

**THE *SITUS* OF THE REGISTERED TRADE MARK RIGHT
IN SOUTH AFRICAN LAW
CONSIDERED IN THE LIGHT OF PARALLEL IMPORTATION**

BY

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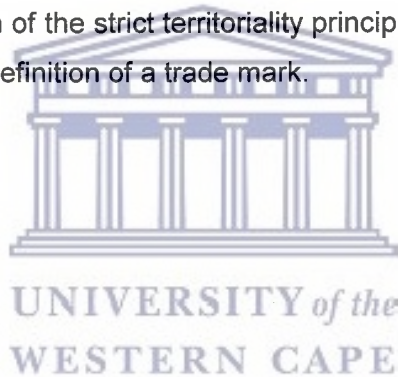
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in, subsists while the goods are within, and terminates irrevocably when the goods are removed from, the relevant jurisdiction.

Trade mark infringement consists of creating confusion regarding origin in a particular jurisdiction. In parallel importation cases the territoriality principle has not been applied, but instead three approaches have developed: genuine goods, enterprise and exhaustion (the latter has three variants). Regional exhaustion, exemplified by EU practice, is the only approach that is consonant with the strict territoriality principle. EU jurisprudence is examined to establish the tenets of the strict territoriality principle and also illustrate its practical application.

This thesis recommends adoption of the strict territoriality principle, the repeal of s 34(2)(d) of the TMA and amendment of the definition of a trade mark.



LIST OF ABBREVIATIONS

- AG - Advocate General of the European Court of Justice
- Anor - Another (in citation of cases)
- Art - Article
- BYBIL - British Year Book of International Law
- CA - Court of Appeal of the High Court of Judicature of England and Wales
- CFGA - Counterfeit Goods Act 37 of 1997
- ChD - Chancery Division of the High Court of Judicature of England and Wales
- CILSA - Comparative and International Law Journal of Southern Africa
- CMLR - Common Market Law Review
- CPA - Copyright Act 98 of 1978
- CTA - Competition Act 89 of 1998
- ECJ - European Court of Justice
- EEA - European Economic Area
- EEC - European Economic Community
- EIPR - European Intellectual Property Review
- EL Rev - European Law Review
- EU Harmonization Directive - European Union First Council Directive on the Approximation of the trade mark laws of the Member States
- EU TM Regulation - The European Union First Council Regulation 40/94 on the Community Trademark (OJ no L11/1 of 4.1.1994)
- ICLQ - International and Comparative Law Quarterly
- IIC - International Review of Industrial Property and Copyright Law; from 2004 International Review of Industrial Property and Competition Law
- IP - Intellectual Property
- LQR - The Law Quarterly Review
- MPCA - Maintenance and Promotion of Competition Act 96 of 1979
- Ors - Others (in citation of cases)
- PTA - Patents Act 57 of 1978
- SA Merc LJ - South African Mercantile Law Journal
- SALJ - South African Law Journal
- THRHR - Tydskrif vir Hedendaagse Romeins-Hollandse Reg
- TMR - The Trademark Reporter
- TRIPS - Agreement on Trade Related Aspects of Intellectual Property Rights (1994)
- TMA - Trade Mark Act 194 of 1993
- TSAR - Tydskrif vir Suid-Afrikaanse Reg

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CHAPTER I
INTRODUCTION

[1]
OVERVIEW OF THESIS

1.1 PREFACE

National trade mark registers exist in most jurisdictions¹ around the world despite the demands of international trade in the 'global economy', the global economy being reputed to abhor all barriers to trade such as those which national trade mark registrations have created.² The conflict and tension generated by the existence of national registers and the demands of international trade manifest themselves most acutely in the phenomenon of parallel importation.³ The responses to this tension, evidenced in the manner in which the courts have dealt with parallel importation,⁴ prompted the present investigation of the *situs* of the registered trade mark right. The system of separate registrations in each jurisdiction suggests that the right that derives from each registration is limited to the jurisdiction in which registration has occurred, whereas the manner in which parallel importation has been dealt with suggests that there is one international trade mark right.⁵

¹ The term 'jurisdictions' is used instead of countries and it includes federations that have a unified trade mark law and single register. 'Jurisdiction' is also preferred to 'state': see para 1.6, *infra*.

² The EU legislative measures to eliminate the intra-Community barriers are testimony to the fact that trade mark and other intellectual property rights would have constituted barriers: see chapter 8, *infra*.

³ T Davis, 'Territoriality and Exhaustion of Trademark Rights under the Laws of the North Atlantic Nations', (1999) 89 *The Trademark Reporter (TMR)* 657, offers the following succinct encapsulation of parallel importation:

' "Parallel imports", or so-called "gray market" goods, are goods legitimately bearing the trademark, collective mark, or certification mark legitimately applied by either the domestic mark owner or by one of its affiliates or licensees, that are imported without consent of the domestic mark's owner'.

The significance of parallel importation to this study has led to it being restricted to trade marks for goods.

⁴ See the references to the approaches in para 1.7, *infra*.

⁵ See chapter 7, *infra*.

requirements.¹⁵ It is possible for a trade mark to be created in terms of each subsystem *using the same symbol* because of the semi-independence of the subsystems from each other.¹⁶ The common law does not enforce the registered trade mark right and the TMA does not enforce the common law trade mark right.¹⁷ The SA common law and TMA are both parts of the legal system of a single jurisdiction; therefore there has to be a rapprochement between the two.¹⁸ Their interaction necessitates a detailed examination of the common law trade mark in order to provide a more holistic understanding of the creation of the registered trade mark right. Creation of a trade mark as IP is therefore considered in terms of the rules of both subsystems.

Each of the ensuing paragraphs of this outline is a preface to a chapter of the thesis.

1.2 CREATION OF A TRADE MARK AND ITS CONCOMITANT RIGHT: THE GENERAL PRINCIPLES

The general principles concerning the creation of a trade mark as an item of IP are examined in chapter two. At the commencement of the chapter, the symbol per se, an entity which lacks direct and automatic trade mark significance, is scrutinised.¹⁹ Authority on semiotics indicates that a symbol consists of two components: a signifier (a physically perceptible entity) and a signified (an idea/concept which the symbol then embodies and expresses).²⁰ A trade mark in fact is created by the association of the signifier component of the symbol with the idea/concept (the signified component), that the trade mark proprietor is the trade origin of goods in relation to which the symbol used.²¹ Not all specimens of the symbol constitute trade marks, so the term 'replica' is used in this thesis to indicate a specimen of a symbol that is used to represent a trade mark.

The trade mark, as factual entity, is the substrate upon which the law (whether common or statute) rests the legal construct, the trade mark, the item of IP which comes into existence

¹⁵ See chapter 4, *infra*.

¹⁶ See chapter 2 para 4.4.2 and chapter 5 part [2], *infra*.

¹⁷ See chapter 5 para 3.3, *infra*.

¹⁸ See chapter 5, *infra*.

¹⁹ See chapter 2 para 2.2, *infra*.

²⁰ See chapter 2 para 2.4, *infra*.

²¹ See chapter 2 paras 3.1 and 5.3, *infra*. The signifier is often referred to as the symbol simply because this does not cause too much confusion and is far less foreign to trade mark law.

common law trade mark by determining the requirements for its creation²⁸ as well as the content of its concomitant right.²⁹ In SA law it is possible for two or more identical trade marks to be created by different persons, each of whom acquires rights of honest concurrent user in respect of *his* trade mark despite the possibility that the trade marks, being identical, could result in confusion of the consumer public.³⁰ Common law (and registered) trade marks created in other jurisdictions and which are well known in SA are accorded legal recognition and the rights thereto enforced in terms of the TMA.³¹ A meaningful examination of the common law trade mark must include an analysis of passing off and its impact on the common law trade mark, because passing off provides the mechanism for protecting the common law trade mark.³²

1.4 CREATION OF A REGISTERED TRADE MARK AND ITS CONCOMITANT RIGHT

Chapter four contains an analysis of the requirements for the creation of a registered trade mark. The TMA prescribes the existence of a particular factual substrate in SA and a registration procedure that must be executed in SA.³³ The two principal requirements for registration are a symbol capable of distinguishing goods and a *bona fide* claim to proprietorship of the trade mark.³⁴ The *bona fide* claim is a major point of contact between the common law and the TMA.³⁵ The TMA makes provision for the possibility of registering identical trade marks in respect of which there has been honest concurrent user, another important interface between a common law and registered trade mark created from the same symbol.³⁶ Each registration *constitutes* a registered trade mark; therefore there can be more than one registered trade mark of which the same person can be proprietor.³⁷ The protection of well known foreign trade marks (both common law and registered)³⁸ and the priority rights afforded in respect of convention applications,³⁹ constitute departures

²⁸ See chapter 3 part [3], *infra*.

²⁹ See chapter 3 part [4], *infra*.

³⁰ See chapter 3 para 2.4, *infra*.

³¹ The relevant provision, s 35, is discussed in chapter 4 para 7.1, *infra*.

³² See chapter 3 part [4], *infra*.

³³ See chapter 4 part [2], *infra*.

³⁴ *Ibid*.

³⁵ See chapter 4 part [5], *infra*.

³⁶ See chapter 4 para 5.1, *infra*.

³⁷ See chapter 4 para 6.3, *infra*.

³⁸ See chapter 4 para 7.1, *infra*.

³⁹ See chapter 4 para 7.2, *infra*.

1.6 THE TERRITORIALITY PRINCIPLE IN TRADE MARK LAW

The territoriality principle - its origins, nature and implications for trade mark law - is the subject of chapter six.

The territoriality principle derives from the fact that every State (generally called a jurisdiction in the thesis) exercises sovereign authority over its territory.⁴⁹ One of the consequences of sovereignty is that as a general rule the laws that develop⁵⁰ or are promulgated⁵¹ within a State (jurisdiction) only apply within the geographic boundaries of that State (jurisdiction).⁵² The essence of the territoriality principle, which applies to all law is that the application of the laws of a State (jurisdiction) is limited to the State (jurisdiction) of their birth.

The territoriality principle means that the law in terms of which a registered trade mark is created only applies in the jurisdiction in which the registration (creation) occurs. The result is that a registered trade mark and its concomitant right are created, recognised and enforceable *exclusively* in the geographic area of a particular jurisdiction: this is what is meant by the expression 'the *situs* of the right'.

All international trade mark treaties and conventions incorporate the principle that trade mark rights are created and are enforceable only within the borders of a particular jurisdiction, expressed in the principle of national treatment.⁵³ The upshot of the application of the territoriality principle in trade mark law is that the registered trade mark in each jurisdiction is a separate entity, independent of every other identical trade mark in every other jurisdiction.⁵⁴ The same principle applies with regard to the right that is

⁴⁹ See chapter 6 para 2.3, *infra*.

⁵⁰ The term 'develop' is used to indicate those legal rules that evolve without legislative intervention.

⁵¹ The term 'promulgated' refers to statutory instruments of whatever nature.

⁵² See chapter 6 para 2.3, *infra*. Legal rights are created, sustained and destroyed in accordance with a particular set of legal rules. Each set of legal rules is itself created, sustained and destroyed in terms of the practices and policies within the particular jurisdiction. The authority of such law-making authorities only extends to the territory of the jurisdiction in which and for which they hold such authority. If the rights are a creation of a particular law and the law that creates the rights only applies within a particular jurisdiction, then the rights only apply in that jurisdiction.

⁵³ See chapter 6 para 4.3, *infra*.

⁵⁴ See chapter 6 para 3.5, *infra*.

A trade mark is used by exhibiting a replica thereof in relation to goods. Use of a registered trade mark constitutes the exercise of the trade mark right in the jurisdiction in which the *replica* is exhibited.⁶² The principal modes of trade mark use are affixation (situation of the trade mark in physical relation to goods), placement on the market in the jurisdiction,⁶³ and the mass media advertisement of trademarked goods. Mass media advertising raises problems in regard to the questions of whether or not there is use of the trade mark in relation to the goods and whether or not there is use of the trade mark in the jurisdiction in which the advertisement appears.⁶⁴

The function of a trade mark, as prescribed in the definition of a trade mark, is to distinguish goods in relation to which it is used from goods that are not connected in the course of trade with the trade mark proprietor, and this has been interpreted as the origin function.⁶⁵ Origin 'denotes at least that the goods are *issued* as vendible goods under the aegis of the proprietor of the trade mark, who thus assumes responsibility for them'.⁶⁶ The origin of trademarked goods has to be determined when they are placed on the market, which is when the trademarked goods are issued *in a particular jurisdiction*.

Origin denotes a relationship between the trade mark proprietor in a *particular jurisdiction* and trademarked goods, because it is constituted (ie forged) by means of a *particular trade mark*, the trade mark that exists in that jurisdiction.⁶⁷ The relationship commences with placement of trademarked goods on the market. Each placement of goods on the market takes place in a particular jurisdiction, and there is a separate trade mark in each jurisdiction. This means that a separate origin relationship exists between the

⁶² See chapter 7 paras 2.5.1.2 and 2.5.2.3, *infra*.

⁶³ Placement of goods on the market is the relevant act of use in international trade because it results in the replica trade mark that was affixed to the goods in the export jurisdiction, being in a position in which it constitutes a *representation* of the import trade mark. See chapter 7 part [2], *infra*.

⁶⁴ See chapter 7 para 2.5.3, *infra*.

⁶⁵ See chapter 7 para 3.3.2, *infra*.

⁶⁶ ***Aristoc Ltd v Rysta Ltd***, [1945] 1 All ER 34, at 48A (my emphasis): see chapter 7 part [4], *infra*.

⁶⁷ See chapter 7 para 4.3, *infra*.

jurisdiction in which the same person is the trade mark proprietor, because there is a separate *persona* of proprietor in each jurisdiction.⁷²

The form of trade mark infringement applicable to parallel importation is defined as

'the unauthorized use in the course of trade in relation to goods ... 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'.⁷³

One of the primary requirements for infringement is that the use must be unauthorized: consent renders use non-infringing.⁷⁴

The phenomenon of parallel importation as a trade mark question has been variously described and defined.⁷⁵ Various authors have also delineated a number of typical fact situations in which parallel importation presents.⁷⁶

The question whether parallel importation constitutes trade mark infringement has not been dealt with in terms of the general principles applicable to other situations in the import jurisdiction.⁷⁷ Parallel importation as a possible trade mark infringement has been dealt with in terms of three approaches: (i) genuine goods, (ii) enterprise and (iii) exhaustion.⁷⁸

The essence of the genuine goods approach is that the use of the trade mark in the import jurisdiction does not constitute infringement because the goods are genuine.⁷⁹ The primary implication of genuineness is that the goods, placed on the market in the export jurisdiction, emanate from the person who is the trade mark proprietor in the import jurisdiction, who is also the proprietor in the export jurisdiction, as a consequence of which the origin of the goods is correctly reflected and consent to use the trade mark in the

⁷² See chapter 7 para 4.3.1 and 4.6, *infra*.

⁷³ Section 34(1) of the TMA, called the passing off variety of infringement.

⁷⁴ See chapter 7 para 5.2.5, *infra*.

⁷⁵ See chapter 7 para 6.1, *infra*.

⁷⁶ See chapter 7 paras 6.2 to 6.4, *infra*. The relationship between these fact delineations and the approaches is discussed later (see chapter 7 part [12], *infra*).

⁷⁷ See chapter 7 part [5], *infra*.

⁷⁸ See chapter 7 part [7], *infra*.

⁷⁹ See chapter 7 para 8.2, *infra*.

consequence it is found that the import trade mark right is exhausted even before it was possible for it to have been exercised.⁸⁸

The criticisms mentioned, *inter alia*, led to the conclusion that all the approaches ought to be abandoned, and the recommendation that parallel importation be dealt with in terms of what is called the 'strict territoriality principle'.

1.8 THE STRICT TERRITORIALITY PRINCIPLE IN THEORY AND PRACTICE

In terms of the strict territoriality principle the courts acknowledge the fully independence of the rights that flow from the trade mark registration in each jurisdiction.⁸⁹ Neither the fact that the same person is the proprietor of identical trade marks in the export and import jurisdictions, nor any legal or commercial relationships between the respective trade mark proprietors in the export and import jurisdictions, alter the fact that separate independent rights exist in each of the two jurisdictions.⁹⁰ The consequence of acknowledging that there are separate rights, even when both rights are in the hands of one person, is that consent granted for the exercise of the trade mark right in one jurisdiction (which makes the recipient of the consent a licensee) does not entitle the licensee to exercise the equivalent right in any other jurisdiction.⁹¹

A series of relatively recent European Court of Justice (ECJ) decisions, it is submitted, reaffirm the strict territorial nature of trade marks and provide a not insignificant measure of support for the approach to parallel importation, the strict territoriality principle, this thesis advocates. The significance of these decisions for my thesis is not undermined by the fact that they were reached pursuant to the *regional exhaustion approach*.⁹² The principles these decisions developed are not only applicable in terms of the regional exhaustion approach.

⁸⁸ See chapter 7 para 10.3.4, *infra*.

⁸⁹ This is discussed in chapter 8, *infra*.

⁹⁰ See chapter 8 part [7], *infra*.

⁹¹ See chapter 8 para 3.4.3, *infra*.

⁹² See chapter 8 part [6], *infra*.

internal market.¹⁰² If the plaintiff can prove that the goods were not placed on the market within the EU the principles enunciated in the earlier cases will apply.

The effect of this quartet of decisions is that where a person parallel imports goods into any EU Contracting Party **from a non-EU Contracting Party**, none of the approaches to parallel importation mentioned is applied.¹⁰³ The strict territoriality principle, which my thesis advocates that SA adopt, also rejects all three traditional approaches to parallel importation¹⁰⁴ and in that respect the ECJ cases discussed support my thesis. The decisions also illustrate how the strict territoriality approach would apply in practice.

The precepts of the strict territoriality principle may be explained as follows. Application of the territoriality principle in trade mark law is obligatory not optional.¹⁰⁵ The consequence of the application of the territoriality principle is that the registered trade mark in each jurisdiction, even where there are identical trade marks (because they are constituted from the same symbol), is a separate independent item of IP, and each registered trade mark is fully recognised as such.¹⁰⁶ The fact that one person is the proprietor of a number of trade marks does not alter the fact that they are separate independent items of IP: the person acting in the capacity of proprietor in each jurisdiction is a separate *persona*.¹⁰⁷

The separate independent existence of each identical trade mark means trade mark dealings in one jurisdiction, unless otherwise stated, constitute dealings with and in relation to one trade mark, and have no impact on other trade marks. The trade mark right in each jurisdiction is a separate right from every other right to and in an identical trade mark in another jurisdiction. One trade mark right is incapable of being exercised in a jurisdiction other than the one in which it subsists. Placement of goods on the market is the relevant act of trade mark use in parallel importation; therefore legislation dealing with parallel importation has to be based on the lawfulness of the trade mark use by placement

¹⁰² See chapter 8 paras 5.3.2 and 5.3.3, *infra*.

¹⁰³ See chapter 8 part [7], *infra*.

¹⁰⁴ See chapter 7 part [6], *infra*.

¹⁰⁵ See chapter 6 part [6], *infra*.

¹⁰⁶ *Ibid*.

¹⁰⁷ See chapter 2 para 6.2, *infra*.

[2]

SCOPE OF THE THESIS

The principal aspects of the scope of this thesis that require comment are: (1) It is restricted to an examination of registered trade marks; and (2) it aims to provide an exposition of the SA law.

2.1 REGISTERED TRADE MARKS

The discussion of both common law and registered trade marks leads to the conclusion that common law and registered trade marks are separate entities¹¹⁰ and consequently give rise to separate rights.¹¹¹ In my submission, the fact that the common law and registered trade mark are separate objects and that they give rise to separate rights, provides sufficient justification for treating the common law and registered trade mark as independent subjects of research.

2.2 SOUTH AFRICAN LAW

The SA trade mark cases make constant reference to materials from other jurisdictions.¹¹² The fact that the courts frequently refer to foreign materials in their judgments has resulted in the integration of many of the relevant principles of foreign law into SA law. This consideration led to my decision that it was not necessary to undertake a formal comparative study of SA law and the law of any other jurisdiction or jurisdictions. The foreign materials referred to in this thesis are used as persuasive authority, in an effort to clarify the principles of SA law, and as a means of evaluating the solutions adopted by SA law.

¹¹⁰ See chapter 5, *infra*. The examination of both was necessitated partly by the need to justify the restriction of the thesis to an examination of registered trade marks.

¹¹¹ *Ibid.*

¹¹² There is hardly a decision of the SCA in the field of trade mark law and passing off that contains no reference to foreign cases or materials.

- each jurisdiction only exists in, and is capable of being exercised in, the jurisdiction in which it is created.
- 9 A person who is the proprietor of the registered trade mark in more than one jurisdiction can act in the capacity of proprietor in one jurisdiction at a time, making it necessary to determine the capacity in which the proprietor acts. The term '*persona*' of trade mark proprietor in a particular jurisdiction is used in this thesis to describe the person who is trade mark proprietor *acting in the capacity of proprietor in that jurisdiction*, ie exercising the relevant trade mark right. The *persona* of proprietor of the trade mark in each jurisdiction is separate from the *persona* of proprietor in every other jurisdiction, even in situations in which the *personae* reside in the same person.
- 10 Every time there is trade mark use, there is use of the trade mark registered in a *particular jurisdiction*, and therefore exercise of a *particular* trade mark right.
- 11 Three principle modes of use may be distinguished: affixation of the trade mark to the goods, placement of the trademarked goods on the market, and mass media advertisement of trademarked goods.
- 12 The function of a trade mark is to indicate the origin of goods, origin being a voluntarily created relationship between a trade mark, its proprietor and the trademarked goods, which has the following characteristics:
- (a) It commences with the placement of trademarked goods on the market in a jurisdiction;
 - (b) It exists in each jurisdiction through use of the trade mark registered in that jurisdiction; and
 - (c) It subsists as long as the trademarked goods remain in the jurisdiction.
- 13 The trade mark origin relationship in each jurisdiction is separate from that in every other jurisdiction because it exists between the *persona* of proprietor in a *particular jurisdiction* and the goods, forged by means of a *particular trade mark*. The placement of the goods on the market must occur with the *consent* of the *persona* of proprietor in the jurisdiction for the goods to have their origin in the *persona* of proprietor in the jurisdiction.
- 14 Consent to exercise one trade mark right, granted by the *persona* of proprietor in a particular jurisdiction, does not automatically imply consent to exercise *another trade mark right*: consent granted by one *persona* of trade mark proprietor does

CHAPTER 2

CREATION OF A TRADE MARK AND ITS CONCOMITANT RIGHT: GENERAL PRINCIPLES

[1]

INTRODUCTION

This chapter examines the creation of a trade mark and its concomitant right¹ in terms of SA law, as part of determining the spatial limits within which they operate.²

One of the cornerstones of this thesis is that each trade mark, as a legal construct and item of IP, only exists in terms of the law by which it is created: it is only by virtue of compliance with the requirements for the creation of the trade mark in terms of the common law or statute of the relevant jurisdiction that the trade mark exists.³ The essence of the notion of the *situs* of the trade mark right is that a trade mark created in terms of SA law exists only in SA, and as a consequence its concomitant right may only be exercised, and is *only* enforceable, in SA.⁴ Running alongside this main argument is the alternative

¹ Proprietorship of the trade mark invests the proprietor with the exclusive right to use the trade mark: *Shalom Investments (Pty) Ltd & Anor v Dan River Mills Inc* (the *Dan River* case), 1971 (1) SA 689 (A), at 706C-D; *Victoria's Secret Inc v Edgars Stores Ltd* the *Victoria's Secret* case, 1994 (3) SA 739 (AD), at 744F.

² The trade mark right is referred to in the singular even though it gives rise to a number of different entitlements: SJ Gardiner, *The Nature of the Right to a Trade Mark in South African Law*, Unpublished LLD thesis, UNISA, 1995, at 568ff.

³ See part [4], *infra*.

⁴ This conclusion explains and sets out the full import of the statement of Trollip JA in *Moorgate Tobacco Co Ltd v Phillip Morris Inc* (the *Moorgate* case) that

'... 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'.

See chapter 4 para 4.4.4, *infra*.

In the *Victoria's Secret* case, the Court refers to a written statement attached to a determination under s 17(3) of the 1963 Act, which was made by retired Judge of Appeal Trollip (at 744B-C). The Registrar was empowered by s 17(3) to refuse to register any trade mark where there were competing applications in respect of trade marks that so closely resembled each other that use of all was likely to cause deception or confusion, until he determined their rights on application or they settled their rights by agreement in a manner of which he approved. The Judge was appointed by the Minister of Economic Affairs under s 6(2A) of the 1963 Act to determine that matter, which I refer to as the *Moorgate* case.

The ensuing portion of this chapter is divided into the following parts:

- 2 The Symbol *Per Se*
- 3 The Symbol and the Trade Mark in Fact
- 4 The Trade Mark as a Legal Construct: The Object of an Exclusive Right
- 5 The Trade Mark as Intellectual Property
- 6 The Two Trade Mark Thesis
- 7 Conclusions

Stated broadly, the various parts of the chapter fit together in the following manner.

Part [2] sets out the characteristics of a symbol, the principal constituent element of a trade mark, in the sense that it defines the perceptible characteristics of a trade mark. A symbol is defined;¹¹ the anatomy of a symbol described;¹² and a mode of classification of symbols is provided.¹³ The function and significance of symbols is discussed,¹⁴ the role context plays in indicating the meaning attached to symbols scrutinized¹⁵ and conclusions drawn as to the characteristics of a symbol, which is an entity that is used to embody and express ideas/concepts.¹⁶

The relationship between a symbol and a trade mark in fact is explored and analyzed in part [3]. The following matters are traversed in the course of the discussion and analysis: the idea embodied and expressed by a trade mark, as revealed by its function;¹⁷ the circumstances under which a trade mark in fact is constituted from a symbol;¹⁸ the significance of context for a trade mark;¹⁹ and the characteristics of the relationship between a symbol and a trade mark in fact.²⁰

Part [4] consists of an investigation of the trade mark as a legal entity or construct and the object of a subjective right. The analysis commences with a definition of a legal

¹¹ See para 2.3, *infra*.

¹² See para 2.4, *infra*.

¹³ See para 2.5, *infra*.

¹⁴ See para 2.6, *infra*.

¹⁵ See para 2.7, *infra*.

¹⁶ See para 2.8, *infra*.

¹⁷ See para 3.1, *infra*.

¹⁸ See para 3.2, *infra*.

¹⁹ See para 3.3, *infra*.

²⁰ See para 3.4, *infra*.

[2]

THE SYMBOL *PER SE*

This part of the chapter consists of the following paragraphs

- 2.1 Introduction
- 2.2 Definition and Anatomy of a Symbol
- 2.3 Classification of Symbols
- 2.4 The Function and Significance of Symbols
- 2.5 The Significance of Context to a Symbol
- 2.6 Conclusions

2.1 INTRODUCTION

The question whether or not a trade mark exists at a particular point in time is a matter of considerable practical significance: as Dean³⁵ points out, there can be no discussion of ownership of IP, IP's concomitant right, until the property comes into being.³⁶

The significance of the existence of a trade mark at a particular point in time emerges most clearly in relation to the requirement that an applicant for registration of a trade mark must have a *bona fide* claim to proprietorship of the trade mark.³⁷ *Dicta* emanating from ***Re Application of Vitamins, Ltd***, (the *Vitamins* case)³⁸ and also from ***Oils International (Pty) Ltd v Wm Penn Oils Ltd*** (the *Lifesaver* case)³⁹ indicate that both Courts did not regard the trade mark as being *in esse* when the respective applications for registration

³⁵ OH Dean, 'The Case for the Recognition of Intellectual Property in The Bill of Rights', (1997) 60 *THRHR* 105.

³⁶ At 113.

³⁷ This requirement derives from s 10(3) of the TMA. See chapter 4 para 4.2, *infra*.

³⁸ [1955] 3 All ER 827 (ChD):

'In my judgment the form which an applicant is required to sign wherein he claims to be the proprietor, indicates an assertion of a present proprietary right. *The respondents urge that he claims to become the proprietor or to assume proprietary rights as and when the application is granted.* I do not accept that as the true interpretation of a form intended to be completed before registration can be applied for' (at 834F-G, my emphasis).

³⁹ 1965 (3) SA 64 (T) in which the Court said:

'But in relation to a mark that has *never been used*, the concept of *ownership* becomes a more difficult one, because no goodwill has yet become attached to it, and it will not necessarily be an invented word, or an original design for which copyright could be claimed' (at 70F-G, my emphasis).

A trade mark is not an entity that occurs in nature:⁴⁴ it is created from another entity, a 'symbol', the term used in this thesis for the entity the TMA calls a 'mark'.⁴⁵ One of the influences in the choice of the term 'symbol', is the following definition of a trade mark

'A trade mark is a symbol which is applied or attached to goods offered for sale in the market so as to distinguish them from similar goods, and to identify them with a particular trader or with his successors as the owner of a particular business, as being made, worked upon, imported, selected, certified or sold by him or them, or which has been properly registered under the Acts as the trade-mark of a particular trader'.⁴⁶

2.2 DEFINITION OF A SYMBOL

A symbol is comprehensively defined as

'[s]omething that stands for, represents or denotes something else (not by exact resemblance, but by vague suggestion, or by some accidental or conventional *relation*); esp. a material object representing or taken to represent something immaterial or abstract, as a being, *idea*, quality, or condition; [a] *written character or mark used to represent something*; a letter, figure, or sign conventionally standing for some object, process, etc'.⁴⁷

The word 'sign' in the definition of a symbol is also used in the definition of a 'mark' in the TMA.⁴⁸ The word 'sign' is the most catholic of the words used to describe a mark or symbol. Some examples of symbols, provided by the TMA are name, signature, word, letter, numeral, shape, configuration, pattern and ornamentation.⁴⁹ Some symbols, such as

⁴⁴ The term 'entity' is used here in the sense of 'something having real or distinct existence': WT McLoed (ed), *The New Collins Concise Dictionary of the English Language*, Guild Publishing, London, (1985), at 370 (hereafter the *Collins Dictionary*).

⁴⁵ The term symbol is used in an effort to avoid some of the confusion that arises from the manner in which the terms 'mark' and 'trade mark' are sometimes used interchangeably in the TMA. It has also been done to emphasize the distinction drawn in this thesis between a trade mark and the entity by which it is constituted.

In my submission the introductory part of the definition section, s 2(1), that the words bear the meaning provided 'unless the context indicates otherwise' provide no justification for the infelicitous use of the terms which are defined in the statute itself.

⁴⁶ DM Kerly & FG Underhay, *The Law of Trade-Marks, Trade-Name and Merchandise Marks*, 2ed, Sweet & Maxwell, London, (1901)(hereafter *Kerly*, 2ed), at 24. The portions of the definition in bold and italic print are common to both common law and registered trade marks, the portion in bold print alone is only applicable to registered trade marks, the portions that are only italicized apply only to common law trade marks. The portion of the definition underlined describes the function of both the common law and registered trade mark. Service marks were not recognized at the stage when this legislation was passed.

⁴⁷ JA Simpson & ESC Weiner (eds), *The Oxford Dictionary*, 2ed, Clarendon Press, Oxford, (1989), (hereafter the *Oxford Dictionary*), Volume XVII, at 451 (my emphasis).

⁴⁸ The relevant portion of definition of mark is: 'means any sign capable of being represented graphically' (s 2(1) of the TMA).

⁴⁹ These are contained in the definition of 'mark' in s 2(1) of the TMA.

Saeed⁵⁹ holds the view that scholars like de Saussure have revealed that the study of linguistic meaning is part of a general study in the use of sign systems, called semiotics. He explains that semioticians investigate the types of relationship that may exist between a sign and the object it represents – in the terms used by de Saussure, between a signifier and its signified.⁶⁰ Saeed refers to and adopts the distinction that Pierce drew between three types of signs: an icon, an index and a symbol. An icon is a sign that displays a similarity to the object it represents, such as a portrait and its real life subject or a diagram and its engine. An index is a sign that displays a close causal relationship with its signified, eg smoke is an index of fire. A symbol is a sign in which there is *only a conventional* link between the signifier and the signified, eg mourning being symbolized by black clothes in some *cultures*. He asserts that ‘In this classification words would seem to be examples of verbal symbols’.⁶¹ An important point that emerges from Saeed’s work, for purposes of this thesis, is that *all signs clearly operate by association, the association created/conveyed by a symbol being the most oblique and indirect of the associations created by the three types of signs.*⁶²

The cultural and conventional aspects of symbolic association are also important for our purposes as the relevant entity must be *recognised* as a trade mark. This was aptly expressed by the Court in *Reckitt & Colman Products Ltd v Borden & Ors (the Jif Lemon (ChD) case)*:⁶³

‘As far as the Mark I lemon is concerned I would regard the contrary proposition as wholly unarguable. It does not bear any name which would strike the average shopper as a brand name even if she were to examine the label with minutest care. All it says is REALEMON. ... the defendants have chosen to continue to use the word “Realemon,” I presume as a kind of quasi trade mark . The word certainly cannot possibly become distinctive of their lemon juice save (if at all) under exceptional circumstances. ... the defendants own research has conclusively established that the “brand awareness” of “Realemon” among shoppers is in the order of one per cent of shoppers. In other words, to the vast majority of shoppers, “Realemon” spelled out in this way means nothing more or less than “real lemon” and is perceived as such and not as a brand’.⁶⁴

⁵⁹ JI Saeed, *Semantics*, 2ed, Blackwell Publishing, Oxford, (2003).

⁶⁰ At 5.

⁶¹ *Ibid.*

⁶² Eg, there is no physical similarity between sunlight and soap, nor any causal connection between sunlight and soap. In my submission, the capacity to identify the proprietor by *association* resides in and derives from the reliance on *convention*.

⁶³ [1987] FSR 505.

⁶⁴ At 513.

constitute the nucleus of a multiplicity of associations, because of the paucity of independent meaning attaching to it. My argument cannot, however, gainsay Price's argument – the associations have to be grafted onto the 'trade mark' that is constituted from a word. Price makes the important point in regard to the fact that meaning can and does change, saying

'signs established through *convention* are not necessarily static, ... conventions are established over time, ... they decay or are broken, and re-established in different forms by human subjects'.⁷⁷

For Silverman,⁷⁸ semiotic enquiry involves an investigation of signs that express ideas and constitute a network of elements that signify *only* in relation to each other.⁷⁹ The notion of a network is highly significant in relation to trade marks as trade marks often form the nucleus of a network of associations.⁸⁰ The word 'only', though perhaps something of an overstatement, does indicate that there is a basic frame of reference within which the associations work, in Price's words there is a kind of fund of images and ideas that are associated within a particular range of possibilities.

Hartley⁸¹ defines a sign, which he agrees is a concept drawn from semiotics, as anything that stands for something else in the production of meaning, indicating that it may include words, photographs, sounds and gestures.⁸² He indicates that the three characteristics of a sign are

- 'It must have a physical form – you can see, hear, smell, and or touch it;
- it must refer to something other than itself;
- it must be used and recognised as a sign, that is, it [must] be an element in a shared cultural code or system'.⁸³

Hartley agrees with the signifier/signified definition of a sign. He indicates that the signifier is an objective material thing, and using a red rose as an example of a sign, says the rose

⁷⁷ At 459.

⁷⁸ K Silverman, *The Subject of Semiotics*, Oxford University Press, New York, (1983).

⁷⁹ At 6.

⁸⁰ In relation to the manner in which trade marks simultaneously perform a variety of functions Gardiner, *op cit*, at 484 and at 497 – 498, refers to the network of associations as the functional matrix within which the trade mark operates.

⁸¹ J Hartley, *Communication, Cultural and Media Studies, The Key Concepts*, 3ed, Routledge, London, (2004 reprint).

⁸² At 209.

⁸³ *Ibid.*

graphically'.⁸⁹ The 'randomness' of the possible associations allows for a multiplicity of simultaneous associations as Hartley's red rose example amply manifests. The law, however, by means of the definition of a trade mark, indicates that it only attaches significance to the symbol as an indicator of the trade origin of goods in a particular person, whether that person is known or unknown.⁹⁰ The idea that the trade mark constituted from symbol must convey, is that the trade mark proprietor is the origin of the goods in relation to which the trade mark is used.

Drescher⁹¹ indicates the significance of the semiological understanding of signs for trade mark law:

'The use of signs is universal to mankind. We communicate through the use of signs. Our language is a complex system of signs. Signs are generally defined by semiologists, or those who study signs, as consisting of both a signifier and a signified. For instance, the word "tree" is a sign composed of the concept of an actual tree, which is the signified, and the word-form "t-r-e-e," which is the signifier. Signifier and signified come together in the sign "tree"'.⁹²

A trade mark, being constituted from a symbol, consists of the same two components as any other symbol. In the case of a trade mark whatever the nature of the signifier component, the signified component must be trade origin in a particular person. The insight that a symbol is comprised of two components which are brought together by association opens the door to a clearer understanding of the manner in which trade marks are created and operate.

⁸⁹ Article 2.

⁹⁰ See *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) where the Court said:

'To be capable of being the subject matter of property a trade mark had to be distinctive, that is to say, it had to be recognizable by a purchaser of goods to which it was affixed as indicating that they were of the same origin as other goods which bore the same mark' (at 979B-C).

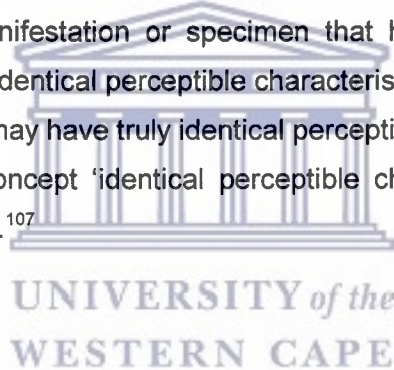
⁹¹ See chapter 7 para 3.3.2, *infra*.

⁹¹ TD Drescher, 'The Transformation and Evolution of Trademarks – From Signals to Symbols to Myth', (1992) 82 *TMR* 301.

⁹² At 303.

Symbols are communications devices; however, under particular circumstances legal significance can and does attach to symbols, at which point they become legal entities. Legal significance does not attach to a symbol *per se*, but to the trade mark constituted from the symbol, ie a symbol that is the embodiment and expression of trade origin.¹⁰¹

A symbol, as the definition indicates, is an entity that has the capacity, and whose function is, to embody and express ideas/concepts in material form by association.¹⁰² The notion of association is implicit in the word 'relation' italicized in the definition of symbol quoted.¹⁰³ A symbol itself, even though it has a finite physical presence and perceptible manifestation,¹⁰⁴ has a significant incorporeal aspect. Each physical manifestation or specimen of the symbol, even though it is a self contained physical entity, stands in a relationship with every other manifestation or specimen that has *identical perceptible characteristics*.¹⁰⁵ The concept of identical perceptible characteristics requires clarification. Symbols that consist of 'devices' may have truly identical perceptible characteristics,¹⁰⁶ but as regards word symbols, the concept 'identical perceptible characteristics' means no more than that it is the same word.¹⁰⁷



¹⁰¹ See part [3], *infra*.

¹⁰² 'Represent' is defined as '[t]o bring clearly and distinctly before the mind, esp. (to another) by description or (to oneself) by an act of imagination; [t]o show, exhibit, or display to the eye; to make visible or manifest; [t]o symbolize, to serve as a visible or concrete embodiment of (some quality, fact, or other *abstract concept*): the *Oxford Dictionary* Vol XIII, at 657 (my emphases).

¹⁰³ One of the definitions of 'related' is 'associated': the *Collins Dictionary*, at 969.

¹⁰⁴ 'Manifest' is defined as 'to appear in visible form': the *Collins Dictionary*, at 686. The word 'manifestation' is used in this sense in relation to symbols.

¹⁰⁵ A symbol is therefore an entity that does not exist alone but together with others of its type forms part of a 'species', the word species being defined as 'a group of objects or individuals all sharing common attributes': the *Collins Dictionary*, at 1113.

¹⁰⁶ Devices too, however, will often differ in size, demonstrating that the notion of the 'same perceptible characteristics' is not absolute.

¹⁰⁷ In other words, it does not matter whether the word is written or printed and if printed what typeface or font is used: the physical characteristics will be regarded as being the same.

customarily expressed by a symbol, as the word 'customarily' suggests,¹¹³ is part of the symbol by habitual association.¹¹⁴ As Drescher says: '**Obviously, the form "t-r-e-e" absent the signified tree would be meaningless**'.¹¹⁵ a signifier without a signified is meaningless.

A symbol must consist of the two component parts mentioned.¹¹⁶ This means that every symbol *must* be the expression and embodiment of *at least* one idea/concept. Each group of symbols that have the same signifier and embody and express the same idea/concept forms a sub-species of that particular species of symbol. The specimens of the sub-species of symbol share the common signifier with all other specimens of the symbol,¹¹⁷ even though the specimens that do not belong to the sub-species embody and express different ideas/concepts. The common idea/concept which a particular group of specimens embodies and expresses, and which differs from the ideas/concepts expressed by the other specimens of the species, distinguishes them as a sub-species.¹¹⁸ So, for example, if we take the word 'bill' as a species of word symbol: one sub-species will be the proper name 'Bill'; another sub-species, the word 'bill' expressing the idea of an account; another sub-species, 'bill' expressing the horny protuberance through which some birds eat; and yet another, a piece of proposed legislation.

Since each specimen of a symbol has the capacity to embody and express ideas/concepts, a sub-species is created on a specimen-by-specimen basis – each specimen that embodies and expresses the same idea/concept forms part of the sub-species. The signifier determines the species, the signified the sub-species, of a symbol.

Context, a primary consideration in determining meaning, is now examined.

¹¹³ 'Custom' has been defined as 'in accordance with custom or habitual practice; usual': the **Collins Dictionary**, at 276. The word 'habitual' preserves the possibility of deviation and alteration.

¹¹⁴ Habitual association is the manner in which even a word, a species of symbol, acquires and changes meaning. Eg the word 'gay' was previously associated with the state of being happy, whereas now it more often than not refers to a particular sexual orientation. Even now, however, the context can indicate otherwise, as in the expression 'with gay abandon' which has nothing to do with sexual orientation or happiness.

¹¹⁵ *Op cit*, at 303 (my emphasis).

¹¹⁶ See para 2.3, *supra*.

¹¹⁷ The common signifier is what makes them part of the species.

¹¹⁸ Only the members of the sub-species will embody and express the same idea/concept.

normally associated with the ocean.¹²⁴ These ideas/concepts do not contradict each other or stand in an antagonistic relationship towards each other. A single specimen of a symbol could not embody and express contradictory ideas/concepts: that is the primary limitation on the ability of a symbol to embody and express multiple ideas/concepts.

2.7 CONCLUSIONS

A symbol *per se* is an entity that has the capacity, and whose function it is, to embody and express ideas/concepts (ie convey meaning and information). It consists of two components, the signifier, a physically perceptible component, and the signified, an idea/concept associated with the signifier.¹²⁵ A single species of symbol can embody and express a variety of concepts/ideas.¹²⁶ This is possible because the user can imbue *each specimen* of a symbol with particular significance by associating the signifier component with a particular idea/concept. The particular association is revealed by the context in which the symbol stands.¹²⁷ Specimens of the symbol that embody and express the same idea/concept form a sub-species of the symbol.¹²⁸

Symbols *per se* have no direct legal significance. When trade marks are constituted from symbols the symbols acquire legal significance.¹²⁹ a trade mark has to be constituted from a symbol for a symbol to have legal significance. It is only when a trade mark has been constituted in fact that the law intervenes.

We will now examine the constitution of a trade mark in fact.

¹²⁴ See Hartley's red rose example in para 2.3, *supra* (the text of the paragraph leading up to note 85).

¹²⁵ See para 2.3, *supra*.

¹²⁶ A single specimen also has this capacity (see Hartley's red rose example at para 2.3, *supra*) but that is not relevant at this juncture and does not gainsay the point that individual specimens of a single species of symbol can convey different meanings.

¹²⁷ See para 2.6, *supra*.

¹²⁸ *Ibid.*

¹²⁹ That is, where they embody and express the idea that the goods in relation to which they are exhibited or registered, have their origin in a particular person, the proprietor.

3.1 THE IDEA EMBODIED AND EXPRESSED BY A TRADE MARK

A trade mark, like every other form of IP, is an idea expressed¹³³ and embodied in material form.¹³⁴ An idea, as it initially exists unexpressed, in inchoate (ethereal) form, is not IP.¹³⁵ IP is constituted by embodying and expressing (clothing) an idea in a particular material form. IP is created from an idea by harnessing the capacity possessed by some physically perceptible entity¹³⁶ to embody and express ideas/concepts,¹³⁷ and utilising that capacity to embody and express (convey and communicate) particular ideas/concepts¹³⁸ by forging an *association* between the relevant idea/concept (eg the story, trade origin or an invention)¹³⁹ and the entity utilised to embody and express the idea/concept.¹⁴⁰

The idea, which a trade mark embodies and expresses in material form by means of a symbol from which it is constituted,¹⁴¹ is that the goods, in relation to which it is exhibited,¹⁴² have their *origin*¹⁴³ in the proprietor (ie the person who exhibits or is deemed to exhibit the symbol in relation to the goods).¹⁴⁴

¹³³ One of the meanings ascribed to the word 'express' is 'to indicate through a symbol': *Collins Dictionary*, at 391.

¹³⁴ WR Cornish & D Llewelyn, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 5ed, Thompson: Sweet & Maxwell, (2005), at 4; L Bently & B Sherman, *Intellectual Property Law*, 2ed, Oxford University Press, Oxford, (2004), at 1-3; P Torremans, *Holyoak & Torremans Intellectual Property Law*, 3ed, Butterworths, London, (2001) (hereafter Holyoak & Torremans), at 4.

¹³⁵ The epigrammatic expression 'there is no copyright in ideas' even though not an accurate reflection of reality, as indicated in *Galago Publishers (Pty) Ltd v Erasmus*, 1989 (1) SA 276 (A), holds far more than a proverbial grain of truth.

¹³⁶ The signifier component of a symbol, in the case of a trade mark: see para 2.3, *supra*.

¹³⁷ The signified component of a symbol, in the case of a trade mark: see para 2.3, *supra*.

¹³⁸ The ideas may be a story (copyright), an invention (patents) or that the goods in relation to which the symbol is used have a particular trade origin (trade marks): Holyoak & Torremans, *op cit*, at 3-4.

¹³⁹ That would constitute the signified component of a symbol, if a symbol were used to express the idea (as it is with trade marks).

¹⁴⁰ The signifier, if a symbol is the mechanism of expression.

¹⁴¹ Further discussion of the notion that a symbol that expresses trade origin is a trade mark follows below.

¹⁴² The word exhibited is used because of the primarily ocular nature of the definition of a mark in the TMA: it is not intended to indicate that auditory and even olfactory trade marks are not recognized.

