which it is used or proposed to be used “... from the same kind of goods ... connected in the course of trade with any other person [other than the user]”.

[18] There are three forms of trade mark use: affixation to goods, placement of trademarked goods on the market and advertisement of trademarked goods.² The relevant use for the establishment of origin is affixation since the affixation of the trade mark creates trademarked goods, as a result of which all subsequent users indicate *origin* in the trade mark proprietor. The Applicant did not affix the trade mark INFINITY to any goods: it also imported the INFINITY trademarked goods. This is additional proof that the Applicant did not intend using the mark on its own goods.

² Martin “Some comments on the infringement of registered trade marks by advertisement of goods on the Internet” (2013) 1 *South African Intellectual Property Law Journal* 25 (forthcoming) relying on Beier F-K “The doctrine of exhaustion in EEC trademark law – scope and limits (1979)10 *International Journal of Industrial Property and Copyright* 23.

Naturally a trade mark proprietor need not personally affix the trade mark to the goods, but the affixation must be done at his/her/its behest or with his/her/its consent for the goods to have their origin in the trade mark proprietor.

[19] A factor which indicates that the Applicant was not *bona fide* in its application for registration is the fact that it applied for registration knowing of the Respondent's right to use the trade mark. A trader who applies for registration of a trade mark knowing of another person's rights does not act *bona fide*: the ***Sidewalk Cafes (Pty) Ltd t/a Diggers Grill v Diggers Steakhouse (Pty) Ltd & Another*** 1990 (1) SA 192 (T). In this case, the defendant, which I shall call Steakhouse, claimed the exclusive right to the trade mark DIGGERS GRILL for the *whole of SA*, despite its manager actually knowing that Sidewalk Café's was operating a restaurant under that name in Natal (as it then was): this was held not to be *bona fide* claim. The Court found that respondent was not entitled to claim exclusive proprietorship in the whole country and to obtain exclusive rights to the trade mark thereby depriving applicant of his vested rights in the trade mark.

[20] The parallels between Wechsler's actions in the *Everglide* case and the Applicant's are clear: the Applicant used the trade mark in respect of the goods which it had imported, not goods to which the trade mark INFINITY had been affixed at its (the Applicant's) behest. The Applicant, therefore, used the trade mark to indicate origin in the person who trademarked the goods. There are also clear parallels between the conduct of Steakhouse in the *Digger's Grill* case and the Applicant in the present case: the Applicant was aware that the Respondent was

using the trade mark to an increasing degree when it applied for registration of the trade mark.

[21] The Applicant's conduct in adopting the trade mark when it did not have a *bona fide* claim to proprietorship of the trade mark INFINITY at the time of its application for registration, because it was aware of the Respondent's use of the trade mark, and what I find as the absence of an intention on its part to use the trade mark INFINITY in relation to *its goods*, results in its application being completely vitiated. The counter application succeeds, with costs, and the Registrar is directed in terms of section 24(1) of the Act, to expunge the word "tyres" (spelt "tires") from the Applicant's trade mark registration.

SALIE - SAMUELS, AJ