¹⁴³ See chapter 7 para 3.3.2 (the origin function) and part [4] (the concept of origin), *infra*.

¹⁴⁴ The term 'trade origin idea' will be used to express the notion of 'the idea that the goods in relation to which the trade mark is used have their origin in a particular person, the proprietor, whosoever he may be.'

As the decision of **Sutherland v V2 Records**¹⁵² indicates, as long as a residual business reputation (goodwill) exists, the person who used the trade mark until it developed the business reputation is still the proprietor of the residual business reputation and common law trade mark. In **Inland Revenue Commissioners v Muller & Co's Margarine Ltd** (the **Muller Margarine** case),¹⁵³ the Court indicated that elements of the goodwill may remain even after the business ceases trading, and be picked up and resurrected.¹⁵⁴ So, as long as the residual business reputation subsists, *it has a proprietor*, and as long as the business reputation exists the common law trade mark exists and the common law trade mark has a proprietor. Once the residual business reputation has been completely dissipated, the erstwhile common law trade mark has reverted to being just a symbol (*per se*), and it is then available for use in the constitution of a trade mark.

The significance of a proprietor for a trade mark can also be approached from the following perspective.

A trade mark is an incorporeal *res* that exists *in fact* once an association has been forged between the symbol and the goods.¹⁵⁵ The association is forged at common law by use of

¹⁵²

[2002] EWHC 14.

The claimants, Kevin Sutherland and Peter Lyall were members of a musical group, LIBERTY, (which the Court called LIBERTY 1) that had been formed during the late 1980's (para 1). It had achieved moderate success, but had operated at a low profile from 1995 onwards. It had produced and recorded some songs for promotion purposes in 2001 in an effort to revitalise its career (para 2). The first defendant was a record company which had signed up the 2nd to 6th defendants who had formed another musical group LIBERTY (which the Court called LIBERTY 2) in 2001 (para 3). LIBERTY 2 had recorded two songs which had achieved considerable success (*ibid*). The claimants brought an action for passing off. The Court found that 'the temporary cessation of a business, ... , does not necessarily destroy the goodwill in that business, although no doubt over time that goodwill will shrink and eventually disappear' (at para 13). The Court also found: 'As long as a claimant has not abandoned his goodwill, it remained as an asset protectable from damage by passing-off proceedings' (at para 17). The Court expressed the view that **Ad-Lib Ltd v Granville**, [1972] RPC 673, had been correctly decided. In that case a club which had 4000 members at the time it was compelled to close down as a result of a permanent injunction against noise at the premises where it had operated. The club had closed in January 1966, but the Court found that it was entitled to an injunction against the defendant who wanted to re-open the Ad-Lib club in November 1970.

See also J Dennis, 'Passing Off: Survival of Goodwill – Getting the Benefit of the Doubt', [2002] *EIPR* 331.

¹⁵³

[1901] AC 217.

¹⁵⁴

In **Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & Another** (the **Coachworks** case), 1998 (3) SA 938 (SCA) the Court indicates that there may have been residual goodwill at some stage but by the relevant date it had dissipated (at 952F).

¹⁵⁵

See para 3.4, *infra*.

3.2 CREATION OF A TRADE MARK IN FACT

The processes,¹⁶¹ by which common law and statutory (TMA) trade marks *in fact* are created, differ from each other because the common law and statute prescribe different processes for the creation of trade marks, the items of IP. A trade mark in fact comes into existence at an intermediate stage between the existence of a symbol, which has no trade mark significance, and a fully fledged common law or registered trade mark constituted from a symbol. In this thesis, the statutory trade mark in fact is called a *registrable trade mark*, but no other name has been found for the common law trade mark in fact.

The creation of a trade mark from a symbol is a process. Traditionally, processes are best understood by describing critical turning points that mark the course of the process. The coming into being of the trade mark in fact, is one such turning point in the process of the creation of a trade mark.

Creation of a trade mark in fact will be analysed under the following subheadings:

- (a) The process at common law;
- (b) The statutory law process;
- (c) General implications of the creation of the trade mark in fact; and
- (d) The relationship between a trade mark and replicas thereof.

3.2.1 THE COMMON LAW PROCESS

At common law, a trader has to affix specimens of the symbol, from which he wishes to constitute his trade mark,¹⁶² to his goods. He must then place the goods bearing the symbol/trade mark on the market for the purpose of bringing to the public's attention the association/relationship between the symbol/trade mark and his goods.¹⁶³ In essence what he does when he places the goods on the market bearing the symbol/trade mark, is initiate the process of creating public awareness of the existence of a separate class of goods bearing the symbol/trade mark. The presence of the symbol/trade mark on them brings a distinctive class of goods identifiable by the symbol/trade mark, into existence. The

¹⁶¹ It is clear that between the point at which there is a symbol and the point at which there is a trade mark, a series of events occur, which can be described as a process.

¹⁶² The symbol must be chosen *bona fide* and be capable of distinguishing goods or have the capacity to do so: see chapter 3 para 2.2, *infra*.

¹⁶³ See chapter 3 para 2.3, *infra*.

the relevant sector of the public is aware of the fact that the trade mark communicates that information, the legal entity and construct, the trade mark has not been created. At common law it can only be established and the law can only determine that a trade mark communicates the requisite idea/information when a business reputation has been acquired: the business reputation indicates that the public associates the trade mark **exclusively** with origin in him (the trader/proprietor). The Court said in the **Boswell-Wilkie Circus (Pty) Ltd & Anor v Brian Boswell Circus (Pty) Ltd** (the **Boswell Wilkie (N)** case).¹⁷⁰

'A name has a secondary meaning ... once the **association** between it and the business or product which bears it is so close that, in the minds of the public, it is distinctive of that specific business or product, identifying such rather than any other'.¹⁷¹

The trader becomes trade mark proprietor by virtue of the law investing him (the trader/proprietor) with the exclusive right to use the trade mark at the point where his association/relationship with the trade mark has become exclusive **in fact**. The vesting of the exclusive right is indicated by the passing off action becoming available.¹⁷²

In summary, at common law the trade mark *in fact* is created once the trader *initiates* the process of establishing an association/relationship between the symbol/trade mark, himself and the goods in the public mind. The process of establishing the association/relationship in the public mind is initiated when the trader places the goods on the market bearing his symbol/trade mark.¹⁷³ The trade mark, the legal construct and item of IP, only comes into existence when the association/relationship between the proprietor the goods and the trade mark becomes an **exclusive** one in fact.¹⁷⁴ The factual exclusivity of the association/relationship triggers the legal response of investing the proprietor with

communication and commercialisation' (at page XXV); A Kur, 'The Right to Use One's Own Trade Mark: A Self-evident Issue or a New Concept in German, European, and International Law?', [1996] *EIPR* 198, calls a trade mark is an 'information channel' (at 199); C Gielen, 'Harmonisation of Trade Mark Law in Europe: The First Trade Mark Directive of the European Council', [1992] *EIPR* 262, says that the modern approach is that a trade mark functions as a means of identification and communication, and also refers to it as a messenger (at 264).

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1984 (1) SA 737 (N).

171

At 737F-H. See also the **Holiday Inns** case, at 925H – 926A and 928A-D.

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See chapter 3 para 4.1, *infra*.

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The public cannot become aware of the association/relationship until this first step is taken and in my submission there is no reason why the private association between the trader and the symbol should be regarded as a trade mark since there is no trade until the goods are placed on the market: see the **GAP (D)** case (see chapter 7 para 2.5.3.3.2, *infra*).

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See para 5.4.1, *infra*.

exists only because the requirements for the creation of a trade mark have been fulfilled,¹⁸³ the proposal to use, evidenced by the application is also the first step in creating the public awareness of the association/relationship between the symbol/trade mark, the applicant/proprietor and the goods. This is the relationship which constitutes the trade mark proprietor the origin of the goods.¹⁸⁴ In the case of statutory trade mark the association is established by constructive notice.¹⁸⁵ Constructive notice can only operate on the basis of the documents lodged with the Registrar and incorporated into the register at registration – the register is a public document not the application documents prior to the application. It is consequently only when the trade mark is *actually* inscribed in the register that the association/relationship between the proprietor (the erstwhile applicant) and the trade mark in respect of a particular class or particular classes of goods¹⁸⁶ becomes **exclusive**. The statutory exclusive right vests once the association/relationship becomes exclusive.

3.2.3 GENERAL IMPLICATIONS OF THE CREATION OF A TRADE MARK IN FACT

Once use or registration, as described above, has taken place, the conceptual entity (*res incorporalis*), the incorporeal trade mark has been created. Once the entity (trade mark) exists there is no need to recreate the entity, so when specimens of the symbol, from which the trade mark has been constituted, are generated and exhibited in the trade mark context,¹⁸⁷ there is use, *by representation*, of the incorporeal conceptual entity (*res*), the trade mark. Once the trade mark, the incorporeal *res* has been created, each specimen of the symbol exhibited in the trade mark context is a *replica* of the trade mark, not the trade mark itself: the trade mark is the incorporeal conceptual *res* that was created by one of the processes described above.

¹⁸³ These are laid down by the definition of a trade mark in the TMA.

¹⁸⁴ See chapter 7 part [4], *infra*.

¹⁸⁵ See para 5.4.2.1.2, *infra*. The relationship between the proprietor and the goods does not have to be manifested in an actual physical relationship as is required at common law.

¹⁸⁶ Registration must be in respect of a class or classes of goods: see chapter 4 para 2.1, *infra*.

¹⁸⁷ See para 3.3, *supra*.

Since each specimen of a symbol has the capacity to embody and express ideas/concepts, replicas are constituted only from or by the specific specimens of the symbol,¹⁹¹ exhibited in relation to goods to embody and express their trade origin.¹⁹² Since *any specimen* of a symbol can be used to constitute a trade mark and unlimited numbers of specimens of the symbol can be produced, an unlimited number of replicas of a trade mark can be produced.¹⁹³

The creation of replicas of a trade mark, by means of particular specimens of the symbol, does not result in the *entire species* of the symbol,¹⁹⁴ eg all specimens of the device symbol θ or the word symbol 'happy', becoming replicas of the trade mark, trade mark θ or trade mark HAPPY. Only those specific specimens exhibited in relation to goods for the purpose of representing the trade mark, which embodies and expresses the trade origin of goods, become replicas of the trade mark.¹⁹⁵ The fact that only particular specimens of the symbol constitute replicas of the trade mark means that the creation of a trade mark, by means of those specimens of a symbol, does not affect the capacity of the entire species of that particular symbol, eg all specimens of the symbol θ , to embody and express ideas/concepts *other than trade origin*.¹⁹⁶ Words¹⁹⁷ such as sunlight, skip, happy, romance and life, all of which have been used to constitute trade marks (ie to embody or express the respective trade origins of various goods) that are currently in use,¹⁹⁸ continue to

¹⁹¹ In fact they are specimens of the signifier component of the symbol.

¹⁹² This aspect is elaborated on in the next paragraph.

¹⁹³ M Lehmann, 'Property and Intellectual Property – Property Rights as Restrictions on Competition in Furtherance of Competition', (1989) 20 *IIC* 1, contrasts tangible property which he indicates 'is always the embodiment of a scarce resource' with 'intangible property, intellectual property' which 'can be reproduced to any extent desired and can be productively employed everywhere (principle of ubiquity) without causing deficiencies elsewhere' (at 14). He indicates that the principle of ubiquity is applicable to all economically valuable information (*ibid*). The principle of ubiquity as just expressed does not deny that whenever the property exists, it is creation of the law of the relevant jurisdiction.

¹⁹⁴ That is, the symbol *per se*.

¹⁹⁵ The creation of the trade mark only affects the specimens actually used to represent it.

¹⁹⁶ One of the ideas/concepts the symbol can represent is the idea/concept it customarily or ordinarily represents, ie it can convey its customary meaning, if it has one. The words sunlight, skip, happy, romance and life are proof of this proposition.

¹⁹⁷ Each word is a specimen of the species (class) that it and the other specimens of the word constitute.

¹⁹⁸ SUNLIGHT is a trade mark for soap, washing powder, dishwashing liquid and fabric softener; SKIP a trade mark for washing powder; HAPPY, ROMANCE and LIFE are trade marks for perfumes/deodorants.

3.3 SIGNIFICANCE OF CONTEXT FOR TRADE MARKS

We have seen that context plays a critical role in determining what idea/concept a particular specimen of a *symbol* embodies and expresses.²⁰⁴ Two specimens of a particular symbol, consciously exhibited in the *same context* are generally regarded as expressing the same idea,²⁰⁵ unless the person exhibiting (using) the symbol intended to create confusion. A trade mark proprietor is not permitted to make confusing use of a trade mark under pain of loss of the exclusive right.²⁰⁶ Two specimens of the same symbol exhibited in different contexts, however, would generally be regarded as representing different ideas/concepts. Eg, 'skip', exhibited in relation to washing powder, constitutes a particular proprietor's trade mark for the particular washing powder, whereas the word 'skip', in the literary context, expresses the idea of hopping from one foot to the other.²⁰⁷

The particular specimens of the symbol exhibited in relation to goods, are understood to embody and express the trade origin of the goods, ie, to constitute replica trade marks, by virtue of their context: the entire species of that symbol does not stand in the trade mark context.²⁰⁸ A symbol is only a constituent element of a replica trade mark by virtue of the trade origin idea which it embodies and expresses, which is revealed by the context within which the symbol stands. Eg, if the word 'sunlight' on the wrapper of a bar of soap did not represent the trade mark, SUNLIGHT, it would be meaningless in that context.²⁰⁹

trade origin of each of those kinds of goods. See the definition of symbol *per se* at para 2.2, especially Griffin's statement in the text at note 70, and the cases discussed at para 2.6, *supra*.

²⁰⁴ See para 2.4, *supra*.

²⁰⁵ 'BIC' used in relation to different types of goods (pens, razors and lighters) represents the trade origin of the goods. The fact that the 'word' BIC does not describe the goods plays an important role in providing the context in which the 'word' is used. The significance of secondary meaning must, however, not be ignored: see text following note 210, *infra*.

²⁰⁶ The *Coachworks* case provides an example of the exclusive common law right being lost under such circumstances and s 10(13) of the TMA prohibits confusing use of a registered trade mark under pain of expungement.

²⁰⁷ 'Skip' is defined as 'to spring or move lightly, esp. to move by hopping from one foot to the other': *Collins Dictionary*, at 1083.

²⁰⁸ Another way of explaining why only those particular specimens exhibited in relation to goods constitute trade marks (ie express the idea/concept that the goods have a particular trade origin), and not the entire class (species) of that symbol, is that only those particular specimens are exhibited in relation to goods with the intention of representing the trade origin of those goods. See the remarks in the *Jif Lemon (ChD)* case at para 2.3, *supra*.

²⁰⁹ The replica exists to represent and will represent the trade mark with which it shares the same perceptible characteristics in a particular jurisdiction in which it is situated. See notes 112 and 115, *supra*.

sort of fund of images and ideas which we recognise as having particular meaning²¹⁵ and in my submission, when one of these is used in relation to goods one of the ideas it can convey is trade origin.

The ability of a particular symbol, eg θ , to embody and express ideas within a *particular context*, eg in the context of trade, can become severely restricted, however. Eg, the symbol θ may become so well known *in the trading context* as constituting the trade mark of a particular trader, that in the *trading context*, it may become incapable of representing any other idea.²¹⁶ The best illustrations of situations in which a particular symbol has become so closely associated with the goods of a particular proprietor, ie with a particular trade origin, that they cannot indicate any other association in trade, are once again the cases in which a symbol has acquired a 'secondary meaning'. Trade mark infringement²¹⁷ and passing off operate on the basis that the trade mark is distinctive of one trader's goods and its use by another person is likely to result in deception or confusion²¹⁸ or damage to the trader's custom by damaging his business reputation (goodwill).²¹⁹ In other words, in the trading context, trade marks, even though constituted from symbols, primarily express trade origin in a particular trader.²²⁰ The context is critical because neither passing off nor infringement demand that the *symbol* from which the trade mark is constituted, not embody and express ideas other than trade origin, except in the trading context.

²¹⁵ See para 2.3, *supra*. Price, *Media Studies*, at 61 (at note 71, *supra*).

²¹⁶ In other words, it may have become so closely associated with the goods of a particular trade mark proprietor that it cannot represent that the same type goods in relation to which it is exhibited, have their trade origin in another person.

²¹⁷ This is what the statutory brand of inroad into the trade mark right will be called.

²¹⁸ That is a principal requirement for trade mark infringement (s 34(1)): see chapter 7 para 5.3.1, *infra*.

²¹⁹ That is a basic requirement for common law infringement: see chapter 3 paras 4.1 and 4.2, *infra*.

²²⁰ See para 3.1, *supra*. Geographic and other associations cannot however be denied. Eg, a shamrock is very widely associated with Ireland and a crescent moon with the Middle East, but the context indicates what the primary significance is.

A trade mark in fact comes into existence in the common law scheme as soon as the symbol is used to embody and express the trade origin idea in relation to the user's (proprietor's) goods, which are placed on the market.²²⁵ A trade mark in fact in the statutory (TMA) scheme comes into existence when a symbol is, or has been used, or is proposed to be used to indicate that the person who used, is using or proposes to use the symbol as a trade mark is the trade origin of goods in relation to which the symbol / trade mark is used or proposed to be used.²²⁶ The legal significance that both the common law and statutory trade marks enjoy, however, is determined by further legal considerations. It is to the considerations surrounding and by means of which a trade mark in fact attains the legal significance which the trade mark as a legal construct and an item of IP enjoys, to which we now turn our attention.



²²⁵ See chapter 3 para 2.3, *infra*.

²²⁶ See chapter 4 para 3.3, *infra*, including all its sub-paragraphs.

4.1 DEFINITION OF A LEGAL CONSTRUCT

A legal construct may be defined as *an entity*²²⁷ that has the following characteristics:

- (a) Its existence is determined by and as a conclusion of law;
- (b) The conclusion is drawn in terms of a specific set of legal rules;²²⁸
- (c) The legal rules apply under a prescribed set of factual circumstances;
- (d) The factual circumstances stipulate the component parts of the entity / construct;²²⁹
- (e) Conventionally, as a matter of law, once the conclusion is drawn, the construct that comes into existence is distinct from its component parts;²³⁰ and
- (f) The construct is the object of a set of juristic relations, legal consequences (generally rights and duties) that flow from its creation.²³¹

²²⁷ The term 'entity' is used here in the sense of 'something having ... distinct existence': the *Collins Dictionary*, at 370.

²²⁸ The rules derive from one legal system or subsystem: one legal system or subsystem creates its own legal construct.

²²⁹ Eg a determination by a court that a delict (a delict is a legal construct) has been committed is a conclusion of law based on certain factual circumstances prescribed by the law.

²³⁰ A company is the best example of a legal construct that is treated as an entity – it is regarded as a person in law.

²³¹ Gardiner argues that the traditional approach to the classification of rights, brought to its commonly accepted form by Grotius, is not the most satisfactory basis on which analyze trade mark (and other IP) rights (*op cit*, at 505). He refers to AJ Van der Walt, 'Personal rights and limited real rights: an historical overview and analysis of contemporary problems related to the registrability of rights', (1992) 55 *THRHR* 170, who summarizes Grotius' position as follows:

'Grotius distinguished real rights from personal rights by stressing the direct or immediate character of real rights, which are exercised without reference to any other person. A real right is, therefore, not a legal relationship that exists between two or more persons with reference to a thing, but rather a relationship that exists between a person and a thing without reference to other people. It follows that limited real rights must be distinguished from personal rights that involve a thing: the first exists without reference to other people, whilst the second exists with reference to another person. This approach is directly related to the remedies for enforcement of the two rights respectively: a real remedy is instituted against any person who is in breach of the right because the remedy is aimed at the thing and not the person. A personal remedy, on the other hand, is aimed at and can be instituted only against a specific person, who is bound to the claimant by way of his duty of performance in terms of the creditor's right' (at 176).

Gardiner argues that the absolute/relative and real/personal distinctions lack the particularity necessary to describe the content of IP rights, but does not reject them as irrelevant or valueless. He argues convincingly, however, that the trade mark proprietor's rights are absolute (at 506, citing *Metal Box SA Ltd v Midpak Blow Moulders (Pty) Ltd* (the *Midpak* case), 1988 (2) SA 446 (T) in support). Gardiner argues further that

'The theoretical justification for the application of the concepts real and personal rights to trade marks seems merely to be that insofar as trade mark rights, being immaterial or intellectual property rights, *are rights to property*, they must be real and enforceable against all at large. Hence it has been held that an action to expunge a trade mark registration is an *actio in rem* and not an *actio in personam*.

Contracts and goodwill are two well-established classes of legal constructs. Contracts will be examined briefly to provide a basis for my argument, by analogy, that a trade mark is a legal construct, after which an even more truncated examination of goodwill will also be essayed.²³³

4.2 A CONTRACT AS A LEGAL CONSTRUCT

4.2.1 DEFINITION OF A CONTRACT

A contract may be defined as an agreement between two or more persons that meets certain prescribed legal requirements. The requirements for the formation of a contract, other than agreement,²³⁴ are legality, possibility, certainty, capacity and formalities.²³⁵ The parties enter into an agreement under the factual circumstances the law prescribes for creating a contract, as set out in the requirements. Once *all* the requirements are fulfilled the *conclusion* is drawn, *ex post facto*, that a contract has been created.²³⁶ A contract is created and comes into existence when the requirements are fulfilled because the conclusion, even though drawn *ex post facto*, is based on the facts as they were at the time the requirements were fulfilled. So the legal position is that the contract came into existence when the conclusion was drawn and by legal fiat the conclusion is deemed to have been drawn at the time the requirements were fulfilled.

4.2.2 DISTINCTION BETWEEN AN AGREEMENT *PER SE* AND A CONTRACT

An agreement is a factual entity, a state of being in which two persons are of one mind in regard to a particular matter or particular matters. The existence of an agreement is a conclusion of fact: evidence is presented to establish the state of mind of each party and a

²³³ Goodwill, or in its current incarnation, a business reputation, will be the subject of an extensive examination in chapter 3 para 4.2 (including all its sub-paragraphs), *infra*. The summary provided in para 4.3, is intended solely to substantiate the argument that goodwill is a legal construct.

²³⁴ The agreement translates into or is expressed in the requirement that there must be consensus: Van der Merwe S, Van Huyssteen LF, Reinecke MFB, and Lubbe GF, **Contract: General Principles**, 2ed, Juta, Cape Town, (2003), at 18 (hereafter, Van der Merwe *et al*); F Du Bois (general editor), **Wille's Principles of South African Law**, 9ed, Juta & Co, Cape Town, (2007), (hereafter *Wille*), at 736; RH Christie, **The Law of Contract in South Africa**, 3ed, Butterworths, Durban, (1996), at 21.

²³⁵ Van der Merwe, *et al*, at 8; *Wille*, at 740.

²³⁶ If this conclusion cannot be drawn, there never was a contract despite the steps the parties may have taken in an effort to create one.

also called the factual substrate in this thesis) necessary for the conclusion of law to be drawn that a contract exists.²⁴⁴

A contract and an agreement are both states of being and therefore not perceptible. There is consequently no perceptible difference between a contract and an agreement *per se*.²⁴⁵ The substance of the distinction between them lies in their differing legal significance, which is manifested in the legal consequences that flow from a contract, consequences which do not flow from an agreement *per se*.²⁴⁶ The legal rights and duties it gives rise to, are the consequences of a contract.²⁴⁷ An agreement *per se* does not create *legal* rights and duties. The rights and duties flow from the contract which in law is a different entity from the agreement *per se*.²⁴⁸



²⁴⁴ See para 4.2.3, *infra*.

²⁴⁵ The writing in which written contracts are expressed generally provides evidence of the existence of the contract. However where writing has been prescribed as a requirement by the law or the parties the writing and the contract come into existence simultaneously: see **Goldblatt v Fremantle**, 1920 AD 123.

²⁴⁶ The law of contract does not attach full contractual significance to an agreement *per se*, therefore, in a sense insofar as the *law of contract* is concerned it may as well not exist if not accompanied by the other requirements for a contract. Clearly if there is no agreement at all, there would be nothing upon which the circumstances could attend, and therefore no contract. The expression 'does not attach full contractual significance' is used to emphasize that the significance that attaches to a contract does not attach to an agreement *per se* and not to indicate that the agreement *per se* is devoid of any legal significance. Legal significance generally derives not from the abortive attempt to create the legal construct, but from the consequences of the attempt. Eg, a seller hands over the subject matter of the sale to a purchaser, in terms of an invalid contract of sale. The seller's right to reclaim derives not from the failed contract but from property law (if ownership was not transferred he has the *actio rei vindicatio* available) or from unjustified enrichment (if there was a transfer of ownership he has the *condictio indebiti* available).

²⁴⁷ Van der Merwe, *et al*, at 20; Wille, at 789. In bilateral contracts, which are the most common type of contract, each party has the right to receive the performance promised by the other and has a duty to render the performance he undertook in the contract.

²⁴⁸ When the prescribed factual circumstances exist, the law is applied to draw the conclusion that the legal construct exists and the consequences flow from the existence of the legal construct, the conclusion, by the law investing the parties with the relevant rights.

The conclusion constitutes a declaration that the legal construct came into existence on a particular date and that the legal consequences flowed from that date.²⁵⁷ The conclusion (declaration) derives from the *application* of the law, so the law is a constitutive element of the conclusion.

4.2.4 CONCLUSION

The most significant difference between an agreement and a contract, for purposes of my thesis, is that an agreement *per se* is a *factual entity* whereas a contract is a *legal construct*. The fact that a contract exists

- (i) is a conclusion of law that is drawn in terms of the rules of the SA law of contract,
- (ii) is made when certain prescribed factual circumstances exist, the circumstances being expressed in the requirements for the conclusion of a contract;
- (iii) is determined when the conclusion is drawn that the entity, a contract, has been brought into existence; and
- (iv) the contract is the object of a set of juristic relations, the obligations that come into existence upon, and flow from, its conclusion.²⁵⁸

The distinction between an agreement and a contract is manifested in the differing legal significance of each.

4.3 GOODWILL AS A LEGAL CONSTRUCT

Goodwill, in my submission, also a legal construct, is clearly and comprehensively defined in the *Muller Margarine* case:²⁵⁹

'What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. ***It is the attractive force which brings in custom.*** It is the one thing that *distinguishes an old-established business from a new business at its first start*'.²⁶⁰

²⁵⁷ These consequences are essentially the rights and duties that came into existence on that date. Van der Merwe *et al*, at 7 indicate that the conclusion that a contract has been created is based on a finding of historical fact.

²⁵⁸ The elements mentioned in this sentence establish compliance with the definition of a legal construct provided at para 4.1, *supra*.

²⁵⁹ [1901] AC 217.

²⁶⁰ At 223, my emphases. The sentence in bold italic print was cited with approval in *Botha & Anor v Carapax Shadeports (Pty) Ltd* (the *Shadeports* case), 1992 (1) SA 202 (A), at 212A.

- (1) Locality;
- (2) The personality of the driving force behind the business;²⁶⁶
- (3) Business licences;²⁶⁷
- (4) Agreements, such as restraints of trade;²⁶⁸ and
- (5) *Reputation*.²⁶⁹

The goodwill enjoyed by a business that sells the goods,²⁷⁰ generally develops through and is expressed by the trade mark or the get up (trade dress), which distinguishes the goods.²⁷¹

²⁶⁶ In the *Jacobs* case the Court found that the personal qualities, reputation and situation all contributed to the goodwill of a suburban pharmacist (at 624E-F).

²⁶⁷ *Receiver of Revenue, Cape v Cavanagh* (the *Cavanagh* case), 1912 AD 459. The question in issue was: did the sale of the goodwill and liquor licences of an hotel attract transfer duty payable on immovable property. The parties had agreed on a price of £1500 for the goodwill and licence. The Court held that the term 'goodwill' generally indicates the benefit that arises from connection and reputation (at 464). Connection meant that the business was set in place. The Court held that 'It [goodwill] is generally compounded of two elements, personality and locality' (at 464 - 465). The Court found that the goodwill of *licensed premises* could not be dealt with separately from the licence. The licence was, in other words, an inseparable component of the goodwill because the premises had a location and the liquor licence was tied to the premises. The goodwill could not be separated from the bricks and mortar establishment.

²⁶⁸ In the *Shadeports* case the appellants were former employees of Carapax. The Carapax business, together with its goodwill, was sold as a going concern. The purchaser sought to enforce the covenants in restraint of trade which the appellants had concluded with Carapax. The question was: were the covenants part of the goodwill and therefore had been ceded to the purchaser of the business. The Court held that

'The notion that the benefit of a covenant in restraint of trade forms part of the goodwill of a business would seem to be well established in English Law (at 211H).

The Court paraphrased the position, of which it approved, as follows:

'The benefit of an agreement in restraint of trade, which exists for the advantage of a business, passes to the purchaser of that business and its goodwill, as part of the goodwill' (at 212G).

²⁶⁹ At 347G-I.

²⁷⁰ The entity to which the goodwill attaches is the business, if we accept the definition of goodwill as the attractive force that draws custom to the business – the goods draw custom to the business.

²⁷¹ The *Holiday Inns* case shows the trade mark as the representation of the goodwill, whereas the *Tea Lovers* and *Jif Lemon* cases, show that, when standing alone, it is not. See also BR Rutherford, 'Misappropriation of the advertising value of trade marks, trade names and service marks' in Onregmatige Mededinging: Unlawful Competition, Verrigtinge van 'n seminar aangebied deur die Departement van Privaatreg van die Universiteit van Suid-Afrika op 3 November 1989, J Neethling (red) UNISA, Pretoria, 56 (the proceedings are referred to as J Neethling (ed), *Onregmatige Mededinging: Unlawful Competition*; the article as Rutherford, *Advertising Value*); FI Schechter, 'The Rational Basis of Trade Mark Protection', 1927 *Harv LR* 813, (Schechter, *Rational Basis*), at 819.

²⁷¹ See para 4.2.3, *infra*.

played an important role in the generation of the goodwill and in the *Shadeports* case the covenants in restraint of trade were not the object of the sale but the goodwill to which they had contributed.

In my submission, this summary analysis indicates that goodwill is a legal construct.

4.4. THE CHARACTERISTICS OF A TRADE MARK AS A LEGAL CONSTRUCT AND THE OBJECT OF AN EXCLUSIVE RIGHT

4.4.1 THE DISTINCTION BETWEEN A SYMBOL AND A TRADE MARK

A symbol *per se*, it has been argued, is a factual rather than a legal entity.²⁷⁹ A trade mark is only constituted from a symbol where particular circumstances attend upon the symbol.²⁸⁰ The function a trade mark fulfils, described in its definition, is central to the creation of a trade mark.²⁸¹ The importance of determining when a trade mark is created derives from the fact that the statutory exclusive right only attaches to a registered trade mark,²⁸² and the common law exclusive right can only attach to a common law trade mark.²⁸³ Neither a registered nor a common law trade mark can exist unless there is a trade mark.

²⁷⁹ See para 2.1, *supra*.

²⁸⁰ See para 2.2, *supra*. See also the definition of trade mark in s 2(1) of the TMA.

²⁸¹ The function a trade mark is required to perform is not the only requirement that must be fulfilled, but like the agreement in a contract, it plays a central role.

²⁸² See chapter 4, *infra*.

²⁸³ See chapter 3, *infra*.

combination together under the relevant circumstances.²⁸⁸ It is only by construction of law, the addition of the effect of the law that the two entities, which are otherwise incapable of private ownership, combine to form a third entity that is capable of being and which is owned.²⁸⁹

4.4.2 THE REQUISITE FACTUAL CIRCUMSTANCES FOR CREATION OF A TRADE MARK

A trade mark is created by someone appropriating a symbol to the function of embodying and expressing the trade origin of goods.²⁹⁰ SA law has two subsystems that provide for the creation of trade marks: the common law and statute law, the latter in the form of the TMA.²⁹¹

The very existence of the two subsystems indicates that they consist of different sets of rules. Each set of rules applies under particular factual circumstances.²⁹² If they both applied in one set of circumstances, one set of rules would be superfluous. The fact that each subsystem has a set of rules that only applies under specific circumstances means that each one constitutes and creates trade marks under specific factual circumstances.²⁹³

The factual circumstances required by the common law, and the TMA, respectively, are now revisited in turn.²⁹⁴

4.4.2.1 Common Law Factual Circumstances

The factual circumstances required for the creation of a common law trade mark are

- (i) a distinctive symbol;²⁹⁵
- (ii) exhibited (affixed) in relation to goods to express their trade origin;²⁹⁶ and
- (iii) used in public.²⁹⁷

²⁸⁸ See paras 3.2.1 and 3.2.2 *supra*, as well as para 4.4.2, *infra*.

²⁸⁹ See para 3.1.1, *supra*.

²⁹⁰ See chapters 3 and 4, *infra*.

²⁹¹ *Ibid*.

²⁹² See paras 3.2.1 and 3.2.2, *supra*.

²⁹³ It is not a case of one system creating a trade mark and the other recognizing the trade mark: see para 6.1, *infra*.

²⁹⁴ The details are discussed in chapters 3 and 4, *infra*.

²⁹⁵ This requirement is discussed more fully in chapter 3 para 2.1 and chapter 4 para 3.1, *infra*.

²⁹⁶ This requirement is discussed more fully in chapter 7 para 3.3.2 and chapter 7 part [4], *infra*.

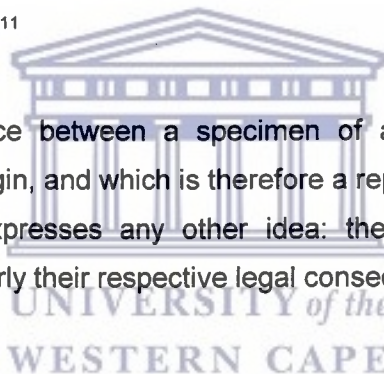
(2) the applicant proposes to register it.^{306 307}

The registration process 'converts' the registrable trade mark into a registered trade mark.³⁰⁸ Registration is a legal process; therefore the conclusion/declaration that a trade mark exists, made by registration, is a conclusion of law.³⁰⁹ The exclusive right to use the trade mark is created by registration, and vests immediately upon registration.³¹⁰

4.4.3 DISTINCTION: A TRADE MARK AS A FACTUAL ENTITY AND AS A LEGAL CONSTRUCT, AN ITEM OF IP

A trade mark as legal construct differs from the trade mark as factual entity because a trade mark, as legal construct, an item of IP, is the object of an exclusive right, while the trade mark as factual entity is not.³¹¹

There is no perceptible difference between a specimen of a particular symbol that embodies and expresses trade origin, and which is therefore a replica of a trade mark, and a symbol that embodies and expresses any other idea: the difference lies in their respective legal contexts, particularly their respective legal consequences; the one entity is



³⁰⁶ The *proposal* to register a symbol from which a common law trade mark has been constituted creates a used registrable trade mark: the issue of a proposal to use a trade mark is discussed in chapter 4 para 3.2.1, *infra*.

It is of no significance in terms of the TMA that a trade mark, as defined in the TMA, enjoys protection as a common law trade mark; therefore it is not a common law trade mark that is required for registration, just a trade mark as defined in the TMA: see chapter 4 paras 6.1 and 6.2.1, *infra*.

³⁰⁷ If no proposal is made to register it, the trade mark will never enjoy full recognition in terms of the TMA. It must be borne in mind that it is only the proposal to register the trade mark that gives the trade mark proprietor a *bona fide* claim to proprietorship of the trade mark in terms of the TMA: see chapter 4 para 3.3.2, *infra*, where it is argued that

(a) the applicant proposes to use the trade mark when he submits his application for registration, and

(b) that is when

(i) the registrable trade mark is created, and

(ii) he acquires a *bona fide* claim to proprietorship of a trade mark.

³⁰⁸ It is submitted that there is a conversion from a registrable to a registered trade mark as the registrable trade mark will no longer serve any purpose (its purpose is just to procure registration). The exclusive right vests when the 'conversion' occurs.

³⁰⁹ See chapter 4 para 6.3, *infra*.

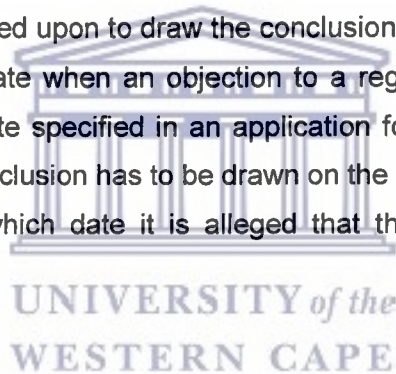
³¹⁰ See the *Dan River* case, at 706C; chapter 4 para 6.3; and chapter 7 para 11.2, *infra*.

³¹¹ A symbol *per se* is a symbol in all its manifestations, whether it is used as a trade mark (at common law or in terms of the TMA) or not.

signified component of the symbol, ie the idea of trade origin in a particular person, has, by association,³¹⁹ been 'integrated' into the trade mark in a manner comparable to that in which an agreement is integrated into a contract or the various components integrated into goodwill / business reputation.³²⁰

Legal criteria must be met before the conclusion is drawn that a trade mark exists as a right bearing entity. The need to satisfy legal criteria means that the conclusion that a trade mark exists is a conclusion of law. The conclusion is drawn without a formal declaration in the case of the common law. In terms of the TMA, the declaration is made formally after consideration of an application.³²¹

Ordinarily, the courts are only called upon to draw the conclusion *ex post facto* the date of an alleged infringement,³²² the date when an objection to a registration is raised,³²³ the date of registration³²⁴ or other date specified in an application for the expungement of a registered trade mark.³²⁵ The conclusion has to be drawn on the facts as they stood at the date of the relevant event, by which date it is alleged that the trade mark had been created.



³¹⁹ See para 2.4, *supra*, in regard to association.

³²⁰ See para 3.2 *supra*. This is when the capacity of the symbol to represent is harnessed for the purpose of representing the trade origin of the goods to which it is applied. Each subsystem of trade mark law prescribes the criteria that must be met for a trade mark to come into existence: see parts [3] and [4] of this chapter. If the criteria are not met, then, insofar as the relevant subsystem of trade mark law is concerned, no trade mark exists.

³²¹ The Registrar's approval of the application amounts to a formal declaration that the requirements have been met.

³²² See the *Holiday Inns* case; *New Media Publishing (Pty) Ltd v Eating Out Web Services CC* (the *Eating Out* case), 2005 (5) SA 388 (C); the *Pentax* case.

³²³ See the *Lifesaver* case, at 65A; confirmed on appeal: 1966 (1) SA 311 (AD).

³²⁴ See *Sidewalk Café's (Pty) Ltd t/a Diggers Grill v Diggers Steakhouse (Pty) Ltd & Another* (the *Diggers Grill* case), 1990 (1) SA 192 (T) at 195H-J and 196D; *Broadway Pen Corporation & Another v Wechsler & Co (Pty) Ltd and Others* (the *Everglide* case), 1963 (3) SA 434 (T), where the Court indicated that the entry in the register had been wrongly made at the date of registration (at 446H).

³²⁵ *McDonalds Corp v Joburgers Drive-Inn Restaurant (Pty) Ltd & Anor*; *Dax Prop CC & Anor*; *Joburgers Drive-Inn Restaurant (Pty) Ltd and Dax Prop CC* (the *McDonald's* case), 1997 (1) SA 1 (AD); *Arjo Wiggins Ltd v Idem (Pty) Ltd & Anor* (the *Arjo Wiggins* case), 2002 (1) SA 591 (SCA).

- (a) the author must be a qualified person;³³²
- (b) the work must be published under particular circumstances;³³³ or
- (c) the work must be made by or under the direction or control of the SA government or certain international organizations.³³⁴

It is only when *all* of these criteria are met that the novel is an item of *IP* insofar as the CRA is concerned and it enjoys full legal protection, ie copyright vests in the work. Should one of the criteria not be met, the item of *IP* we know as a novel, ie the one which enjoys copyright protection and which is therefore the object of an exclusive right, does not exist.

In a similar manner, all the requirements laid down by Patents Act (the PTA)³³⁵ must be met for the item of *IP* we know as a patent to come into existence. The requirements the PTA lays down are

- (1) there must be a patentable invention in existence;³³⁶
- (2) the invention must be absolutely novel;³³⁷
- (3) it must involve the taking of an inventive step;³³⁸
- (4) it must have the quality of utility;³³⁹ and
- (5) the inventor must apply for the registration and issue of a patent to him.³⁴⁰

If all these requirements are met, the law, acting through the office of the Registrar of Patents, registers the patent and issues a patent to the inventor: that is when the item of *IP* the patent (for a patentable invention) comes into existence. Very often an invention meets the intrinsic qualifications for obtaining a patent when the invention comes into being (ie when the inventor brings all the integers of the invention together) but it is only when the patent is registered that a *patent* for the invention comes into being. It is then that the exclusive right vests, and the invention begins to enjoy *patent protection*. The

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Section 3 of the CRA.

333

Section 4 of the CRA.

334

Section 5 of the CRA. See *Biotech Laboratories (Pty) Ltd v Beecham plc*, 2002 (4) SA 249 (SCA).

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Act 57 of 1978.

336

There are numerous entities that are excluded from the category of patentable inventions: see s 25(2) of the PTA.

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See s 25(1) read with s 25(5) of the PTA.

338

See s 25(1) read with s 25(10) of the PTA.

339

See s 25(1) of the PTA.

340

See s 30 of the PTA.

becomes an item of IP, when the goods in relation to which the trade mark is used acquire the requisite business reputation (in SA law, formerly goodwill).³⁴⁴

Prior to the goods acquiring the requisite business reputation the trade mark may enjoy the protection of other branches of the law, eg confidential information and trade secrets³⁴⁵ or the law of unlawful competition,³⁴⁶ *inter alia*, but the trade mark in fact does not enjoy the *legal protection* enjoyed by a trade mark at common law. A 'trade mark' in which the exclusive right does not vest, is not the item of IP a common law trade mark. An entity that does not enjoy the legal protection of the exclusive right concomitant with a common law trade mark cannot be a common law trade mark. It must also be taken into account that a trade mark cannot exist without someone being its proprietor:³⁴⁷ it has been argued that *until someone is its proprietor a trade mark does not exist* because a trade mark exists to indicate that the proprietor is the trade origin of the goods in relation to which it is used.³⁴⁸

The position with regard to a registered trade mark is as follows. The TMA defines a trade mark as a mark (symbol) used or proposed to be used for the purpose of distinguishing the goods in relation to which it is used from goods that are connected in the course of trade with persons other than the trade mark proprietor.³⁴⁹

³⁴⁴ That is when the passing off action becomes available: see chapter 3, *infra*.

³⁴⁵ See HJO Van Heerden & J Neethling, *Unlawful Competition*, Butterworths, Durban, (1995), at 223ff.

³⁴⁶ See *Pepsico Inc & Ors v United Tobacco Co Ltd* (the *Ruffles* case), 1988 (2) SA 334 (W), at 349G-J and chapter 4 para 4.4.3, *infra*. The Courts would also, in my submission, in accord with the principles discussed in the *Moorgate* case and *Victoria's Secret* cases, not recognize a claim to proprietorship in situations where there could be a claim of unlawful competition.

³⁴⁷ See para 3.1.1, *supra*.

³⁴⁸ The trade mark exists to fulfill its designated function: see chapter 7 part [3], especially para 3.3.2, *infra*.

³⁴⁹ See s 2(1) of the TMA. The connection in the course of trade requirement means that the trade mark must indicate that the goods in relation to which it is used are connected with the proprietor: see chapter 7 para 4.2, *infra*.

The trade mark, the item of IP, is what is referred to as the trade mark as legal construct: it is only when all the relevant legal requirements have been met and the law attaches the customary legal consequences, to the entity and legal construct, that the item of IP the common law or registered trade mark exists.

4.5 THE CONTRACT / TRADE MARK ANALOGY

The statement that the parties have concluded a contract is in one sense a shorthand expression for '*the parties' have reached consensus, and their agreement meets the requirements of legality, capacity, certainty, formalities and possibility, and has brought the rights and obligations provided for by the express and / or implied terms of the agreement into existence*'.³⁶⁰ A contract as a legal construct, is the embodiment of all that is contained in the italicized portion of the previous sentence, but once the contract exists, the contract, the unitary entity is the object of rights and duties. The rights and duties relate to the unitary entity and not any of its component parts.

Similarly, the statement that a trade mark exists, means either

- (i) a person has placed goods on the market in relation to which he has exhibited a distinctive symbol to indicate that he is the trade origin of those goods and the goods have acquired a business reputation among a substantial number of customers;³⁶¹ or
- (ii) a person has used or proposes to use a particular distinctive symbol to indicate that he is the trade origin of goods in relation to which the symbol is exhibited or to be exhibited and has registered the trade mark constituted from the symbol.³⁶²

A significant improvement in conceptual clarity derives from recognising a trade mark as an entity separate from the symbol,³⁶³ from which it is constituted.³⁶⁴

³⁶⁰ See para 4.2.1, *supra*.

³⁶¹ In such a case a common law trade mark is created.

³⁶² This creates a registered trade mark, but a registrable trade mark will have been created first.

³⁶³ The object of the right is identified more clearly as a common law or registered trade mark. This logic, when extended to the international plain, enables us to see that there are separate trade marks in each jurisdiction and to identify more clearly the particular right being exercised.

Legal rights to and in IP (including trade marks) are dealt with by broad analogy to rights to corporeal movables even though IP is incorporeal in nature.³⁷⁴ The legal rights that

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Cornish & Llewelyn, *op cit*, at 4.

There is, however, *per contra*, authority for the view that an analogy can be drawn between trade marks and immovable property: G Tritton, R Davis, M Edenborough, J Graham, S Malynicz and A Roughton, *Intellectual Property in Europe*, 2ed, Sweet & Maxwell, London, (2002), (hereafter Tritton *et al*), at 1008; *Tyburn Productions v Conan Doyle* (the *Conan Doyle* case), [1990] 1 All ER 909; *Coin Controls v Suzo*, [1990] FSR 60 (HL); *Pearce v Ove Arup Partnership Ltd & Ors*, [1999] 1 All ER 768 (CA); E Jooris, 'Infringement of Foreign Copyright and the Jurisdiction of English Courts', [1996] *EIPR* 127, at 139.

R Arnold, 'Can One Sue in England for Infringement of Foreign IP Rights', [1990] *EIPR* 254 discusses the *Conan Doyle* case, in which the Court held that an English court had no jurisdiction to entertain an action for a declaration that the defendant (Lady Bromet, daughter of Sir Arthur Conan Doyle), was not entitled to any rights in the characters Sherlock Holmes and Dr Watson under the copyright, unfair competition or trade mark laws of the United States of America. The Judge decided the matter on the basis of the rule that the English Courts had no jurisdiction to entertain an action concerning title to foreign land, which the Judge ruled extended to actions concerning the validity or infringement of rights arising under foreign IP laws. The rule the Judge applied is known as the Moçambique rule because it was established in *British South Africa Co v Companhia de Moçambique*, [1893] AC 602 (HL). Arnold cites JHC Morris (gen ed), *Dacey & Morris on The Conflict of Laws*, 10 ed, Sweet & Maxwell, London, (1980), Vol 2, who indicate that patents and trade marks are 'situate in the country where they can be effectively transferred under the law governing their creation' (at 535), which Arnold says put 'simply' is the 'country by whose law they are created' (*op cit*, at 255, my emphasis). Dacey & Morris also indicate that

'The law of a country where a thing is situate (*lex situs*) determines whether

- (1) the thing itself is to be considered an immovable or movable; or
- (2) any right, obligation, or document connected with the thing is to be considered an interest in an immovable or a movable' (rule 75 at page 521).

The English courts apply the rule that in the absence of evidence of foreign law the English law is applied on the assumption that it, the foreign law, is the same as English Law (Arnold, *op cit*, at 256). In the *Conan Doyle* case, Vinelott J followed the Australian case of *Potter v The Broken Hill Co Pty Ltd* (the *Broken Hill* case), (1906) 3 CLR 479, in which the Court held that a patent was immovable and subject to the Moçambique rule. Arnold argues that in the *Broken Hill* case the High Court of Victoria regarded the Moçambique rule 'as a particular instance of the general rule that the Courts of one nation or state will not examine the validity of the acts of another nation or state done within its own territory', the Court in the *Broken Hill* case having said:

'I apprehend that any exercise by a de facto repository of any power of sovereignty, which results in the creation of a right of property, that can only be created by such an exercise, must be regarded as an act of the State itself' (at 496).

Arnold provides three particularly persuasive reasons for regarding IP rights as immovables:

- (a) they are much less movable than debts as they have a permanent and necessary connection with a particular territory (K Lipstein, 'Intellectual Property: Jurisdiction or Choice of Law', [2002] *Cambridge Law Journal* 295, says 'the floating incorporeal character of intellectual property rights, which are without exception the creation of statute, makes it impossible to attach them to anything other than the statute to which they owe their origin', at 297). Arnold says

and property comes into existence simultaneously, in its wake so to speak. The factual relationship of creator and creation is the precondition for the existence of, or the substrate upon which the law rests, a relationship of owner and property. Property law determines what factual circumstances, viz the creation of the corporeal thing, and the factual relation of creator and creation, shall give rise to the legal relationship of property and owner.³⁷⁸ Ownership consists of a number of rights and duties, and rights and duties are the content of a legal relationship, not of a factual relationship.³⁷⁹

The determination that the legal relationship has come into existence is made as soon as the requisite factual circumstances are established. The critical aspect of the situation, for present purposes, is that the aggregate of rights and duties that constitutes *ownership*, does not derive directly from the factual relationship of creator and creation, but from the legal relationship of owner and property,³⁸⁰ which the application of the law superimposes upon the factual relationship.

³⁷⁸ Other examples are that under particular circumstances an agreement gives rise to a contract, and an injury or damage gives rise to a delict. The question of the relevance of the factual circumstances under which the declaration is made that a trade mark exists is has been discussed (see para 4.3.2, *supra*). When the declaration is made, it is determined that the person who exhibited or registered the trade mark is its proprietor and it also creates the proprietary relationship between the person and the trade mark. The legal rule invests him with proprietorship and creates the relationship that is evidenced by the exclusive right.

³⁷⁹ GW Paton & DP Derham, *A Text-book of Jurisprudence*, 4 ed, Clarendon Press, Oxford, (1972), indicate that a **legal right**, which is distinguished from other rights by the fact that it is recognized and protected by the legal system, involves a relationship between two or more legal persons (at 284-285).

³⁸⁰ See *Metal Box SA Ltd v Midpak Blow Moulders (Pty) Ltd* (the *Midpak* case), 1988 (2) SA 446 (T), in which the Court speaks of 'the incorporeal property right in the trade mark' (at 452C); in the *Everglide* case, the Court indicates that a person obtains proprietorship (*dominium*) of a trade mark, the fundamental characteristic of which is the exclusive use, by acquiring, inventing or otherwise originating the mark accompanied by the *animus possidendi* (at 444A – 445C). Similar conclusions to those arrived at by the Court in the *Everglide* case, were arrived at in the *Victoria's Secret* case, (at 744F – 745H). See also *Gulf Oil Corp v Rembrandt Fabrikante & Handelaars (Edms) Bpk* (the *Gulf Oil* case), 1963 (2) SA 10 (T), at 22A-D.

F-K Beier, 'The Doctrine of Exhaustion in EEC Trademark Law – Scope and Limits', (1979) 10 *International Review of Industrial Property and Competition Law (IIC)* 20, indicates that there are three principle aspects to the trade mark right:

- (i) the exclusive right to affix the trade mark to the goods (he calls this the basic right);
- (ii) the 'right of *bringing the trademarked goods into commerce*' (my emphasis); and
- (iii) the right to use the trade mark on business papers and in advertising (at 23).

It is worth noting that Beier does not shrink from defining the proprietors right in **positive terms** – the negative right to prevent other persons from using the trade mark is a right to defend the positive aspects of his right (on the positive definition of the trade mark right see also A Kur, 'The Right to use One's own Trade Mark: A Self-evident Issue or a New Concept in German, European, and International Trade Mark Law?' [1996] *EIPR* 198).

[5]

THE TRADE MARK AS INTELLECTUAL PROPERTY

This part of the chapter consists of the following paragraphs

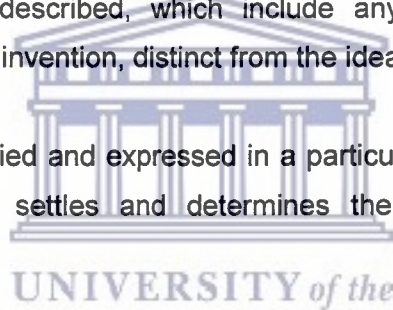
- 5.1 A trade mark: a composite entity and legal construct
- 5.2 The idea embodied and expressed by a trade mark
- 5.3 The material form of a trade mark
- 5.4 The law as a constituent element of a trade mark
- 5.4.1 Creation of a trade mark as IP
 - 5.4.1.1 Requirements for creation of a trade mark
 - 5.4.1.2 Mechanism of trade mark creation
 - 5.4.2 Vesting of exclusive right: proof of the creation the item of IP, the trade mark
 - 5.4.2.1 Publication of the association
 - 5.4.2.1.1 Publication at common law
 - 5.4.2.1.2 Publication in terms of the TMA



Novels and computer programs are two types of copyright works.³⁸⁸ A novel consists of words,³⁸⁹ and a computer program of a set of instructions.³⁹⁰ The novel and computer program are categories of works, distinct from their constituent elements, the words and instructions.³⁹¹

A patent is an entity that is created when a successful application is made for a patent for an absolutely novel invention (a process or device/product). A process patent is granted for a description of the mechanism, ie the particular series of steps that must be followed for the execution of a particular process for achieving a particular objective, whereas a device or product patent is granted for creating a particular corporeal entity.³⁹² The novel ideas as described in the specification constitute a patentable invention. Once described in the specification, the ideas as described, which include any associated diagrams, constitute an entity, the patentable invention, distinct from the ideas alone.³⁹³

Once the ideas have been embodied and expressed in a particular material form for the first time, the form crystallizes, settles and determines the perceptible identifying



³⁸⁸ The list of eligible works is provided in s 2(1) of the CRA, and the two mentioned are included in that list.

³⁸⁹ The definition of a literary work lists novels among the works falling in that category. The fact that the CRA does not define a novel means the word must bear its ordinary meaning: its meaning within the literary context.

³⁹⁰ The definition of a computer program indicates that the manner in which the instructions are set out is not of real significance, as long as they are in material form: s 1 of the CRA.

³⁹¹ A novel exists as a factual entity and is recognized as such in the field of literature from which the law borrowed the name for the entity. Insofar as copyright law is concerned, however, the novel is only a work that is eligible for copyright because it is listed in the CRA as one of the category of works that are eligible for copyright. In other words, only the fact that the CRA declares it to be a work eligible for copyright makes it eligible. The legal declaration that a collection of words expressing a set of ideas, the particular form recognized in the literary world as a novel, is a novel insofar as the CRA is concerned, and that a novel is a particular kind of entity, a work that is eligible for copyright protection, make it possible for a novel to enjoy copyright protection. The factual existence of a novel, even as recognized by the literary world, is not sufficient to invest it with eligibility for copyright protection: the intervention or interposition of the provisions of the CRA is an essential ingredient in the existence of the novel as a legally protected entity.

³⁹² The *dicta* in *Reynolds v Herbert Smith & Co Ltd*, (1903) 20 RPC 123 to the effect that 'Invention necessarily involves also the suggestion of an act to be done, and it must be an act which results in a new product, or a new result, or a new process, or a new combination for producing an old product or an old result' (at 126) tend to support the view that patents may be obtained for products and processes (see TD Burrell, *The South African Law Patent Law and Practice*, 2ed, Butterworths, Durban, (1986), at 24).

³⁹³ Without the ideas, of course, there is nothing to describe.

material form of the *same ideas* from which the IP is constituted, is a *representation* in material form of the incorporeal IP that already exists.³⁹⁹ This general rule is subject to exception, eg there may be identical, but independently created copyright works.⁴⁰⁰ Honest concurrent user of trade marks is a manifestation of this exception in relation to trade marks: there are identical but separate trade marks.⁴⁰¹

Subject to the exceptions mentioned, once an item of IP has been created, a person, whether the holder of the rights to that IP or anyone else, who 'generates' (ie produces in material form) an entity that has the same perceptible characteristics and which performs the designated function of that form of the IP,⁴⁰² does not settle the perceptible characteristics of, ie create, the IP.⁴⁰³ The person regenerates and reflects the perceptible characteristics of the IP, in material form, and thereby creates a representation or replica of the incorporeal IP. This is the essential difference between the creation/production of IP, on the one hand, and the reproduction and use of IP *by representation*, on the other. The generation of representations or reproductions of an item of IP constitutes *use* of IP.⁴⁰⁴

We now turn to examine the three constituent elements of the composite legal entity and item of IP, a trade mark.

5.2 THE IDEA EMBODIED AND EXPRESSED BY A TRADE MARK

The *mechanism* by which a trade mark comes to embody and express the idea that the goods, in relation to which it is exhibited or in respect of which it is registered, have their origin in a particular person (the trade mark proprietor) has been examined.⁴⁰⁵ The substance of the requirement that trade origin is the *particular* idea that must be embodied

³⁹⁹ The symbol from which the trade mark is constituted is essential to conferring on the trade mark physically perceptible characteristics but the symbol used to constitute the trade mark by affixation to the goods or which is filed in the register is nothing more than a replica (single specimen, a representation) of the trade mark: see chapter 7 para 2.2, *infra*, where the concept of a replica trade mark is discussed in detail.

⁴⁰⁰ See para 6.1, *infra*.

⁴⁰¹ See chapter 3 para 2.4 and chapter 4 part [5], *infra*.

⁴⁰² The functional aspects of trade marks and patents are an essential part of their identity.

⁴⁰³ The characteristics were settled by the first reduction of the ideas to material form.

⁴⁰⁴ The generation of the representation can also be a step in the process of using IP since without a representation no other use is possible: see chapter 5, *infra*.

⁴⁰⁵ See para 3.1.1, *supra*.

drawn above.⁴¹³ In the case of both copyright and patent, once the ideas have been reduced to a particular material form, the ideas *in that form* constitute a separate entity, a copyright work or a patentable invention. The same situation, in my submission, prevails with trade marks as a form of IP.⁴¹⁴ The discussions above have indicated how the material form, the signifier, is used to create a trade mark by forging an association between it, the signifier, and the idea of origin.⁴¹⁵

Despite the fact that a trade mark is an incorporeal entity, the physical aspect is highly significant particularly with regard to its creation. The significance of the physical dimension derives from the fact that it is not possible to create a trade mark, whether a common law or registered one, without a process that operates on the physical level:

- (a) If a symbol from which a trade mark is constituted is not affixed to or placed in other physical relation to goods⁴¹⁶ it is not possible to create a common law trade mark;⁴¹⁷
- (b) If an application for registration, which must include a specimen of the symbol,⁴¹⁸ which by virtue of the submission of the application becomes a registrable trade mark,⁴¹⁹ is not lodged, it is not possible to create a registered trade mark.

The essence of my argument in regard to the necessity of a process involving physical interaction in the creation of a trade mark, is that the existence of the incorporeal and conceptual entity is dependant on physical manifestation or representation of the entity from which it is constituted, the symbol. The conceptual entity only exists once the physical process has been completed. The physical process creates the conceptual entity, renders it the legally relevant object of a subjective right – until the trade mark is the object of a subjective right there is no legally relevant object, just a symbol.

The critical importance of the physical dimension to a trade mark continues throughout its existence – it can only be used by means of a physical manifestation, a replica.⁴²⁰

⁴¹³ See para 5.1, *supra*.

⁴¹⁴ *Ibid.*

⁴¹⁵ See parts [3] and [4], *supra*.

⁴¹⁶ The other common law requirements must also be fulfilled, of course.

⁴¹⁷ None of the other common law requirements can be fulfilled in the absence of this one – the entity must be recognized in relation to goods.

⁴¹⁸ It is called a representation of the trade mark in regulation 11 of the trade mark regulations: see chapter 4 para 2.1, *infra*.

⁴¹⁹ See chapter 4 para 3.3.1, *infra*.

Hiebert⁴²⁷ quotes Ladas⁴²⁸ to the following effect

'In the Anglo-American world the territorial conception of law and rights includes industrial property, namely, those legalized private interests in incorporeal things (inventions, creations, advantages connected with a business organization). But the same principle of territoriality is also admitted in other countries in regard to rights of industrial property. That is, **when the law turns** a private interest in an invention or goodwill into property, **this property is a mere creature of law**, and it can therefore **exist only so far as the law that creates it extends**. Consequently, a patent granted in country A cannot extend outside the territory of that country. And similarly, a trade mark right acquired in one country is effective only in the country where it was acquired'.⁴²⁹

Hiebert notes that their realistic emphasis on the nature of trademarks *as property* was an element common to Holmes' and Ladas' statements.⁴³⁰ Hiebert appears to support the notion spawned by the American legal realists that the property was constituted from reified ('thingified') property rights.⁴³¹ Cohen⁴³² argued that in the field of unfair competition the Courts were in fact *creating* property out of commercial words not *recognizing* something pre-existent.⁴³³ It is my submission that Cohen was correct, at least insofar as trade marks are concerned: prior to the intervention of the law, the symbol exists but is not a trade mark, and certainly not a right bearing entity.

Lunstedt⁴³⁴ tends to support the notion that the law plays a central role in the creation of IP. She indicates that the Committee of Experts Report on the Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (the Brussels Convention) stated that the reason for Article 16(4) conferring exclusive jurisdiction in matters regarding the validity of IP rights on the State in which the right is registered 'is that the grant of a registered IP right is an exercise of national

⁴²⁷ TH Hiebert, *Parallel Importation in US Trademark Law*, Greenwood Press, Westport, Connecticut, (1994).

⁴²⁸ SP Ladas, *International Protection of Industrial Property*, (1930).

⁴²⁹ Hiebert, *op cit*, 130, quoting Ladas at 17. My emphasis.

⁴³⁰ *Op cit*, at 130.

⁴³¹ *Ibid*.

⁴³² F Cohen, 'Transcendental Nonsense and the Functional Approach', (1935) 35 *Columbia Law Review* 809.

⁴³³ *Op cit*, at 815.

⁴³⁴ L Lunstedt, 'Jurisdiction and the Principle of Territoriality in IP Law: Has the Pendulum Swung Too Far in the Other Direction?' (2001) 32 *IIC* 124.

proceedings in that manner as the 'spider in the web theory', which he indicates 'was seen as a measure to increase efficiency, save costs and arguably avoid the risk of conflicting judgments being rendered by different national courts'.⁴⁴⁶ Torremans points out that the counter argument was that '**both rights and infringing activities were strictly territorial in nature** and that the **absence of overlaps** also eliminated the risk of conflicting judgments'.⁴⁴⁷

In my submission CLIP adopts an internationalist or trans-nationalist stance,⁴⁴⁸ which is justified in the EU situation – the Member States are being forged into a single market⁴⁴⁹ – but not in situations in which one is not dealing with a *legally relevant supranational territorial unit* in which there is shared or pooled sovereignty.

CLIP argues that there is a real need for cross-border procedures to ensure effective enforcement of IP rights but correctly points out that the critical issue was '**whether the existing legal framework could accommodate them**'.⁴⁵⁰

the plaintiff will often identify one main 'entity' and then use article 6 to bring all the other companies before the same court in which it proceeds against that main entity.

446

Ibid.

447

Ibid., my emphases. The absence of overlaps arises from the strict territorial nature of the rights.

448

This stance of is evident in the following passage:

'Despite the *theoretical arguments* that are based on the territorial nature of intellectual property rights, separate corporate identities and localised infringing acts, the *business reality* is that many rights are based on a single patent application that started off before the EPO, or an international trade mark application. The parallel rights effectively protect **the same** invention or trade mark and the *exploitation* of those rights is *truly international*. In other word, the business reality operates at international level and sees any territorial approach as **a legal oddity**' (*ibid.*, my emphases).

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See HW Wertheimer, 'The Principle of Territoriality in the Trademark Law of the Common Market Countries', [1967] 16 *ICLQ* 630, who indicates that the territoriality principle applies to the whole territory of countries involved in economic integration which have adopted common legislation on industrial property rights (at 633). Beatriz Conde Gallego, 'The Principle of Exhaustion of Rights and Its Implications for Competition Law', (2003) 34 *IIC* 473 says 'At a multilateral level, given the current disparities in basic protection and in economic standards between WTO members, particularly between developed and developing countries, *no international exhaustion should be adopted* until a considerable degree of both legal and economic harmonization is reached' (at 496, my emphasis). The EU Harmonization and EU TM Regulation clearly satisfy Conde Gallego's criterion of legal harmonization, and provides appreciable justification for the international exhaustion that occurs within the EU, ie among the Member States.

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Ibid., my emphasis.

element, a sort of declarator that the relevant *factual situations* exist. The idea of the law as purely a reactionary entity in the process is not an accurate reflection of the situation, in my submission. The law plays an active role in the process of creating a trade mark by prescribing the set of factual circumstances that must exist for the creation of the exclusive trade mark right, with which it invests the proprietor, when these are met. *Investment of a right*, in my submission, is an active not a passive process – no one accepts the *ius dicere et non dare* myth regarding the judicial function anymore, so too should we acknowledge that the law *actively* contributes to the process of creating the legal construct that a trade mark is. It is worth recalling Holmes J's comments in the *Hanover* case that

it should never be forgotten ... that when a trade mark started in one state [of the USA] is recognized in another it is by the authority of a new sovereignty that gives sanction to the right. *The new sovereignty is not a passive figurehead. It creates the right within the jurisdiction*.⁴⁵⁵

If one removes the law from the situation there is no legally relevant entity, a trade mark: there is no legal construct because there is no conclusion of law and no exclusive right therefore can attach to the construct.⁴⁵⁶ The fact that there is a symbol that is fulfilling the function of indicating the trade origin of goods in relation to which it is exhibited does not result in the legal consequences flowing, without the intervention of the law.⁴⁵⁷

The operation of the law in the creation of a trade mark may be compared to the influence of baking powder in making a cake. The baking powder is invisible, but exclude it and the thing that results from the combination of ingredients, even if heat is applied, is completely different from the cake that results when baking powder is added.⁴⁵⁸ Another, perhaps loftier example, is that of an enzyme in a chemical reaction. Eg, the stomach can mechanically churn and break up fatty foods into miniscule globules, but they are still globules of fat. It is only the enzymes found in bile, however, that can break up fat into its component parts, fatty acids and glycogen. The law, by adding the level of abstraction contained in the conclusion, like the baking powder or enzymes, 'alters' or 'converts' the

⁴⁵⁵ My emphasis.

⁴⁵⁶ It could be said that the right come into existence by virtue of the conclusion but conventionally it is said that the rights attach to the legal construct: see Dean, *op cit*, at 113.

⁴⁵⁷ See para 4.3.3, *supra*.

⁴⁵⁸ The law looks like a recipe but is in fact an ingredient.

5.4.2 VESTING OF THE EXCLUSIVE RIGHT: PROOF OF THE CREATION OF THE ITEM OF IP, THE TRADE MARK

A common law trade mark is created once goods bearing the trade mark that have been placed on the market, acquire the necessary business reputation (formerly goodwill).⁴⁶³ The registrable trade mark,⁴⁶⁴ not the registered trade mark, is created as soon as an applicant proposes to use a particular symbol as a trade mark or proposes to register a trade mark that is in use or has been used even though it is no longer in use as a trade mark.⁴⁶⁵ The exclusive right does not however vest at the creation of the trade mark *in fact* – it vests at registration at which time the trade mark as legal construct and item of IP is created. The principal requirement for vesting of the exclusive right is the establishment and publication of the association between the trade mark and the goods.⁴⁶⁶ In the case of a common law trade mark, the publication of the association has been achieved when it brings about a particular consequence: the goods acquiring a business reputation.⁴⁶⁷ In the case of a registered trade mark, the publication occurs simultaneously with the creation of the trade mark by its inscription in the register, so that creation of the registered trade mark in fact and the publication of the association, take place simultaneously.⁴⁶⁸

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⁴⁶³ See para 4.3.2.1, *supra* and chapter 3 para 2.5, *infra*.

⁴⁶⁴ The registrable trade mark really serves no purpose other than to create a registrable entity: see chapter 4 para 3.1, *infra*.

⁴⁶⁵ See chapter 4 para 3.3.1, *infra* where it is submitted that the proposal is made by lodging an application for registration.

⁴⁶⁶ This is discussed below.

⁴⁶⁷ This proves that the trade mark is distinctive of the proprietor's goods: see chapter 3 para 2.3.2, *infra*.

⁴⁶⁸ See para 5.4.2.1.2, *infra*.

the signifier component of the symbol and the idea of trade origin in a particular person, the signified component.⁴⁷⁵ The symbol has to stand in relation to the goods to constitute a trade mark ie to be the embodiment and expression of the idea that those goods have a particular trade origin.

Publication of the association between the symbol and the goods completes the process of creating a trade mark as an item of IP, ie the appropriation of the symbol to the task of embodying and expressing the trade origin of the goods, by taking the idea embodied and expressed in the material form of the symbol associated with the goods, and bringing it to the attention of the public, establishing the exclusivity of the association/relationship. The establishment of the association in the minds of the public completes the process because that is when the exclusive right comes into existence, the acquisition of the exclusive right being the entire purpose for the creation of IP.⁴⁷⁶

The public association is necessary for the trade mark to fulfil the function of being the embodiment and expression of trade origin and *communicating that exclusive association* to the public.⁴⁷⁷ Trade origin is a particular type of association and *relationship* between the goods and the proprietor.⁴⁷⁸ The symbol must be associated with the goods in order to

⁴⁷⁵ See para 3.4, *supra*.

⁴⁷⁶ The mechanism by which this is achieved is discussed in paras 5.4.2.1.1 and 5.4.2.1.2, *infra*.

⁴⁷⁷ The function of a trade mark, both in terms of the TMA and at common law, is to indicate the trade origin of goods, even though the passing off action is aimed at protecting the business reputation (see chapter 3 para 4.2, especially para 4.2.2.3, *infra*). The business reputation attaches by virtue of the same association between the trade mark and the goods, which are identified and distinguished from similar goods by the trade mark or get-up. Passing off actions based on trade marks, ie where a trade mark is used to make the misrepresentation, protect the trade mark because by so doing the business reputation is protected. Technically the passing off action protects the business reputation directly not the trade mark because it is essential to prove that the goods have a business reputation, not that there is a trade mark (chapter 3 para 4.2.2.3, *infra*).

⁴⁷⁸ In *Aristoc Ltd v Rysta Ltd*, [1945] 1 All ER 34, Lord Wright indicated that the word 'origin' must be construed in 'a special and almost technical sense' and he explained that that statement meant that 'it denotes at least that the goods are *issued* as vendible goods under the aegis of the proprietor of the trade mark, who thus *assumes* responsibility for them' (at 48A, my emphasis). The words 'issued' and 'assumes' are of critical importance as they indicate that the proprietor must act voluntarily, a matter of prime importance in relation to his being the origin of the goods. The origin relationship is discussed in chapter 7 para 4.3, *infra*.

5.4.2.1.1 Publication at common law

At common law the trade origin idea is brought into relation with the signifier by the context.⁴⁸⁶ An association is formed between the symbol and the goods by exhibiting the symbol in relation to them. The symbol is thus, by being exhibited in relation to the goods, appropriated to the task of engendering the association by which the trade origin is embodied and expressed.⁴⁸⁷

The process of establishing the association between the idea in material form⁴⁸⁸ and the goods is, however, not complete until the public is *aware* of the association and recognises it as *exclusive*.⁴⁸⁹ The proprietor, or someone on his behalf, at his behest or for his benefit,⁴⁹⁰ must perform the requisite act that generates or is deemed to generate the public awareness of the exclusive association between the trade mark and the goods.⁴⁹¹ The relevant act is placing the goods on the market – making the goods available for trade (commerce).⁴⁹²



⁴⁸⁶ Only the context shows that a known symbol embodies and expresses a particular idea or if it is a new symbol, what idea it embodies and expresses. In the case of a symbol that traditionally embodies and expresses a particular idea, the context has to result in the dissociation of the signifier from that idea and its replacement with the idea of trade origin in a particular (even though possibly anonymous) proprietor.

⁴⁸⁷ **The entire trade mark function is performed by association.** This is why a descriptive word cannot be a trade mark: it does not generate an association with origin but simply indicates *what the goods are*. This is why marks that have no conventional association with the goods work so well. Eg, the absence of a natural association between washing powder and the word 'skip' assists in establishing that the word 'skip' can only be an indication of the origin of the goods.

⁴⁸⁸ At common law, once the symbol is exhibited in relation to the proprietor's goods for the relevant purpose, the underlying idea of trade origin, embodied and expressed by the trade mark, is in material form, except for the establishment of the association in the public mind.

⁴⁸⁹ The identity of the proprietor need not however be known. In the *Pentax* case the Court said:

'To be capable of being the subject-matter of property (a property right) a trade mark had to be distinctive, that is to say, it had to be recognisable by a purchaser of goods to which it was affixed as indicating that they were of the same origin as other goods which bore the same mark and whose quality engendered goodwill. Property in a trade mark could only therefore only be acquired by public use of it as such by the proprietor and was lost by disuse' (at 979B-C).

⁴⁹⁰ The *Everglide* case, and *Imperial Tobacco Co of India v Bonnan* (the *Gold Flake* case), 1924 AC 755 (see chapter 3 para 2.3.2.1, *infra*) provide examples of someone else's use of a trade mark inuring to the benefit of the proprietor.

⁴⁹¹ The association or relationship between the proprietor and the goods is that of the origin of the goods in the proprietor. The same principle applies where the goods are marked by and placed on the market by an authorized user: see s 38 of the TMA.

⁴⁹² See chapter 7 para 2.5.2, *infra*.

[6]

THE TWO TRADE MARK THESIS

Prior to bringing together and formally setting out the tenets of the thesis that in terms of SA law, two separate identical trade marks can be, and often are, constituted from the same symbol, the argument that different legal rules produce separate trade marks and trade mark rights will be examined.

This section of the chapter consists of the following paragraphs:

- 6.1 Separate rules produce separate trade marks and rights in SA
- 6.2 The *persona* of trade mark proprietor in a particular jurisdiction
- 6.3 The tenets of the two trade mark thesis

6.1 SEPARATE LEGAL RULES PRODUCE SEPARATE TRADE MARKS AND RIGHTS IN SA LAW

A trade mark is created in SA when a symbol is exhibited in relation to goods that are placed in the market and the requisite business reputation is acquired *or* when a trade mark constituted from a symbol is registered.⁴⁹⁸ In my submission, because a trade mark is created in terms of the rules of a *particular* subsystem of SA law, where the same symbol is *both* exhibited in relation to goods and a trade mark constituted from that symbol is registered, identical trade marks are created in SA. The reasons for the submission are now provided.

⁴⁹⁸

When a symbol is exhibited in relation to goods to indicate their origin and the goods are placed on the market, a common law trade mark is created. The indication of trade origin is the function of the common law trade mark because identifying a class of goods of common origin by means of the trade mark is one of the strategies aimed at generating and representing goodwill so as to secure custom.

When it is proposed to register and use a symbol to indicate the trade origin of goods that fall within a particular class or classes, a registrable trade mark comes into existence in terms of the TMA. **The common law trade mark, if it exists, does not become the registered trade mark: a registrable trade mark created from the symbol from which the common law trade mark is constituted, is registered, thereby creating the statutory entity and its concomitant right that can be exercised independently of any common law right (see chapter 4 para 6.1, *infra*).** Therefore a common law and a statutory trade mark, constituted from the same symbol, are distinct from each other.

interaction between the legal rule of subsystem X and the symbol we can denote as θX .⁵⁰⁸ The product of the interaction between the symbol and the legal rule of subsystem Y we will denote as θY . Logically the product θX cannot simultaneously be the product θY : they cannot even be equal because X and Y are *not the same rule* and therefore not equal. The product of the application of the rules of subsystem X, therefore, cannot be the product of the application of the rules of subsystem Y, notwithstanding that the respective products, θX and θY derive from use of the same symbol, θ , and therefore have **identical physically perceptible characteristics**. The influence of the law of the subsystem, not having any corporeal substance, does not manifest itself in the perceptible characteristics of the trade mark. So trade mark θX and trade mark θY have identical physically perceptible characteristics. Those characteristics are the characteristics of symbol θ alone, and therefore they are identical to each other. So even though they have identical perceptible characteristics the trade marks are separate constructs.⁵⁰⁹

Thus, even though the symbol is a single ubiquitous incorporeal entity, more than one trade mark can be created from it in terms of SA law. This is what occurs when different persons each make honest concurrent use of a symbol and each person's actions result in the constitution of a common law trade mark from it, or both persons who have made such honest concurrent user, register their trade marks constituted from the same symbol.⁵¹⁰ The creation of multiple trade marks from a single symbol is possible because a trade mark, whether registered or common law, as a legally significant construct, only exists in terms of the rules of the subsystem of law in terms of which it is created.⁵¹¹

⁵⁰⁸ The interaction between (i) the legal rule, (ii) the symbol (the factual entity) and (iii) the idea of trade origin (indicated by means of the symbol), produces a product, the legal construct, a trade mark.

⁵⁰⁹ The relevant legal rule and the idea are both completely imperceptible, as a result of which the symbol is the only perceptible entity and its characteristics are the perceptible characteristics of the trade mark.

⁵¹⁰ Persons who have honestly, concurrently and independently made use of the identical trade mark are all entitled to continue using their respective trade marks and each can even procure the registration of his trade mark.

⁵¹¹ See chapter 5, *infra*.

The arguments presented above to the effect that in terms of SA law two separate yet identical trade marks can be created from the same symbol, may conveniently be brought together in what is called the two trade mark thesis. However prior to setting out the tenets of the two trade mark thesis, we will examine an important consequence of the law of different jurisdictions creating separate trade marks – the *persona* of trade mark proprietor.

6.2 THE *PERSONA* OF TRADE MARK PROPRIETOR IN A PARTICULAR JURISDICTION

The argument that the trade mark in each jurisdiction is a separate item of property, even where the trade marks are identical, is in the process of being made but for purposes of this paragraph we will operate as if it had been already established.⁵¹⁶ There is no legal obstacle to the same person being the proprietor of a number of trade marks, each of which exists in a particular jurisdiction. In a situation in which one person is the proprietor of more than one identical trade mark problems arise in identifying which trade mark he has used or authorized the use of because they are identical – where the person uses one of his trade marks the impression may be created that he has used all of his identical trade marks.⁵¹⁷

In a situation in which a person is the proprietor of a number of identical trade marks, what determines which trade mark he uses is the *capacity* in which he acts. A person by virtue of his proprietorship of a trade mark has the capacity to do and to authorize the doing of certain acts in relation to the trade mark.⁵¹⁸ A person who is proprietor of a number of identical trade marks can act in the capacity of proprietor of one of them at a time in a similar manner to that in which someone who is a director of more than one company⁵¹⁹

⁵¹⁶ In other words, the two trade mark thesis operates on the international level as well: see para 6.3 and chapter 6 part [6], *infra*.

⁵¹⁷ So for example, when he uses his SA trade mark, because it is identical to his Greek trade mark, it appears that he is using his Greek trade mark in SA or his SA trade mark in Greece. See chapter 7 para 2.5.2.2, *infra*. See the *Colgate* case.

⁵¹⁸ The power to perform these acts constitute the content of his exclusive right.

⁵¹⁹ The fact that companies cannot be identical to each other does not affect the comparison being made here. The fact that the companies by virtue of their separate registrations are different persons in law does not obviate the need to identify which of them a person who is director of more than one represents in any given situation. It is essential that the company be correctly identified so that the consequences of the director's actions can be ascribed to the appropriate company, particularly when his actions involve liability being incurred. So even though the companies are not identical and the trade marks are, in each case the appropriate one, company or trade mark, needs to be identified.

clearly the analogy with situations such as directorship of a company.⁵²² only by virtue of the relationship in which a person stands to the company does he exercise powers in relation to the company.⁵²³

In regard to corporeal property, one does not think of ownership in terms of an office because the direct physical control which the owner or lawful possessor can exercise over the property, makes it clear which specific item of property he is dealing with.⁵²⁴ The direct physical control generally makes it unnecessary to distinguish the position or office of owner from the person who occupies it. One needs to distinguish the exercise of the powers that exist and may be exercised in relation to one identical trade mark from the exercise of the identical or similar powers that exist in relation to another identical trade mark – because they are identical – otherwise acts undertaken in relation to one trade mark could be regarded as having been performed in relation to another trade mark or even *all* the identical trade marks. The use of the analogy of an office, akin to directorship,⁵²⁵ is useful in assisting us to draw the distinction.

When the person acts in the capacity of director of one company his actions are not, and cannot be, ascribed to another company of which he also happens to be a director.⁵²⁶ One must therefore determine in the capacity of director of which company a person who is director of a number of companies acted. Similarly, one has to determine the capacity in which a person who is the proprietor of more than one identical trade mark acted so that the consequences can attach to, or be ascribed to, the correct trade mark.

In order to distinguish the person acting in the capacity of proprietor in one jurisdiction from him acting in the capacity of proprietor in another jurisdiction, the concept '*persona*' of the proprietor in the jurisdiction is used in this thesis. Instead of saying the person acting in the capacity of proprietor in a particular jurisdiction (eg the import jurisdiction) we will speak of the *persona* of proprietor in a particular jurisdiction acting. The person acting in a

⁵²² Another example is trusteeship of an insolvent estate.

⁵²³ Similar principles apply in regard to the trusteeship of an insolvent estate.

⁵²⁴ This does not, however, gainsay the fact that the proprietor does occupy an office because if he divests himself of ownership, he can no longer exercise the powers of ownership unless he has been granted the right to exercise some or all of the powers of ownership by the new proprietor.

⁵²⁵ Trusteeship can also be used.

⁵²⁶ The following questions would arise: of which company and why that company?

The *persona* of proprietor in a particular jurisdiction has acted under the following circumstances:

- (1) The person in whom the *persona* resides stated expressly that he was exercising the right to the trade mark that exists in a particular jurisdiction;⁵²⁹ or,
- (2) A person who alleges that a particular *persona* of proprietor acted by implication, proves that the person, in whom the relevant *persona* resides, used the trade mark that exists in the particular jurisdiction.⁵³⁰

The courts have concentrated on the *identity of the person* who is the trade mark proprietor, especially where they had to decide whether or not his consent was required for use of the trade mark. The courts, in my submission, have not recognized that the *relevant person* had to act in a *particular capacity*, ie the particular *persona* had to act, which required that the person use a *specific trade mark*.⁵³¹ In parallel importation situations where the courts have found that at some point while the goods were in the course of trade in one jurisdiction, the *person* who is the import proprietor (not the *persona*), gave consent to the use of *one of his identical trade marks*, generally the export trade mark, they have held that the proprietor gave consent to the use of the import trade mark.⁵³²

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⁵²⁹ This is equivalent to saying that he is acting in the capacity of proprietor in that jurisdiction.
⁵³⁰ Where there are *identical trade marks* in a number of jurisdictions the trade mark in a particular jurisdiction must be used for conduct undertaken, even by the person who is trade mark proprietor in that jurisdiction, to hold implications for that trade mark: on general principles it is difficult to understand how the use of one item of property might hold implications for another item of property that is identical to the one used. Eg, if one has identical houses and grants someone permission to occupy one, it is difficult to discern a basis on which he could seek to claim the right to occupy the other.

⁵³¹ This is because they have not recognised the existence of separate trade marks in the different jurisdictions.

⁵³² Where a court found that consent had been given to the use of one of the identical trade marks, the goods were regarded as 'genuine' or the court held that the person had given implied consent for use of his *trade mark* (singular since the courts have not acknowledged the existence of separate trade marks in the hands of the same proprietor or in the hands of persons involved in an economic or legal relationship with each other or disregarded its effect: see criticisms of the approaches in chapter 7, *infra*) in all jurisdictions or that the trade mark right was exhausted. The courts also held that implied consent was given by use in any jurisdiction in which one of its associated trade mark of proprietors held the trade mark right (see chapter 7 part [9], *infra*). Under all of these circumstances the use of the trade mark on the imported goods was held to be non-infringing (the **GAP (D)** case shows that the goods must be in trade, ie on the market, in the jurisdiction in which it is alleged the trade mark was used: see chapter 7 para 2.5.3.3.2, *infra*).

[7]

CONCLUSIONS

A trade mark, whether it is a common law or registered one, is constituted from a symbol.⁵⁴² A symbol *per se*, ie, the symbol in all its manifestations outside of the trade mark context, does not necessarily have trade mark significance.⁵⁴³ A symbol acquires trade mark significance when an association is forged between the signifier component⁵⁴⁴ of the symbol and the trade origin idea, by

- (a) using specimens of the symbol in relation to goods;⁵⁴⁵ or
- (b) registering a trade mark constituted from the symbol.

The specimens of the symbol which are exhibited in relation to goods, and thereby used to embody and express the trade origin idea, constitute replicas of the trade mark,⁵⁴⁶ a subspecies of the particular symbol.⁵⁴⁷ The context in which, what to the eye are, specimens of the symbol stand indicates that they are replicas of a trade mark.⁵⁴⁸

A trade mark, the item of IP is a legal construct.⁵⁴⁹ The difference in legal consequences and significance makes the trade mark, as legal construct and item of IP, a different entity *in law* from the trade mark in fact.⁵⁵⁰ The legal construct, the trade mark, the IP, is a resultant entity that is created when the relevant legal rule is applied once the prescribed factual substrate comes into existence:⁵⁵¹ the symbol, whether a word or device, becomes exclusively the embodiment and expression of the idea in a particular material form,⁵⁵² of trade origin. The exclusive right that subsists in and to a trade mark is created together with the legal construct, the trade mark, from the trade mark in fact.

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See para 2, *supra*.

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See para 2.3, *supra*.

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See para 2.4, *supra*.

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The specimens have to be used until all the requirements are met.

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Ibid.

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See para 3.2, *supra*.

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See para 3.3, *supra*.

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See para 4.1, *supra*.

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See para 4.3.3, *supra*.

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See para 4.3.2, *supra*.

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See para 5.1 *supra*.

The purpose of determining whether or not the property (entity or *res*) exists is to determine whether or not rights exist in respect of it.⁵⁵⁸ In terms of the law only a particular entity (*res*) may be the object of the right, so in my submission, the entity only exists as a matter of law, when the law is prepared to vest the right in the entity.

Dean⁵⁵⁹ eloquently explains that when dealing with corporeal property the law is not concerned with its creation – the law just has to determine the nature of the rights that subsist in the property and who holds those rights. When dealing with IP the first task the law has to perform is to determine the circumstances under which the property **comes into existence** and then it determines the nature of the rights to and in the property.⁵⁶⁰

Corporeal entities exist by virtue of the fact that they occupy physical space, not by legal ordinance. The law, when dealing with a corporeal, by simply classifying the entity on the basis of its physical characteristics as a specimen of the group of entities that can be the object of rights,⁵⁶¹ determines that the entity can be the object of property rights. The law therefore accepts the physical characteristics of the entity, and simply determines that an entity, which has those physical characteristics, is capable of being the object of rights. The object of the rights exists without legal intervention – the law does not prescribe the steps to be taken (requirements) to bring the thing *into existence* – the law only prescribes the circumstances surrounding the *res*, under which the rights will vest.

⁵⁵⁸ It makes little sense for the law to prescribe a set of circumstances in which an entity exists (requirements for the existence of the entity or *res*) that is intended to be the object of the rights and then to prescribe a different or additional set of circumstances in which the rights to and in the entity will come into existence.

⁵⁵⁹ Dean says

‘The law of IP is primarily concerned with the *creation* of property. The regulation of the ownership of that property is a secondary matter. Unless the property comes into being no question of ownership can arise. An invention or a brand can become the subject of ownership only once it comes into existence’ (*op cit*, note 35, at 112 – 113).

⁵⁶⁰ It is obvious in whom the rights subsist: the person who undertakes the process of creating the property (entity or *res*) in which the rights subsist.

⁵⁶¹ The law simply determines whether entities that have particular physical characteristics shall be capable of being the objects of proprietary rights – one thinks of slavery when it was held that certain human beings were capable of being the objects of property rights.

business reputation/goodwill is acquired. The main consequence of the creation of a common law trade mark is that the proprietor acquires the right to institute an action for passing off: until the business reputation/goodwill is acquired there is no evidence that insofar as the common law is concerned a trade mark exists.

In terms of the TMA, because s 10(1) provides that a *mark* that is not a *trade mark*, may not be registered, a trade mark has to be created from a mark prior to registration.⁵⁶⁶ The TMA by defining⁵⁶⁷ a trade mark as a *mark* (symbol) used or proposed to be used for the relevant purpose⁵⁶⁸ provides for the creation of a trade mark thus meeting the requirements for registration. It is clear, however, that the trade mark that comes into existence by virtue of compliance with the definition *alone*, called a registrable trade mark in this thesis,⁵⁶⁹ is not the object of the exclusive right which the TMA confers – until registration is effected, s 33 operating to preclude the registrable trade mark from enjoying the exclusive right which registration confers.⁵⁷⁰ Only when the law confers the exclusive right upon registration does it indicate that the entity which may be created in terms of the TMA, the registered trade mark, has come into existence.

The vesting of the exclusive right is the law's declaration that its requirements have been met and that *it* has constituted a trade mark from the symbol.

The registrable trade mark is transformed into a registered trade mark, the right bearing entity, in a manner analogous to that in which a chrysalis undergoes a metamorphosis into a butterfly.⁵⁷¹ the registrable trade mark ceases to exist and a different *res*, the registered trade mark, comes into existence.

The fundamental difference between the registrable trade mark and registered trade mark is that: the relationship between a registrable trade mark and the applicant is not exclusive

⁵⁶⁶ The TMA provides for the continuation of a register of trade marks, not any other entities, so the entities inscribed in the register must be trade marks and the TMA prescribes that to qualify for application for registration the entity must be a trade mark.

⁵⁶⁷ The definition is contained in s 2(1) of the TMA.

⁵⁶⁸ That purpose being to indicate the trade origin of the goods.

⁵⁶⁹ See chapter 4 para 3.3.1, *infra*.

⁵⁷⁰ See s 34(1) of the TMA.

⁵⁷¹ ***There is no doubt that the entity that existed at the onset of the metamorphosis is still there in a sense, but it has been so radically transformed that it is in reality a different entity.***

because language differences mean the symbols of one language are sometimes unknown in other languages.⁵⁸² The trade mark, however, which is constituted from the symbol, is not the same entity as the symbol: the proprietor is not the proprietor of a *common law symbol* or *registered symbol*, but a common law or registered trade mark. The trade mark, as an *item of property*, is not the same entity as a symbol, which cannot be owned. It is only when the relevant legal system confers the exclusive right in respect of a symbol that has been used or is registered for use, that *that* legal system or subsystem indicates that the trade mark exists, ie it has created a trade mark from a symbol, *insofar as that legal system or subsystem is concerned*. In this regard it is important to bear in mind that only if the relevant legal system provides for the creation of trade marks⁵⁸³ and regards them as items of property that the IP, a trade mark, can exist within that legal system.

In my submission, the combined effect of these considerations, in terms of which the entire *legal significance* of the trade mark is *completely* dependant on a particular legal system or subsystem, is that it is the law of the jurisdiction that creates the trade mark as an item of IP. Building on a similar notion to that expressed by Kur,⁵⁸⁴ the conclusion of law that the trade mark exists, evidenced by the vesting of the exclusive right, confers on the trade mark a quality that renders it so different to the factual entity, the symbol, in which no right vests, that it is in fact a different entity in law, the legal construct, a trade mark as IP.

It is therefore my submission that insofar as SA law is concerned only the right bearing entities, common law and registered trade marks, are items of IP: anything less than either, in particular any entity in which the exclusive right does not subsist, is not a trade mark in terms of SA law.

Chapter 3 examines the creation and protection of the common law trade mark in detail.

⁵⁸² See para 2.3, *supra*.

⁵⁸³ It is worth recalling that at the time *Imperial Tobacco Company of India Ltd v Bonnan* (the *Gold Flake* case), 1924 AC 755, was decided, India did not have a trade mark registration statute.

⁵⁸⁴ A Kur, 'The Right to Use One's Own Trade Mark: A Self-evident Issue or a New Concept in German, European and International Trade Mark law?' [1996] *EIPR* 198 who says the investment of the proprietor with the rights acquired by registration adds a new quality to the proprietor's rights.

CHAPTER THREE

CREATION AND PROTECTION OF A COMMON LAW TRADE MARK

[1]

INTRODUCTION

It is indicated in chapter two that a common law trade mark is created by placing on the market *goods in relation to which a symbol is exhibited that distinguishes those goods from similar ones, indicating that they (the goods) have their origin in the trader who has exhibited the symbol in relation to the goods and placed the goods on the market:*¹ this general statement is refined in the course of this chapter.

The historical development of trade marks, though a most interesting subject, is beyond the scope of this thesis. Suffice to say that the modern trade mark emerged when the industrial revolution provided improved transport infrastructure which enabled traders to market their goods significant distances from the immediate precincts of the bricks and mortar establishment of their businesses. They required a mechanism by which to extend their goodwill² over these considerable distances, mobile goodwill, so to speak: the trade mark provided almost a custom built vehicle.

In this chapter the requirements for the creation of a common law trade mark and its concomitant right examined.³ The interface between the common law trade mark and passing off is scrutinized.⁴ Passing off in situations involving use of a common law trade mark is analyzed in detail.⁵ The influence passing off exerts on the common law trade

¹ The reason for the trader taking the steps of trade marking and placing the goods on the market is to garner and retain custom for his business of selling the goods. See Prof BR Rutherford, 'Misappropriation of the advertising value of trade marks, trade names and service marks' in *Onregmatige Mededinging: Unlawful Competition*. Verrigtinge van 'n seminar aangebied deur die Departement Privaatreg van die Universiteit van Suid-Afrika op 3 November 1989, J Neethling (red), UNISA, Pretoria, (the proceedings will be referred to as '*Onregmatige Mededinging: Unlawful Competition*') 55 says '... the trade mark creates and retains custom'. This paper is hereafter referred to as Rutherford, *Advertising Value*.

² The term goodwill is defined in para 4.1.1.2, *infra*.

³ See part [2], *infra*.

⁴ This is the subject matter of part [3], *infra*.

⁵ The analysis is undertaken in part [5], *infra*.

[2]

DEFINITION AND REQUIREMENTS FOR THE CREATION OF A COMMON LAW TRADE MARK

This part of the thesis consists of the following paragraphs:

- 2.1 Introduction
- 2.2 *Bona fide* choice of a distinctive symbol
 - 2.2.1 Distinctiveness: a question of fact
 - 2.2.2 Inherent and acquired distinctiveness
 - 2.2.3 Secondary meaning
- 2.3 Public use
 - 2.3.1 The relevant public
 - 2.3.2 Significance of public use
 - 2.3.2.1 The **Gold Flake** case
 - 2.3.3 Public use by advertising
 - 2.3.3.1 The **Jordache** case
 - 2.3.3.2 The **GAP (D)** case
 - 2.3.3.3 Excursus: *situs* of a business on the internet
 - 2.3.4 Proof of public use
- 2.4 Honest concurrent user
- 2.5 Conclusions



The English author,¹⁷ Sebastian,¹⁸ explains how proprietorship of a trade mark is obtained by referring to the judgment in *McAndrew v Bassett*.¹⁹

In the course of *McAndrew v Bassett* the requirements were set out as follows:

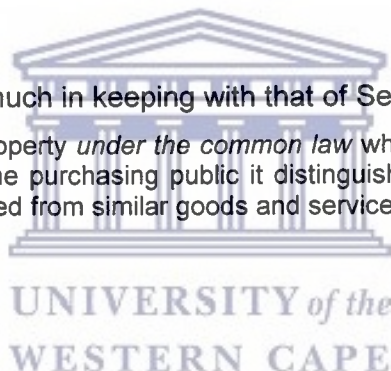
[F]irst, that the mark has been applied by the plaintiffs properly (that is to say that they have not copied any other person's mark, and that the mark does not involve any false representation); secondly, that the article so marked is actually a vendible article in the market; and thirdly, that the defendants knowing that to be so, have imitated the mark for the purpose of passing off in the market other articles of a similar description'.

What the Court indicated as the first requirement is a combination of two requirements:

- (1) the plaintiff must have made a *bona fide* choice of the symbol for use as a trade mark; and
- (2) the symbol must be distinctive. Requirement (3) is public use of the trade mark in relation to goods.²⁰

Webster & Page express a view much in keeping with that of Sebastian:

'A trade mark is a form of property *under the common law* when it has been so used by a trader that in the minds of the purchasing public it distinguishes the goods or services in connection with which it is used from similar goods and services of others'.²¹



¹⁷ The significance of English authority in the development of SA trade mark law is well documented. See, *Caterham Car Sales & Coachworks v Birkin Cars (Pty) Ltd & Anor* (the *Coachworks* case) 1998 (3) SA 938 (SCA), at 947G-I. SJ Gardiner, *The Nature of the Right to a Trade Mark in South African Law*, Unpublished LLD thesis, UNISA, (1995) states:

'There has always been a close connection between SA and British trade mark law. The SA law of trade marks has, for the most part, been based on British precedent.' (at 83)

He indicates further, that

'the common law and United Kingdom statutes were to exert the stronger influence [than the Roman-Dutch antecedents of SA trade mark law referred to by an anonymous author in the (1892) 9 Cape Law Journal 217] and prevail as the de facto bedrock of the SA law of trade marks' (at 288)

See also, *Protective Mining & Industrial Equipment Systems (Pty) Ltd v Audiolens (Cape) (Pty) Ltd* (the *Pentax* case), 1987 (2) SA 961 (AD), at 978 marginal letter 'l' and at 982C-983H.

¹⁸ LB Sebastian, *The Law of Trade Marks*, Stevens & Sons, London, (1878), at 49.

¹⁹ 33 LJ Ch 566.

²⁰ Sebastian, *op cit*, at 50. See para 2.3, *infra*.

²¹ *Op cit*, 4ed, para 11.22, my emphasis.

question of fact whether the goods enjoy goodwill.²⁶ If an alleged infringer claims that the plaintiff's goods do not enjoy the requisite goodwill, and the plaintiff can prove that the alleged infringer chose the plaintiff's trade mark for use in relation to his (the defendant's) goods or services under circumstances that cannot be described as *bona fide*, the courts will not readily find that the alleged infringer failed in his attempt to filch what he, the defendant, believed to be the plaintiff's goodwill.²⁷

2.2.2 INHERENT AND ACQUIRED DISTINCTIVENESS

The quality of distinctiveness is difficult to define in abstract terms: in the *Beecham Group plc v Triomed (Pty) Ltd* (the *Augmentin* case)²⁸ the Court indicated that the matter should be approached 'without any *a priori* disqualification or classification'.²⁹ One of the considerations that make definition of distinctiveness problematic is that it has to be determined in relation to other symbols.³⁰ Another consideration that must be borne in mind in relation to distinctiveness is that it is not a static quality: a trade mark that was once distinctive may lose that distinctiveness, eg by becoming generic.³¹

²⁵ See, *Boswell-Wilkie Circus (Pty) Ltd & Anor v Brian Boswell Circus (Pty) Ltd & Anor* (the *Boswell-Wilkie (N)* case), 1984 (1) SA 734 (N), at 737F-H, confirmed on appeal: *Brian Boswell Circus (Pty) Ltd & Anor v Boswell Wilkie Circus (Pty) Ltd* (the *Boswell Wilkie (AD)* case), 1985 (4) SA 466 (A); *New Media Publishing (Pty) Ltd v Eating Out Web Services CC* (the *Eating Out* case), 2005 (5) SA 388 (C), at 401F; see also para 4.1, *infra*.

²⁶ The *Eating Out* case, at 404D – 405B.

²⁷ The position was put as follows in the English case of *Harrods Ltd v Harrodian School Ltd* [1996] RPC 679 (CA):

'Deception is the essence of the tort of passing off, but it is not necessary for a plaintiff to establish that the defendant consciously intended to deceive the public if that is the probable result of his conduct. Nevertheless, the question why the defendant chose to adopt a particular name or get up is always highly relevant. It is "a question which falls to be asked and answered": see *Sodastream Ltd v Thorn Cascade Co Ltd* [1982] RPC 459 at 466 *per* Kerr LJ. If it is shown that the defendant deliberately sought to take the plaintiff's goodwill for himself, the Court will not "be astute to say he cannot succeed in doing that which he is straining every nerve to do": *Slazenger & Sons v Feltham & Co* (1899) 6 RPC 531 at 538 *per* Lindley LJ' (at 706).

These *dicta* were cited with approval in *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd* (the *Tea Lovers* case) 2001 (3) SA 884 (SCA), at 890H-J. Blue Lion was reluctant to produce the 'job bag' or brief it gave its design agency, and from that reluctance the Court inferred that the job bag would 'reveal that it was sailing as close to the wind as it thought it could' (at 891B).

²⁸ 2001 (2) SA 522 (T).

²⁹ At 646E.

³⁰ Where some goods bear a trade mark and other goods of the same type are not trademarked, it is hardly likely that the symbol representing the trade mark will be found not to be distinctive, unless it is descriptive of the goods: see *Reckitt & Colman Products Ltd v Borden Inc & Ors* (the *Jif Lemon (ChD)* case), [1987] FSR 505 (see chapter 2 para 2.3, *supra*).

³¹ Webster & Page, indicate: 'Use of a trade mark in a generic sense (sometimes referred to as genericide) would also constitute dilution by blurring although such use would typically

A common law trade mark *in fact*³⁶ is created when trademarked goods are placed on the market, provided the symbol is distinctive.³⁷ A trade mark which distinguishes the goods upon first use may be described as inherently distinctive. The quality of distinctiveness must also depend upon a comparison with other trade marks as well as the absence of a conventional relation between the symbol that constitutes the trade mark and the goods. In the discussion of context,³⁸ it was indicated that one of the main reasons why a descriptive word is unlikely to constitute a good trade mark is that it will not readily be *understood to be a trade mark*.³⁹



'I must confess I have always thought, and I still think it should be made impossible for anyone to obtain the exclusive use of a word or term which is in ordinary use in our language and which is descriptive only... indeed, were it not for the decision in *Reddaway's* case, I should say this should be made altogether impossible'.

There are numerous other notable instances of attempts to claim exclusive rights to descriptive words some of which are *Sea Harvest Corporation (Pty) Ltd v Irvin & Johnson Ltd* 1985 (2) SA 355 (C); *Patlansky & Co v Patlansky Bros*, 1914 TPD 475, 492; *Truck and Car Co Ltd v Kar-N-Truk Auctions*, 1954 (4) SA 522 (A); *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Green Point) Pty Ltd*, 1974 (2) SA 125 (C); 1975 (2) SA 189 (C) (Full Bench); 1976 (2) SA 930 (A).

See chapter 2 part [3], *supra*.

The trade mark is created when goods in relation to which the trade mark is exhibited are placed on the market in reasonable quantities (in determining what are reasonable quantities regard must be had to the nature of the goods: see, *Valentino Globe BV v Phillips & Anor* (the *Valentino* case), 1998 (3) SA 775 (SCA), at 778H) for that is when it becomes possible for the public to become aware of the class of trademarked goods, but more importantly, other traders in similar goods are placed in a position to become aware of the class of trademarked goods, distinguished by their trade mark. The possibility of honest concurrent user suggests that only if another trader was actually constituted a common law trade mark, is he precluded from appropriating it: see chapter 2 para 3.2, *supra*.

See chapter 2 para 3.3, *supra*.

The Court's remarks in *SAFA v Stanton Woodrush t/a Stan Smidt and Sons & Anor* (the *Bafana Bafana* case), 2002 (3) SA 313 (SCA), at 322E-F to the effect that the name 'Castle' lager which appears on the SA national football team's jerseys, does not indicate the origin of the jerseys and is therefore not a trade mark, illustrate the clear significance of context. See also the *Jif Lemon* case, at 883c-d.

rather than any other product of the same type, in other words, the association/relationship becomes *exclusive*.⁴³ Once the reputation is established, so is the secondary meaning,⁴⁴ because a reputation requires a substantial number of persons to associate the trade mark with the goods.⁴⁵

2.3 PUBLIC USE

Kerly encapsulates the essence of the importance of public use where he says

'the element of public user ... creates the trade mark'.⁴⁶

The requirement of public use is discussed under the following subheadings: definition of the 'relevant' public; significance of public use; and proof of public use.



⁴³ See *Bress Designs (Pty) Ltd v GY Lounge Suite Manufacturers (Pty) Ltd & Anor* (the *Bress Designs* case), 1991 (2) SA 455 (W), at 471D-E, (quoted at para 4.1.1.1, *infra*). In *Anheuser-Busch Inc v Budejovicky Budvar NP (trading as Budweiser Budvar Brewery) & Ors* (the *Budweiser* case), [1984] FSR 413 in which Oliver LJ referring to the *Athletes' Foot Marketing Associates Inc v Cobra Sports Ltd*, [1980] RPC 343 indicated that a mere trading reputation was not sufficient to found an action for passing off in England. He explained that a mere trading reputation consists of an awareness of the plaintiff's name and trading activities among a substantial number of persons in England as a result of spill over publicity but **an absence of customers** (at 465).

⁴⁴ In the *Boswell Wilkie (AD)* case however, the Court, after agreeing with the finding of the Natal Court on secondary meaning, indicated that
'It may well be, ..., that there is a difference between establishing a reputation and proving a secondary meaning though the latter would seem to include the former' (at 481 marginal letter 'l' – 482A).

⁴⁵ See *Greaterman's Stores (Rhodesia) Ltd v Marks and Spencer (Southern Rhodesia) Pvt Ltd* (the *St Michael* case), 1963 (2) SA 58 (FC). In *Adcock Ingram Products Ltd v Beecham SA (Pty) Ltd*, 1977 (4) SA 434 (W), the Court held that

'In the case of an indirect representation [such as the use of a confusingly similar trade mark], the plaintiff must prove in the first instance that the defendant has used or is using in connection with his own goods a name, mark, sign or get-up which has become distinctive

"... in the sense that by the use of (the plaintiff's) name or mark, etc, in relation to goods they are regarded, by a substantial number of members of the public or in the trade, as coming from a particular source known or unknown"

In other words, the plaintiff must prove that the feature of his product on which he relies has acquired a meaning or significance, so that it **indicates a single source for goods on which that feature is used**' (at 436H- 437B).

⁴⁶ DM Kerly & EC Underhay, *Kerly on Trade Marks*, 2ed, Sweet & Maxwell, London, (1901), at 24.

In the *Pentax* case the Court said.⁵²

'To be capable of being the subject-matter of property a trade mark had to be distinctive, that is to say, it had to be recognisable by a particular purchaser of goods to which it was affixed as indicating that they were of the same origin as other goods which bore the same mark and whose quality had engendered goodwill. **Property in a trade mark could therefore only be acquired by public use of it as such** by the proprietor and was lost by disuse'.⁵³

In Sebastian's opinion, 'no property could be acquired in a trade mark, except through the process of sale, or offering for sale, in the market, of an article to which the trade mark was affixed'.⁵⁴ He also argued that once a 'right of property in a trade mark' was recognized, the Court of Equity decided that the length of time during which the manufacturer had used a trade mark, would not be a determining factor in it exercising jurisdiction to restrain the defendant.⁵⁵

It is not necessary that the public use of the trade mark should be by the proprietor's personal endeavour,⁵⁶ ie the proprietor himself does not have to conduct the business that earns the goodwill or reputation.⁵⁷ The trade mark is associated with the proprietor as he is its proprietor and with the trademarked goods by his placement or consent to the placement of the goods on the market, signifying that the goods are his (the proprietor's).

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See also the *Eating Out* case, at 402C.

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At 979B-C my emphasis. The loss by disuse is not instantaneous: there is a gradual dissipation of the residual goodwill, which remains upon the cessation of active use. See J Dennis, 'Passing Off: Survival of Goodwill – Getting the Benefit of the Doubt', [2002] *EIPR* 331, concerning *Sutherland v V2 Music*, [2002] EWHC 14 (Ch). The *Coachworks* case admits of the possibility of residual goodwill, even though in that case the Court found that the goodwill had dissipated by the time it was alleged to have been transferred to the appellant (at 952F).

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Op cit, at 48 quoting *Maxwell v Hogg* LR 2 Ch 307. A similar approach was followed by the Court in *Erven Warnink BV v J Townend & Sons (Hull) Ltd* (the *Advocaat* case), [1979] AC 731([1979] 2 All ER 927) in which Lord Fraser said that the first requirement for a passing off action was that the business of the plaintiff must include or consist of 'selling in England a class of goods to which the particular trade name applies' (at 755).

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Similar views were expressed by the Court in, *Star Industrial Co Ltd v Yap Kwee Kor (t/a New Star Industrial Co)* (the *New Star* case), [1975] FSR 256 (PC), at 269.

He cites *Cope v Evans*, LR 18 Eq 138 to the effect that 'from the time of their commencing the user of their trade mark they became entitled to the protection of the court'.

Sebastian indicates further that prior to that there was a time in English law when the plaintiff had to show that

'he had acquired for the mark indicating *his manufacture* such a reputation as would raise a presumption that the defendant in adopting a similar mark had done so with the intention of availing himself of that reputation to divert to himself the plaintiff's custom'.

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Broadway Pen Corporation & Anor v Wechsler & Co (Pty) Ltd & Ors (the *Everglide* case), 1963 (3) SA 434 (T) and *Imperial Tobacco Co of India v Bonnan* (the *Gold Flake* case), 1924 AC 755.

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The *Everglide* and the *Gold Flake* cases. In other words, the reputation does not have to be garnered by dint of his personal efforts where he uses a trade mark in respect of goods.

2.3.3 PUBLIC USE BY ADVERTISING

The use of a trade mark by means of advertising is problematic because a trade mark has to be used in relation to goods *and* has to be used in SA (the jurisdiction) for such use to constitute the substrate on which the common law of SA (the jurisdiction) confers exclusive rights.⁶⁴

One of SA's leading authorities on advertising as trade mark use is the *Jordache* case.⁶⁵

Discussion of the *Jordache* case is prefaced by the following remarks:

- (i) The Court was concerned with whether the use of the trade mark constituted infringement, not with whether the advertisement had led to the acquisition of trade mark rights;⁶⁶ and
- (ii) The trade marks concerned were registered, not common law, ones.⁶⁷

2.3.3.1 The *Jordache* Case

Searles manufactured and dealt in footwear under a trade mark consisting of the word WATSON combined with a horse head device.⁶⁸ Searles sought an interdict to prevent Power using the trade mark JORDACHE with a horse head device in SA to (1) market footwear, and (2) continue marketing clothing.⁶⁹

The statutory infringement action⁷⁰ was sparked by a newspaper advertisement Power had placed.⁷¹ The Court had to decide whether or not Power had used the offending mark in relation to goods in respect of which the trade marks were registered.⁷²

Section 2(3) of the 1963 Act was to the effect that use of a mark 'in relation to goods shall be construed as use thereof upon, or in physical or other relation to

⁶⁴ The matter of the use of a trade mark by advertising is also discussed in chapter 7 para 2.5.3, *infra*.

⁶⁵ The decision was confirmed on appeal: 1983 (4) SA 163 (T).

⁶⁶ At 125A.

⁶⁷ At 125C.

⁶⁸ Searles was the proprietor of four trade marks in class 25, in respect of footwear, boots and shoes, all featuring the word WATSON and the horse head device (125C-E).

⁶⁹ Action (1) was based on infringement in terms of the Trade Marks Act 62 of 1963 and action (2) on passing off.

⁷⁰ The action was based on s 44(1)(a) of the 1963 Act which provided that

'[s]ubject to the provisions of ss (2) and (3) of this section and ss 45 and 46, the rights acquired by registration of a trade mark shall be infringed by –

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

⁷¹ At 125F-G. The advertisement depicted a man and a woman wearing, *inter alia*, athletic shoes, under the trade mark 'JORDACHE Athletic Footwear', the horse head device and the phrase 'shortly available at all leading stores'.

⁷² No JORDACHE footwear had been sold or distributed in SA and Power denied that use was imminent, since it held no mandate from Jordache Enterprises, the USA manufacturer in connection with selling its footwear in SA (at 125G-H).

Pepper's case.⁷⁸ That case involved an application to strike out the respondent's claim. The Court held that there was no basis for rejecting the possibility that the pre-launch publicity for a steak house restaurant business may provide a sufficient foundation for a passing off action, even though trading had not commenced. The Court granted the order but remarked:

'If the recognizable and distinctive qualities of a particular type of goods or services offered under a particular name are to lead to the achievement of a reputation in the market within the principles of the *Warnink* decision, then *prima facie*, it seems to me, a substantial number of customers or potential customers must at least have had the opportunity to assess the merits of those goods or services for themselves. *Prima facie*, it seems to me, they will not have sufficient opportunity to do this until the goods or services are placed on the market. It may well be that, if the goods or services are placed on the market after extensive preparatory publicity, a very short time thereafter will suffice for the public to assess their merits for the relevant reputation to be acquired'.⁷⁹

A SA decision that lends some support to the proposition that advertising and promotion can lead to the speedy acquisition of reputation, is ***Pepsico Inc & Ors v United Tobacco Co Ltd***, (the ***Ruffles*** case).⁸⁰

In my submission, for the trade mark to be used in relation to goods, even in other non-physical relation, the goods must exist in SA. The acquisition of common law trade mark rights depends on the use of the trade mark in SA. If the goods are not immediately available for trade in SA or there is no definite prospect that they will become available, then for purposes of the acquisition of common law trade mark rights, the trade mark is not being used in relation to goods *in SA*. Such alleged use will generally be by way of advertisement and in my submission will not be in SA but in the jurisdiction in which the goods that are depicted in the advertisement are available.

The question whether or not a trade mark has been *used* in relation to goods is sometimes not as clear cut as would appear to be the case,⁸¹ as the English case, ***Trebor Bassett Ltd v Football Association*** (the ***Trebor Bassett*** case) shows.⁸² Trebor Bassett sold sweets in packets which contained photographs of famous footballers. Many of the footballers depicted in the photographs were members of the English national team, portrayed wearing their national team jerseys. The emblem of the Football Association

⁷⁸ [1984] FSR 289.

⁷⁹ At 299.

⁸⁰ 1988 (2) SA 334 (W). In that case, however, the applicant had done more than just advertising, since steps such as distributing samples had taken place, but the advertising was a significant consideration since the retailers, Simba Quix's customers, had not yet been supplied.

⁸¹ Use of a trade mark is discussed in chapter 7 part [2], *infra*.

⁸² [1997] FSR 211.

the advertisement is being used directly in relation to the goods depicted but the advertisement itself is a recording or representation of the trade mark being used in direct relation to goods. The depiction itself can only be use of the trade mark in other relation to goods, those depicted, by reference to those goods depicted which are situated somewhere, but clearly not in the depiction. If the goods are not in the *jurisdiction* the trade mark in the advertisement is referring to goods that are outside of the jurisdiction and, in my submission, the trade mark is not being used in the jurisdiction in which the advertisement is being aired or displayed.

Another SA case that provides significant insight into the situation with regard to use of goods is *The GAP Inc v AM Moola Group Ltd* (the *GAP (D)* case).⁸⁹

2.3.2.2 The *GAP (D)* Case

The Gap Inc manufactured and marked goods with the trade mark GAP outside of SA and transported the goods through Durban in sealed containers, destined for ports (jurisdictions) outside SA in which it had rights to the trade mark GAP. One of the members of the Moola Group was the proprietor of a trade mark GAP in SA. Moola Group had procured the impounding of the goods by customs on the grounds that the import of the goods constituted a contravention of s 2(f) of the Counterfeit Goods Act 37 of 1997 (CFGa). Gap Inc secured the release of the goods and sought an order declaring that it was not unlawful under the CFGa or the TMA for Gap Inc to transship goods bearing the GAP trade mark where the trade mark was placed on the goods outside SA and the goods were not destined for sale in SA.

The proviso to the definition of counterfeiting in the CFGa requires that 'the relevant act of counterfeiting must also have infringed the intellectual property right in question'.⁹⁰ The Court found that 'infringed' in the proviso bore the same meaning as it does in the TMA⁹¹ and that the CFGa can only be enforced in SA.⁹² The Court later expressed the view, *obiter*, that the confusion required to constitute counterfeiting 'must occur within the Republic'⁹³ and that given the circumstances of the case (the goods being in sealed containers) that was not likely.⁹⁴ The Court held that there was no use in the course of trade, as required to constitute trade

there can be infringement of a registered trade mark without the proprietor having used the trade mark.

⁸⁹ 2003 Commercial Law Reports 225 (D). The DCLD decision was confirmed on appeal: *AM Moola Group & Ors v The GAP Inc & Ors* (the *GAP (SCA)* case), 2005 (2) SA 412 (SCA).

⁹⁰ Counterfeiting is defined as acting 'without the authority of the owner of any intellectual property right subsisting in the Republic' (s 1 of the CFGa).

⁹¹ At para [14].

⁹² At para [17].

⁹³ At para [19].

⁹⁴ *Ibid.*

2.3.3.3 Excursus: The *Situs* of a Business on the Internet?

It is my submission that a business which operates via the internet should be dealt with by analogy with the contractual implications of displaying goods on a shelf in a self service store.¹⁰⁰ The display of goods does not constitute an offer of the goods but an invitation by the trader to the prospective buyer to make an offer to purchase the goods.¹⁰¹ Visits to the website ('hits') by potential customers should not be construed as a sufficient indication of interest, ie not the equivalent to removing goods from a shelf and presenting them at the counter in a supermarket. The visits should be regarded as cyberspace window-shopping: window-shoppers are in my submission more in the nature of potential clients rather than *prospective customers*, which is what should be required (an approach indicating more than just a passing interest – taking the trouble to enquire). Difficulties, such as what constitutes a substantial number of persons, abound. Would it be a substantial number compared to the number of persons who have access to the internet in a country? What role would the nature of the goods play in the determination?¹⁰² The problem is overall one of establishing a balance: the trader using the internet intends (hopes?) to generate business wherever he can but it seems unreasonable to regard all persons trading via the internet as having a reputation wherever the internet is available. The facts must of course play a significant role.¹⁰³ In my submission, new concepts are needed because to regard all advertising, as use of a trade mark which creates trade mark rights in every jurisdiction in which the advertising material is received even in jurisdictions in which the goods are not, and not likely to become, available, provides too much protection, whereas holding that the internet trader only has a reputation in jurisdictions in which actual sales have occurred, may be too restrictive.

Intention is highly significant as the conduct of trade is not an accidental occurrence. The fact that one person undertakes a course of conduct that brings beneficial consequences for another person, does not automatically entitle the incidental benefactor to recover the benefit from the beneficiary. For example, Alfred and Bradley are neighbouring farmers. Alfred builds a water storage dam on his farm. The dam wall is so high that the body of water extends to Bradley's farm and the latter is able to use the water to irrigate his crops. Not even the law of unjustified enrichment allows Alfred to institute an action against

¹⁰⁰ *Pharmaceutical Society of Great Britain v Boots Cash Chemists (Southern) Ltd*, [1953] 1 All ER 482. See S Van Der Merwe, LF Van Huyssteen, MFB Reinecke and GF Lubbe, *Contract: General Principles*, 2ed, Juta & Co, Cape Town, (2003), (Van der Merwe *et al*), at 52.

¹⁰¹ *Crawley v Rex*, 1905 TS 1105.

¹⁰² The *Valentino* case raises the question of the nature of the goods.

¹⁰³ For example, argument that the auction website, 'E-bay', has an international reputation, would be difficult to gainsay.

suggested steps and the establishment of the business. During this period, the interests of the foreign proprietor would be protected.¹⁰⁶ Another factor that the courts would probably be willing to take judicial notice of, even where a claim at common law is raised, is that the TMA allows a registered proprietor a period of five years from registration before the trade mark may be expunged for non use. It is conceded that the steps mentioned are open to abuse by foreign proprietors. It is preferable to run the risk of such abuse than to confer the right to institute action for passing off which is intended to protect a business reputation where the foreign business has given no indication of an interest in entering the SA market. The conferral of the right under such circumstances is the intended consequence of the *Coachworks* case.¹⁰⁷

Bettinger & Thum¹⁰⁸ introduce their discussion of the impact of the internet on trade mark law by saying:

'The Internet has initiated a new stage in the internationalization of trade. With a minimum of financial and logistical expenditure, any company is able to advertise its goods and services worldwide and, if such [goods and services] are capable of digitization, to transmit them directly to purchasers via worldwide computer networks'.¹⁰⁹

Bettinger & Thum also express the view that

'A company that uses the Internet as a communications and trading platform must expect to be cited before a distant forum for an infringement of foreign trademark right as a result of the use of a trademark ... on its website. Given the territoriality principle acknowledged in *all legal systems*, and the resulting possibility that one and the same trademark can be protected for different holders in different countries, the use of a sign on the Internet can result in disputes even though the marks have hitherto co-existed without dispute, because their use in general business activity has been restricted to a domestic market'.¹¹⁰

Bettinger & Thum, undertake an in-depth discussion of some of the many issues arising from internet trade mark use, inter alia, the need to modify traditional legal concepts; the difficulties of adjusting the rules of international jurisdiction in trade mark infringement matters which tend in their view to indicate a need to abandon some basic procedural law principles; the need to develop new substantive law rules to solve international conflicts between national trade mark rights on the internet, which rules they contend 'should be

¹⁰⁶ The foreign proprietor would be an interested person who could object to an application for registration or be able to sue for passing off if another person should use the trade mark, since the foreign proprietor would be able to show that all that was needed to convert his interest into trade was entry to the market. The object of providing protection must surely be the facilitation of entry by foreign traders into the market, and not the preservation of *potential assets* for foreign traders who have no interest in the SA market.

¹⁰⁷ See the *GAP (SCA)* case, at para [15] (at 253a).

¹⁰⁸ T Bettinger & D Thum, 'Territorial Trademark Rights in the Global Village – International Jurisdiction, Choice of Law and Substantive Law for Trademark Disputes on the Internet', (2000) 31 *IIC* 162, at 162 and at 285.

¹⁰⁹ At 162.

¹¹⁰ At 163, my emphasis.

2.4 HONEST CONCURRENT USER

Honest concurrent user occurs where two traders, each of whom we will call a trade mark proprietor, have used identical or confusingly similar trade marks in relation to *their respective goods*.¹¹⁴ Each proprietor places goods on the market independently of the other. One group, consisting of a substantial number of persons,¹¹⁵ *subjectively* associates the trade mark with the goods one proprietor placed on the market.¹¹⁶ Another group, also consisting of a substantial number of persons, *subjectively* associates the trade mark with goods the other proprietor placed on the market. The groups cannot consist of the same persons because if they do then the persons do not associate the trade mark with goods emanating to one proprietor exclusively.¹¹⁷ There is confusion if there are persons who are members of both groups. Where there is some confusion, a court is not likely to hold that the concurrent user should continue, although this is no absolute bar.¹¹⁸ The court would, if it decided against allowing concurrent use, order the one party to desist from using the trade mark or make an order that the defendant take steps which reduced or eliminated the probability of confusion.¹¹⁹

So in a situation of honest concurrent user there are two persons, A and B, each of whom has a *reputation* and custom for his goods, but the goods bear identical or confusingly similar trade marks. Each person is therefore the holder of a common law trade mark right and therefore a common law trade mark proprietor. It was submitted in the formulation of the 'two trade mark thesis' there are two identical trade marks.¹²⁰ It is clear from the earlier discussion that the respective parties' trade marks are created independently of each

¹¹⁴ There must be user by both proprietors. In the *Lifesaver* case, the Court refers to the *Shorter Oxford Dictionary* definition of 'user', as a term of law, meaning 'continued use, exercise or enjoyment of a right' (at 70A). The affixation of the trade mark to goods that are then placed on the market would constitute user: see chapter 7 part [2], *infra*.

¹¹⁵ The requirement of a reputation among a substantial number of persons is discussed in para 2.3, *supra*.

¹¹⁶ There is no need for the persons to know the proprietor by name: the *Yorkshire Relish* case, see note 11, *supra*.

¹¹⁷ See para 2.2 (including all its sub-divisions), *supra*.

¹¹⁸ In *Ex Parte Chemisch-Pharmazeutische Aktiengesellschaft* (the *Transpulmin* case), 1934 TPD 366, the Court indicated that the provision of the 1916 Act that allowed for concurrent registration in cases of honest concurrent user, entitled the court to weigh up the danger of confusion against the parties' respective commercial claims.

¹¹⁹ The *de facto* geographic division ordered in the *Diggers Grill* case is an example of such an order. The position is similar to that under passing off in which the courts have made it clear that the defendant is required to distinguish his goods from those of the plaintiff (the *Jif Lemon* case, at 879d-f and 879h) and bears responsibility for his failure to do so (*Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd and Ors* (the *Kettle Grill* case), 1992 (2) SA 489 (A), at 493C-D, 495A-C, 499C and 504B).

¹²⁰ See chapter 2 para 6.2, *supra*.

Judge Page put the position as follows:¹²⁸

'Whilst a symbol can possess an attractive force in this country as a result of its use in relation to a business elsewhere, the attractive force [goodwill] can only exist as property of that business in this country when it had been localized by virtue of trading here'.¹²⁹

The fact that even *within SA*, the business reputation (goodwill) can be localized is attested to by the **Diggers Grill** case. In that case both parties had common law trade mark rights at the stage when Steakhouse applied for registration of the trade mark. Sidewalk had common law rights in the province of Natal and Steakhouse in the Transvaal Province.¹³⁰ These rights existed even before the registration of the trade mark DIGGERS GRILL in the name of Steakhouse. There was thus a *de facto* geographic limitation of their respective common law trade mark rights, because the common law trade mark right is only coextensive with the reputation *and custom* which the trademarked goods enjoy.¹³¹

The word 'concurrent' in the name for this phenomenon suggests that there is only one trade mark, however, that is simply a reflection of the thinking at the time the phenomenon was recognised and named rather than a reflection of the reality of the situation.

It is difficult to limit goodwill in respect of corporeal goods to a specific geographic area but it is a question of fact whether or not goodwill exists in a particular place.¹³² Mass communication and the relative ease of transport render it difficult to conceive of the reputation goods enjoy being limited to a specific area within one jurisdiction.¹³³ The courts would not, however, eschew making a finding that goodwill is subject to geographic limitation, if it were consonant with the proven facts.¹³⁴

Honest concurrent user appears to be an exception to the *qui prior est tempore* principle but that is not a true reflection of the reality: there are two trade marks.

¹²⁸ NS 'The Territorial Limitation of Repute in Passing Off, and the Applicability of Unlawful Competition to Situations Created by International Trading' in J Neethling (ed), **Onregmatige Mededinging: Unlawful Competition** 41.

¹²⁹ At 54.

¹³⁰ At, 197F where the Court discusses the goodwill held by each. None of the parties had any goodwill in any of the other provinces, so Steakhouse was entitled to claim to be proprietor in the Orange Free State and Cape Province.

¹³¹ In this chapter it is argued that the reputation must derive from trading activities in the jurisdiction (para 4.2.2.12, *infra*) and that damages will *only* flow in the jurisdiction if trading activities are conducted there (para 4.4, *infra*).

¹³² The **Coachworks** case, at 950B-C; **Premier Trading Co (Pty) Ltd & Anor v Sporttopia (Pty) Ltd** (the **Bladeline** case), 2000 (3) SA 259 (SCA), at 267H-I.

¹³³ Webster & Page, *op cit*, 3ed, at 178. The Court rejected the argument that courts would not easily order geographic divisions and in effect ordered such a division: the **Diggers Grill** case, at 199B-C. Section 111(3) of Act 9 of 1916 indicates that S A's provinces could be treated as states in a federation for trade mark purposes is not an entirely alien one.

¹³⁴ See the **Diggers Grill** case, at 199B-C.

More than one identical common law trade mark may be created from the same symbol where honest concurrent user occurs.¹⁴⁸ The period during which the concurrent user took place will have to a large extent have dissipated the danger of confusion.

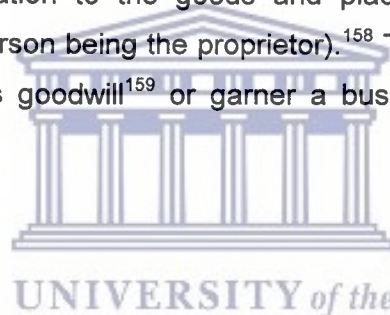


¹⁴⁸ See para 2.4, *supra*.

The substantive requirements for passing-off are:¹⁵² business reputation,¹⁵³ a misrepresentation¹⁵⁴ and damage.¹⁵⁵

The use of a trade mark is not a prerequisite for the action, and the use of a trade mark is therefore primarily relevant to the misrepresentation requirement of passing off – the trade mark is the mechanism by which the representation is made.¹⁵⁶ The statement that the trade mark is primarily relevant to the misrepresentation must be understood to refer only to matters at the *infringement stage*: it is not meant as an attempt to gainsay the significance of the trade mark in garnering the reputation.¹⁵⁷

The common law trade mark, when it is created, indicates that the goods in relation to which it is exhibited were placed on the market by or with the consent of the person who exhibited the trade mark in relation to the goods and placed or consented to their placement on the market (that person being the proprietor).¹⁵⁸ There is however no action available, until the goods amass goodwill¹⁵⁹ or garner a business reputation among a substantial number of persons.¹⁶⁰



¹⁵² In the *Coachworks* case the Court indicates that the elements are ‘the “classical” trinity of reputation (or goodwill), misrepresentation and damage’ (at 947A). This *dictum* was applied in the *Eating Out* case, at 400D.

¹⁵³ See para 4.1, *infra*. The word reputation has been used in most places where goodwill would previously have been used.

¹⁵⁴ See para 4.2, *infra*.

¹⁵⁵ See para 4.3, *infra*.

¹⁵⁶ See para 4.2, *infra*.

¹⁵⁷ Rutherford, *Advertising Value*, indicates that

‘Today, through the use of sophisticated advertising techniques a manufacturer aims at promoting the sale of his product. In this regard, he makes use of his trade mark firstly, to identify and distinguish his product and secondly, as a conduit for the transmission of the persuasive power of his advertising. If his advertising campaign is successful and the product proves acceptable to the consumer, the trade mark will identify the product as satisfactory and will thereby stimulate further sales. The trade mark actually helps to sell the product. In this way the trade mark creates and retains custom. A trade mark, therefore, not only constitutes a symbol of the goodwill of the proprietor’s business but *is an important agent in the creation and perpetuation of that goodwill*’ (at 56: my emphasis).

Fl Schechter, ‘The Rational Basis of Trademark Protection’, 1927 *Harv LR* 813 put the position as follows: ‘today the trademark is not merely the symbol of good will but often the most effective agent for the creation of good will, imprinting upon the public mind an anonymous and impersonal guaranty of satisfaction, creating a desire for further satisfaction’ (at 819).

¹⁵⁸ The proprietor does not have to act personally in regard to these matters: see para 2.3.2, *supra*.

¹⁵⁹ Trademarked goods must have been sold, demonstrating that they have drawn custom: see paras 4.2.2.1 and 4.2.2.2, *infra*.

¹⁶⁰ See para 4.1, *infra*.

3.1.2 The *Jif Lemon* Case

Borden had, from about 1956 until the onset of the events which led to the action, been almost the exclusive seller of lemon juice in natural sized plastic lemon 55ml squeeze packs. The goods were sold under the trade mark JIF. The Court *a quo* had found that

'... there is in a substantial body of the purchasing public, a brand loyalty in the sense that these purchasers desire not just lemon juice but JIF lemon juice'.¹⁶⁹

Reckitt & Colman had placed goods on the market in a container similar to that of Borden's.¹⁷⁰ Borden obtained an interdict and Reckitt & Colman appealed unsuccessfully to the Court of Appeal and the House of Lords.

The action for an interdict succeeds where the plaintiff can show that the likely consequence of the misrepresentation will be an injury to the business reputation (goodwill); but if he seeks other redress, such as damages, he will have to show actual injury. The difference, in my submission, is that there must be actual trade for the substantive action for actual passing off, but need only an apprehension of damage even before trade for an interdict. Confusion arises from the fact that an interdict can be obtained even if there is actual trading and damage in order to prevent future infringements.

The trade mark, which is generally only part of the get-up of the goods, is protected by the passing-off action where it is the mechanism used to make the representation.¹⁷¹ In the *Coachworks* case, the Court distinguished situations in which passing off occurred by means of a trade mark from other cases where it indicated that the 'principles concerning passing-off in relation to a get-up shorn of a distinctive name do not form part of Caterham's case on appeal' as had applied in the *Kettle Grill* case.¹⁷²

¹⁶⁹ At 878e-f, referring to the judgment reported in [1987] FSR 505, at 513.

¹⁷⁰ Upon legal action being instituted had desisted and given an undertaking to give notice to Borden of its intention to place similarly packaged goods on the market. Reckitt & Colman designed two other similar containers and, upon being given notice, Borden sought an interdict. The first container was described as similar but slightly larger than the JIF container, had a green, instead of yellow, cap and contained 75ml of juice.

¹⁷¹ The association, that is the foundation of passing off, is similar to the association that is represented by trade mark origin, indicating that the goods are 'on the market under the auspices' of the trade mark proprietor: see chapter 7 part [4], *infra*.

¹⁷² At 942G.

[4]

THE REQUIREMENTS FOR PASSING OFF

This part of chapter contains the following paragraphs

- 4.1 The requirements for passing off
- 4.2 Business reputation or goodwill
 - 4.2.1 Definitions
 - 4.2.1.1 Reputation
 - 4.2.1.2 Goodwill
 - 4.2.1.2.1 Composition of goodwill
 - 4.2.2 Some implications of the business reputation / goodwill distinction
 - 4.2.2.1 Custom
 - 4.2.2.2 Potential custom
 - 4.2.2.3 The **Coachworks** case
 - 4.2.2.4 The **Bladeline** case
 - 4.2.2.5 Localising element inherent in goodwill: the place to which custom is drawn
 - 4.2.2.6 Interpretation of 'locality'
 - 4.2.2.7 Location as a component of goodwill
 - 4.2.2.8 The factual substrate
 - 4.2.2.9 Local trade and local reputation
 - 4.2.2.10 Reputation: incidental benefit to local trade mark user?
 - 4.2.2.11 The **Coachworks** case: application of s 35
 - 4.2.2.12 Conclusion: Are goodwill and business reputation worlds apart or are there shades of difference between them?
- 4.2.3 The relationship between a trade mark and the business reputation
- 4.3 A misrepresentation
 - 4.3.1 Manner
 - 4.3.2 Nature
- 4.4 Damage

identifies the goods to which the reputation *can* attach or relate.¹⁸⁶ The reputation accompanies the goods by means of the trade mark, which is an *indicium* of the reputation,¹⁸⁷ exhibited in relation to the goods. In this sense the reputation attaches to the goods, rather than directly to the business that sells the goods.¹⁸⁸

SA had, in my submission, up until the Supreme Court of Appeal decision in the *Coachworks* case, generally required goodwill to found a passing off action.¹⁸⁹ The Court in the *Coachworks* case replaced goodwill by business reputation.¹⁹⁰ It is consequently desirable to start our examination of the post-*Coachworks* legal position by defining the terms goodwill and reputation.

4.2.1 DEFINITIONS

4.2.1.1 Reputation

One dictionary defines 'reputation' as follows:

'the estimation in which a thing is generally held; opinion held about a person or thing; esteem; notoriety or fame esp. for some specified characteristic'.¹⁹¹

The nature of the reputation required for purposes of passing off was explained as follows in the *Bress Designs* case:

'In every passing-off case two propositions have to be established by a plaintiff before he can succeed. The first is that his name, mark, sign or get-up has become distinctive, that is, in the eyes of the public it has acquired a significance or meaning as indicating a particular origin of the goods (business, services) in respect of which that feature is used. This is called reputation'.¹⁹²

In the *Coachworks* case¹⁹³ the Court held that the nature of the requisite reputation was set out in the *Jif Lemon* case, in which Lord Oliver said:

'First, he must establish goodwill or reputation *attached to the goods* or services which he supplies in the mind of the purchasing public by association with the identifying "get-up"

¹⁸⁶ Rutherford, *Advertising Value*, says:

'A trade mark, ... not only constitutes a symbol of the goodwill [reputation] of the proprietor's business but is an important agent in the creation of that goodwill [reputation]' (at 56).

¹⁸⁷ There may be more than one *indicium* of the goodwill: see below.

¹⁸⁸ This tends to suggest that where the goods are the goodwill - but this appears not to have proved sufficient protection on the approach adopted in the *Coachworks* case, *infra*.

¹⁸⁹ The Court's reference to SA as a 'hard line jurisdiction' (947C) itself indicates that a distinction was maintained. Prof BR Rutherford, 'Common-law protection for Well-Known Foreign Trade Marks', (1999) 11 *SA Merc LJ* 581 explains that the 'hard-line' approach 'is rooted in the notion that goodwill is exclusively territorial in nature and has no independent existence apart from the business to which it is attached' (at 583).

¹⁹⁰ The *Coachworks* case is subjected to closer scrutiny at para 4.2.2.3, *infra*.

¹⁹¹ The *Collins Dictionary*, at 977.

¹⁹² At 471D-E.

¹⁹³ Para 21, at 950D-E.

4.2.1.2 Goodwill

One of the clearest and most comprehensive definitions of goodwill is still that found in the **Muller Margarine** case:²⁰¹

'What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. **It is the attractive force which brings in custom.** It is the one thing that *distinguishes an old-established business* from a new business at its first start. The goodwill of a business must emanate from a *particular centre or source*. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to *the source from which it emanates*.'²⁰²

The emphasis on 'centre or source' is intended to indicate that in my submission the crux of the matter is: to where is the custom drawn?

In the **Coachworks** case the Court defined goodwill as 'the totality of attributes that lure or entice clients or potential clients to support a particular business'.²⁰³

The subtle differences of emphasis²⁰⁴ do not mask the overwhelming similarities.

4.2.1.2.1 Composition of goodwill

Goodwill *can* in general derive from and consist of a variety of factors or components.²⁰⁵ In the **Coachworks** case, the Court referred to **O'Kennedy v Smit**²⁰⁶ and **Jacobs v Minister of Agriculture** (the **Jacobs** case)²⁰⁷ as authority for the proposition.

²⁰¹ **Inland Revenue Commissioners v Muller & Co's Margarine Ltd**, [1901] AC 217.

²⁰² At 223, (my emphases). The portion of the excerpt in bold print was cited with approval in **Botha & Anor v Carapax Shadeports (Pty) Ltd** (the **Shadeports** case), 1992 (1) SA 202 (A), at 212A.

²⁰³ At 947G. The Court cited **A Becker & Co (Pty) Ltd v A Becker & Ors** (the **Becker** case), 1981 (3) SA 406 (A).

²⁰⁴ The nuances of difference are, with respect, well illustrated by the *dicta* in the **Becker** case, at 417A.

²⁰⁵ In the **Muller Margarine** case Lord Macnaghten said:

'Goodwill is composed of a variety of elements. It differs in composition in different trades and in different businesses in the same trade. One element may predominate here and another element there. To analyse goodwill and split it up into its component parts, ..., seems to me as useful for practical purposes as it would be to resolve the human body into various substances of which it is said to be composed. The goodwill of a business is one whole... and must be dealt with as such' (at 224).

²⁰⁶ See also the **Coachworks** case, at 947G-I; Webster & Page, *op cit*, 4ed, para 15.7.

²⁰⁷ 1948 (2) SA 63 (C) in which the Court mentions (a) the reputation of the business, of which the length of time the business has been in operation was a good indicator; (b) the situation of the business – the habit of repairing to a particular place and the neighbourhood in which the business is situated being important aspects of this component; (c) the element of competition, rather the lack thereof in businesses such as the liquor trade in which a limited number of licences was available or other legal restrictions; and (d) the prospects of expansion which the Court regarded as increasing profitability (at 66).

mark is the sole or chief *indicium* of the reputation: it must just be the *indicium* used to make up the misrepresentation.

4.2.2 SOME IMPLICATIONS OF THE BUSINESS REPUTATION/GOODWILL DISTINCTION

The question whether goodwill or reputation is required, is really the question of what is the object of the legal right protected by the passing off. In my submission, the answer to the question is tied in to a significant degree with the long-term impact of the **Coachworks** case. The analysis undertaken in this paragraph is conducted under various subheadings, which fit together as will now be described.

Comment is addressed to the significance of custom,²¹⁴ and the nature and significance of potential custom investigated.²¹⁵ The **Coachworks** case²¹⁶ and the **Bladeline** case²¹⁷ are analysed. The argument that goodwill has an inherent localising element is advanced.²¹⁸ The concept of locality is scrutinised²¹⁹ and the implications of locality as a factor in goodwill considered.²²⁰ It is contended that the factual substrate for the acquisition of the right to sue for passing off must exist in the jurisdiction in terms of whose law that right is claimed²²¹ and the significance of local trade in the generation of goodwill or a reputation is evaluated.²²²

It is also submitted that the benefit of the knowledge (reputation) that flows from mass media exposure of a trade mark in a jurisdiction in which there is no trade in the goods should be regarded as incidental;²²³ and that the **Coachworks** case did not involve application of s 35 of the TMA.²²⁴

²¹² The entity to which the goodwill attaches is the business, if we accept the definition of goodwill as the attractive force that draws custom to the business – the goods do not have custom, the business does.

²¹³ The **Holiday Inns** case shows the trade mark as the representation of the goodwill, whereas the **Tea Lovers** and **Jif Lemon** cases show where it is not the relevant representation. See also Rutherford, *Advertising Value*, at 56; Schechter, 1927 **Harv LR** 813, at 819.

²¹³ See para 4.2.3, *infra*.

²¹⁴ Para 4.1.2.1, *infra*.

²¹⁵ Para 4.1.2.2, *infra*.

²¹⁶ Para 4.1.2.3, *infra*.

²¹⁷ Para 4.1.2.4, *infra*.

²¹⁸ Para 4.1.2.5, *infra*.

²¹⁹ Para 4.1.2.6, *infra*.

²²⁰ Para 4.1.2.7, *infra*.

²²¹ Para 4.1.2.8, *infra*.

²²² Para 4.1.2.9, *infra*.

²²³ Para 4.1.2.10, *infra*.

²²⁴ Para 4.1.2.11, *infra*.

'the most significant fact is that the applicant has not traded in South Africa. It has opened no shop here, nor has it franchised one. It has sold no goods here. It has not advertised its business here. *There is no suggestion that its reputation abroad, however extensive it may be, has attracted customers from this country, in the sense that anyone has journeyed from here in order to patronize one of applicant's own or its franchised shops*'.²³²

The italicized portion of the quotation indicates that a customer is one who repairs from where he is to the place where the goods can be procured, with the intention of procuring the goods. Persons from SA who, while they were in the UK, whether on holiday or for business, repaired to one of the applicant's outlets, would, I submit, be in no different position to the rest of the business' customers drawn from among the local residents in England. A person's willingness to repair to the place where the goods can be obtained is, in my submission, the hallmark of a customer. The position in regard to businesses which trade via the internet requires special consideration.²³³

The need to draw custom appears, with respect, to be the critical aspect the Court sought to avoid in the **Coachworks** case.²³⁴ The reason for this submission is that, if we examine the reasons provided below for the acceptance of business reputation as the criterion (notwithstanding the proviso discussed there), it is clear that reputation was always the most prominent *component* of the goodwill of a business that sells goods at a distance from its bricks and mortar establishment. This is clear from the cases mentioned by the Court.²³⁵

Reputation, as the Court in **Bladeline** found derived from the esteem in which the 'relevant section of the community holds' the plaintiff's product,²³⁶ the product being recognized as distinct from other similar ones.²³⁷ The esteem would generally derive in not insignificant measure from the product being found to be of acceptable quality.²³⁸ The relevant community would be customers and potential customers of the business.²³⁹ The need for the business to be in the jurisdiction therefore arises from the need to show that the business has customers and potential customers in the jurisdiction: it did not arise from the need to establish that any other component of goodwill was present. *This means the localizing element of goodwill arose from the reputation itself: the need to show that there was a local reputation.* This is why in order to invest a business that did not trade in SA,

²³² At 438 marginal letter 'l' – 439A (my emphasis).

²³³ See para 2.3.3.3, *supra*.

²³⁴ See also para 4.2.2.5, *infra*.

²³⁵ At 947 marginal letter 'l' - 948A.

²³⁶ At 267A.

²³⁷ The **Bress Designs** case formulation of reputation, para 4.1.1.1, *supra*.

²³⁸ The **Dr Pepper's** case, at 299; Rutherford, *Advertising Value*, at 56.

²³⁹ See para 2.3.1, *supra*.

that the common law of a jurisdiction is its own as a consequence of the territoriality principle. The territoriality principle demands that the substrate upon which the law of a jurisdiction confers a right must exist in that jurisdiction.²⁴⁶

4.2.2.2 Potential Custom

Potential custom alone is generally included in the notion of custom for purposes of obtaining an interdict. How is potential custom proved in a situation in which there is no actual custom? Without proof of actual custom, in my submission, the assessment of potential custom is hazardous or speculative. The marketing failure of products that were advertised under what could be regarded as distinctive or 'catchy' trade marks and / or by means of high impact advertising campaigns, in my submission, goes a significant way towards proving that it would be unwise to assess potential custom by having regard even to reputation alone or, worse still, by making an assessment of the 'inherent' allure of a trade mark.²⁴⁷ The plaintiff may be assisted in discharging the burden of proof by establishing that the defendant fraudulently adopted his trade mark, in which case the courts are likely to find that there was goodwill.²⁴⁸ The question still arises: with no trade or prospects of trade in the jurisdiction, how can there be fraudulent adoption of a trade mark?

The following hypothetical situation is sketched in an attempt to illustrate the need for actual custom in determining that there is potential custom. Theoretically, a not insubstantial number of S Africans could be described as potential customers of Wal-Mart or Selfridges, on the basis of their comparable socio-economic and purchasing profile.²⁴⁹ However, in my submission, *unless* Wal-mart or Selfridges *undertake steps to enter the SA retail market*, from a practical point of view, the persons mentioned above, while they

²⁴⁶ See chapter 2 paras 2.3.2, 2.3.2.1 and 2.3.2.2, *supra* and chapter 6, *infra*.

²⁴⁷ The television, radio and print advertising campaign for the cool drink 'FRESCA' a few years ago may illustrate the point. It had teenagers using the word 'FRESCA' as a synonym for nothing (the punch line of the advertisement was: nothing tastes like 'FRESCA'). This did not translate into *sustained* sales as the product has disappeared from the market. It is beyond doubt that factors other than the trade mark may have led to the demise of the product, but it is undeniable that that campaign proved that reputation does not equal custom. In my submission, when considering trade mark matters, one cannot have regard to other factors that may influence sales, except eg to refute the allegation that all sales are generated by the use of the infringing trade mark (*Omega Africa Plastics (Pty) Ltd v Swisstool Mfg Co (Pty) Ltd* (the *Omega Plastics* case), 1978 (3) SA 465 (A)).

The justifiable presumption that sales are linked to the distinctiveness of the goods makes it legitimate to ignore other factors. The *Tea Lovers*, *Harroldian School* and *Reddaway v Banham*, and *MacDonald's* (at 23H-I) cases to take but a few examples, make it abundantly clear that the defendant often 'copies' the plaintiff's trade mark to derive a competitive advantage he may not otherwise have enjoyed.

²⁴⁸ See the *Harroldian School* case, [1996] RPC 679 (CA) 706 (see note 27, *supra*).

²⁴⁹ It is fair to assume that this concurrence of socio-economic circumstances exists.

4.2.2.3 The Coachworks Case

Caterham and Birkin were both sports car producers.²⁵⁵ The cars in issue were both replicas of the Lotus Series Seven III car, which had a particular shape and configuration.²⁵⁶ Caterham claimed that the numeral 'Seven' in relation to a sports car with the Lotus shape and configuration identified the car as emanating from itself or its predecessor.²⁵⁷ Caterham sought an interdict against Birkin on the basis of passing off.

The Court in found that Caterham's action was doomed to failure on the law as stated by the Court *a quo* which held that 'Caterham had to prove the existence of goodwill "generated by sales" within the area of jurisdiction of the Court'. The Court *a quo* had based its finding on acceptance of Webster & Page's proposition that

'since the ordinary rules relating to jurisdiction apply to an action for passing off, it is essential for the plaintiff to prove that the goodwill he seeks to protect extends to the area of jurisdiction of the Court in which he sues'.²⁵⁸

The Court held that Webster & Page's statement of law conflated two issues:

- (i) The elements of the delict of passing off; and
- (ii) The requirements for jurisdiction in passing off matters.²⁵⁹

The Court held that the elements of passing off are the 'classical trinity' of 'reputation (or goodwill), misrepresentation and damage'²⁶⁰ and defined goodwill as 'the totality of attributes that lure or entice clients or potential clients to support a particular business'.²⁶¹

²⁵⁵ Caterham's car was called the Caterham Seven or Super Seven and Birkin's car the Birkin Seven (at 943B-C). Caterham operated from England, exporting worldwide, while Birkin manufactured and sold its replica in SA and exported to Japan.

²⁵⁶ The Lotus Group of companies produced the Lotus Series Seven III sports car from 1958 - 1972 (at 943B-944C). During 1988 Lotus had assigned its business goodwill in the manufacture and sale Lotus Seven cars and its worldwide rights to and in the unregistered trade marks, SEVEN, SUPER SEVEN and SUPER 7, to Caterham (at 944H-I).

²⁵⁷ The Court found that even an expert would have had difficulty distinguishing the respective parties' cars from each other and from the original car: at 943D.

²⁵⁸ Webster & Page, *op cit*, 3ed, at 420; the **Coachworks** case, at 946B-C.

²⁵⁹ The Court dealt with the question of jurisdiction summarily - the Court *a quo* had jurisdiction because the defendant was resident within the area of its adjudicatory jurisdiction (at 946 marginal letter 'I'). The Court also referred to a possible alternative basis of jurisdiction, viz that the delict arose within the Court's area of adjudicatory jurisdiction, referring by comparison to **Thomas v BMW SA (Pty) Ltd**, 1996 (2) SA 106 (C), at 127G-H.

²⁶⁰ **Conorzio del Prosectuitto di Parma v Marks & Spencer plc & Others**, [1991] RPC 351 (CA), at 368 line 34 to 369 line 51.

²⁶¹ At 947G, my emphasis. The Court cited as authority the **Becker** case. The case concerned a contract for the sale of a jewellery business and its concomitant goodwill, which included a restraint of trade restricting the seller from engaging in the jewellery trade for a period of five years from the effective date of the sale. The contract stipulated that the clients of the business were regarded as the seller's personal clients, making his personality, as the driving force behind the business, the principal component of the goodwill. Upon expiry of the five year period the seller commenced trade and solicited former clients of the business he had sold. The Court found the restraint to be separate from his obligation not to undermine the sale by attempting to recover its subject matter, viz, the goodwill. In a separate concurring judgment, Van Heerden AJA held that

'Die werfkrag van 'n besigheid is as regsgoed die voorwerp van 'n immateriële goederereg. Uit 'n regsoogpunt is die begrip [werfkrag] doelmatiger as "goodwill"

'the answer [to the question posed in the *Muller Margarine* case] was neither directed at passing off nor intended to give an all embracing definition or analysis of the concept of "goodwill" irrespective of the context in which it appears'.²⁶⁶

The Court found 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'.²⁶⁷

The Court quoted the Australian case, *Conagra Inc v McCain Foods (Aust) Pty Ltd* (the *Conagra* case)²⁶⁸ to the effect that

'the requirement of "goodwill" was not meant to have [in this context] a different meaning from reputation and [that] its inclusion only serves to complicate the matter'.²⁶⁹

and the Court thereafter ruled that

'[t]he decisions of our Courts to the opposite effect can no longer be considered good law'.²⁷⁰

The last two quotations, in my submission, constitute the ratio of the decision.

The Court, after deciding that reputation was the requirement for passing off held that the reputation must be located ('subsist') where the misrepresentation causes *actual or potential damage* to the drawing power of the plaintiff's business.²⁷¹ The Court held further that if there is no reputation in the place where the damage was alleged to have been suffered, 'the misrepresentation would be made in the air and be without any consequences'.²⁷²

Some of the factors the Court indicated had led to its decision were:

- (i) The earlier decisions were based on a misunderstanding of Lord Macnaghten's *dictum*: 'I think if there is one attribute common to all cases of goodwill it is the attribute of locality';²⁷³

²⁶⁶ At 949E.

²⁶⁷ *Ibid*, my emphasis. The locality of a business as a component of goodwill is discussed in para 4.2.2.7, *infra*.

²⁶⁸ [1992] 106 ALR 465.

²⁶⁹ At 502, lines 49 – 51.

²⁷⁰ The *Coachworks* case, at 949H-I.

²⁷¹ At 950B-C.

²⁷² *Ibid*. The Court does not elaborate on the nature of the damage, perfectly justifiably in light of its finding that there was no reputation.

²⁷³ Some of the earlier decisions referred to were the following: *Slenderella Systems Inc of America v Hawkins & Anor*, 1959 (1) 519 (W), at 521A – 522B, in which the Court held:

'The Court will protect the right of property existing in another in regard to the name or goodwill enjoyed by that other in respect of a trade or goods. That right of property may be enjoyed by a *peregrinus* but only, it would seem, where that *peregrinus* has a right of property in regard to his name or goods within the jurisdiction of the Court' (at 521A).

The Court paraphrased the law of passing off²⁸¹ as follows.²⁸²

'Passing-off is a wrong consisting of a false representation made by one *trader* (the defendant) to members of the purchasing public that the enterprise, goods or services of a *rival trader (the plaintiff)*²⁸³ either belong to him or are connected, in the course of trade, with his own enterprise, goods or services. (I shall abbreviate, for the sake of convenience, "enterprise, goods or services" into a single term "the product" since this is a case of "product confusion" rather than "business connection confusion.") The defendant's representation is a misrepresentation if it is likely to deceive or confuse a substantial number of members of the public as to the source or origin of the product. **Passing-off, to be actionable erodes the plaintiff's goodwill.** Goodwill is the product of a cumulation of factors, the most important of which in the context of passing off, is the plaintiff's reputation.²⁸⁴ Reputation is the opinion which the *relevant section of the community* holds of the plaintiff or his product. If favourable, it would dispose potential customers to patronise the plaintiff or his product,²⁸⁵ and if unfavourable it would tend to discourage them from doing so.²⁸⁶ The plaintiff's reputation *may* be associated with the symbol under which the product is marketed.²⁸⁷ The symbol renders the product distinctive of the plaintiff ... A false representation by the defendant about the symbol used by the plaintiff may encourage or induce potential customers of the plaintiff, believing that they were patronising him, into patronising the defendant'.²⁸⁸

The last sentence of the quotation, when read together with the Court's earlier statement that the passing off must erode the goodwill to be actionable,²⁸⁹ implies that there must be goodwill, which is eroded by an attack on the reputation component of that goodwill alone and which results in the filching of plaintiff's custom. The Court's statement that the erosion of goodwill is required to render passing off actionable stands in clear contrast to

that supplied Premier manufactured the skates and assumed the name BLADELINE without consent from APB (at 256E).

281

At 266H – 267B. The Court itself used the word paraphrased (at 276D).

282

The footnotes and annotations have been inserted and the emphasis added by me.

283

The description of the plaintiff as a rival trader appears to demand two parties engaged in trade in the same jurisdiction, not just one party trading as in **Coachworks**.

284

The statement that reputation is an element of goodwill confirms the finding in the **Coachworks** case that it is an invariable aspect of the goodwill insofar as passing off is concerned (at 847 marginal letter 'I'). Even though goodwill is no longer required, the **Coachworks** case, still requires the reputation to be a business reputation (at 950B-C).

285

A favourable reputation also generates repeat sales among customers.

286

'Dispose' and 'tend' suggest a likelihood, but do not demand, that the attitude towards the goods (which constitutes the reputation) result in some action. In my submission the need for consequences distinguishes 'reputation' from 'goodwill' – goodwill requires custom to be drawn: the **Muller Margarine** case, at 223 and the **Coachworks** case where the Court said 'Goodwill is the totality of attributes that lure or entice *clients or potential clients* to support a particular business', having earlier held that 'misrepresentations of this kind [that can give rise to passing off] can be committed only in relation to a business that has goodwill or a drawing power (Afrikaans: 'werkrag')' (at 947F-G, my emphasis).

287

'May' allows for the possibility that the reputation may be associated with (embodied and expressed by) an entity other than the symbol, eg the entire get up or trade dress of the product (the **Tea Lovers** and **Jif Lemon** cases).

288

The final sentence of the quotation reflects the classical description of the nature of the damage: since the goodwill draws custom to the plaintiff, the defendant's misrepresentation deprives the plaintiff of his custom, the defendant appropriating that custom to himself.

289

At 266 marginal letter 'I'.

One of the other reasons why the locality of a business has to be determined is that the passing off action protects the business and every business has a location.²⁹⁵ In my submission, there are two principal possible venues at which it can be held that a business exists:

(a) A business is located where its bricks and mortar establishment is;²⁹⁶

(b) A business is located wherever there is trade in its goods.²⁹⁷

The latter description of the location of a business would include, but not be limited to its bricks and mortar establishment. The potential for trade is included in the concept of trade, subject to the caveat that potential trade can only realistically be held to exist where there is actual trade.²⁹⁸

A business that sells goods does not consist only of a bricks and mortar establishment,²⁹⁹ as the *Everglide* case shows:³⁰⁰ the business exists in a jurisdiction if the trademarked goods are bought and sold there. In the *Everglide* case, Broadway acquired a common law trade mark,³⁰¹ which entitled it to obtain the expungement of Wechsler's registration. Broadway had acquired the common law trade mark despite the fact that it did not have a bricks and mortar establishment in SA. Broadway had a business in SA because its goods were sold in SA.³⁰²

The inherent localising element in goodwill is probably a reason why the Court, with respect, saw that the only way to avoid a location was to disengage reputation from the rest of the goodwill and make passing off actionable upon proof of a reputation ie a

²⁹⁵ The business can only be protected by the law of the place where the business is situated.
²⁹⁶ Cases in which this would be a fitting description of the location of a business are: the *Muller Margarine*, the *Cavanagh*, the *Jacobs* and, indirectly, *Coachworks* cases.

²⁹⁷ This notion of the location is supported by cases such as *Everglide*, *New Star* and *Gold Flake*. The *Coachworks* case indirectly but clearly rejects the notion that the reputation exists only where the bricks and mortar operation of a business is or since it rejects the notion that the business exists only where there is trade in the goods – it severs the artery between trade and reputation but still holds that there has to be a reputation for passing off.

²⁹⁸ See para 4.1.2.2, *supra*.

²⁹⁹ A business that sells goods very often has its headquarters, production or storage facility in a bricks and mortar establishment. The entire operation of a business that sells trademarked goods is not to be found within the bricks and mortar establishment: trade in the goods is conducted from the bricks and mortar establishment in the first place, but then also, in each jurisdiction in which sales of the goods take place (see the *New Star* case).

³⁰⁰ The *Gold Flake* case is to similar effect: see para 2.3.2.1, *supra*.

³⁰¹ Broadway's rights existed at common law as it had not registered the trade mark, EVERGLIDE.

³⁰² The sale of the goods obtained from the exporters was part of Broadway's business: Wechsler's sales built up Broadway's common law rights in SA.

'It [goodwill] is local in character and divisible; if the business is carried on in several countries a separate goodwill attaches to it [the business] in each'.³⁰⁹

The *New Star* case is consonant with the *dictum* of Lord Macnaghten that 'The goodwill of a business is one whole'³¹⁰ since at that point he was indicating that goodwill consists of the totality of its various components.³¹¹ Lord Macnaghten's *dictum* is hardly open to the interpretation that because the goodwill is one whole it is only located in one place no matter how the business is constituted,³¹² because in the *Muller Margarine* case Lord Macnaghten indicated that locating goodwill may present problems where the goodwill resides in the goods:

'No doubt, where the reputation of a business is very widely spread or where it is the article produced rather than the producer of the article that has won popular favour, it may be difficult to localise goodwill. But here, I think there is no difficulty'.³¹³

The *New Star* case indicated that a separate goodwill could exist at each location where business was conducted. This is a most sensible approach because the goodwill is represented and transmitted by means of the trade mark attached to the goods.

³⁰⁹ [1976] FSR 256 (PC), at 269.

³¹⁰ The *Muller Margarine* case, at 224.

³¹¹ In other words, in each place goodwill is the sum total of the factors or elements that operate in relation to the business as it is conducted at that location. Eg, a compact disk retail shop situated in Sydney has a particularly attractive atmosphere created by the type of music it plays as well as its friendly, resourceful, helpful and knowledgeable staff. This business also sells CDs across the globe via the internet. In my submission, it is highly unlikely that the goodwill that draws customers through the internet will consist of the same elements that draw customers who resort to the bricks and mortar operation of the business. The goodwill at the bricks and mortar operation is likely to be tied in with the atmosphere that prevails at the premises whereas that generated across the internet is likely to be related to the products. The goodwill generated across the internet, in my submission, exists in every place from which the business has received enquiries with a view to making purchases and has made sales. There is, in my submission, no reason to regard the entire globe as a place in which the business has goodwill or potential goodwill: the habit of browsing, with no interest in making any purchase, suggests that it would be inappropriate to consider the globe a potential marketplace without anything more. In my submission, a person who enters a supermarket can hardly be considered to be a potential purchaser of one item of every trademarked goods displayed in the supermarket. The person is a *potential customer of the business* but would have to provide some clearer indication of interest in a particular type of goods before he or she could be regarded as a potential customer of the seller of any particular brand of trademarked goods.

In each place where goodwill exists, the goodwill is a single entity consisting of various components. The goodwill that exists in each place is the sum of its various parts. The goodwill that attaches to the business as a whole is the sum total of the goodwill that exists in each jurisdiction.

³¹² The manner in which the business is constituted refers to whether there is a head office and branch offices, or franchises or one central operation. The constitution of the business must affect the goodwill: not only its constitution from the point of view of the components of which it consists, but also, it is submitted, where it subsists.

³¹³ At 224.

attaches to the business therefore it is situated at the place where the business is.³¹⁹

This however is not what is meant by the cases which refer to location as a factor that contributes to the accumulation of goodwill.³²⁰

- (b) The location of a business is a factor in goodwill where that location enhances the business' prospects of the success, eg, a fast food outlet that is situated at a transport junction (ie a place where a train station, a taxi rank and bus terminus are situated in close proximity to each other).³²¹ The goodwill cannot realistically be divorced from the locale where the business is situated under such circumstances because that is the place to which the customers or potential customers will have to resort in order to obtain the goods on offer.³²² The critical factor is the place to which the custom will have to resort to obtain the goods: some places are just more conveniently situated to attract custom than others!

4.2.2.8 The Factual Substrate

The factual substrate, as indicated, is the factual basis on which, or set of factual circumstances under which, the law confers a right.³²³ The laws of all jurisdictions are intended for application only within their borders, in accordance with the territoriality principle, which is a manifestation of the sovereignty of each jurisdiction in matters of law.³²⁴

In accordance with the territoriality principle the sales must take place in SA because the territoriality principle demands that the rights protected by a court, including the right that entitles a person to sue for passing off, must either be

- (i) conferred in terms of SA law, which demands that the common law trade mark be an appurtenance to an existing business,³²⁵ or
- (ii) conferred in terms of the laws of another jurisdiction, and a SA court recognises and enforces that law by applying the principles of the SA conflict of laws.³²⁶

³¹⁹ The Court in the *Coachworks* case, even though it rejected the notion that goodwill is local, accepted the connection between a business and its reputation (at 952B-D).

³²⁰ The *Jacobs* case.

³²¹ In the *Jacobs* case the Court used the examples of a shop at a mine compound and a newsstand at an airport as examples of the location contributing significantly to the goodwill (624D-E).

³²² The *Cavanagh* case, at 464; the *Shadeports* case, at 211H; the *Becker* case, at 414H and 417C-419A; the *Muller Margarine* case, at 235; the *Tie Rack* case, where the Court indicated that no persons had traveled from SA to patronize the applicant's shops which were all abroad, primarily in the UK (at 439A).

³²³ See chapter 2 para 4.3.2.1, *supra*.

³²⁴ See chapter 6 para 2.3, *infra*.

³²⁵ See para 2.3, *supra*.

acquired by *placement of the trademarked goods on the market in the jurisdiction*; if the goods are placed on the market in some place and the reputation spreads to SA the person who has placed the goods on the market in the foreign jurisdiction has common law trade mark rights in SA, without proof that he has similar rights in the foreign country. In my submission, this is why the Court in the **Coachworks** case found it necessary to distinguish the **Victoria's Secret** case: in a manner that implies that the territoriality principle applied in cases such as **Victoria's Secret** because the legislation only applies in SA.³³² In my submission, SA law determines whether goodwill or reputation is the basis of the passing off action, not the law of the country from which the reputation spreads. SA law is generally only designed to afford rights based on facts, which exist, and events that occur, in SA, except where conflict of laws is invoked.³³³

In the light of the Court in the **Coachworks** case indicating that the reputation must exist in SA for passing off to be possible,³³⁴ the question falls to be asked: why not protect a trade mark proprietor who can provide proof that his goods enjoy an international reputation irrespective of whether or not there is a reputation in SA? What is the purpose of requiring the reputation to be connected with SA? Putting aside the question of jurisdiction, which the Court in the **Coachworks** case correctly, with respect, indicated was a separate matter, from the substantive legal rights in issue, the answer is that the factual substrate upon which SA law confers rights must exist in SA.³³⁵ the law applies to factual situations that exist within the borders of the sovereign jurisdiction whose law is to be applied. The territorial nature of law demands this state of affairs otherwise the law is being applied extraterritorially or transnationally.³³⁶

³³² At 949J – 950A.

³³³ See chapter 6, *infra*.

³³⁴ At 950B-C.

³³⁵ See chapter 2 paras 4.3.2, 4.3.2.1 and 4.3.2.2, *supra*.

³³⁶ See chapter 6, *supra*; F-K Beier, 'Territoriality of Trademark Law and International Trade', (1970) 1 *IIC* 48 says '[t]he area of protection and the place of infringement must coincide' (at 59).

The situation regarding Japanese law in the *Coachworks* case illustrates the proper application of the conflict of laws in a trade mark dispute. The Court in *Coachworks* recognised that it, a SA court, was being asked to enforce rights, which if they existed, would have been conferred by and would therefore have existed in terms of Japanese law.³³⁸ However, in the situation with regard to the reputation being in SA while the business was in England, the *Coachworks* case,³³⁹ did not apply the same principle. The right to its drawing power, or to use the traditional English term, goodwill,³⁴⁰ is a right that accrues to a business. For the right to accrue in SA the business must be in SA.³⁴¹ the substrate, the business that enjoys the reputation, must exist in SA for the right to be created. Whether goodwill or reputation is required it is only legally relevant where it exists locally.³⁴²

In my submission, a decision by the courts to ignore the territoriality principle, which expresses the territorial nature of law, would be questionable for the following reasons:

- (1) The executive branch of Government, represented by the Minister of Trade and Industry, in negotiations in international forums such as the WTO,³⁴³ operates entirely on the basis that the executive is bound by the principle of national treatment, the international embodiment of the territoriality principle,^{344 345}
- (2) The Legislature, when it enacts legislation does so only for the purpose of providing legal regulation for SA. Of particular note is the fact that the Legislature transposes the treaty obligations, undertaken by the Minister of Trade and Industry on behalf of SA, which embody the principle of national treatment into SA law, which is intended to regulate legal matters in SA.³⁴⁶

³³⁸ The existence of a business is the substrate on which SA law confers the exclusive right to use the trade mark or get up by preventing others from doing so (at 953 marginal letter 'l').

³³⁹ See the *Gap (SCA)* case where the Court indicates that the *Coachworks* case means a business need not trade here to be able to sue for passing off (at 253a (para [15])).

³⁴⁰ In the *Becker* case, in my respectful submission, Van Heerden AJA makes out a convincing case for the Afrikaans term 'werfkrag' being more explanatory of the nature of the right protected by passing off: see para 4.2.2.3 note 262, *supra*.

³⁴¹ See chapter 2 para 4.3.2.1, *supra*.

³⁴² The *Coachworks* case, at 950B.

³⁴³ This is just an example of the executive in action in the treaty context – the same principles would apply to all executive action in international dealings.

³⁴⁴ See chapter 6, para 2.6, *infra* and *Kaunda & Ors v President of the Republic of SA & Ors* (the *Kaunda* case) 2005 (4) SA 235 (CC), at para 38 which shows that even our supreme law, the constitution, is as a general rule not applied extraterritorially.

³⁴⁵ Adherence to the principle of national treatment is evidenced both by the fact
(i) that the Minister or his or her representative negotiates on behalf of SA only, and
(ii) that the treaties themselves embody the principle of national treatment (see chapter 6 part 4, *infra*).

³⁴⁶ *Ibid*.

Taiwan had copied APB's 'artwork in designing the package'³⁵² and assumed that the name Bladeline was also copied from APB, but held:

'Such copying, as counsel for the appellant was at pains to point out, was not itself wrongful; it would only have been wrongful if APB had earlier acquired a reputation in the word-mark Bladeline in Taiwan – which has not been established'.³⁵³

In order to determine whether or not the copying in Taiwan was wrongful the Court would have had to hear evidence on the Taiwanese law and apply that law to the fact that the copying took place in Taiwan. The investigation into Taiwanese law would have been aimed at determining whether in terms of Taiwanese law APB had the exclusive right to use the word trade mark, BLADELINE, on the basis of the factual substrate that existed in Taiwan.³⁵⁴ If the exclusive right existed in Taiwan the copying in Taiwan would have been unlawful. This is clearly in keeping with the general principle that IP rights – goodwill included – are territorial in their nature.³⁵⁵ This territorial nature of IP meant that the Court had to determine the lawfulness or otherwise of the copying in terms of the law of Taiwan where the copying took place.

The factual substrate must therefore exist in the place where the rights are claimed and in terms of whose laws the rights are alleged to exist.

4.2.2.9 Local Trade and Local Reputation

The Court in the *Bladeline* case couched the question to be answered in determining whether or not the appellant had the requisite reputation, in the following terms:³⁵⁶

'did the appellant, at the time when and at the *place where the respondent entered the market*, enjoy a reputation in the word-mark Bladeline in respect of in-line skates?'³⁵⁷

The Court's ruling that the relevant place was 'the area of jurisdiction of the Durban and Coast Local Division' (DCLD), is a matter of signal import.³⁵⁸ The ruling was no doubt

³⁵² At 268D.

³⁵³ At 268F-G, my emphasis. See *Victoria's Secret*, at 953F – 954G.

³⁵⁴ If the copying had been wrongful in Taiwan and the Court was seized of a conflict of laws matter, there would have been a case.

³⁵⁵ Prof E Du Plessis, unpublished paper, delivered at The Third International Forum on Creativity and Inventions – A Better Future for Humanity in the 21st Century, International Convention Centre, Cape Town, (19-21 May 2005), 'Progressive Development of International IP laws', PowerPoint slide 2, where she indicates that regional systems are the exceptions; *Victoria's Secret*, at 745G; *Barcelona.com v Excelentísimo Ayuntamiento De Barcelona* (the *Barcelona.com* case), 189F Supp 2d 367 (ED Va 2002) as cited in the *GAP (SCA)* case, at 250c-g.

³⁵⁶ It had earlier referred to the *Coachworks* case, para [20].

³⁵⁷ At 267H-I, my emphasis. The Court identified the weekend of 16-17 December 1994 as the relevant time (267J).

³⁵⁸ At 268A.

If the definition of reputation in the *Bladeline* case is correct, and in my submission it is, which community are we to take into account: the international buying community? If that is correct, then why was the Court comparing sales in *Durban with national sales*? In my submission local sales are essential to establish a local reputation. Local reputation was a substantive requirement not a jurisdictional one.³⁶⁸

The importance the Court attached to actual sales in Durban, local sales in the *Bladeline* case, plays a significant role in bridging the divide between business reputation and goodwill,³⁶⁹ because the clearest indication³⁷⁰ of the reason why the Court in the *Coachworks* case rejected the notion that goodwill was required for a successful passing off action is its statement that the Court *a quo* had found that

‘Caterham had to prove the existence of goodwill “generated by sales” within the area of jurisdiction of the Court’.³⁷⁰

The Court in the *Coachworks* case decided to replace goodwill as a requirement for passing off, because goodwill could only exist by virtue of local sales, whereas reputation³⁷¹ did not rely on local sales.³⁷² The significance that the Court in the *Bladeline* case³⁷³ attached to local trade (sales) in determining whether or not *business reputation* exists, brings goodwill and business reputation significantly closer to each other: if local sales are required to establish a *local reputation*, and even on the *Coachworks* approach the reputation had to exist locally,³⁷⁴ the position is not much different from that in which local sales are required to establish goodwill. The manner in which the respective trade marks cum distinguishing features were utilised in *Bladeline* did not provide clear evidence that there was a reputation in the trade mark BLADELINE, but the fact that the search was focussed locally on Durban is undeniable.³⁷⁵

³⁶⁸ The Durban and Coast Local Division indubitably had jurisdiction, as the respondent’s place of business was within its area of jurisdiction.

³⁶⁹ At 268B-C.

³⁷⁰ At 946C. The Court referred to Webster & Page, *op cit*, 3ed, at 420.

³⁷¹ Reputation is not just knowledge in the air but recognisable distinctiveness which derives from trading activities (in the jurisdiction).

³⁷² This was despite the fact that it is a component of goodwill.

³⁷³ It is unthinkable, in my submission, that the Court in the *Bladeline* case was repeating the mistake of conflating the issues of jurisdiction and substance (the requirements for the action) which the Court had so clearly distinguished from each other in the *Coachworks* case (at 946 marginal letter ‘I’ – 947A). The almost dismissive reference to the other evidence ‘scattered throughout’ is indicative of the importance of local sales.

³⁷⁴ At 950B-C.

³⁷⁵ Some of the important pieces of evidence in this regard are the Court’s finding that BLADELINE initially functioned as a manufacturer’s mark and JOKARI as that of the importer and distributor’s trade mark (at 269B), and that by placing its own mark JOKARI on the goods, Premier’s distinguishing symbol was JOKARI not BLADELINE (at 270E).

to patronise the business, such persons should not be treated any differently to local customers from that jurisdiction.³⁸³

4.2.2.10 Reputation: Incidental Benefit to Person Adopting the Trade Mark?

One of the possible reasons why the Court replaced goodwill with reputation in the **Coachworks** case is that it cannot be denied that a person who adopts the trade mark of a foreign trader, where the trade mark is known in SA, acquires the benefit that *knowledge* brings. Since there is no *custom* because there is no trade there will be no filching of custom.³⁸⁴ If the filching of custom were required for a successful passing off action, the foreign trader would fail in his efforts where there was no custom in the jurisdiction. In **Victoria's Secret**, the Court held that

'it is not the law that the copying of another's ideas, devices or trade marks is per se illegitimate'.³⁸⁵

Similar views were expressed in **Pasquali Cigarette Co Ltd v Diaconicolas & Capsopolus**,³⁸⁶ and in the English case, **Dunhill v Bartlett & Bickley**,³⁸⁷ the Court held

'Apart from monopolies conferred by patents and apart from protection afforded by registration, it is open to anyone to adopt the ideas or devices of his neighbours and apply them to his own goods provided he clearly distinguishes his goods from those of his neighbour'.³⁸⁸

Lord Jauncey's speech in the **Jif Lemon** case contained similar *dicta*, indicating that a defendant was not prevented from using the same get up as the plaintiff, provided the defendant took adequate steps to differentiate its goods so that consumers will not be confused.³⁸⁹

If the foreign trader's goods are not in SA the confusion does not matter as it has no impact (it would be in the air as the Court expressed it in the **Coachworks** case): it is the impact of the confusion *on the plaintiff's business or prospective business* that the passing off action is aimed at remedying. In the **Jif Lemon** case Lord Jauncey also pointed out that there are circumstances under which the public may be confused but no action is

³⁸³ See chapter 7 paras 2.3 and 2.5.3, *infra*.

³⁸⁴ The **Coachworks** case, at 948B; the **Ruffles** case, at 346G and 347C-D.

³⁸⁵ At 746C. In my submission, 'unlawful' should be read for 'illegitimate'.

³⁸⁶ 1905 TS 472, in which the Court held:

'there has been a certain amount of copying or imitation by the defendants of the plaintiffs' label. That however, is not sufficient ... they [the plaintiffs] must prove that the defendants have produced such a colourable imitation of their box or label that the ordinary purchaser would be deceived' (at 478-9).

³⁸⁷ [1922] 39 RPC 426.

³⁸⁸ At 438.

³⁸⁹ At 879d-f and 879h.

4.2.2.12 Conclusion: Are Goodwill and Business Reputation Worlds Apart or are there Shades of Difference between Them?

In the *Coachworks* case the Court held that the plaintiff must have a reputation in SA in a 'business' sense, implying a reputation earned by dint of trading activities.³⁹⁶ The principal trading activity of a business that deals in trademarked goods is sales, but the business's commercial activities will also include the advertisement of goods *that are available in SA*.³⁹⁷ On the basis of the description of trading activities just proffered, what the Court was describing, referred to in this thesis as a 'business reputation', hardly differed from what had up until then been called goodwill. The *Coachworks* judgment overall was aimed at obviating the need for proof that there were sales *in the jurisdiction*, ie SA,³⁹⁸ something the Court itself confirmed in a *dictum* in the *GAP (SCA)* case.³⁹⁹ In the absence of sales establishing a 'business reputation', what the Court was describing, in my submission, was 'esteem'.⁴⁰⁰ The requirement of sales in the jurisdiction led to *Wadlow*,⁴⁰¹ characterising SA and the UK as the only 'hard line' jurisdictions left.⁴⁰² In the *McDonald's* case⁴⁰³ the Court indicated that the origin of this 'hard line' was the *dictum* in the *Muller Margarine* case to the effect that locality is an invariable element of goodwill.⁴⁰⁴ The Court in the *Coachworks* case took issue with the *dictum* as revealed by the question:

'If the protection of the reputation of a business is the only or main concern of the remedy, why is it necessary to localise goodwill for purposes of passing off?'⁴⁰⁵

The Court had already held that the essence of the passing off action was to protect a business against the misrepresentation that the business of the representor is that of the plaintiff or is associated with the plaintiff's business⁴⁰⁶ (*the business need only be and often is only known by its goods*). The Court held that such a representation was only possible in relation to a business that had goodwill (for which we now read business reputation).⁴⁰⁷ If a local reputation requires local sales, and in my submission the *Bladeline* case supports the view that it does, the change has not been significant.

³⁹⁶ At 950B.

³⁹⁷ At 950B. 'Clients' is a synonym for customers of a business that sells goods. See also the discussion of the relevant public at para 2.3.1, *supra*.

³⁹⁸ At 946C where the Court said: 'that Caterham had to prove the existence of goodwill "generated by sales" within the area of jurisdiction of the Court below'.

³⁹⁹ At 253a (para [15]).

⁴⁰⁰ See the dictionary definition provided in para 4.1.1.1, *supra*.

⁴⁰¹ *The Law of Passing Off*, 2ed, Sweet & Maxwell, London, (1996), at 98.

⁴⁰² This characterization is mentioned in the *Coachworks* case, at 947C.

⁴⁰³ At 16A-D.

⁴⁰⁴ At 224. It is hardly debatable that in a case such as that before that Court, the *situs* of the business was a critical consideration.

⁴⁰⁵ At 948A.

⁴⁰⁶ At 947E-F.

⁴⁰⁷ The Court defined goodwill as 'the totality of attributes that lure or entice clients or potential clients to support a particular business' (at 947G). In my submission, the concept of

indicium of the goodwill or reputation. The law by protecting the *indicium* protects whatever elements the goodwill or reputation consists of. Reputation, in my submission, does not consist of distinctiveness alone: it is the crystallization of numerous factors such as the quality of the goods, levels of service associated with the goods, and the effectiveness of associations generated by advertising.⁴¹⁴

The elements, beside reputation, listed by the Court in the ***Coachworks*** case were: (i) the location of the business; (ii) the personality of the driving force behind the business; (iii) business licences; and (iv) agreements (contracts), such as restraints of trade.⁴¹⁵ The following reasons are provided for the submission that the other possible components are less significant than reputation, even to the point of vanishing from significance, to use the image in the ***Cavanagh*** case.⁴¹⁶

- (i) **Locality.** The locality of the business, particularly if one regards the bricks and mortar establishment as the locality, makes a somewhat limited contribution to the goodwill of a business that sells goods as the goodwill attaches to the goods *directly* in most cases and indirectly to the business whose goods they are. The relevant locality is the place where the customers can obtain the trademarked goods.⁴¹⁷ Another consideration to be borne in mind is that the trade mark does not necessarily reveal the locality of the bricks and mortar establishment of a business.⁴¹⁸ Locality is a factor in goodwill where it enhances the prospects of a business succeeding, eg a fast food business situated at a transport junction.⁴¹⁹ A convenient location from which the goods can be obtained, since it results in customers being drawn there, creates local goodwill.
- (ii) **The personality of the driving force behind a business.** This person is seldom revealed through the trade mark where the goods are marketed at some distance from the place of production. Trade marks seldom, if ever, reveal the identity of the driving force behind the business. The lack of direct

⁴¹⁴ In other words, it is not a unitary entity but an agglomerate in the same way as goodwill is.

⁴¹⁵ These components are listed at 947G – I.

⁴¹⁶ At 464.

⁴¹⁷ See para 4.2.2.5, *supra*.

⁴¹⁸ One cannot lose sight of the fact that a trade mark is primarily a symbolic embodiment and representation of origin, and that any additional information associated with and material contained in the get up of the goods is extraneous to the trade mark not part of it. The point of this is that such associations cannot be regarded as emanating from the trade mark. So if the get up reveals the locality of the business, the locality as factor does not emanate from the trade mark functioning as trade mark, the subject matter of this thesis.

⁴¹⁹ The Court mentions two examples of propitious locations in the ***Jacobs*** case, at 624D-E. See also para 4.1.1.2.1, *supra*.

defendant had copied or so closely approximated and used on his goods resulting in the likelihood that the defendant's use of the *indicium* (trade mark) would result in a relevant misrepresentation. Goodwill was almost presumed upon proof that the plaintiff's business was a going concern, ie it has customers, and his goods are distinctive.⁴²⁷

Reputation, however, is not the sole requirement for a successful passing off action: misrepresentation and damage are also required.⁴²⁸ It is in relation to damage that some of the other difficulties the **Coachworks** approach raises also manifest themselves clearly.⁴²⁹

The Court in **Coachworks** provided no direct explanation why reputation when combined with *other components to form goodwill*, is tied to the jurisdiction in which the business is situated, but when it is considered separately from the other components of goodwill, it is not subject to territorial restraint. It appears to be implicit that the other components anchor it to a particular jurisdiction, but this is not the case: it is the custom that must be proved that anchors reputation to a particular place.⁴³⁰

Reputation untrammelled by the need for a business operation in the jurisdiction is no more than **knowledge** of the existence of the product coupled with the funds to purchase the product *should it become available* on the SA market: that is not trade. The trademarked goods are not on the market⁴³¹ therefore the 'distinctiveness' does not arise from trade.⁴³² One is reminded here of the Court's *dicta* in the **Dr Pepper's** case, to the effect that if the qualities of a particular type of goods offered under a particular name are to lead to a reputation in the market then, *prima facie*, a substantial number of customers or potential customers must at least have had the *opportunity* to assess the merits of those goods or services for themselves.⁴³³ In my submission, the **Dr Pepper's** case indicates that one way of describing reputation is knowledge based on experience.⁴³⁴

⁴²⁷ See the **Jacobs** case, at 621A; the **Mr Chippy** case, at 593 lines 3-8; the **Pentax** case, at 979B.

⁴²⁸ See the **Coachworks** case, at 947A-B.

⁴²⁹ See para 4.3, *infra*.

⁴³⁰ See para 4.2.2.5, *supra*.

⁴³¹ In the **Dr Peppers** case the Court said:

'... I do not read this decision [**Allen & Co v Brown Watson Ltd**, [1965] RPC 191] as direct authority for the proposition that a plaintiff may maintain a successful passing off action in respect of goods or services which are not yet and never have been on the market' (at 301).

⁴³² *Supra*, an approach which is indirectly approved in the **Coachworks** case, at 950H.

⁴³³ See note 81, *supra*.

⁴³⁴ In the **Dr Peppers** case the Court said

4.2.3 The Relationship between the Trade Mark and The Business Reputation

Public use of a trade mark⁴³⁶ engenders the association that develops the reputation among customers and potential customers,⁴³⁷ simultaneously establishing the distinctiveness required for the creation of a common law trade mark,⁴³⁸ as the Court said in the *Boswell Wilkie (N)* case:

'A name has a secondary meaning ... once the association between it and the business or product which bears it is so close that, in the minds of the public, it is distinctive of that specific business or product, identifying such rather than any other'.⁴³⁹

The goods have a reputation when the association between the trade mark and the goods is established in the minds of a substantial number of persons is an exclusive association.⁴⁴⁰ The trade mark, the mechanism by which the association is forged operates as the *indicium* or badge of the reputation:⁴⁴¹ in the *Jif Lemon* case, Lord Jauncey said: '*Get up is the badge of the plaintiff's goodwill*, that which associates the goods with the plaintiff in the mind of the public'.⁴⁴²

⁴³⁶ Public use is discussed in para 2.2 *supra*. See the *Bress Designs* case, at 471C-D; and *Adcock Ingram Products Ltd v Beecham SA (Pty) Ltd*, 1977 (4) SA 434 (W) in which the Court quoted, with approval, Halsbury Laws of England, 3ed vol 38, page 597 in regard to the requirement that the plaintiff must prove that the mark, name, sign or get up the defendant used had become distinctive 'in the sense that by the use of (the plaintiff's) name or mark, etc., in relation to goods they are regarded, by a substantial number of members of the public or in the trade, as coming from a particular source known or unknown' (at 436H-437A). The Court held that the feature the plaintiff relies on must have come to indicate a single source for the goods on which the feature is used (at 437A).

⁴³⁷ See the discussion of the relevant public, para 2.3.1, *supra*.

⁴³⁸ A reputation is essential to the passing off action: *Coachworks* case, at 950B.

⁴³⁹ At 737F-H. See also the *Holiday Inns* case, at 925H – 926A and 928A-D.

⁴⁴⁰ See the *Bress Designs* and *Adcock-Ingram* cases. Association is discussed in chapter 2 part [2], *supra*.

⁴⁴¹ The *Tea Lovers* and *Jif Lemon* case support the view that the trade mark is the *indicium* of the reputation (see part [3] *supra*).

In the *Tea Lovers* case, Blue Lion did not use a symbol similar to the National's registered trade mark, TENNIS, but adopted a similar get-up. There was evidence that at least one customer had been misled into purchasing the appellant's biscuits and packets of the appellant's biscuits were found on the shelf among those of the respondent (889E-F). The case shows that the trade mark need neither be the sole nor principal *indicium* of the reputation. The plaintiff's trade mark was TENNIS and the defendant's TEA LOVERS, but the overall get up of the defendant's goods was sufficiently similar to that of the plaintiff to make the required misrepresentation. The trade mark does not operate alone divorced from the rest of the get up. In that case the Court drew attention to the similarities between the lettering of the trade marks as part of the similarity of their respective get ups (at 889C). The defendant's trade mark standing alone would, in my submission, have distinguished its goods from those of the plaintiff: see: *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd* (the *Romantic Dreams* case) 2001 (3) SA 563 (SCA).

In the *Jif Lemon* case, the predominance of the life-sized plastic lemon container over the trade mark, JIF, and the fact that the Reckitt & Colman's 'trade mark', REALEMON, was not likely to be seen as a trade mark, were significant considerations in establishing that the container for the lemon juice was an *indicium* of the goodwill in the lemon juice (at 883c-e).

⁴⁴² At 890f, my emphasis.

'whether the general public will be confused or deceived into thinking, because of the identity or similarity of names, that the business of the defendant is that of the plaintiff, or is connected therewith, must as a matter of logic, depend on the extent to which the name is associated in the minds of the public with the business carried on by the plaintiff, ie the extent to which the plaintiff has acquired a reputation in that trade name [mark]'.⁴⁴⁹

The distinctiveness of a trade mark is, however, only important to the extent that it can be used to filch the goodwill by diverting the custom or causing confusion that leads to damage: other persons may not use the trade mark without distinguishing their goods from the plaintiff's.⁴⁵⁰ The distinctiveness of the defendant's trade mark provides no defence where the plaintiff sues for passing off on the basis that the overall trade dress of the defendant's goods is sufficiently similar to that of the plaintiff to make the injurious representation.⁴⁵¹ The trade mark is, however, not an entity apart from the trade dress, and is not ignored when evaluating the similarities between the get ups of the respective parties' goods.⁴⁵²

4.4 DAMAGE

The plaintiff in a passing off action has to prove that the defendant made a misrepresentation that is likely to result in damage to his business reputation. The ordinary principles of the law of delict apply in establishing the causal link between the representation and the ensuing damage.⁴⁵³

Wessels CJ clearly indicated the nature of the damage in *Policansky Bros Ltd v L & H Policansky*, where he said

'The Roman-Dutch Law was well acquainted with the general principle that a person cannot by imitating the name, marks or devices of another, who had acquired a reputation for his goods, *filch the former's trade* (Ned Advies Boek Vol 1 adv 68 181)'.⁴⁵⁴

An indistinct symbol is like a name sans secondary meaning.

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At 479B.

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See the *Jif Lemon* case, at 879d-f and at 879h; the *Holiday Inns* case, at 922A where the order was for the prevention of use 'in such manner or form or context as is likely' to mislead the public (the *Kettle Grill* case, at 493E-D).

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Passing off, therefore, indirectly protects the *indicium* of the goodwill that is used to perpetrate the misrepresentation, whether it be the trade mark or the trade dress. The shape and configuration of the goods themselves was held to constitute the *indicium* of the goodwill in the *Kettle Grill* case.

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Gardiner, *op cit*, at 81, indicates that the trade mark is an element of the goodwill.

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See PQR Boberg, *The Law of Delict: Vol 1 Aquilian Liability*, Juta & Co, Cape Town, (1984), at 380ff; J Neethling, JM Potgieter & PJ Visser, *Law of Delict*, 5ed, LexisNexis Butterworths, Durban, (2006), Chapter 5 (at 159 – 193); J C Van der Walt & JR Midgley, *Principles of Delict*, 3ed, LexisNexis Butterworths, Durban, (2004), at 196 – 211.

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1935 AD 89, at 97 (my emphasis): in the *Holiday Inns* case the Court mentions the diversion of custom and injury to the reputation (at 931A); *Reckitt & Colman SA (Pty) Ltd v SC Johnson & Son SA (Pty) Ltd* (the *Brasso* case), 1993 (2) SA 307 (AD), at 315A-B.

The single reported instance of actual consumer confusion in the *Tea Lovers* case⁴⁶³ was sufficient to establish, on a balance of probabilities, that there was a likelihood of damage through other similar unreported incidents.⁴⁶⁴ In the *Holiday Inns* case,⁴⁶⁵ the identity of names was sufficient to raise an apprehension of damage.

It has been indicated earlier that there are some reservations regarding the approach adopted in the *Coachworks* case, when it comes to the question of damage.⁴⁶⁶ The reservations relate to the question of where the injury manifests itself, given that the damages recoverable for passing off are *Aquilian*, and therefore patrimonial in nature.⁴⁶⁷ Webster & Page argue that the SA courts have accepted the idea that confusion in itself evidences a significant enough risk of damage to support a passing off action.⁴⁶⁸ They question the notion of nominal general damages being awarded but argue that a small amount of damages may be awarded on the basis that the plaintiff is unable to prove the extent of its loss.

There are four possible heads under which special damages can resort: (a) loss of sales due to the defendant's competition; (b) injury to the repute due to the defendant's goods being inferior,⁴⁶⁹ or other causes (such as loss of distinctiveness of the trade mark); loss of sales due to the defendant undercutting the plaintiff; and (d) expenditure in meeting the competition resulting from the defendant's sales.

In regard to (a): in *Omega Africa Plastics (Pty) Ltd v Swisstool Mfg Co (Pty) Ltd* (the *Omega Plastics* case),⁴⁷⁰ it was held that the Court should not assume that all sales that the defendant generated would have accrued to the plaintiff. In the *Draper* case the Court warned that evidence of a drop in sales or lack of such drop in sales had to be treated with

⁴⁶³ At 889H. In the *Eating Out* case there were four instances of actual confusion (at 398D - 399C).

⁴⁶⁴ The fact that the biscuits were not expensive reduced the likelihood of other people reporting such incidents in greater numbers (at 890B).

⁴⁶⁵ At 930A-932D. See the *Old Apostolic Church* case where the Court indicates that damage is presumed (at 689A-C).

⁴⁶⁶ See para 4.1.2, *supra*.

⁴⁶⁷ Webster & Page, *op cit*, 3ed, at 457 under the heading 'Damages' state that 'Passing off is based on the Actio legis Aquilia': *Link Estates (Pty) Ltd v Rink Estates*, 1979 (2) SA 276 (E); the *Tie Rack* case, where the Court refers to the absence of patrimonial loss in this country (at 445C-D).

⁴⁶⁸ *Op cit*, 3ed, at 464.

⁴⁶⁹ The plaintiff's goods would have to be on the market for a valid comparison to be made: see the *dicta* in the *Dr Peppers* case, note 79, *supra*.

⁴⁷⁰ 1978 (3) SA 465 (A) 472A-D. The Court ruled that the Court *a quo* had erred in drawing the inference that but for Omega's activities all the custom would have gone to Swisstool.

The *Bladeline* case emphasized proof of sales in the jurisdiction.⁴⁷⁷ The public use of a trade mark that is identical or confusingly similar to a foreign trade mark *known* in SA should not lead to a successful action unless there were sales in SA, proving use of the trade mark in SA and establishing the potential for sales.⁴⁷⁸ Unless the courts interpret *knowledge* of the product as potential sales of a product, notwithstanding the *unavailability of the product in SA*, the position in regard to the place where the damage is suffered can hardly be different now from what it was when goodwill was the requisite element of passing off.⁴⁷⁹

The damages or potential for damages must be localised, otherwise a SA court is in effect holding that potential for injury, in the form of a diminution of sales, in the jurisdiction in which the *goods are actually sold (not SA)* is actionable in SA where there are no sales to establish potential sales. In the *McDonald's* and *Victoria's Secret* cases, the foreign proprietor *intended* to trade in SA. In *Victoria's Secret*, such an intention was not sufficient to defeat Edgars' title. In the *McDonalds* case, it would have been illogical for the Court to order expungement of the trade mark, bearing in mind that McDonalds would thereafter in any event be in a position to prevent the other parties from using the trade mark on the basis of the protection provided to well-known trade marks. This patent absurdity persuaded the Court not to order the expungement to which McDonalds' trade marks *were vulnerable*.⁴⁸⁰

In the *Coachworks* case, because the Court found that Caterham did not have the necessary reputation in SA, the question of damages did not arise. This must, in my submission, leave a measure of uncertainty as to the full implications of the decision. It is my submission, however, that proof of damage demands proof of sales in SA, even if just because in the absence of sales, potential goodwill is difficult to establish.⁴⁸¹

⁴⁷⁷ The Provincial Divisions of the High Court operate as if SA is a federation when it comes to jurisdiction: CF Forsyth, *Private International Law*, 3ed, Juta & Co, Cape Town, (1996), at 155–156; D Pistorius, *Pollak on Jurisdiction*, 2ed, Juta & Co, Cape Town, (1993), at 33.

⁴⁷⁸ See paras 4.2.2, 4.2.2.1 and 4.2.2.2, *supra*.

⁴⁷⁹ The Court appears to have conceded as much in the *Coachworks* case (at 949 marginal letter 'I' and 950B, where the correct question is posed).

⁴⁸⁰ The Court said 'In this case ... it would serve no purpose to allow the applications [for expungement on the basis of non-use] because Joburgers and Dax are in any event not entitled to use the relevant trade marks by reason of legislation other than the old Act [viz, s 35 of the TMA]' (at 32D-E).

⁴⁸¹ See para 4.2.2.2, *supra*.

[5]

CONCLUSIONS

A common law trade mark consists of a distinctive symbol that indicates the trade origin of goods on the market, in relation to which it is exhibited, where the goods have acquired a business reputation among a substantial number of customers and potential customers.⁴⁸⁵ Distinctiveness may be inherent in a symbol or it may be acquired by means of the development of a secondary meaning.⁴⁸⁶ Public use for the purpose of indicating trade origin develops the *distinctiveness of the symbol in relation to the goods*. Distinctiveness is established once the goods acquire a reputation among a substantial number of members of the relevant public.⁴⁸⁷ Public use normally takes place by way of placement of the goods on the market but can also be achieved by advertisement, provided the goods being advertised are on the market in the jurisdiction.⁴⁸⁸

Protection of and for the common law trade mark is provided by the passing off action. Passing off in the context of the common law trade mark occurs when someone unlawfully uses the trade mark or a confusingly similar trade mark.⁴⁸⁹ Passing off is a substantive cause of action, which protects a trader's right to attract custom by preventing other persons injuring his business reputation by representing their goods as his or making the representation that their goods are associated with him or his goods.⁴⁹⁰ In essence, the fact that passing off is a substantive delict which has its own *action*, which is used to protect the common law trade mark, means the common law trade mark is not protected directly but the trade mark is protected indirectly where it is the means by which passing off is perpetrated because it is distinctive of the proprietor's goods.⁴⁹¹

Passing off has three requirements: reputation, misrepresentation and damage.⁴⁹² Business reputation is distinctiveness of the trade mark as an indication of origin established by trade in the jurisdiction. ***Reputation is the attractive force that draws custom, and the entity that suffers the injury.*** *Reputation is really a mode of expression for describing the object of the right that passing off protects: the right to draw custom.* It must exist in SA for damage to occur in SA creating an entitlement to redress in terms of

⁴⁸⁵ See para 2.4, *supra*.

⁴⁸⁶ See para 2.2, *supra*.

⁴⁸⁷ See para 2.3, *supra*.

⁴⁸⁸ See para 2.3.3.1, *supra*.

⁴⁸⁹ See para 3, *supra*.

⁴⁹⁰ See para 4, *supra*.

⁴⁹¹ This quality is required to constitute it a trade mark: para 2.2, *supra*.

⁴⁹² *Ibid.*

CHAPTER FOUR

THE CREATION OF A REGISTERED TRADE MARK AND ITS CONCOMITANT RIGHT

[1]

INTRODUCTION

The aim of this chapter is to establish that a person who wishes to create his trade mark from a particular symbol, whether the symbol has previously been used to constitute a trade mark or not, by his proposal to register the symbol as a trade mark creates a *registrable* trade mark, which is transformed into a registered trade mark, that subsumes the registrable trade mark.

The creation of a registrable trade mark and its transformation into a registered trade mark, both occur in accordance with SA law. The fact that an identical trade mark is registered outside of SA, does not alter the fact that the creation of the registered trade mark and the acquisition of the statutory exclusive right in SA occur in accordance with SA law – when the trade mark is inscribed in the SA trade mark register. The exceptional circumstances under which

- (i) well-known trade marks from certain foreign jurisdictions enjoy protection in terms of the TMA;¹ and
- (ii) the proprietors of trade marks from certain foreign countries enjoy priority in respect of applications launched in SA,²

are still governed by the terms of SA law.

The proposition was advanced in chapter two that the common law trade mark, because it is created by applying the common law, is a separate entity (*res incorporalis*) from the registered trade mark.³ This proposition was based on the *prima facie* view that the registered trade mark is created by registration,⁴ a view that will now be examined more

¹ See para 7.1, *infra*.

² See para 7.2, *infra*.

³ See chapter 2 para 6.1, *supra*.

⁴ See para 4.3.2.2, *supra*.

[2]

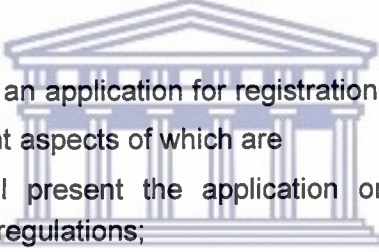
REQUIREMENTS FOR REGISTRATION

The requirements for registration of a trade mark may be conveniently divided into two groups: administrative requirements and substantive requirements. The administrative requirements will be discussed in this part of the chapter and the substantive ones introduced.

2.1 ADMINISTRATIVE REQUIREMENTS

The administrative requirements, an applicant for registration has to comply with to qualify for registration of his trade mark,⁸ are set out in the regulations promulgated under the TMA.⁹

The prescribed manner in which an application for registration must be made is set out in regulation 11, the most significant aspects of which are

- 
- (a) The applicant shall present the application on form TM1 contained in schedule 2 to the regulations;
 - (b) The application shall be signed and dated by the applicant or his duly authorized agent,¹⁰
 - (c) (i) Each application shall to be submitted in triplicate;
(ii) There shall be a separate and distinct application for each separate mark;
(iii) There shall be a separate and distinct application for each class of goods.

Form TM1 requires the following details to be furnished:

1. The applicant's name and address for service;
2. The specification of the goods in respect of which the application is made;
3. Endorsements, if any;¹¹
4. A *representation* of the trade mark;
5. Signature below a clause: 'The applicant claims to be the proprietor of the accompanying trade mark which is proposed to be or is being used in respect of the aforementioned specification of goods/services'.

⁸ Section 16(1) of the TMA requires the application to be made in the prescribed manner.

⁹ The regulations are prescribed in terms of s 69 of the TMA.

¹⁰ 'Agent' is defined in s 2(1) of the TMA as 'any person whose name has been entered in the register referred to in s 8(2) [of Act 62 of 1963], or a patent agent or an attorney'.

¹¹ Endorsements, also called disclaimers, are provided for in terms of s 15 of the TMA.

[3]

A TRADE MARK CAPABLE OF DISTINGUISHING GOODS

The requirement that the trade mark must be capable of distinguishing the proprietor's goods from those of other persons, demands that the symbol from which the trade mark is constituted must be distinctive,¹⁵ that a trade mark must be constituted from the symbol¹⁶ and be used or proposed to be used as a trade mark.¹⁷ The last element requires a determination of when a symbol is proposed to be used as a trade mark.

This section of the chapter contains the following paragraphs:

- 3.1 The symbol must be distinctive
- 3.2 A trade mark must be constituted from the symbol
- 3.3 A symbol 'used or proposed to be used'
- 3.3.1 A registrable trade mark
- 3.3.2 When does the applicant propose to use the symbol?

3.1 THE SYMBOL MUST BE DISTINCTIVE

One of the requirements the TMA lays down is that the entity presented for registration must be capable of distinguishing the goods of the person that uses it, from those of other persons.¹⁸ In terms of the TMA the entity that must be capable of performing that function, must be a trade mark.¹⁹ The quality of being 'capable of distinguishing' means 'having the ability fitness or necessary quality' to 'treat as different; differentiate'.²⁰ An entity that is actually performing the required function is likely to meet the requirement, but that is not necessarily the case.²¹

¹⁵ We have seen that the physical characteristics of the trade mark are determined by the symbol from which it is constituted: chapter 2 para 5.3, *supra*.

¹⁶ The issue of the symbol trade mark distinction is discussed at para 3.2, *infra*.

¹⁷ See para 3.3, *infra*.

¹⁸ See s 9(1) of the TMA.

¹⁹ Section 9(1).

²⁰ This derives from the definition of distinguish: *The Concise Oxford Dictionary*, 9ed. See Webster & Page, *op cit*, 4ed para 3.40.2.

²¹ There are some functioning common law trade marks that would not meet the requirements for registration.

The applicant bears the onus of proving that the trade mark has the necessary capacity.²⁶ Proof of the acquired ability to distinguish is nothing more – it is not proof that the symbol is a common law trade mark and that failing such proof it will not qualify for registration.²⁷

3.2 A TRADE MARK MUST BE CONSTITUTED FROM THE SYMBOL

The TMA provides that a symbol (mark) shall not be registrable if it does not 'constitute a trade mark'.²⁸ This requirement must be interpreted in the light of the definition of a trade mark:

'... means a mark used or proposed to be used by a person in relation to goods or services for the purpose of distinguishing the goods or services in relation to which the mark is used or proposed to be used from the same kind of goods or services connected in the course of trade with any other person'.²⁹

The central element of the definition of a trade mark is a 'mark' which is defined as

'any sign capable of being represented graphically, including a device, name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour or container for goods or any combination of the abovementioned'.³⁰

²⁶ Webster & Page, *loc cit*. They comment on the onus as follows: 'Statutory monopolies are the exception not the rule and they need to be justified', citing *Cadbury v Beacon (SCA)* 2000 (2) SA 771 (SCA) at 781B which relied on *Wagamama Ltd v City Centre Restaurants plc & Anor*, [1995] FSR 713 (Ch) in which the Court indicated that 'both at the domestic and at the international level monopolies can be tolerated and even encouraged if they assist the development of commerce in some other way' (at 728-9).

²⁷ The question of a secondary meaning was discussed more extensively in chapter 3 para 2.2.3, *supra*. *Nestlé v Mars*, C-353/03 is an example of secondary meaning as well ('Have a Break' being found to be distinctive, and by implication approved for registration by the ECJ). *South African Football Association v Stanton Woodrush t/a Stan Smidt & Sons (the Bafana Bafana case)*, 2000 (3) SA 313 (SCA), at 322E-F, and others indicates that secondary meaning is entirely dependant on the context in which the words are used; *Peregrine Group (Pty) Ltd & Ors v Peregrine Holdings Ltd & Ors (the Peregrine case)*, 2000 (1) SA 187 (W) (see chapter 2 para 2.6, *supra*); *Reckitt & Colman Products Ltd v Borden & Ors (the Jif Lemon (ChD) case)*, [1987] FSR 505, at 513 (see chapter 2 para 2.6, *supra*).

²⁸ Section 10(1).

²⁹ In the *Augmentin* case, the Court confirmed the approach of looking at the definitions of 'mark' and 'trade mark' in the TMA to determine what compliance with s 10(1) of the TMA demands. The Court's decision on the question of compliance with s 10(1) was 'The mark [the shape of the tablet] has not been able to function as, and has not been served the purpose of, a trade mark' (at 539G).

The *Augmentin* case was confirmed on appeal: *Beecham Group plc & Anor v Triomed (Pty) Ltd (the Augmentin (SCA) case)*, 2003 (3) SA 639. The SCA's quotations from *British Sugar plc v James Robertson & Sons Ltd*, [1996] RPC 281 (Ch) at 302 and *The Canadian Shredded Wheat Co Ltd v Kellogg Co of Canada Ltd*, [1938] 55 RPC 125 (PC), at 145 provide a clear indication that in that Court's view the requirements of s 10(1) had not been met (at 648E-G; para [15]). The SCA drew attention to the fact that the test at the application stage was whether Beecham used or proposed to use the shape of the tablet to distinguish its product from similar products sold by other persons (at 646B-C).

³⁰ Section 2(1) of the TMA (my emphasis on 'sign').

The definition of a trade mark means that the conversion of a symbol (mark) into a trade mark (called a registrable trade mark in this thesis),³⁶ in accordance with the definition, is brought about by one of two actions:

- (a) Use of a symbol as a trade mark; or
- (b) A proposal to use a symbol as a trade mark.

Use of and a proposal to use, a symbol as a trade mark are placed on an equal footing in the definition so either action will convert a symbol into a registrable trade mark.³⁷

3.3 A SYMBOL 'USED OR PROPOSED TO BE USED'

The words 'a mark ... proposed to be used' in the definition of a trade mark mean that, as soon as an applicant 'proposes' to use a symbol as his trade mark, a trade mark is constituted from a symbol in terms of the TMA.³⁸ A person may only register the symbol once it has become a trade mark.³⁹

The words 'a mark ... proposed to be' used in the definition of a trade mark were included in the definition primarily to satisfy the requirement of s 10(1) of the TMA, in my submission. This may be illustrated by the following example. An applicant presents for registration a trade mark constituted from a symbol that was not previously used as a trade mark⁴⁰, and the application for registration is refused. No registered trade mark came into existence. There was no common law trade mark because the symbol was unused.⁴¹ Therefore, there never was a trade mark *to which the exclusive right attached*.⁴² Inclusion of a mark proposed to be used in the definition of trade mark ensures that a **trade mark** is presented for registration, not any other entity.

³⁶ Using the symbol as a trade mark, even if it converts the symbol into a common law trade mark, only meets the requirement for converting a symbol into a registrable trade mark by virtue of the provisions of s 2(1) of the TMA: see chapter 5, *infra*.

³⁷ The reasons are given below: see para 3.2, *infra*.

³⁸ The significance of the term 'proposes' is discussed in para 3.3.1, *infra*.

³⁹ See para 3.3.1, *infra*. ***Victoria's Secret Incorporated v Edgars Stores Ltd*** (the ***Victoria's Secret*** case), 1994 (3) SA 739 (A).

⁴⁰ A symbol that has not been used as a trade mark will be referred to as an unused symbol.

⁴¹ Use is essential to the creation of a common law trade mark: see chapter 3, *supra*.

⁴² The cases dealing with a *bona fide* claim to proprietorship, especially ***Oils International (Pty) Ltd v Wm Penn Oils Ltd***, 1965 (3) SA 64 (T) (the ***Lifesaver*** case), confirmed on appeal: 1966 (1) SA 311 (AD) (the ***Lifesaver (AD)*** case), suggest that the trade mark is created when the person decides (proposes) to use the symbol as a trade mark. These cases appear to suggest that the decision is a proposal to use the trade mark – the

complies with the statutory definition but which does not enjoy the statutory exclusive right.⁴⁸

The statutory right in the registered trade mark does not affect the common law trade mark, which continues to exist and operate as it did before.⁴⁹ If one person has either a common law or statutory trade mark, no other person may acquire the exclusive right to use the trade mark: where there is honest concurrent user it appears that there is an exception but the rights are considered to have come into existence concurrently.⁵⁰

An applicant, since he proposes using the trade mark, submits a registrable trade mark for registration. The registrable trade mark does not enjoy the exclusive right created by the TMA *at registration*.⁵¹ Registration therefore does not create the trade mark that is registered, but converts it, the registrable trade mark created by the TMA, into another *type* of trade mark, the registered trade mark.⁵² The critical consideration here is that the registrable trade mark is not created by virtue of compliance with the common law, but by complying with the provisions of the TMA itself,⁵³ and *registration is consequently not recognition of the common law trade mark*.⁵⁴

⁴⁸ The importance of the statutory right is that only when the statutory right attaches, is the trade mark an item of intellectual property – it cannot be property (as opposed to a thing) unless someone has exclusive rights to it. Eg a novel that does not enjoy copyright, is still a novel by virtue of its literary form, but is not an item of intellectual property (see chapter 2 para 5.1, *supra*). The most important aspects of the statutory trade mark right are the exclusive right to use the trade mark and the right to institute the infringement action to protect it. See below

⁴⁹ See the discussion of the *Hotpicks* case: chapter 5 para 4.2.2.1, *infra*.

⁵⁰ See para 5.1, *infra*.

In *Robertsons (Pty) Ltd v Pfizer SA (Pty) Ltd* (the *Dyroach* case), 1967 (3) SA 12 (T), the Court indicated *obiter*

'Section 17(2) [of the 1963 Act] contemplates the concurrent use of marks by two proprietors even though the marks are identical or closely resemble each other, and relate to the same goods or description of goods' (at15C-D).

⁵¹ Section 34(1), the relevant portion of which reads as follows:

'The rights acquired by registration'.

The position with regard to registration is similar to that of a contract that must be in writing – the writing creates the contract and becomes its embodiment as the contract and the writing come into existence simultaneously: *Goldblatt v Fremantle*, 1920 AD 123.

⁵² A registrable trade mark identical to the common law trade mark, is created, as just indicated.

⁵³ *Application* of the rule created by the provision that a mark proposed to be used as a trade mark shall be a trade mark makes a mark a trade mark.

⁵⁴ This argument is developed more fully in part [5] of this chapter.

origin function and which the applicant proposes to register and use as his trade mark, constitutes a registrable trade mark, which may be registered. Once it is registered in accordance with the provisions of the TMA, a registered trade mark is created.⁶¹ The inclusion of a mark (symbol) that is being or was used in the definition of a 'mark' indicates that, for purposes of an application for registration, a common law trade mark is not required, but a registrable trade mark.

The relationship between a registrable trade mark and a registered trade mark is comparable with the relationship that exists between an agreement and a contract.⁶² Once the contract has been concluded the agreement is subsumed within the contract – the agreement as a separate independent entity no longer exists because, insofar as the law is concerned, it is a component of a more complex entity, the contract. In a similar manner, once registration takes place the registrable trade mark is subsumed within the registered trade mark and no longer exists as a separate entity.⁶³ The registrable trade mark is created solely for the purpose of ensuring that the law attaches the exclusive trade mark right to a *trade mark* and not some other entity.⁶⁴

The *bona fide* claim to proprietorship of a registrable trade mark is of critical importance because the *bona fide* claim establishes the association (link) between the applicant/proprietor and the symbol necessary to constitute a trade mark from the symbol.⁶⁵ The law does not attach the exclusive right to the registrable trade mark because the relationship between the registrable trade mark and the applicant/proprietor is not an **exclusive relationship**: the *bona fide* claim to proprietorship of the trade mark

⁶¹ A registered trade mark is defined as a 'a trade mark registered or deemed to be registered under this Act' in s 2(1) of the TMA. The phrase 'deemed registered' refers to s 29(1) which only comes into operation when the trade mark is actually registered.

⁶² See chapter 2 para 4.5, *supra*.

⁶³ The position with regard to the common law trade mark is different. A person affixes a symbol to goods to indicate that he is their trade origin and places the trademarked goods on the market (ie uses the trade mark in trade in public (see chapter 3 para 2.3, *supra*)). The law does not invest the person who uses the trade mark with the exclusive right until public use of the trade mark results in it actually being understood to indicate origin in the trade mark proprietor, by virtue of the public association of the goods with the trade mark having become exclusive. The trade mark is exclusively associated with the user (proprietor) once the goods have acquired a business reputation among a substantial number of relevant persons (see chapter 3 para 2.3.1, *supra*).

⁶⁴ See s 10(1) discussed in para 3.2, *supra*.

⁶⁵ Though the law does not attach the exclusive right to the registrable trade mark it is a trade mark.

3.3.2 WHEN DOES THE APPLICANT PROPOSE TO USE THE SYMBOL?

The date on which the applicant proposes to use a symbol as a trade mark, or to register a trade mark constituted from the symbol from which a common law trade mark has been created, must be determined because that is the date on which the registrable trade mark comes into existence.⁷⁴

In the *Victoria's Secret* case⁷⁵ the Appellate Division approved a *dictum* from the English case *In re Ducker's Trade Mark* (the *Duckers* case)⁷⁶ in which the Court indicated that a symbol was 'proposed to be used' when the person had

'a real intention to use, not a mere problematic intention, not an indeterminate possibility, but a resolved or settled purpose'.⁷⁷

Three possible dates suggest themselves as dates on which it could be said that the applicant proposes to use the symbol as a trade mark:

- (i) The date on which the applicant conceives of using the symbol as a trade mark and reduces the symbol to material form;⁷⁸
- (ii) The date on which the applicant completes his form for submission of an application for registration of the trade mark;
- (iii) The date on which the applicant lodges his application with the Registrar.

(a) The date on which the decision is made to use the symbol

In my submission, a trade mark only exists in concept when the applicant **decides** to use a particular symbol as a trade mark, ie to create a trade mark using the symbol, notwithstanding that in the *Lifesaver* case the Court said that origination of a trade mark⁷⁹ 'would cover a decision' to use a particular symbol as a trade mark.⁸⁰ Conception of the idea of using a particular symbol as a trade mark will often be accompanied, or closely followed, by a reduction of the symbol to material form whether or not the symbol is known, especially if the symbol is to be represented in a

⁷⁴ See para 3.2, *supra*.

⁷⁵ At 745F.

⁷⁶ (1929) 1 Ch 113 (CA).

⁷⁷ At 121.

⁷⁸ The main significance of reducing the symbol to material form is that it settles the perceptible characteristics of the trade mark: see chapter 2 para 5.3, *supra*.

⁷⁹ Origination is one of the methods by which a person acquires a claim to proprietorship of a trade mark: see the *Victoria's Secret* case, at 744 marginal letter 'l'.

⁸⁰ At 71A.

- (iii) The date the application is lodged is also the relevant date for determining whether the applicant has a *bona fide* claim to proprietorship of the trade mark;⁸⁷
- (iv) In a case in which there are a competing applications the respective application dates determine which application takes precedence;⁸⁸
- (v) Once the application is lodged the applicant is required to advertise the acceptance of the application.⁸⁹ This step puts the public in a position to become aware of the intention to associate the trade mark with goods that fall within the class or classes in respect of which the application is made.

It is submitted that, for the reasons furnished, the date on which the application is lodged should be regarded as the date on which the trade mark is proposed to be used. There could hardly be better evidence of a resolved and settled purpose, referred to in the *Ducker's* case, than lodging the application for registration.

The only demerit of using the date on which the application is lodged is that it is not the earliest date possible. There is, however, no reason why an application should not be lodged within a relatively short time from the date the trader selects the symbol for his trade mark. The factors in favour of this date far outweigh this disadvantage.

The date on which it is proposed to use a symbol as a trade mark, is therefore, in my submission, the date on which the registrable trade mark is created.

We now turn our attention to the requirement of a *bona fide* claim to proprietorship of a trade mark.

⁸⁷ See the *Victoria's Secret* case, at 752F.

⁸⁸ Section 10(15) of the TMA.

⁸⁹ Regulation 18(1) provides that: 'Every application for registration of a trade mark shall be advertised once in the *Patent Journal* by the applicant, in the form and wording required by the Registrar'.

- 4.3.3.1 Origination of a trade mark
- 4.4 Characteristics of a *bona fide* claim to proprietorship
- 4.4.1 Non-exclusivity
 - 4.4.1.1 The *Lifesaver* case
 - 4.4.2 Applicant must intend to use the trade mark on his goods
 - 4.4.2.1 The *Everglide* case
 - 4.4.3 *Bona fides*
 - 4.4.4 Territorial
- 4.5 The common law and TMA interface
 - 4.5.1 The *Diggers Grill* case
- 4.6 Conclusions

4.1 ORIGINS OF THE REQUIREMENT

This aspect of the requirement will be considered under two headings: the requirement under English Law and the requirement in South African law.

4.1.1 THE ENGLISH LAW

The requirement of claiming proprietorship of the trade mark was introduced into English legislation at a time when use of the trade mark was a precondition for submitting an application for registration.⁹² In Webster & Page's view, under those circumstances the requirement was 'justifiable', probably because the person who was entitled to apply for registration was the common law trade mark proprietor.⁹³

English trade mark legislation later introduced the possibility of registering a symbol that had not been used as a trade mark.⁹⁴ The registration of a symbol that had not been used as a trade mark meant that the requirement of *common law* proprietorship at the time of application could not be satisfied.⁹⁵ Webster & Page indicate that the English legislature

⁹² Webster & Page, *op cit*, 4ed, para 5.3.

⁹³ *Op cit*, 4ed para 5.3.

⁹⁴ The Registration of Trade Marks Act 1875 (38 & 39 Vict C91).

⁹⁵ See *In the matter of Hudson's Trade Marks* (the *Hudson's* case), (1886) RPC 155, in which the Court said:

- (ii) The mark is not likely to fall foul of s 16;¹⁰² and
- (iii) It does not conflict with a mark that is already registered.¹⁰³

In *Arndt & Cohen v Lockwood Bros* (the *Lockwood* case),¹⁰⁴ the Court said:¹⁰⁵

'The proprietor is the person who is entitled to a mark in which trade mark rights have been acquired by user (*Orr-Ewing v Registrar of Trade Marks* 4 AC 479), under the law apart from the Acts, or the person who invented or selected a mark which is new in respect of the class of goods for which registration is sought (*Kerly on Trade Marks*, pp 65 and 66).¹⁰⁶

The *Lockwood* case clearly refers to the acquisition of a right / claim to a trade mark at the time of its invention or selection. The circumstances relating to the invention or selection of the trade mark must be such that the applicant can properly lay claim to the trade mark.

¹⁰¹ When s 10(1) of the 1963 Act was initially enacted it consisted of five sub-sections the essence of which was to be found in sub-section (e) which read 'any other distinctive mark'. Subsequent to amendment by Act 46 of 1971, the relevant part of s 10(1) simply read: 'shall contain or consist of a distinctive mark'. Sections 10(2) and 10(3) of the 1963 Act concern the registration of containers as trade marks and do not contribute to the present enquiry.

¹⁰² Section 16(1) of the 1963 Act prohibited the registration of trade marks that contained matter the use of which would be deceptive, cause confusion, be contrary to law or morality, likely to give offence or cause annoyance to any person or persons, or would otherwise be 'disentitled to the protection of a court of law'.

Section 16(2) allowed the Registrar to register a trade mark in respect of all the goods falling within a specified class, notwithstanding his opinion that use of the trade mark in respect of some goods falling within the class included in the specification would be likely to deceive or cause confusion, if the applicant provided an undertaking that he would not use his trade mark on goods in respect of which deception or confusion was likely.

¹⁰³ Section 17(1) of the 1963 Act, prohibited registration of a trade mark that was identical to a trade mark belonging to another proprietor already on the register, or the registration of a trade mark that so nearly resembled a registered trade mark as to be likely to deceive or cause confusion.

¹⁰⁴ (1905) 24 NLR 5. *Chowles & Webster* cite the case as authority for the proposition at note 98.

¹⁰⁵ *Chowles & Webster*, *op cit*, at 65.

¹⁰⁶ At 10, my emphasis. Two of the important points this *dictum* raises are:

- (i) the trade mark, at common law, is a mark in which someone has acquired trade mark rights by user: this clearly suggests that a trade mark exists when the exclusive right vests (*DM Kerly & EC Underhay*, *Kerly on Trade Marks*, 2ed, Sweet & Maxwell, London, (1901), say: 'the element of public user ... creates the trade mark' (at 24). The context indicates clearly that they were referring to the common law trade mark);
- (ii) the proprietor under the statute is the person who *invented or selected* the symbol for use in respect of the relevant class of goods.

The notion of a trade mark being 'new' in respect of the class of goods is important: it supports the argument that the idea a trade mark expresses is the association between the goods and the proprietor. The symbol itself need not be a new one, but its use in respect of the class or type of goods is new.

mark by the applicant.¹¹³ The definition does not mention of use, but some cases appear to indicate that use is required for an applicant to have a *bona fide* claim to proprietorship.¹¹⁴

The positive right to use the trade mark appears to derive from the adoption of the symbol as a trade mark before anyone else does so.¹¹⁵ The decision to adopt the symbol gives the person that has adopted it a claim to register it as a trade mark.¹¹⁶ The adoption of the symbol as a trade mark confers the right to use the symbol as a trade mark. A registered trade mark is adopted by lodging an application for registration whereas a common law trade mark is adopted by actual use.

The *Lifesaver* and *Victoria's Secret* cases indicate that a person becomes the trade mark proprietor by originating, acquiring or adopting the trade mark.¹¹⁷ Viewed in isolation, the concepts 'originate' and 'adopt' could be interpreted as implying that as soon as a person conceptualizes using a particular symbol as a trade mark, a trade mark comes into existence because a person can hardly become the proprietor of something that does not exist. The Court raised the difficulty of a trade mark not being *in esse* in the *Vitamins* case:

¹¹³ See para 3.2, *supra*.

¹¹⁴ See the *Hudson's*, the *Lifesaver* and the *Victoria's Secret* cases.

¹¹⁵ Adoption of the symbol as a trade mark is constituted by (i) the placement of trademarked goods on the market, at common law or (ii) lodging an application for registration in terms of the TMA. Adoption in terms of the TMA confers the right to register the trade mark, not proprietorship directly (see the discussion of *Victoria's Secret* at para 4.3.1, *infra*).

Cornish & Lewellyn indicate that there is no need for any right to use the trade mark or invention, just prevent others from doing so (*op cit*, at 6). By contrast, F-K Beier, 'The Doctrine of Exhaustion in EEC Trademark Law – Scope and Limits', (1979) 10 *International Review of Industrial Property and Copyright Law (IIC)* 20, indicates that there are three principle aspects to the trade mark right:

(i) the exclusive right to affix the trade mark to the goods (the basic right);
 (ii) the 'right of *bringing the trademarked goods into commerce*' (my emphasis); and
 (iii) the right to use the trade mark on business papers and in advertising (at 23).

Beier thus defines the proprietor's right in *positive terms* – the negative right to prevent other persons from using the trade mark is a right to defend the positive aspects of his right. On the positive definition of the trade mark right see also: A Kur, 'The Right to use One's own Trade Mark: A Self-evident Issue or a New Concept in German, European, and International Trade Mark Law?', [1996] *EIPR* 198 (hereafter Kur, *One's Own Trade Mark*) and ED Du Plessis, 'Immaterial Property Rights: Negative or Positive?' (1976) 17 *Codicillus* 17.

¹¹⁶ See para 4.3, *infra*.

¹¹⁷ The *Victoria's Secret* case, at 744 marginal letter 'l'; the *Lifesaver* case, at 70H.

4.3 ACQUISITION OF A BONA FIDE CLAIM TO PROPRIETORSHIP

Some of the clearest statements regarding the nature of a claim to proprietorship of a trade mark - almost a synopsis of the law – are found in the *Victoria's Secret* case.

4.3.1 The *Victoria's Secret* Case

The words VICTORIA'S SECRET (VS) were an integral part of each of competing applications by VS Inc from the USA and Edgars, a SA company, for the registration of three 'substantially identical' trade marks.¹²⁴ The Registrar refused to register any of the trade marks until the competing applicants' rights were determined.¹²⁵ The Assistant Registrar ruled that Edgars' application should proceed to registration and VS Inc appealed to the AD.¹²⁶

'The first and main enquiry is one into the proprietorship of the trade mark VS' the Court ruled.¹²⁷ Edgars and VS Inc each claimed proprietorship of the trade mark VS in their respective applications for registration.¹²⁸

The critical facts were that during a visit to the USA a director of Edgars had learnt of VS Inc using the trade mark VS in respect of female intimate apparel. Edgars decided to launch a similar range in SA, under the trade mark VS.

The Court held that the maxim *qui prior est tempore potior est iure* was the guiding principle in deciding which competing application ought to be successful.¹²⁹ The Court confirmed the Assistant Registrar's decision.¹³⁰

¹²⁴ At 743A- B.

¹²⁵ At 742H. Section 17(3) of the 1963 Act empowered the Registrar to determine the rights of two applicants seeking the registration of trade marks that 'so resemble each other that the use of such trade marks in relation to goods or services in respect of which they are respectively sought to be registered would be likely to deceive or cause confusion'.

¹²⁶ At 743E-F. Section 65(3) of the 1963 Act allowed direct appeal to the AD from the Registrar's decision.

¹²⁷ At 743H.

¹²⁸ At 750E. Edgars had not used the trade mark VS in relation to any of its goods at the time of each of the respective applications, and had therefore not acquired the exclusive common law right to use any of the trade marks (see para 2.3, *supra*). Edgars' applications were lodged on 7 February 1986, 11 August 1986 and 17 June 1987, respectively. All three of VS Inc's applications were lodged on 14 September 1987.

¹²⁹ At 752D.

¹³⁰ Based on the following findings of fact: Edgars' conduct in copying VS Inc's marketing programme could not be described as fraud or involving a breach of law (at 753B); assuming that advertising goods constituted use of a trade mark, the evidence of advertising in international magazines that were available in SA fell short of establishing such use (at 753H); VS Inc did not have anything but a 'mere problematical intention, and that there was an uncertain or indeterminate possibility' that it would use the trade mark in SA, an intention which would not pass the test laid down by the *Ducker's* case (at 754F-H); 'Any suggestion that VS Inc acquired a reputation among any South Africans, is based not on direct evidence or legitimate inference but on speculation' (at 755G).

which has been extensively used by the applicant before registration is sought; in such a case the mark will ordinarily have become a valuable item of intangible property, of which *he can properly claim to be the owner*. But in relation to a mark that has never been used, the concept of *ownership* becomes a more difficult one, because no goodwill has yet become attached to it, and it will not necessarily be an invented word, or an original design for which copyright could be claimed'.¹³⁹

The view that there cannot be proprietorship of a trade mark that has not been used flies in the face of the definition of a trade mark which means a trade mark exists once the elements are in place.¹⁴⁰ The 'entity' or thing defined is a trade mark. The words 'a mark used or proposed to be used' in the definition, given their ordinary meaning,¹⁴¹ indicate that once it is proposed to use a symbol as a trade mark, a trade mark exists.¹⁴² The definition of a trade mark does, of course, require the symbol to exist at the time it is proposed to be used.¹⁴³

4.3.3 ASSERTING A CLAIM TO PROPRIETORSHIP

The Court in *Victoria's Secret* held that 'by the words "claiming to be proprietor of a trade mark" in s 20(1) is meant "asserting a claim to be proprietor of a trade mark"'.¹⁴⁴ That Court's finding that one can claim to be proprietor if one has appropriated a mark for use¹⁴⁵ means that a trader must appropriate a mark to be entitled to assert a claim to proprietorship. A trader must, having decided to appropriate the symbol for use as his trade mark, take overt action to manifest or assert his appropriation. The need for overt

¹³⁹ At 70F-G, my emphasis.

¹⁴⁰ Section 2(1) of the TMA.

¹⁴¹ The introductory portion of s 2(1) of the TMA indicates that the context may require the words to be given another meaning, but there is nothing in the context of the definition itself that indicates that its words should not be accorded their ordinary meaning.

¹⁴² See para 3.3.1, *supra*.

¹⁴³ The definition of a mark as 'any sign *capable* of being represented graphically' ought not to be interpreted as meaning that the sign need not be in material form. The word 'sign' is defined as 'something that indicates a fact, condition, etc that is not immediately or outwardly observable' (the *Collins Dictionary*, 1073; see also chapter 2 para 2.3, *supra*). The definition demands a material manifestation. In the *Victoria's Secret* case, the Court indicated that the 'question does not arise whether an uncommunicated proposal to use a trade mark can amount to a proposal in the context of s 20(1)' (at 745B). The principal reasons why the courts ought not to attach legal significance to an uncommunicated proposal are the same as those discussed at para 3.3 (a), *supra*. An uncommunicated proposal would probably not meet the test set by the *Ducker's* case in relation to the proposal to use a trade mark (see para 3.3, *supra*).

¹⁴⁴ At 744C. Section 20(1) of the 1963 Act entitled any person claiming to be proprietor of a trade mark used or proposed to be used by him, and who is desirous of registering it, to apply for registration in the prescribed manner.

¹⁴⁵ At 744 marginal letter 'I'.

The Court in the *Everglide* case held that

'The usual way in which a person becomes the proprietor is by acquiring, inventing or otherwise originating the mark *and actually using it*'.¹⁵⁶

Counsel for the respondents in the *Everglide* case had argued that Wechsler had become the proprietor by 'selecting' the trade mark.¹⁵⁷ In the *Everglide* case the Court did not decide whether selection was a method by which a claim to proprietorship of a trade mark could be acquired, but held that even if selection were an appropriate method by which a person could become entitled to claim proprietorship of a trade mark, Wechsler did not intend to use the mark to indicate *its own goods* and therefore it had not become entitled to claim proprietorship.¹⁵⁸ The Court concluded that the

'...facts point 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'.¹⁵⁹

4.3.3.1 Origination of a Trade Mark

The first person to *decide* to use a symbol, including a well-known word, as a trade mark originates the trade mark.¹⁶⁰ This interpretation of origination was also adopted in the *Lifesaver* case, where the Court held that it included 'a decision to use, as a trade mark, a well-known word or phrase'.¹⁶¹ This extended meaning of origination received the indirect approval of the Appellate Division in the *Victoria's Secret* case.¹⁶²

What the applicant really originates is the idea of using that particular symbol as a means of drawing the association between the goods and himself, indicating that he is the origin of the goods.¹⁶³ The significance of conceptualizing the idea of drawing the

¹⁵⁶ At 444F (my emphasis). The notion of 'actually using it' is not part of the statutory requirements for acquiring trade mark rights.

¹⁵⁷ The *Everglide* case, at 444H.

¹⁵⁸ The reasons are set out fully at 445G to 446B. *Sidewalk Cafés (Pty) Ltd t/a Diggers Grill v Diggers Steakhouse (Pty) Ltd & Anor* (the *Diggers Grill* case), 1990 (1) SA 192 (T) and the *Victoria's Secret* case confirm the appropriateness of selection.

¹⁵⁹ The *Everglide* case, at 446B. In my submission, the trade mark on the goods made them Burnham or Broadway's goods – the goods were indubitably connected in the course of trade with Wechsler, but *not as trade mark proprietor*.

¹⁶⁰ The *Lockwood* case, at 10.

¹⁶¹ At 71A.

¹⁶² At 744 marginal letter 'I'.

¹⁶³ See chapter 2 para 2.5, *supra*.

was not protected until then.¹⁶⁹ The notion that the use was not protected indicates that the right was not exclusive, being quasi-proprietary and not yet a full proprietary right. In my submission, the previous sentence reflects the actual legal position because, until the symbol is actually used as a trade mark or the trade mark is registered, the proprietor's right to use the symbol as a trade mark is not exclusive: the proprietor has the 'right' to use the symbol as a trade mark, but is not in a position to prevent others from doing so.¹⁷⁰

In my submission, by originating, in the sense of conceptualizing using the symbol as a trade mark, a person acquires a right to use or register as his, a trade mark constituted from a particular symbol. This right ripens into full proprietorship of the registered trade mark when registration occurs.¹⁷¹ The person's selection of the symbol must not be tainted with fraud, sharp practice or any other form of dishonesty, such as a breach of confidence.¹⁷² The person who originates the trade mark thus has *locus standi* to apply for registration and also fulfils the substantive requirement of a *prima facie* right, since the application creates a presumption that he is the proprietor,¹⁷³ provided no one has a better claim than he.¹⁷⁴

Authority dealing with the question of a *bona fide* claim to proprietorship of a trade mark provides support for at least four conclusions with regard to the characteristics of a *bona fide* claim to proprietorship: it is non-exclusive, requires an intention to use the trade mark

¹⁶⁹ *Ibid.*

¹⁷⁰ Kur, *One's Own Trade Mark*, argues that the fact that an entrepreneur does not need to have his trade mark registered or otherwise protected in order to start making use of it does not necessarily lead to the conclusion that the legal effect of the acquisition of trade mark right has to be confined to the 'negative power' to prevent others from unauthorised use of the trade mark (at 199). She says that a new quality is added to the rights meaning that it is more than just another way to exercise his general freedom to act on the market (*ibid.*).

¹⁷¹ The definition of a *registered* trade mark means it comes into existence on registration: s 2(1) of the TMA. The registrable trade mark is converted into a registered trade mark.

¹⁷² In other words, the person was *bona fide* in his selection: see the *Victoria's Secret* case.

¹⁷³ See para 3.3.2, *supra* and para 4.4.2, *infra*.

¹⁷⁴ If a situation arose today in which two parties each originated a trade mark independently, and each applied for registration, the Registrar would have to apply the *qui prior est tempore* principle in accordance with s 10(15). Section 10(15), however, is subject to

- (i) Honest concurrent use or other special circumstances (see s 14 of the TMA and the discussion at para 5.1, *infra*); and
- (ii) The TMA provision preventing the pre-existing rights of a later *applicant* being superseded by another person's earlier application for registration (s 10(16)). A person would bring his existing rights to the attention of the Registrar by an objection in terms of s 21 or court application to in terms of s 59.

The Court found that International had a *bona fide* claim to proprietorship as it had originated the trade mark.¹⁸²

Neither party had obtained the *exclusive* right to use the symbol as a trade mark by selecting it.¹⁸³ Since the selection had invested neither party with the *exclusive* right, the Court still had to decide whether or not the applicant was entitled to registration. The Court confirmed the Registrar's decision that International's *bona fide* adoption of the symbol was sufficient to entitle it to claim to be proprietor of the trade mark.¹⁸⁴ Penn's *bona fide* selection of the symbol would have placed it in a similar position; hence my submission that origination does not confer an exclusive right.

In the *Victoria's Secret* case, the Court confirmed that the applications were in competition with each other by holding that the guiding principle, in deciding between competing applications is contained in the maxim *qui prior est tempore potior est iure*.¹⁸⁵ The finding that the applications were in competition with each other is significant in that it confirms that each party had a *bona fide* claim to proprietorship of the trade mark VICTORIA'S SECRET. The Court's finding that the applications were in competition also implies that VS Inc's proprietorship of the trade mark in the USA did not mean it was the proprietor of the trade mark in SA; its *bona fide* claim could, in my submission, only have arisen from its application for registration in SA.

¹⁸² At 72G. Earlier in the decision the Court had found
 'The concept of "origination" within the meaning of these authorities [*Vitamins Ltds Application* (1956) RPC 1 and *Broadway Pen Corporation & Another v Wechsler & Co (Pty) Ltd and Others, infra*] is, I think, wider than invention; it would cover a *decision to use, as a trade mark, a well-known word or phrase*' (at 70F to 71A, my emphasis).

Similar views are expressed in the *Lockwood* case and in the *Moorgate* case, which used the words originated, invented or acquired were used (the *Victoria's Secret* case, 744 marginal letter 'l').

¹⁸³ This would have constituted originating the trade mark in terms of the *Lockwood* case and the 'decision' to use the trade mark as the Court found (at 71A). Had one of them acquired the exclusive right by selection, the Court's enquiry would have been directed at establishing who was first to select the symbol as a trade mark. In my submission, if such importance is accorded to selection, it is an invitation to fraud.

¹⁸⁴ At 72F-G.

¹⁸⁵ At 752D.

4.4.2 APPLICANT MUST INTEND TO USE THE TRADE MARK ON HIS GOODS

In the *Victoria's Secret* case, the Court alludes to the need for the proprietor to intend to make use of the trade mark in respect of *his* goods.¹⁹¹ The question of use in respect of the proprietor's own goods was a pivotal consideration in *Broadway Pen Corp & Anor v Wechsler & Co (Pty) Ltd and Ors* (the *Everglide* case).¹⁹²

4.2.2.1 The *Everglide* Case

Broadway, a corporation from the USA applied for the expungement of the trade mark EVERGLIDE, which was registered in Wechsler's name in SA. In its application for registration Wechsler had claimed proprietorship of the trade mark EVERGLIDE,¹⁹³ despite it previously selling EVERGLIDE trademarked goods and acknowledging that Broadway owned the trade mark.¹⁹⁴

The trade mark EVERGLIDE, indicated that the goods had their origin in Broadway not Wechsler.¹⁹⁵ Wechsler's use of trade mark EVERGLIDE affixed to Broadway's goods therefore generated goodwill for Broadway, which invested Broadway with a common law trade mark right in SA.¹⁹⁶ Since the common law trade mark right, to Wechsler's knowledge, vested in Broadway, Wechsler did not have a *bona fide* claim to proprietorship in the trade mark as required for it to properly obtain

¹⁹¹ This is implicit in the words 'take for one's own': at 744 marginal letter 'I'.
¹⁹² 1963 (4) SA 434 (T).

¹⁹³ At 443G. Section 110 of the 1916 Act required the applicant to claim to be proprietor.

¹⁹⁴ Wechsler had sold EVERGLIDE trademarked pens for some time prior to registering the trade mark EVERGLIDE in its name and also unsuccessfully negotiated with Broadway in an effort to become the exclusive distributor of its EVERGLIDE pens in SA (at 440E-441B).
¹⁹⁵ Correspondence between the parties confirmed this (referred to at 440E). No evidence as to the public understanding of the situation was presented but Wechsler could not have argued that it had acquired the common law trade mark right when it had acknowledged that the trade mark belonged to Broadway.

¹⁹⁶ See chapter 3 para 2.3.2, *supra*.

Wechsler, by trading in Broadway's goods, conducted both its own business and that of Broadway. Wechsler was in business on its own behalf but because the goods were trademarked EVERGLIDE, it was also indirectly conducting the business of the trade mark proprietor, Broadway (at 445A-B). The trade mark proprietor's business is to conduct trade in goods bearing its trade mark, a purpose which was clearly advanced by Wechsler's activities. In this regard the Court held:

'It was contended that as Broadway stated in its petitions that the writing instruments were sold in the U.S. to shippers for export to South Africa, the user in South Africa was not by Burnham or Broadway but the shippers or importers, but there is no substance in that contention because it is clear from the context of the statements that whoever used the mark used it as Burnham's or Broadway's mark to indicate *its* goods' (at 438H – 439A).

The italicized word, 'its', in the quotation indicates that the goods were placed on the market in SA as Broadway's goods, not those of the shippers or importers. See also the *Gold Flake* case (chapter 3 para 2.3.2.1, *supra*).

Manufacturer's (Pty) Ltd (the Coconut Trousers case).²⁰⁴ Notwithstanding that the cases referred to were decided under legislative predecessors of the TMA, the definition of a trade mark²⁰⁵ which requires the trade mark to distinguish the goods bearing the trade mark from those that are connected in the course of trade with persons other than the proprietor, makes the reasoning of the cases applicable in terms of the TMA.²⁰⁶

4.4.3 BONA FIDES

The matter of *bona fides* emerged most clearly in the **Victoria's Secret** case in relation to the question whether Edgars was entitled to adopt the trade mark, VICTORIA'S SECRET, in SA, given that VS Inc was the proprietor (and originator) of the trade mark in the USA and had applied for registration in SA. The Court found the following *dictum* from the **Moorgate** case²⁰⁷ an apposite exposition of the law:

'... 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.'²⁰⁸

The Court in the **Victoria's Secret** case built on the **Moorgate** judgment when it held:

'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 ...'²⁰⁹

²⁰⁴ 2001 (3) SA 1285 (SCA). In this case one Mr C Nathoo had on 12 September 1988 registered the trade mark DOCKERS in class 25, pre-empting Levi Strauss which he was aware had been using the trade mark in the USA since 1986 and which had begun registering the trade mark worldwide in 1987 (at 1288G-H). Levi Strauss filed two competing applications on 9 August 1989 in the same class as Nathoo and the Registrar had to hold a hearing in terms of s 17(3) of the 1963 Act (see the discussion of this provision in the **Lifesaver (AD)** case, *supra*). The Registrar ruled in favour of Levi Strauss against Coconut Trousers, which by then had replaced Nathoo as a party to the proceedings, which successfully appealed to the TPD. The SCA found that when Nathoo applied for registration he had no intention of using the trade mark, having erroneously believed that he could apply on behalf of Coconut Trousers, of which he was a major shareholder (at 1289G). The Court found that Coconut Trousers, which had stepped into his shoes, could have no greater rights than he, even though it had intended to use the trade mark (at 1291G-H) and that Levi Strauss' application should have enjoyed precedence.

²⁰⁵ See s 2(1) of the TMA.

²⁰⁶ See **Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Anor; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC** (the **Nino's** case), 1998 (3) SA 656 (C) at 673C-E to same effect (see para 6.3, *infra*).

²⁰⁷ The relevant portion of the **Moorgate** case is cited in the **Victoria's Secret** case, at 745G.

²⁰⁸ The **Lorillard** case, at 365H.

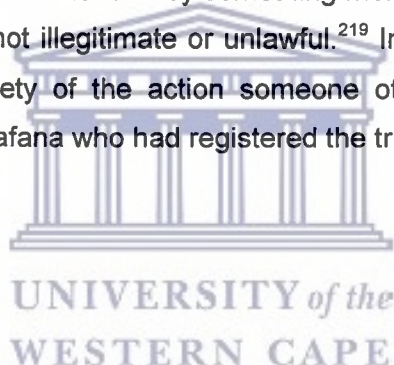
²⁰⁹ At 746F.

4.4.4 TERRITORIAL

This aspect of a *bona fide* claim is also addressed in the *Victoria's Secret* case. VS Inc claimed that it was entitled to registration of the trade mark, VICTORIA'S SECRET, since Edgars had copied *its USA trade mark* which was known in SA.²¹⁶ The Court found the following statement in the *Moorgate* case an apposite exposition of the law:

'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'.²¹⁷

The Court's clear approval of the statement in the *Moorgate* case is indicated by the following observation: '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'.²¹⁸ The Court had earlier found that copying *per se* was not illegitimate or unlawful.²¹⁹ In the *Bafana Bafana* case the Court confirmed the propriety of the action someone other than the person who 'invented' the *concept* Bafana Bafana who had registered the trade mark.²²⁰



²¹⁶ At 752G. The Court found that the evidence did not support this argument: at 755G.
²¹⁷ The *Victoria's Secret* case, at 745G (my emphasis). This view was confirmed in *AM Moola Group Ltd & Ors v The GAP Inc & Ors* (the *GAP (SCA)* case), [2005] 4 All SA 425 (SCA), at 249f – 250h.

²¹⁸ The *Victoria's Secret* case, at 746F. In explaining what 'unless it is attended by something more' meant, the Judge once again found assistance in the *Moorgate* case which was to the effect that it would include 'any factors that may have vitiated or tainted his right or title to the proprietorship thereof. Those factors would comprehend dishonesty, breach of confidence, sharp practice, or the like': see the *Victoria's Secret* case, at 747H-I.

²¹⁹ The *Victoria's Secret* case, at 746C relying on *Pasquali Cigarette Co Ltd v Diaconicolas & Copsopolus*, 1905 TS 472, in which the Court held:

'... there has been a certain amount of copying or imitation by the defendants of the plaintiffs' label. That however, is not sufficient ... they [the plaintiffs] must prove that the defendants have produced such a colourable imitation of their box or label that the ordinary purchaser would be deceived' (at 478-9);

²²⁰ *Dunhill v Bartlett & Bickley*, [1922] 39 RPC 426, at 438. The Court indicated that three journalists at the '*Sowetan*' newspaper first used the name 'Bafana Bafana' in connection with the national soccer team (at 320E; para [7]). See also the *GAP (SCA)* case, at 250g-h (para 11).

for passing off by a person claiming the common law right to use the identical trade mark, has raised the defence that s 33 does not preserve substantive rights. Given the ingenuity of counsel, were that avenue open, it is inconceivable that it would not have been pursued.

The *Diggers Grill* case²²⁵ and the *Everglide* case²²⁶ cast light on how competing common law and statutory claims are dealt with.

4.5.1 The *Diggers Grill* Case

Sidewalk applied for what was in essence an order excising the province of Natal from the registration of the trade mark DIGGERS GRILL in the name of first respondent, Steakhouse.²²⁷

Steakhouse argued that there was no evidence that by the date of registration Sidewalk had a reputation in the trade mark DIGGERS GRILL in relation to restaurant and related services.²²⁸ The Court found that on the facts that 'the inference was inescapable that applicant and its trade mark DIGGERS GRILL must have been well known by September 20 1984'.²²⁹

The Court found that Steakhouse had registered the trade mark in respect of the whole Republic, despite being aware that Sidewalk had acquired 'a real substantial vested interest' and goodwill in the trade mark.²³⁰

²²⁵ *Sidewalk Café's (Pty) Ltd t/a Diggers Grill v Diggers Steakhouse (Pty) Ltd & Anor*, 1990 (1) SA 192 (T).

²²⁶ 1963 (3) SA 434 (T); see para 4.4.2.1, *supra*.

²²⁷ At 193H. It could also be viewed as an application for the expungement of the registration in respect of Natal. Steakhouse established three restaurants in the Transvaal during October 1982 to September 1984. In early 1984 Sidewalk purchased a restaurant in Durban, which had a mining theme décor. The contract of sale obliged Sidewalk to change the restaurant's name. Sidewalk chose the name 'Diggers Grill' after it had checked the telephone directories of Johannesburg, Pretoria, Bloemfontein, Cape Town, Port Elizabeth and East London to see if there was already a restaurant with the same name. In May 1984 Sidewalk commenced trading.

²²⁸ At 195 marginal letters I-J. This was the relevant date as it was the date on which Diggers had obtained registration of the trade mark in issue.

²²⁹ On 20 September 1984 Steakhouse had two trade marks registered in its name in class 42 of the register. DIGGERS GRILL was an essential feature of both trade marks, one of which also incorporated a device. The Court had found that there were extensive newspaper reports and accompanying photographs in two prominent Natal newspapers, as well as a sign, DIGGERS GRILL, displayed prominently, facing the street, outside Sidewalk's restaurant (at 196C-D).

²³⁰ At 197B-C. One of the facts the Judge mentions is that during June 1984 Steakhouse's manager visited and had a meal at Sidewalk's restaurant.

4.6 CONCLUSIONS

A *bona fide* claim to proprietorship in terms of the TMA is a present claim, since a trade mark is created once the applicant proposes to use a particular symbol as a trade mark, the proposal being made at the time the application is lodged.²³⁸ A claim to proprietorship means that the applicant has *locus standi*²³⁹ to apply for registration of the trade mark in his name. The applicant would have acquired his claim by

- (i) Appropriating the trade mark; or
- (ii) Taking cession of the 'right' to claim proprietorship from another person.²⁴⁰

Origination includes inventing a symbol or even adopting a known one, as a trade mark.²⁴¹ One person's claim does not preclude another person from having a *similar claim* in respect of the same trade mark where the second person *bona fide* and independently originates or acquires a claim to register the trade mark from another person.²⁴²

In order to defeat another's claim a trader must

- (a) Have used the symbol as a trade mark in relation to goods to the extent necessary to constitute a common law trade mark using the symbol (an aspect of special importance is that the goods must earn the reputation necessary to invest the trader with an enforceable common law trade mark right),²⁴³ or show that the applicant was not *bona fide* in his application;²⁴⁴ *or*
- (b) Be the first to lodge an application for registration.²⁴⁵

So ultimately a *bona fide* claim is a power and entitlement to apply for registration, such entitlement creating a presumption in favour of an applicant when his application is lodged,²⁴⁶ but where there are competing claims, the one who has a *better claim* is entitled to obtain registration. A party who takes effective steps to secure his claim, ie to convert the claim into an enforceable right at common law or under the TMA, has a *better claim*.²⁴⁷

²³⁸ See para 3.3.1, *supra*.

²³⁹ Webster & Page, *op cit*, 4ed, para 5.1.

²⁴⁰ The person from whom the right is acquired would have invented the symbol for use as a trade mark or decided to use the symbol as a trade mark.

²⁴¹ The *Victoria's Secret* case, at 745 marginal letter 'l'; the *Lifesaver* case, at 71A.

²⁴² See para 4.4.1, *supra*.

²⁴³ The *Diggers Grill* case; the *Hotpicks* case (see chapter 5 para 4.2.2.1, *infra*).

²⁴⁴ See the *Diggers Grill* case.

²⁴⁵ The *Lifesaver* case; the *Victoria's Secret* case. Provided of course the other person does not have common law rights such as will entitle him to invoke s 10(16) or s 33.

²⁴⁶ See para 4.4.1.1, *supra*.

²⁴⁷ The *Lifesaver* case.

limitation of their respective common law trade mark rights as a common law trade mark right is only coextensive with the business reputation which the trademarked goods enjoy.²⁵⁴

The word 'concurrent' in the name for this phenomenon might suggest that there is only one trade mark, however, that is simply a reflection of the thinking at the time the phenomenon was recognised and named rather than a reflection of the reality of the situation.

The question of whether goodwill in respect of corporeal goods exists in a particular geographic area is a question of fact.²⁵⁵ Mass communication and the relative ease of transport render it difficult to conceive of the *reputation* goods enjoy being limited to a specific area within one jurisdiction.²⁵⁶ The courts would not, however, eschew making a finding that goodwill is subject to geographic limitation, if it is consonant with the proven facts.²⁵⁷

Honest concurrent user appears to be an exception to the *qui prior est tempore* principle, but that is not a true reflection of the reality. The Registrar may not register a trade mark that is identical to one that is already registered, unless the earlier proprietor consents.²⁵⁸ Similarly, the Registrar may not register a mark that is similar or identical to one that is the subject of an earlier application, unless the earlier applicant consents.²⁵⁹ The TMA prohibits registration of a trade mark similar or identical to a well known trade mark (known by a substantial number of persons) unless the registered proprietor consents, if use of the trade mark is likely to be detrimental to the distinctive character or repute of the registered

²⁵⁴ It has been argued that Aquilian damages will *only* flow in the jurisdiction if the reputation derives from trading activities in that jurisdiction (see chapter 3 paras 4.2.2.9 and 4.4, *supra*).

²⁵⁵ The *Coachworks* case, at 950B-C; *Premier Trading Co (Pty) Ltd & Anor v Sporttopia (Pty) Ltd* (the *Bladeline* case), 2000 (3) SA 259 (SCA), at 267E and 267 marginal letter 'I'.

²⁵⁶ Webster & Page, *op cit*, 3ed, at 178. The Court rejected the argument that courts would not easily order geographic divisions and in effect ordered such a division: the *Diggers Grill* case at 199B-C. Section 111(3) of Act 9 of 1916 indicates that the notion of South Africa's provinces could be treated as states in a federation for trade mark purposes is not an entirely alien one.

²⁵⁷ See the *Diggers Grill* case, at 199B-C.

²⁵⁸ Section 10(14).

²⁵⁹ Section 10(15).

permit concurrent registrations. It is significant that the Court refers to the applicant for concurrent registration as the 'proprietor of a common law trade mark'.²⁶⁹

There were two different trade marks in the *Transpulmin* case.²⁷⁰ However, the reference to the same trade mark in the legislation raises the question: what is the position where the trade marks adopted and used by both persons are identical? Are there two trade marks or only one? The *Diggers Grill* case suggests that there is only one trade mark per geographic unit. The possibility of there being two identical trade marks on the register suggests that it is also possible to have a common law and a registered trade mark that have identical perceptible characteristics, ie which are constituted from the same symbol.²⁷¹

5.1.2 The Abermill Case²⁷²

The applicant, Pirie, sought the registration of the trade mark ABERMILL for paper products in England.²⁷³ An American company, only referred to in the report as 'H Paper Co', objected to the registration. Paper produced by H Paper Co was being marketed in England under the trade mark HAMMERMILL bond.²⁷⁴ The evidence showed that while revenues from HAMMERMILL sales were decreasing those of ABERMILL were rising considerably over the same period.²⁷⁵

The 1905 UK Trade Mark Act empowered a court to permit registration of the same trade mark in the names of different persons in cases of honest concurrent user.²⁷⁶

²⁶⁹ See note 267, *supra*.

²⁷⁰ The Judge referring to the danger of confusion says:

'... the practice of invoking the root of the name of the afflicted portion of the human anatomy in order to label medicine offered as a cure is liable to lead to confusion' (at 369).

²⁷¹ See chapter 5 part [2], *infra*.

²⁷² This English case provides insight into the integration of the range of factors that ought to be considered in deciding whether to permit or deny concurrent registration of *prima facie* confusingly similar marks. The *Abermill* case was cited as persuasive authority in the *Transpulmin* case (at 369), *sub nom Re Hammermill Paper Co*, 149 LT 199.

²⁷³ At 957 marginal letter 'I'.

²⁷⁴ At 958A-C.

²⁷⁵ At 958E and 958 marginal letter 'I'.

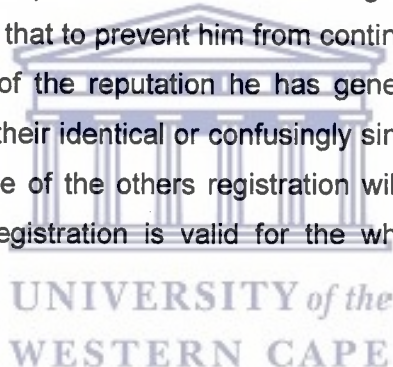
²⁷⁶ Section 21, as amended by the 1919 Act read as follows:

'In case of honest concurrent user or other special circumstances which, in the opinion of the court, make it proper to do so, the court may permit the registration of the *same trade mark*, or of nearly identical trade marks, for the same goods or description of goods by more than one proprietor subject to such conditions and limitations if any, as to mode or place of user or otherwise as it may think it right to impose' (my emphasis).

similar common law trade marks,²⁸⁴ or a common law trade mark identical or confusingly similar to a registered trade mark.

Where there is some confusion or the possibility of some confusion a court may be reluctant to hold that the concurrent user should continue although this is no absolute bar to the registration of the identical or confusingly similar trade marks.²⁸⁵ The court would, if it decided against allowing concurrent use, order the defendant to desist from using the trade mark or order the defendant to take steps which reduced or eliminated the probability of confusion.²⁸⁶

The reason why each proprietor is permitted to continue using 'his' trade mark, in the face of the possibility of confusion, is that to prevent him from continuing to do so, is to deprive him of his right to the benefit of the reputation he has generated.²⁸⁷ The reason both persons are allowed to register their identical or confusingly similar trade marks, is that to deny one registration in the face of the others registration will be to deprive him of the advantage of registration.²⁸⁸ Registration is valid for the whole jurisdiction, but since



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- ²⁸⁴ Such as in the *Diggers Grill* and the *Everglide* cases.
- ²⁸⁵ In the *Transpulmin* case the Court indicated that the provision of the 1916 Act that allowed for concurrent registration in cases of honest concurrent user, entitled the Court to weigh up the danger of confusion against the parties' respective commercial claims.
- ²⁸⁶ The *de facto* geographic division ordered in the *Diggers Grill* case, *supra*, is an example of such an order. The position is similar to that under passing off, in which the courts have made it clear that the defendant is required to distinguish his goods from those of the plaintiff (the *Jif Lemon* case, at 879d-f and 879h) and bears responsibility for his failure to do so (see *Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd & Ors* (the *Kettle Grill* case), 1992 (2) SA 489 (AD), at 493C-D (the case is discussed in chapter 3 para 3.1.3, *supra*).
- ²⁸⁷ The independent reputation generated by each proprietor's placement of trademarked goods on the market entitles him to the exclusive use of the trade mark: see the *Abermill* case.
- ²⁸⁸ The primary advantage of registration is exemption from proof that the goods enjoy the requisite reputation each time someone infringes his rights. The disadvantage of having to provide such proof was so great that it was one of the primary reasons for the creation of the registration system: Gardiner, *op cit*, at 44 (text at note 16) and at 41 (note 2), where he cites WHR Cornish, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 2ed, Sweet & Maxwell, London, (1989) to the effect that
'The passing-off action, though useful, depended on proving in each case that the plaintiff had a trade reputation with the public. That could sometimes be costly and laborious' (at 394).

bona fides.²⁹⁶ In the *Transpulmin* case, the choice was made outside of SA and the goods imported under that name providing no evidence that the choice was not made *bona fide*.²⁹⁷



²⁹⁶ Sidewalk had searched the telephone directories of Johannesburg, Pretoria, Bloemfontein, Cape Town, Port Elizabeth and East London (at 194G).

²⁹⁷ At 369. A Bloemfontein chemist obtained a concession to sell the goods in SA.

6.2 THE COMMON LAW TRADE MARK UNAFFECTED

If the Registrar exercises his discretion to refuse to register a registrable trade mark constituted from the identical symbol to that from which a common law trade mark has been constituted, the common law trade mark remains intact.³⁰² The right to sue for passing off is totally unaffected by the failure of the application for registration, the best proof of which is that even if the trade mark is expunged from the register, the right to sue for passing off remains.³⁰³ If the Registrar registers the 'common law trade mark', the registration has no impact on the existence of the common law trade mark: exactly the same legal right attaches to the common law trade mark as it did prior to the registration.³⁰⁴ The lack of an impact on the common law trade mark as a result of registration indicates that the registered trade mark is a separate independent entity to the common law trade mark. Each trade mark is constituted either by the common law or statute, even though both trade marks are constituted from the same symbol.

If a registered trade mark is created from an 'unused' symbol, registration does not entitle the proprietor of the registered trade mark to sue for the passing off.³⁰⁵ Passing-off requires the goods to have a business reputation, and such a reputation can only be acquired by use of the trade mark.³⁰⁶ So even where a registered trade mark has been constituted from a symbol from which a common law trade mark is also constituted, the passing off action *only* becomes available to protect the trade mark where public use of the symbol has earned the goods a business reputation: once that occurs as we have seen, the item of IP, the common law trade mark, has come into existence and the exclusive right vests.

³⁰² See the discussion of the *Hotpicks* case, chapter 5 para 4.2.2.1, *infra*.

³⁰³ See chapter 5 para 3.4.3, *infra*.

³⁰⁴ In my submission, there is no generic trade mark that enjoys an exclusive right: it is either a *common law* or a *registered* trade mark. The two legal regimes (one might even say legal universes) are distinct from each other, even though as a result of the common symbol each impacts on the other. See chapter 5, *infra*.

³⁰⁵ Public use is essential to the existence of a common law trade mark: see chapter 3 para 2.3, *supra*.

³⁰⁶ See chapter 3 para 4.2, *supra*.

Unfortunately the 1963 Act did not contain a provision equivalent to s 123(1) of the 1916 Act. The courts did not have major difficulty interpreting the 1963 Act as also conferring the exclusive statutory right. In *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd* (the *Dupa* case)³¹⁴ the Court held that

'Section 44(1)(a) impliedly confers an exclusive right to use the mark registered in terms of the Act upon the proprietor of the mark in relation to the goods or services in respect of which it is registered'.³¹⁵

The Appellate Division placed its stamp of approval on the interpretation of the 1963 Act provided above in the case of *Shalom Investments (Pty) Ltd & Ors v Dan River Mills Inc* (the *Dan River* case).³¹⁶

'Respondents marks being registered here, confer upon respondent the exclusive right – subject to the provisions of the Act – to use those trade marks within the Republic'.³¹⁷

A similar interpretation was placed on the TMA in *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC and Anor; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* (the *Nino's* case).³¹⁸

'The Act [TMA] does not expressly provide that a registered proprietor of a trade mark is entitled to the exclusive use of the mark. Section 34 of the Act, however, sets out the circumstances in which the rights acquired by registration of a trade mark may be infringed. In so doing, it *impliedly confers upon the proprietor the exclusive right to use the mark* in relation to the goods or services in respect of which it is registered ... The trade mark in the present case confers upon the first respondent the exclusive right to use the mark throughout the whole of South Africa in relation to, *inter alia*, restaurant and café services'.³¹⁹

³¹³ The conventional wisdom (see Cornish & Llewellyn, *op cit*, at 6) seems to be that the right to use the trade mark is acquired by some other means but that the right to enforce the right to use the trade mark, to render it exclusive, is acquired by registration. The 'Memorandum on the creation of an EEC Trade Mark' (SEC (76) 2462) indicates that its decision to define the right conferred by an EEC trade mark 'not only negatively, that is by reference to the power to oppose the use of the same or a similar trade mark, but also positively, by stating that he is granted the exclusive right to use the registered trade mark ... **does not represent a substantive difference**' (at para 106, my emphasis).

³¹⁴ 1977 (3) SA 144 (T).

³¹⁵ At 150B. Section 44(1) read 'Subject to the provisions of sub-secs. (2) and (3) of this section and secs. 45 and 46, the rights acquired by registration of a trade mark'. In *Triang Pedigree (SA)(Pty) Ltd v Prima Toys (Pty) Ltd*, 1985 (1) 448 (AD) the Court said:

'BABY LOVE and FIRST LOVE are both registered trade marks. This being so, each gives the exclusive right – subject to the provisions of the Act – to use the trade mark within the Republic' (at 465F).

³¹⁶ 1971 (1) SA 689 (AD).

³¹⁷ At 706C-D.

³¹⁸ 1998 (3) SA 656 (C).

³¹⁹ At 673C-E, my emphasis.

Each registration creates a separate trade mark, the following considerations providing evidence of this. The *dicta* in the **Sodastream** case, in my submission, provide clear evidence of the existence of two identical *registered* trade marks existing in SA.³²⁷ The Court referred to the first one as the gas mark and the second as the cylinder mark.³²⁸ The view that there were two trade marks is expressed again where the Court said 'Furthermore in this case there are two trade marks involved, the gas mark and the cylinder mark'.³²⁹ The Court also found:

'Where the same *word* constitutes the trade mark under more than one registration, each in respect of a separate class of goods, and the word is used upon an article which comprehends elements which fall within more than one of these classes of goods, the test as to *which of the registered trade marks is so used* should, in my view, be an objective one'.³³⁰

In the **MacDonald's** case, the Court indicated that McDonald's was the proprietor of 52 registered trade marks, 27 of which consisted of or incorporated the word 'McDonald' or 'McDonald's'.³³¹ In my submission it is not unwarranted to assume that even in stylized form the word McDonald or McDonalds's would be the most prominent feature of the trade marks, making the trade marks *identical*, consisting as they did of the same word. In the **Victoria's Secret** case, the Court did not express itself clearly on the question of whether it perceived there to be one trade mark or more. At one point the Court indicated that 'each [of the parties] made a number of applications to be registered as proprietor of the trade mark Victoria's Secret'³³² and later indicated that VS Inc 'is the registered proprietor of a number of VS [Victoria's Secret] trade marks in the United States'.³³³ In **Searles Industrials (Pty) Ltd v International Power Marketing (Pty) Ltd** (the **Jordache** case),³³⁴ the Court recorded that there were four trade marks involved in the dispute, all of them incorporating the word 'Watson' and a horse head device.³³⁵ The Court deliberately chose

³²⁶ The Appellate Division quoted the statement with approval in the **Victoria's Secret** case (at 745G).

³²⁷ At 227D-E.

³²⁸ At 227D-F.

³²⁹ At 233A.

³³⁰ At 233G-H, the emphases are mine, placed for the following reasons:

(a) The emphasis on 'word' is to highlight the fact that a word is a particular type of symbol (see para 2.3, *supra*); and

(b) The emphasis on 'is' indicates that the singular is being referred to, the Court clearly indicating that it is possible that one of two identical trade marks being used.

³³¹ At 10B.

³³² At 742 marginal letter 'I'.

³³³ At 743D.

³³⁴ 1982 (4) SA 123 (T).

³³⁵ At 125C.

which is registered and records that the successful applicant is the proprietor of the trade mark: the right is created by the TMA, not the common law.³⁴¹

It is my further submission that in situations in which an applicant presents for registration a registrable trade mark constituted from a symbol from which a common law trade mark has been constituted,³⁴² the Registrar is being asked to decide whether or not to register a *used registrable trade mark*: he is not being asked to register it because it is a common law trade mark. The definition of a trade mark in the TMA constitutes a used registrable trade mark from the symbol from which a common law trade mark has been constituted: the symbol has been used. The Registrar is being requested to register the registrable trade mark, which is constituted by the symbol in terms of the definition of trade mark, as 'a mark [that is or has been] used' for the requisite purpose.³⁴³

There is no question that the Registrar has the power to reject an application to register a trade mark, even where the applicant presents for registration a registrable trade mark constituted from a symbol that at the time of the application is being used as a trade mark.³⁴⁴ In my submission, the Registrar's power to grant or refuse an application for registration even of a registrable trade mark constituted from a symbol from which a common law trade mark has been constituted, is a significant piece of the mosaic of evidence establishing that the registration process is not just a statutory declaration, made in terms of the TMA, that a common law trade mark exists. If registration fails it has no effect on the common law right;³⁴⁵ if registration is granted it does not affect the common law trade mark.

³⁴¹ See para 6.3, above and the *Dan River Mills* case, at 306C.

³⁴² A common law trade mark is a mark that has been used as a trade mark and because the goods in relation to which it is used enjoy the reputation necessary to found a passing off action, it is thus protected at common law.

³⁴³ The purpose/function is indicated in the definition of a trade mark: s 2(1): see chapter 7 para 3.3.2, *infra*.

³⁴⁴ In *Nichols plc v Registrar of Trade Marks*, ECJ Case C-404/02, the UK Court had found that the Comptroller had wrongly exercised his power, not that he did not have such power.

³⁴⁵ The common law right to sue for passing off is unaffected and would, in my submission, have been unaffected regardless of s 33. This is seen most clearly in cases where a proprietor sues on the basis of both statutory infringement and passing off and the former fails: see also chapter 5 para 3.4, *infra*.

right, but a registrable trade mark³⁴⁹ that can be converted³⁵⁰ into a registered trade mark that enjoys the full statutory exclusive right as an item of IP.³⁵¹ In my submission, what this means is that it is not the common law trade mark which is registered but a registrable trade mark constituted from the same symbol from which a common law trade mark. So after registration there is a common law trade mark as well as a registered trade mark that are constituted from the same symbol: identical common law and registered trade marks. To determine whether or not a trade mark exists, one has to use *the criteria of either* the common law or the TMA: the existence of a trade mark in terms of one subsystem does not determine the existence of a trade mark in terms of the other system. The existence of the separate identical trade marks which are constituted from the same symbol may be explained as follows.

Once the requirements for the creation of a common law trade mark are met,³⁵² a common law trade mark, constituted from a particular symbol (eg, θ), exists. The trade mark exists in the incorporeal realm, as a concept that has been given a particular material form so as to render it perceptible.³⁵³ Once a common law trade mark θ exists, then when someone generates a specimen of symbol θ and exhibits it *in the trade mark context*,³⁵⁴ that specimen of symbol θ constitutes a replica of the common law trade mark θ .³⁵⁵ The specimen of the symbol is a replica of the trade mark because of the following factors:

- (1) It is a specimen of the symbol from which the trade mark is constituted (ie, the specimen has the same physical characteristics as the symbol that was used to constitute the trade mark); and
- (2) The specimen is exhibited within the trade mark context (ie, the facts and circumstances surrounding the symbol, as it is exhibited, indicate that the

³⁴⁹ It is a trade mark since it meets the requirements of the definition.

³⁵⁰ It is submitted that the registrable trade mark constituted from the symbol, is converted into a registered trade mark because after registration the existence of the registrable trade mark would serve no useful purpose – there is a registered trade mark in existence. The situation with regard to a common law trade mark is not comparable: after the registration of the registrable trade mark constituted from the symbol from which the common law trade mark is constituted, the common law trade mark remains. The common law trade mark still fulfils the function of *indicium* of the business reputation the goods have earned, since the business reputation is irrelevant to the registered trade mark *as such*: see chapter 3 para 3.1 and 4.2.3, *supra*.

³⁵¹ The symbol does not become a trade mark completely: see chapter 2 para 3.4, *supra*.

³⁵² See chapter 3 para 2.5, *supra*.

³⁵³ See chapter 2 paras 5.3 and 5.4, *supra*.

³⁵⁴ See point (2) below.

common law trade mark as giving rise to an enforceable right – the TMA does not recognize the common law trade mark except to a limited extent. The significance of any right is its enforceability: if there is *no possibility* of enforcement,³⁶² there is no right.

The submission that the registered and common law trade marks are separate entities is also supported by the following consideration: if the common law trade mark were registered, rather than a registrable trade mark constituted from the same symbol, there would be some indication that the right which already attached to the common law trade mark was carried over to the registered trade mark. The TMA, far from destroying, preserves existing common law rights in s 33. One would expect that if the common law trade mark right were carried over to the registered trade mark, there would be some difference between a registered trade mark constituted from a used symbol and a registered trade mark constituted from an unused symbol.³⁶³

The expected difference does not exist:

The common law right to the business reputation, ie the common law trade mark right, is not protected directly through the registered trade mark³⁶⁴ because:

- (i) The business reputation which vests in terms of the common law plays no role in the success or failure of any statutory infringement action,³⁶⁵ and
- (ii) The proprietor of a registered trade mark is not entitled to invoke the statutory action to obtain redress for any infraction of the rights which his identical common law trade mark enjoyed prior to registration.³⁶⁶

The expected difference would give effect to any common law trade mark right that existed, that is why it would be expected. Its absence tends to indicate that the right which

³⁶² One is not referring to situations in which there is a limited possibility of enforcement, such as with natural obligations, like gambling debts in terms of the common law.

³⁶³ The right acquired in terms of the TMA is the exclusive right to use the trade mark: see para 6.2, *supra*.

³⁶⁴ It is of no relevance in regard to the statutory infringement action whether or not a business reputation exists. The clearest evidence that the statutory infringement action is not aimed at protecting the business reputation is the fact that the infringement action is available even where the registered trade mark has not been used: see chapter 7 part [5], *infra*.

³⁶⁵ The requirement of *locus standi* to institute an action under s 34(1) is registration: the reputation is irrelevant to the protection provided in terms of the TMA (see chapter 5, *infra*).

³⁶⁶ This is because s 33 makes registration a condition precedent for the institution of a statutory infringement action under section 34(1). The retroactive effect of s 29(1), which deems a trade mark to have been registered on the date of application, makes the date of

[7]

EXCEPTIONS

Two provisions of the TMA which permit a SA court to take cognizance of, and which confer rights in respect of, trade marks that are not created in accordance with the provisions of the TMA: viz, (i) the protection provided for well known trade marks,³⁶⁷ and (ii) convention applications.³⁶⁸

This part of the chapter therefore consists of the following paragraphs:

- 7.1 Well-known trade marks
- 7.2 Convention applications

7.1 WELL-KNOWN TRADE MARKS

Section 35 of the TMA constitutes a limited exception to the principle that only by registration is the trade mark right provided for by the TMA acquired.³⁶⁹ A person that

³⁶⁷ Section 35, which transposes SA's obligations in terms of Art 6^{bis} of the Paris Convention for The Protection of Industrial Property into SA law. Art 6^{bis} reads as follows:

- (1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.
- (2) A period of at least five years from the date of registration shall be allowed for requesting cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.
- (3) No time limit shall be fixed for requesting cancellation or the prohibition of the use of marks registered or used in bad faith'.

R Kelbrick, 'The term well-known in South African trade mark legislation: some comparative interpretations', 2005 *CILSA* 435, indicates that the protection afforded by s 35 is exceptional in that it **runs contrary to the territorial nature of trade marks** (at 436).

³⁶⁸ Section 63.

³⁶⁹ The principal aspects of the section are as follows. Subsection (1) defines a mark which is entitled to protection in similar terms to Art 3 of the Paris Convention while subsection (2) provides for the commensurate interpretation of proprietor. Subsection (3) provides that

'The proprietor of a trade mark which is entitled to protection under the Paris Convention as a well-known trade mark is entitled to restrain the use in the Republic of a trade mark which constitutes, or the essential part of which constitutes, a reproduction, imitation or translation of the well-known trade mark in relation to goods or services that are identical or similar to the goods or services in respect of which the trade mark is well-known and where the use is likely to cause deception or confusion'.

used in SA.³⁷⁷ The authors argued that s 35 could be used in opposition proceedings where the proprietor could have relied on his common law rights, presumably, had they existed.³⁷⁸

The primary similarity between s 35 and the common law subsists in the fact that s 35 can be invoked in the absence of registration of the trade mark in SA. The similarity does not require, and is not sufficient to justify, the conferral of the common law passing off action. Spill over advertising, being *unintentional*, cannot be said to be part of the proprietor's trading activities (deliberate) in the jurisdiction in which the spill over material is received.³⁷⁹ The proprietor is ineluctably entitled to the benefit of his investment insofar as it attains the goals for which it is applied.³⁸⁰ A proprietor who conducts trade indirectly through other persons is also indubitably entitled to the benefit of such trade in SA.³⁸¹ It would, however, in my submission, also be equitable to extend protection to a foreign proprietor who can demonstrate that on the date when another person began trading activities in SA or applied for registration of the trade mark, he, the foreign trade mark proprietor, had already taken steps to commence trade in SA.³⁸² The date on which the person commenced trading in SA or lodged an application for registration in SA would be an appropriate date, as that is the date on which the person would have begun to appropriate the foreign proprietor's reputation.³⁸³

A foreign trader's protection under s 35 derives from SA law, even where he does not conduct trade in SA.³⁸⁴ The requirement that the trade mark must be well known locally is highly significant. The framers of the Paris Convention, or those responsible for its

³⁷⁷ The *McDonald's* case, the *Coachworks* case and the *Victoria's Secret* case, call into question the view that no reputation exists because there is no trade in SA: see chapter 3 para 4.2 (inclusive of all its sub-paragraphs), *supra*.

³⁷⁸ Section 10(12) and 10(14) of the TMA.

³⁷⁹ The significance of trading activities is highlighted in *AMM Moola Group v The GAP Inc* (the *GAP (D)* case), 2003 Commercial Law Reports 225 (D) (chapter 3 para 2.3.3, *supra*).

³⁸⁰ See chapter 3 para 2.3.3 (including its sub-paragraphs), *supra*.

³⁸¹ See the *Everglide* and the *Gold Flake* cases.

³⁸² Appropriate steps might include instructing legal representatives to launch an application for registration in SA directly or through the Madrid Agreement or Protocol, advertising in SA media with the intention of following it with actual trade within a reasonable time, or commencing negotiations with franchisees or agents who will trade in SA.

³⁸³ This would be by registration (statutory route) or use of the trade mark in relation to goods (the common law route).

³⁸⁴ It is therefore my submission that the decision in the *Coachworks* case was an unnecessary duplication of the protection s 35 provides.

the application in SA (the convention application)³⁹¹ is made within six months of the date on which the application is made in the 'country of origin'.³⁹²

The two central aspects of the convention arrangements are:

- (i) A person who is an applicant for registration of, or the proprietor of, a trade mark in a convention country is entitled to priority over any other applicant for registration of a trade mark in terms of the TMA; and
- (ii) A convention applicant is entitled to registration retrospective to the date of the application in the jurisdiction on which his SA (convention) application is based.³⁹³

Section 63 does not depart significantly from the general rule that the TMA is the source of the rights and that the substrate upon which the rights rest must exist in SA,³⁹⁴ since it does not guarantee registration in SA and registration must still be obtained in SA.



³⁹¹ Union shall determine the conditions for the filing and registration of trade marks (the principle of national treatment).

³⁹² A convention country is a country other than the country of origin.

³⁹³ Country of origin means the country of which the applicant is a national (Art 2(1)) or is domiciled or has a real and effective industrial or commercial establishment (Art 3).

³⁹⁴ *Ibid.* The retrospective effect does not allow an applicant to recover damages for infractions in SA prior to the applicant advertising the acceptance of his application (see s 63(3)(b)). There is a special *international substrate*, in keeping with SA's international obligations.

The main requirement of category (a) above is that the trade mark must be capable of distinguishing the proprietor's goods.⁴⁰⁷ Many of the qualities which a trade mark must display are defined in relation to a 'mark' (symbol) from which a trade mark is constituted.⁴⁰⁸ The qualities a trade mark must display are defined positively in s 9 and negatively in s 10 of the TMA.⁴⁰⁹ The qualities of a trade mark capable of distinguishing were considered in relation to common law trade marks.⁴¹⁰ In terms of the TMA both inherently distinctive symbols and symbols that have acquired distinctiveness, by them developing of a secondary meaning, may be registered.⁴¹¹

The main requirement of group (b), a *bona fide* claim to proprietorship, is representative of the requirements of the entire group. The requirement is a product of SA's reliance on English legislative precedent in trade mark matters.⁴¹² The requirement was introduced into the first English registration Act and has been a feature of the English legislation since.⁴¹³ The first English legislation solved the problem of a trade mark not being *in esse* at the time of the application for registration of an unused symbol, by including a provision deeming an application for registration of a trade mark to be equivalent to public use of a trade mark.⁴¹⁴ This deeming provision was not included in the 1938 English Act, and this led to interpretational difficulties.⁴¹⁵ SA law experienced the same interpretational difficulties because the SA statutes never contained the deeming provision. The principal difficulty is that the provisions in both SA and English law demand a present claim, while the courts appear to have been of the view that the trade mark constituted from an unused symbol was not *in esse* and a present claim therefore not possible.⁴¹⁶ The solution to the problem in SA law is to be found in the definition of a trade mark: once it is proposed to use a symbol as a trade mark, a trade mark *exists*.⁴¹⁷ Claiming proprietorship creates a

⁴⁰⁷ See para 2.2, *supra*.

⁴⁰⁸ *Ibid.*

⁴⁰⁹ See para 3.1, *supra*.

⁴¹⁰ See chapter 3 para 2.2, *supra*.

⁴¹¹ See para 3.1, *supra*.

⁴¹² See para 4.1, *supra*.

⁴¹³ See para 4.1.1, *supra*.

⁴¹⁴ *Ibid.*

⁴¹⁵ *Ibid.*

⁴¹⁶ See para 4.2, *supra*.

⁴¹⁷ See para 3.3.1, *supra*.

person must have acquired common law trade mark rights in respect of his trade mark.⁴³⁰ Each person still has an exclusive right: there are two trade marks and each person has the exclusive right to his trade mark.⁴³¹ The TMA allows concurrent registration of identical or confusingly similar trade marks,⁴³² primarily because of the serious inequity that would flow from depriving one person of the advantages of registration.⁴³³ The not insignificant period of user required to establish concurrent rights diminishes the risk of confusion,⁴³⁴ but the public interest is weighed up against the claims of the concurrent users.⁴³⁵

The effect of registration is analyzed and it is established that registration has no impact on the common law trade mark.⁴³⁶ The TMA provides for only one type of registered trade mark.⁴³⁷ There is consequently no difference between:

- (a) A trade mark constituted from the same symbol (mark) as that from which a common law trade mark is constituted (a used symbol) and an unused symbol; and
- (b) The exclusive right that subsists in a trade mark constituted from an unused symbol and one constituted from a common law trade mark.⁴³⁸

A registered trade mark is created from the registrable trade mark.⁴³⁹ A registered trade mark right comes into existence immediately upon registration,⁴⁴⁰ publication being achieved by application of the doctrine of constructive notice.⁴⁴¹

Two exceptions to the general rule that trade marks created in terms of the TMA enjoy the rights it confers, were also considered, viz the protection afforded to well-known trade marks⁴⁴² and the provision for applications from convention countries.⁴⁴³ The fact that the protection afforded by s 35 of the TMA is also available to foreign common law trade marks is a departure from the statutory scheme, but the fact that the trade mark must be

430

Ibid.

431

Ibid.

432

See para 5.1, *supra*.

433

Ibid.

434

Ibid.

435

See paras 5.1.1 and 5.1.2, *supra*.

436

See para 6.2, *supra*.

437

See para 6.3, *supra*.

438

See para 6.4, *supra*. This confirms that a common law trade mark and an unused symbol presented for registration are both just registrable trade marks for purposes of the TMA.

439

See para 6.3, *supra*.

440

Ibid.

441

Ibid.

442

See para 7.1, *supra*.

that is correct then the statute that provides for registration in each jurisdiction in which a trade mark is registered, creates the statutory trade mark. The trade mark's existence is limited to the jurisdiction in which the registration statute that creates it operates.⁴⁵² The registration statutes of the various jurisdictions operate completely independently of each other, each registration statute deriving its force from the legislature in a sovereign independent state (jurisdiction).⁴⁵³ The registered trade mark created in each jurisdiction, is therefore a separate entity independent of every other identical registered trade mark created in every other jurisdiction, notwithstanding that each trade mark derives from the same potentially ubiquitous symbol.

The act of registration creates the registered trade mark even though registration is deemed to have taken place retrospective to the date the application for registration was lodged.⁴⁵⁴ So the registered trade mark and the concomitant exclusive right only exist by virtue of registration.

If registration in terms of the TMA were merely declaratory there should have been an indication that upon meeting the common law criteria for qualifying as a trade mark it is entitled to registration. Instead of such a reference, the TMA simply refers to the preservation of common law rights.⁴⁵⁵ The preservation of common law rights indicates that there are, per contra, statutory rights, which the TMA creates.⁴⁵⁶ Since the statutory right alluded to cannot exist unless there is compliance with the TMA, the TMA therefore creates the statutory right for which the applicant qualifies by meeting its requirements.⁴⁵⁷ Registration therefore procures the transmutation of the registrable trade mark constituted from the symbol from which a common law trade mark is constituted, into a registered trade mark.

⁴⁵¹ See para 5.1, *supra*.

⁴⁵² One could also say that the trade mark is created in accordance with the provisions of the statute, which amounts to the same thing.

⁴⁵³ See chapter 6, *infra*.

⁴⁵⁴ The act of registration brings the deeming provision of s 29(1) into operation.

⁴⁵⁵ Section 33.

⁴⁵⁶ In my submission this is a fair inference to be drawn from the fact that s 33 refers to the right to institute an infringement action under s 34 and s 33 indicates that without compliance with the requirements of the TMA this right is not available. The right is a statutory one.

⁴⁵⁷ There would, I submit, be no point to the elaborate machinery set up by the TMA if the statutory right enjoyed by the proprietor of a registered trade mark could be acquired without compliance with its provisions.

CHAPTER FIVE

THE RELATIONSHIP BETWEEN IDENTICAL COMMON LAW AND REGISTERED TRADE MARKS IN SA LAW

[1]

INTRODUCTION

This chapter, which is structured as follows,

- 1 Introduction
- 2 Synthesis: creation of a trade mark at common law and in terms of the TMA
- 3 Principal differences between common law and registered trade marks
- 4 Characteristics of the relationship between identical common law and registered trade marks
- 5 Conclusions

This chapter draws together some of the main strands of the analysis thus far and concludes the discussion of the creation of common law¹ and registered trade marks.² A synthesis of the principal features of the creation of a trade mark is presented.³ The principal differences between common law and registered trade marks are re-emphasized because these differences play a significant role in (a) indicating that common law and registered trade marks are separate entities, and (b) determining the nature of the relationship between the common law and registered trade marks.⁴ The characteristics of the relationship between identical common law and registered trade marks is discussed,⁵ with special attention being paid to the English case, *Inter Lotto (UK) Ltd v Camelot Group plc* (the *Hotpicks* case)⁶ which illustrates important aspects of the relationship. Finally some conclusions are drawn from the discussion.⁷

¹ The protection of the common law trade mark by the passing off action was also discussed.

² The creation of trade marks is the first part of establishing the *situs* of the right, the other part consists of the establishing where the right is enforceable.

³ Part [2] takes the form of a synopsis of chapters 2, 3 and 4.

⁴ The examination of these differences is the substance of part [3] of the chapter.

⁵ This is done in part [4] of the chapter.

⁶ The *Hotpicks* case is comprised of two decisions: the *Hotpicks (ChD)* case, [2003] 3 All ER 191 (ChD) and the *Hotpicks (CA)* case, [2003] 4 All ER 575 (CA).

⁷ This is done in part [5] of the chapter.

the distinction between a trade mark and a symbol is the continued existence of the symbol after the creation of the trade mark.¹⁹

The common law and statutory trade mark rules operate semi-independently of each other.²⁰ The result of the rules operating semi-independently of each other is that a trade mark can be created in terms of the rules of each of SA's trade mark law subsystems without reference to the other.

Each of two persons, acting independently and *bona fide*, can create a common law trade mark from the same symbol,²¹ by using the symbol in relation to his goods for the purpose of indicating that *he* is the trade origin of the goods until the goods acquire a business reputation (previously goodwill). Each person acquires an independent trade mark and they have rights of honest concurrent user in relation to each other.²² Where persons hold rights of honest concurrent user, neither infringes the other's right by using his trade mark.²³ Rights of honest concurrent user entitle each common law trade mark proprietor to register his trade mark, notwithstanding the identity or apparent confusing similarity of the trade marks.²⁴

If the common law and TMA (statute) each create a trade mark from the same symbol, two identical yet separate independent trade marks come into existence in SA.²⁵ The trade marks are created by separate legal rules operating semi-independently of each other, even though both sets of rules are rules of SA law.²⁶ The existence of multiple trade marks constituted from the same symbol is not contrary to IP principles as separate independent copyrights can exist in identical works created by different authors.²⁷

¹⁹ See chapter 2 para 3.2, *supra*.

²⁰ See chapter 2 para 4.3.3, *supra*.

²¹ See chapter 3 para 2.4, *supra*.

²² See chapter 3 para 2.4 and chapter 4 para 5.1, *supra*.

²³ *Ibid.* The key to honest concurrent user is the goodwill each has amassed.

²⁴ See chapter 4 para 5.1, *supra*. They are identical and yet distinctive and their simultaneous use without action provides proof.

²⁵ The existence of separate independent trade marks created from the same symbol also finds support in *Sidewalk Café's (Pty) Ltd t/a Diggers Grill v Diggers Steakhouse (Pty) Ltd & Anor* (the *Diggers Grill* case), 1990 (1) SA 192 (T) (see chapter 4 para 4.5.1, *supra*), the *Hotpicks* case, (see para 4.2.2.1, *infra*) as well as recognition of honest concurrent user: see chapter 3 para 2.4 and chapter 4 para 5.1, *supra*.

²⁶ See chapter 2 para 6.1, *supra*.

²⁷ *Ibid.*

The requirement of a business reputation implies that even though the trade mark as *factual entity* is created by its first public use, because the exclusive right only becomes enforceable, by means of the passing-off action once the requisite business reputation is acquired,³⁸ the common law trade mark *as IP* only comes into existence once the necessary business reputation is acquired.³⁹

The damage in passing-off cases generally takes the form of the filching or potential filching of the plaintiff's custom.⁴⁰ Filching custom diverts the benefit of the plaintiff's business reputation to the defendant, the damage thus consisting of the proprietor being deprived of the full benefit of his business reputation.⁴¹

A registered trade mark is created by registration of a trade mark⁴²

- (a) that the applicant proposes to use, to indicate that he is the trade origin of goods in relation to which it is proposed to be used (the proposal to use the symbol as his trade mark, which is made when the application for registration is lodged, constitutes a registrable trade mark from the symbol – the trade mark constituted by the proposal is an *unused registrable trade mark*),⁴³ or
- (b) that the applicant has used or at the time of the application is using, to indicate that he⁴⁴ is the trade origin of the goods in relation to which the trade mark is being or has been used (the fact that the symbol has been used means the symbol is one that is 'used' at the time of the application and for that reason constitutes a *used registrable trade mark* – the registrable trade mark is used because the symbol from which it is constituted has been used or is being used.⁴⁵ The date of the

³⁸ See chapter 3 para 4.1, *supra*.

³⁹ *Ibid.*

⁴⁰ See chapter 3 para 4.4, *supra*.

⁴¹ *Ibid.*

⁴² See chapter 4 para 6.3, *supra*.

⁴³ See chapter 4 para 3.3, *supra*.

⁴⁴ The trade mark does not refer to or identify him by name therefore it can be transferred from one person to another and will identify the proprietor, the person who occupies that position or holder of that 'office' at the relevant time.

⁴⁵ *Ibid.* The TMA requires the quality of being used to attach to the symbol and does not postulate the requirement that the symbol constitute a trade mark. Where the trade mark is not longer in use in trade and the residual goodwill has dissipated there is no trade mark but the symbol is undeniably one that is used in the sense that it is not a symbol that has not been used. When someone proposes to register (and in compliance with s 10(4) of the TMA to use) the symbol as a trade mark, the application is in respect of a used symbol which the applicant proposes to re-use or recommence using. In other words there is a

of the limited forays of statutory provisions into the overwhelmingly common law area of contract law). Goodwill is by and large irrelevant to the TMA and by extension the creature of the TMA, the registered trade mark (as well as its predecessor the registrable trade mark).

Registration of a trade mark appears to 'record' the existence of the *registrable* trade mark, but it creates the statutory exclusive trade mark right and thereby indicates that the registered trade mark, an item of IP, has been constituted.⁵² Registration in that sense converts the registrable trade mark into a registered trade mark. The TMA allows for the registration of a trade mark, even before it is used as a trade mark,⁵³ because as soon as a person *proposes* to use a symbol as a trade mark, a registrable trade mark comes into existence even without it being used.⁵⁴

In practical terms it *appears* that the principal effect of registration of a trade mark constituted from the same symbol from which a common law trade mark is already constituted, is to confer the exclusive statutory right on a common law trade mark so that the statutory infringement action becomes available to defend that trade mark *per se*.⁵⁵ This is not the position, as we have just seen: prior to the application for registration insofar as the TMA is concerned there is not even a registrable trade mark in existence.

The main substantive requirements for registration are:

- (i) A distinctive trade mark;⁵⁶ and
- (ii) A *bona fide* claim to proprietorship of the trade mark.⁵⁷

The definition of a mark (symbol), from which a trade mark is constituted, imports the requirement that it must be capable of distinguishing the proprietor's goods.⁵⁸ In essence this requirement means that the symbol must be distinctive⁵⁹ so that it can be understood

⁵² See chapter 4 para 6.3, *supra*.

⁵³ See chapter 4 para 3.3.1, *supra*.

⁵⁴ *Ibid*.

⁵⁵ The advantage to be derived from this is that the proprietor does not have to prove that he is the proprietor of business reputation represented by the trade mark, just that he is the proprietor and that it was used without his authority under the relevant circumstances: see chapter 7 paras 5.2.3 and 5.2.5, *infra*.

⁵⁶ See chapter 4 para 3.1, *supra*.

⁵⁷ See chapter 4 part [4], *supra*.

⁵⁸ See chapter 4 part [3], *supra*.

⁵⁹ See chapter 4 para 3.1, *supra*.

A conspectus of the requirements indicates that the TMA does not require an applicant to present a common law trade mark for registration.⁶⁸ The fact that a common law trade mark has been constituted from the same symbol from which a registrable trade mark that is the subject of an application for registration has been constituted, has no effect on the protection the TMA confers on a registered trade mark.⁶⁹ The statutory infringement action protects and enforces the registered right without proof of the existence of a common law right.⁷⁰ This indicates that the TMA creates a single uniform statutory right.⁷¹ The uniformity of the statutory right therefore means that it does not make a difference whether in his application for registration the applicant submits an unused registrable trade mark or a used registrable trade mark, constituted from a symbol from which a common law trade mark has been constituted – an identical registered trade mark right is created in all cases.

The right created by registration,⁷² is separate from and independent of the common law right, even though both rights *appear to vest in the same symbol*. The trade mark *per se* is the object of the registered right whereas the business reputation which the trade mark represents is the direct object of the common law right.⁷³ The common law trade mark is an *indicium* of the business reputation, so the effect of protecting the business reputation is to ensure the proprietor of the business reputation the exclusive right to use the common law trade mark,⁷⁴ making it his property.

Sections 35 and 63 of the TMA confer trade mark rights in respect of trade marks that are not registered in accordance with the provisions of the TMA.⁷⁵ These provisions create limited exceptions to the general rule that the TMA is the *source* of the rights that are exercisable in terms of, and protected by, its provisions.⁷⁶

⁶⁸ See chapter 4 para 6.3.1, *supra*.

⁶⁹ *Ibid.*

⁷⁰ *Ibid.*

⁷¹ See chapter 4 para 6.4, *supra*.

⁷² See chapter 4 para 6.3, *supra*.

⁷³ See para 3.1, *infra*. The common law right is a trade mark right because the *indicium* of the entity in which the right subsists is used to indicate trade origin of the goods and this entity is protected even though indirectly.

⁷⁴ See chapter 3 para 4.2.3, *supra*.

⁷⁵ See chapter 4 paras 7.1 and 7.2, *supra*.

⁷⁶ *Ibid.*

[3]

PRINCIPAL DIFFERENCES BETWEEN COMMON LAW AND REGISTERED TRADE MARKS

The differences between registered and common law trade marks are considered under the following subheadings:

- 3.1 Introduction
- 3.2 Creation of Identical Trade Marks
- 3.3 Protection of the Trade Marks
- 3.4 The Right Protected
 - 3.4.1 Business reputation
 - 3.4.2 Disclaimers
 - 3.4.3 Expunged trade marks

3.1 INTRODUCTION

A common law trade mark is constituted from a symbol once its use to distinguish goods has led to the goods, in relation to which it is used, acquiring a business reputation which is protected by the passing off action.⁷⁸ The registered trade mark is constituted from the symbol by registration and the proprietor acquires the exclusive right to use it, a right protected by the statutory infringement action.⁷⁹

The common law and statute law of SA are not independent of each other and in many areas they are integrated with and complement each other.⁸⁰ In the realm of trade marks, however, the common law and TMA operate side by side with each other:

- (i) They provide different methods for the creation of trade marks;⁸¹
- (ii) They confer different rights;⁸² and
- (iii) They provide different mechanisms for the enforcement of the rights which they confer.

⁷⁸ The protection is available once the requisite business reputation has been acquired: see chapter 3 part [5], *supra*.

⁷⁹ See chapter 4 part [8], *supra*.

⁸⁰ MN Shúillebháin, 'Common-Law Protection of Trade Marks – The Continuing Relevance of the Law of Passing Off', (2003) 34 *IIC* 722, at 750.

⁸¹ See para 3.3, *infra*.

⁸² The main difference is that the statutory entity is protected in its own right whereas the common law trade mark is really an adjunct to the business reputation.

The main reason why separate trade marks are constituted from the same symbol is that the symbol is a *constituent element* of a trade mark, not the trade mark.⁸⁸

Not every specimen of a symbol, from which a registered trade mark is constituted, is a replica of the registered trade mark constituted from the same symbol.⁸⁹ It is only when the symbol is used (ie exhibited) in a manner in which it fulfils the trade origin function or under circumstances in which the exhibition of the symbol impinges on the trade origin function,⁹⁰ or can lead to the dilution of the distinctiveness of the registered trade mark constituted from the symbol,⁹¹ that it is a replica of the trade mark: under other circumstances it is just a symbol. Every *trade mark*, however, that displays the physically perceptible characteristics of the registered trade mark in SA is a replica (representation) of that registered trade mark.⁹² The fact that the symbol is not a trade mark under all circumstances makes it easier to see that it is fallacious to reason that the symbol is a trade mark for purposes of the TMA because it is a trade mark for purposes of the common law: the common law and the TMA stand apart from each other as two subsystems of law, even though both are both parts of SA law.⁹³

Even though one person may be the proprietor of identical common law and registered trade marks, for purposes of analytical clarity, and in order to accurately reflect the legal position, it is argued in this thesis that one has to deal with the position in respect of each trade mark completely separately from that of the other.

⁸⁸ See chapter 2 para 5.2, *supra*.

⁸⁹ See chapter 2 para 3.4, *supra*.

⁹⁰ That is, in the context in which it is exhibited it is likely to be construed as indicating the trade origin of goods in relation to which it is situated.

⁹¹ The term 'dilution' is used to cover all those circumstances in which use of the trade mark would constitute an infringement in terms of s 34(1)(c). The use must be in the course of trade in relation to goods: *The GAP Inc v AM Moolla Group Ltd* (the *GAP (D)* case), 2003 Commercial Law Reports 225 (D).

⁹² The circumstances under which the symbol is used distinguishes trade mark infringement from non infringing use of the symbol. The trade mark right is infringed where the symbol is used to indicate trade origin (s 34(1)(a) and 34(1)(b)) or the use is likely to lead to dilution of the trade mark (s 34(1)(c)).

⁹³ This is similar to the position of customary law as opposed to the common or statutory law. The co-existence of the common law and statutory law in a single jurisdiction is observable in all common law jurisdictions: Shúillebháin, *op cit*, indicates that this position prevails in both England and Ireland.

misrepresentation or the action is based on the similarity of the get up or trade dress of which the trade mark is generally be a part – the trade mark is protected.

The more significant difference is that an infringement action provides direct protection to the producing entity and indirect protection to the product, while the passing off action provides protection to the product directly and the producing agent indirectly, as now explained. The trade mark is very often an important agent in the generation of the business reputation that trademarked goods enjoy¹⁰⁰ – in that sense it is the business reputation's production agency; hence the argument that the infringement action protects the producing entity directly, the product indirectly. The business reputation, which the trade mark plays an important role in generating,¹⁰¹ the product, is what passing off protects directly.

3.4 THE RIGHT PROTECTED

The common law and statutory right are not the same right because they derive from separate legal rules and *the trade marks in which the rights subsist only have identical physical characteristics but not legal characteristics*.¹⁰²

Three major considerations indicating that the common law trade mark and the registered trade mark *right* are separate and distinct entities are the significance of a business reputation, disclaimers in regard to registered trade marks and the common law protection enjoyed by a trade mark that has been expunged from the register.

3.4.1 BUSINESS REPUTATION

The need for business reputation is a prime indication that the passing off action and infringement action protect different rights. The differences between the respective rights protected, indicates that the protection the passing off action affords the common law trade mark is indirect whereas the protection the infringement action affords the registered

¹⁰⁰ Rutherford, *Advertising Value*, at 56; Schechter, *Rational Basis*, at 819.

¹⁰¹ The trade mark plays this role even if only to the extent that it, the trade mark, serves as the receptacle or focal point of the positive attributes that constitute the business reputation which the goods enjoy. The existence of s 34(1)(c) of the TMA clearly evidences the fact that the attributes with which the trademarked goods are associated must be positive.

¹⁰² See chapter 2 para 6.1, *supra*.

Disclaimers made in terms of s 15 of the TMA have no impact on common law rights in respect of passing off.¹¹⁰ Disclaimers are really not feasible at common law because the passing off action can be based on and therefore protects the complete get up of the goods, the trade mark only constituting a part of the get up.¹¹¹ The reliance on the total get up suggests that there is only a small chance of a disclaimer having the desired effect, assuming the common law trade mark proprietor could find a method of including a disclaimer since there is no formal procedure by which the trader declares what his trade mark consists of.

The clear differences between the common law and statutory (TMA) circumstances are acknowledged in the proviso to section 15 which stipulates that only rights that arise from registration are affected by the insertion of a disclaimer. The proviso does not invest the common law proprietor with any rights but ensures that the interposition of registration in terms of the TMA does not affect any existing rights in the identical common law trade mark. In my submission the proviso could be taken to hint at there being one trade mark in which two sets of rights subsist. Such a reading of the provision is not warranted as the TMA, which does not invest (create) any common law rights cannot be, and in my submission is not, a basis for determining that the same trade mark as created at common law is created in terms of its provisions.

A disclaimer creates a situation in which the entity in and to which the proprietor has exclusive rights, even though in appearance includes the feature or matter disclaimed, is in law an entity from which the disclaimed feature is excluded. The common law trade mark, by contrast includes the feature or matter that has been statutorily disclaimed.¹¹²

¹¹⁰ The proviso to s 15 reads:

'Provided that no disclaimer or memorandum on the register shall affect any rights of the proprietor of a trade mark except such as arise out of the registration of the trade mark in respect of which the disclaimer is made'.

¹¹¹ See the *Blue Lion Manufacturers (Pty) Ltd v National Brands Ltd* (the *Tea Lovers* case), 2001 (3) SA 884 (SCA) in which the Court considered the similarity of lettering style and colour of the dissimilar trade marks a factor in deciding whether or not there was a confusing similarity in the respective get ups of the products.

¹¹² The disclaimer, so to speak, creates a registered trade mark *sans* the feature disclaimed a different entity to the common law trade mark *cum* the feature disclaimed in terms of the TMA. They cannot be the same entity, otherwise the disclaimer is meaningless, and that cannot be the case.

[4]

CHARACTERISTICS OF THE RELATIONSHIP BETWEEN IDENTICAL COMMON LAW AND REGISTERED TRADE MARKS

The discussion in this part of the chapter is conducted under the following subheadings:

- 4.1 General overview
 - 4.1.1 Cooperative relationship
 - 4.1.1.1 Simultaneous exercise of rights
 - 4.1.1.2 Concurrence or cumulation of actions
 - 4.2 Divergent relationship
 - 4.2.1 Honest concurrent user
 - 4.2.2 Ordinary circumstances
 - 4.2.2.1 The *Hotpicks* case

4.1 GENERAL OVERVIEW

The SA common law and TMA (statute) being subsystems and parts of a single legal system must perforce coexist with each other, and in practice the operation of the one impinges on the other.¹¹⁷ The pivot around which the orderly coexistence of identical common law and TMA revolves, is the common law *qui prior est tempore potior est iure* principle,¹¹⁸ which has also been statutorily enshrined.¹¹⁹ Were it not for the *qui prior est tempore* principle the lawmaking authorities would have been compelled to decide on only one method of trade mark creation – the common law or statute; otherwise there would have been clashes where different persons asserted rights to identical common law and statutory trade marks, which would have rendered the system unworkable.

¹¹⁷ See the discussion of the *Hotpicks* case, at para 4.2.2.1, *infra*. The common law and statute interface is governed by the *qui prior est principle*. The TMA does not recognize the common law trade mark, in the sense of not enforcing, but will not confer a right that conflicts with, the common law right.

¹¹⁸ See *Victoria's Secret Inc v Edgars Stores Ltd* (the *Victoria's Secret* case), 1994 (3) SA 739 (SCA), at 752D-E and the *GAP (SCA)* case, where the Court says the question is since when were the trade marks well known in SA (at 253g).

¹¹⁹ This principle is enshrined in the proviso to s 33 as well as s 10(15) of the TMA.

In terms of the common law no exclusive right subsists in a trade mark by virtue of its registration alone therefore the registered trade mark does not constitute an item of IP in terms of the common law *purely as a result of its registration*: in terms of the common law a registered trade mark is not the object of a subjective trade mark right.¹²⁷ A common law trade mark is constituted where a distinctive symbol, affixed¹²⁸ to goods to indicate their trade origin, is used publicly to the extent that the goods develop a business reputation among a substantial number of customers *and* potential customers.¹²⁹ A registered trade mark constituted from an unused symbol clearly does not meet the criteria described in the last sentence and is therefore not a common law trade mark.

When a registered trade mark has been constituted from an unused symbol and someone uses that trade mark, if the position is examined from the point of view of the TMA, the person has *used* the registered trade mark. This is because the TMA recognizes that symbol when used in the trade mark context,¹³⁰ is a replica of the registered trade mark. If the position is examined from the common law perspective, however, the person has not used a *common law trade mark*, because the common law criteria for constituting a trade mark from the symbol have not been met.¹³¹

¹²⁷ See chapter 2 part [5], *supra*.

¹²⁸ Affixation is the most common method by which a trade mark is brought into relation to goods: see chapter 7 para 2.5.1, *infra*.

¹²⁹ The word 'and' is emphasized to indicate that without actual customers potential custom is extremely difficult to determine: see chapter 3 para 4.2.2.2, *supra*. The fact that an interdict is often the desired and most effective remedy in cases of passing off, does not mean there is no difference between actual infringement and an apprehension that there will be infringement, the latter being sufficient for the acquisition of an interdict: **LAWSA** volume 11, 1st Reissue, Butterworths, Durban, (1998), title 'Interdict' by Mr Justice LTC Harms, para 311 indicates that the second requirement for obtaining an interdict is 'an injury actually committed or reasonably apprehended'. Injury means the infringement of a right that has been established (first requirement) and the resultant prejudice (**Setlogelo v Setlogelo** 1914 AD 221, at 227) and prejudice is not synonymous with damages (**Volkscas v Barclays Bank**, 1952 (3) SA 343 (AD), at 347C-D) and the test whether prejudice is reasonably apprehended is objective (the **Holiday Inns** case, at 930H – 932D).

¹³⁰ Use of a symbol in the trade mark context means use thereof under circumstances in which it fulfils the trade origin function or can be construed as doing so.

¹³¹ The criteria are described in the second last sentence of the previous paragraph. Cases in which a secondary meaning has to be acquired help to illustrate the point (see chapter 3 para 2.2.3 and chapter 4 para 3.1, *supra*). Until the secondary meaning has been acquired, there is a symbol, not even a trade mark in fact because the symbol is not distinctive of the goods that emanate from the 'proprietor' and therefore does not constitute a common law trade mark (see chapter 3 para 2.2.3, *supra*). The common law trade mark must have a reputation as indicative of a particular origin (this origin may be anonymous: see chapter 3 para 2.1, *supra*) among a substantial number of people who are customers *and* potential customers of the business. The reason for the symbol not constituting a trade

there is full recognition of the right in and to a trade mark that the trade mark constitutes an item of IP, ie the object of an IP right, in terms of the common law or statute.¹³⁴ An example may help to illustrate the point.

A novel that does not enjoy copyright protection is a *novel in fact*, but not an item of IP, the object of a subjective right, which a copyright work is.¹³⁵ At common law, a symbol constitutes a trade mark in fact once it is affixed to goods in a manner in which it indicates the trade origin of the goods.¹³⁶ The trade mark must be used for the purpose of indicating the trade origin of the goods, no matter what form the relation between the trade mark and the goods may take.¹³⁷

¹³⁴ This is the distinction drawn between a trade mark in fact and a trade mark as a legal construct and item of IP: chapter 2 para 5.2, *supra*.

¹³⁵ The enjoyment of copyright is not purely a result of it constituting a literary work but of its compliance with the requirements laid down by the CRA: see Copeling & Smith, **LAWSA** 2ed vol 5 part 2 para 16; see also chapter 2 para 5.1, *supra*.

¹³⁶ The origin relationship between the proprietor and the goods is indicated by the context in which the trade mark is used. Eg, in ***South African Football Association v Stanton Woodrush (Pty) Ltd t/a Stan Smidt & Sons and Anor*** (the ***Bafana Bafana*** case), 2003 (3) SA 313 (SCA), the symbol 'Castle' affixed to the players' jerseys, did not indicate that the jerseys originated in the proprietor of the trade mark CASTLE (the trade mark being best known for its association with beer produced by the Sabmark) but that the proprietor of the trade mark CASTLE was the sponsor of the team. Clearly the trade mark is being used here as a vehicle for publicity, not in relation to goods to indicate their origin, as is required to constitute a common law trade mark. Similar remarks to those made in regard to the ***Bafana Bafana*** case can be made in relation to the ***Trebor Bassett*** case, [1997] FSR 211 and the ***Dr Peppers*** case, [1984] FSR 269: see chapter 3 para 2.3.3, *supra* and chapter 7 para 2.5.3, *infra*.

¹³⁷ A trade mark can be used in direct relation to the goods, such as where the trade mark is used on the goods, a container into which the goods are placed or a label tag or other device placed on or attached to the goods. Use of the trade mark in direct relation to goods is generally use in physical relation to the goods.

A trade mark can be used in indirect relation to the goods. This most often occurs in cases of advertisements depicting the goods with the trade mark affixed to them or references to the goods in trade documents, such as orders and invoices for the goods (eg, supply ten cases of Fanta orange cool drink). There is thus a relationship between the trade mark (generally a word trade mark) and the goods in relation to which the trade mark is being used. Use of a trade mark in indirect relation to goods is covered by the words 'or in other relation' to the goods in s 2(3)(a) of the TMA

A trade mark can be used in oblique relation to goods, ie where there is simply a mention of the trade mark, often also in advertising, eg, 'Drink Canada Dry' with *no depiction* of the Canada Dry cool drink or reference to the cool drink (the product with which the trade mark is associated) or 'Have a ding dong day, Dairy Belle!' *without a depiction or reference to any of the dairy products that are marketed under the trade mark*, DAIRY BELLE. Oblique reference is also covered by the phrase 'or other relation to' the goods in s 2(3)(a) of the TMA. Oblique reference relies on prior knowledge of the goods to provide the context to a far greater degree than other forms of relation (see Lord Stein 'The Intolerable Wrestle with Words and Meanings', 1997 **SALJ** 656).

trade mark existed, even though for purposes of the TMA its existence only became relevant at the time the person made an application for registration of the trade mark.¹⁴⁵

Having briefly discussed the manner in which identical common law and registered trade marks come into existence in practice, we now examine the characteristics of the relationship.

4.1.1 COOPERATIVE RELATIONSHIP

The principle feature of a cooperative relationship between an identical common law and registered trade mark is that as a result the simultaneous exercise of the respective trade mark rights there is an apparent 'cumulation' of actions. The cumulation of actions is apparent rather than real: there is a different action to protect each trade mark, but because both trade marks are constituted from the same symbol, it appears that there are two actions protecting one trade mark.

The cooperative relationship is the predominant one because the operation of the *qui prior est* principle results in one person's rights taking precedence over those of the other, except where there is honest concurrent user.¹⁴⁶

4.1.1.1 Simultaneous Exercise of the Common Law and Statutory Rights

In terms of both the TMA and the common law the proprietor enjoys the exclusive right to use a trade mark.¹⁴⁷ A person who is the proprietor of identical common law and registered trade marks therefore holds both a common law and statutory trade mark right. A person who is the proprietor of both a common law and a registered trade mark, constituted from

¹⁴⁵ A person who applies for registration of a trade mark that he has already used, had a *bona fide* claim from the date he first used the trade mark, but that *bona fide* claim was not exclusive by virtue of the TMA, even though at common law he may have had the exclusive right to use the trade mark. The exclusive statutory right only vests when the trade mark is registered. The *bona fide* claim only becomes exclusive when the action under s 34(1) can be instituted.

¹⁴⁶ See chapter 3 para 2.4 and chapter 4 para 5.1, *supra*; para 4.2.1, *infra*.

¹⁴⁷ See chapter 3 para 5.4.2 and chapter 4 para 6.3, *supra*. Shúillebháin indicates that the legality of a single act may be determined by two separate bodies of law (*op cit*, at 750). She appears to be of the view that there is dual protection for a single trade mark.

4.1.1.2 Concurrence or Cumulation of Actions

The passing-off action and the statutory infringement action can complement each other, providing the proprietor with twin pronged protection, eg in the *Jordache* case and the *Eating Out* case the proprietors instituted both actions.¹⁵² If the trade mark is the mechanism the defendant uses to make the misrepresentation and the trade mark is registered, the plaintiff can sue on the basis of the trade mark infringement or passing off (if its requirements are met). If the trade mark is not registered, he uses the passing off action.¹⁵³ If a similar trade dress was used to make the representation the plaintiff sues for passing off.¹⁵⁴

4.2 DIVERGENT RELATIONSHIP

Circumstances can arise in which there is a conflict or clash between the common law and registered trade mark right. This generally occurs where the trade marks constituted from the same symbol are held by different persons and may therefore be exercised in the same jurisdiction. A clash is inevitable because two persons each hold the 'exclusive' right to use identical trade marks in the same jurisdiction¹⁵⁵ and the incorporeal nature of trade marks means that use of one of two identical trade marks constitutes use of the other.¹⁵⁶

The clash is resolved in one of two ways: the parties are invested with and enjoy rights of honest concurrent user under appropriate circumstances or the rights of one person prevail over and are given preference to those of the other person.¹⁵⁷

¹⁵² See Shúilleabháin, *op cit*, at 750.

¹⁵³ See the *Holiday Inns* and *Coachworks* cases, as well as *Premier Trading Co Ltd & Anor v Sporttopia (Pty) Ltd* (the *Bladeline* case), 2000 (3) SA 259 (SCA) (chapter 3 para 4.1, *supra*).

¹⁵⁴ See *Reckitt & Colman SA (Pty) Ltd v SC Johnson & Son SA (Pty) Ltd* (the *Brasso* case), 1993 (2) SA 307 (AD); the *Tea Lovers*, the *Jif Lemon* and cases (chapter 3 para 3.1, *supra*).

¹⁵⁵ A legal right exists in a particular jurisdiction because the legal system that gives birth to the right only applies in the jurisdiction.

¹⁵⁶ The principle that a representation or reproduction of one of two identical entities is a reproduction of the other is aptly expressed in s 1 of the CRA: the definition of 'reproduction' includes 'a reproduction made from a reproduction of that work'. Similarly, if there are two identical trade marks, a replica of one will be a replica of the other.

¹⁵⁷ The *Victoria's Secret* case, at 530D; the *Hotpicks* case.

The English case, *Inter Lotto (UK) Ltd v Camelot Group Plc*, (the *Hotpicks* case),¹⁶⁵ provided a welcome opportunity to examine the dynamics of an antagonistic relationship between almost identical common law and registered trade marks in a modern setting. The decisions of both the Chancery Division, the *Hotpicks (ChD)* case, and Court of Appeals, the *Hotpicks (CA)* case, are now examined.

4.2.2.1 The *Hotpicks (ChD)* Case

On 4 August 2001 Lotto began promoting a lottery game, which it named HOT PICK, in pubs in the UK.¹⁶⁶ Camelot operated the UK National Lottery under licence from the National Lottery Commission (the NLC).¹⁶⁷ It named its lottery game which was identical to that of Lotto, HOTPICKS. On 17 October 2001, at Camelot's behest, the NLC applied for registration of the trade mark HOTPICKS,¹⁶⁸ which Lotto opposed. In April 2002 Camelot was granted an exclusive licence to use the trade mark for which a registered application had been made and on 7 July 2002 began marketing its game.¹⁶⁹

The preliminary question the Court had to decide was:

'Is the 17th October 2001 (the date on which the National Lottery Commission applied under application 2283392 to register the assignation HOTPICKS as a trade mark) the relevant date at which the claimant's reputation and goodwill for its claim in passing off falls to be assessed?'¹⁷⁰

Laddie J in examining the history of passing off rights and trade mark rights,¹⁷¹ held that the essence of passing off was expressed as early as *Perry v Truefitt*.¹⁷²

'A man is not to sell his own goods under the pretence that they are the goods of another man; he cannot be permitted to practise such deception, not to *use the means which contribute to that end*. He cannot therefore be allowed to use names, marks, letters or other indicia, by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person'.¹⁷³

¹⁶⁵ [2003] 3 All ER 191 (ChD); [2003] 4 All ER 575 (CA).

¹⁶⁶ At 194d. By 17 October 2001 it had visited about 7000 pubs and signed up some 424.

¹⁶⁷ At 194c.

¹⁶⁸ The NLC was contractually entitled to all IP generated by its licensees: at 194g.

¹⁶⁹ At 194e.

¹⁷⁰ At 196b-c.

¹⁷¹ At 197b. Lord Carnwath used a similar turn of phrase: the *Hotpicks (CA)* case, at 585j.

¹⁷² (1842) 49 ER 749.

¹⁷³ At 752 (para [73]), my emphasis. The italicized portion of the quotation reveals the essence of the relationship between the common law trade mark and passing off: the trade mark is the means by which the defendant misrepresents someone else's goods as those of the proprietor. The trade mark is an *indicium* of the business reputation (goodwill).

The first sentence of the quotation sums up the present state of passing off in SA law: the *Coachworks* case, at 947E-F; the *Holiday Inns* case, at 929C-D; the *Brasso* case, at 315B; the *Bladeline* case, at 266H.

were not based on a claim to a proprietary right in the name or mark¹⁸⁰ and that nothing had changed since.¹⁸¹ The 1905 UK Act also provided that 'Nothing in this Act shall be deemed to affect rights of action against any person for passing off goods as those of another person or the remedies in respect thereof.'¹⁸² Kerly argued that the 1905 UK Act was an express statutory restatement of what was already the law.¹⁸³ Kerly supported his argument by referring to *Montgomery v Thompson*¹⁸⁴ in which a passing off action succeeded even though the trade mark concerned had been removed from the register.¹⁸⁵

Justice Laddie held that 'the action in passing off protects the reputation and goodwill of a trader, not his names marks or get up per se.'¹⁸⁶ Laddie J agreed with Kerly's conclusion that s 45 of the 1905 UK Act confirmed what was already the law, namely that the right to prevent others using the trade mark in a manner that infringed the rights created by registration of a trade mark were different to those protected by passing off proceedings and, for that reason, the legislation relating to trade marks had no impact on passing off.¹⁸⁷ Judge Laddie held that when s 2 of the 1938 UK Act brought s 42 and s 45 of the 1905 Act together, it did not change the law. The Judge held further that because s 2(2), the relevant provision in the 1994 UK Act, was identical to s 2 of the 1938 UK Act, s 2(2) of the 1994 UK Act also did not change the legal position.¹⁸⁸

Judge Laddie concluded that the Court could not sustain Camelot's argument that registration of the trade mark HOTPICKS *per se* overrode Lotto's right to sue for

¹⁸⁰ At 198g-h. He traces the relationship between trade marks and passing off from its foundation, the statutory trade mark law in the UK, the Trade Marks Registration Act 1875.

¹⁸¹ He indicates that s 42 of the 1905 UK Act restated the position under the 1875 Act: at 199a.
¹⁸² At 199b. The provision quoted was s 45.

¹⁸³ *The Law of Trade Marks and Trade Names*, 3ed.
¹⁸⁴ [1891] AC 217.

¹⁸⁵ At 199c. See also the *Cadbury v Beacon* case.

¹⁸⁶ At 199f. He quotes *Saville Perfumery Ltd v June Perfect Ltd & FW Woolworth & Co Ltd*, (1941) 58 RPC 147:

'It does not necessarily follow that a trader who uses an infringing mark upon goods is also guilty of passing off. The reason is that in the matter of infringement, ..., once a mark is used as indicating origin, no amount of added matter intended to show the true origin of the goods can affect the question. In the case of passing off, on the other hand, the defendant can escape liability if he can show that the added matter is sufficient to distinguish his goods from those of the plaintiff. Such proof may be difficult, but *theoretically at any rate* the result may be as I have stated' (at 162, my emphasis).

See the *Jif Lemon* and the *Kettle-Braai* cases (chapter 3 para 3.1.2, *supra*).

¹⁸⁷ At 199j – 200a.

¹⁸⁸ At 200a-b. Section 2(2) read as follows:

'No proceedings lie to prevent or recover damages for the infringement of an unregistered trade mark *as such*; but nothing in this Act affects the law relating to passing off'.

Camelot had argued that from the date on which it filed its registration application,¹⁹⁹ Lotto was using the trade mark HOT PICK unlawfully.²⁰⁰ Lord Carnwath held that the date of application for registration had no direct relevance in the law of passing off.²⁰¹

Some of the most significant principles that emerge from the *Hotpicks* case are:

- (i) It reaffirms that the *qui prior est tempore* principle applies in a clash between a registered and common law trade mark constituted from the same symbol;²⁰²
- (ii) Common law and registered rights are separate and distinct from each other;
- (iii) Common law rights develop from use whereas registered rights derive from registration;²⁰³
- (iv) An application for registration of a trade mark which is identical to a common law one, does not affect the common law rights (and their law trade mark).

In the *Hotpicks* case, the Courts found that the statute does not deal comprehensively with the relationship between the trade mark rights and passing off.²⁰⁴ A position in SA law is similar.²⁰⁵

The fact that the passing off action is not aimed directly at protecting the common law trade mark *per se* does not mean the common law trade mark is not an item of IP. At the time when a trader decides to create a trade mark, there is in existence *only a symbol* which has no legal significance. It is only when the trader has exhibited (used) the symbol in relation to the goods which have acquired a business reputation, that a trade mark *has been created*: the hallmark of property is the exclusivity, so until the exclusive right vests the trader does not have any proprietary rights in the symbol and the symbol is not *his* trade mark (property) because it does not identify *him* as the trade source of the goods. By

¹⁹⁹ The date on which the application is filed is deemed to be the date on which the trade mark is registered in terms of s 9(3) read with s 40(3) of the 1994 UK Act: at 578g-j.

²⁰⁰ That meant that 17 October 2001 was the date on which to determine whether Lotto had goodwill sufficient to support a passing off action (at 584d). As Lord Carnwath put it 'Infringing use after the date of application must be ignored [in determining the goodwill] because it is (prospectively) unlawful'.

²⁰¹ At 584c. A possible exception was for purposes of s 48 of the 1994 UK Act: see note 189, *supra*.

²⁰² The *Hotpicks (ChD)* case, 302f, the *Victoria's Secret* case, at 752D.

²⁰³ The *Hotpicks (CA)* case, 585j.

²⁰⁴ The *Hotpicks (CA)* case, 585e.

²⁰⁵ See s 33 and the discussion of honest concurrent user (chapter 3 para 2.4, *supra*; chapter 4 para 5.1, *supra*) especially the *Diggers Grill* case: para 4.5.1, *supra*.

[5]

CONCLUSIONS

A trade mark, as a *legally significant right bearing entity and item of IP*, is either a common law or registered trade mark.²¹⁰ The symbol is only a constituent element of a trade mark, therefore more than one trade mark can be created from a single symbol.²¹¹ Only specimens of a symbol that are exhibited, in the trade mark context constitute replicas of the trade mark since the symbol and trade mark are separate entities.²¹²

Common law and registered trade marks differ in three principal respects:

- (a) their respective methods of creation;²¹³
- (b) they are the objects of separate rights;²¹⁴ and
- (c) they have different mechanisms of enforcement.²¹⁵

The *qui prior est tempore* principle enables identical common law and registered trade marks to co-exist and it is therefore a key factor in the relationship between identical common law and registered trade marks.²¹⁶ The relationship between an identical common law and a registered trade mark is co-operative when one person is the proprietor of both the trade marks,²¹⁷ but divergent where a different person is the proprietor of each trade mark.²¹⁸

²¹⁰ See chapter 2 para 6.1, *supra*.

²¹¹ *Ibid.* See also note 88 *supra*.

²¹² See para 3.1, *supra*.

²¹³ Common law trade marks are created by use whereas registered trade marks are created by registration: see para 3.2, *supra*.

²¹⁴ See para 3.3, *supra*. Some clear indicators that the common law and registered trade mark rights are separate rights are that business reputation only has significance for the common law right (see para 3.4.1, *supra*); disclaimers only affect registered trade mark rights (see para 3.4.2, *supra*); and the common law rights survive the expungement of a registered trade mark from the register (see para 3.4.3, *supra*).

²¹⁵ See para 3.1, *supra*. The passing off action protects common law trade marks whereas the statutory infringement action protects registered trade marks. The statutory infringement action protects the producing agency, the trade mark, directly, while the passing off action protects the product, the business reputation, directly

²¹⁶ See para 4.1, *supra*.

²¹⁷ *Ibid.*

²¹⁸ *Ibid.*

is apparent not real: there are two trade marks involved, and two actions, one action protecting each.

In situations in which the relationship between identical common law and registered trade marks is divergent, because they have different proprietors, there is a clash between the respective proprietors' rights.²²⁸ The clash is resolved either by the parties being accorded rights of honest concurrent user²²⁹ or the *qui prior est tempore* principle being applied with the result that one set of rights prevails over the other.²³⁰ The English *Hotpicks* case, in which there were almost identical trade marks,

- (a) reaffirmed the application of the *qui prior est tempore* principle;
- (b) reaffirmed the difference between the common law and registered trade mark rights, the former arise from use and the latter from registration; and
- (c) confirmed that registration has no impact on common law rights.²³¹

Registration statutes were intended to provide a recordal of common law trade marks existing at the time so that it could easily be ascertained which trade marks were in use and to obviate the need to prove the existence of a business reputation (goodwill) in each case.²³² The registration statutes however ended up providing for the creation of separate entities, registered trade marks. In my submission, this development could hardly have been avoided because, in view of the continual development of new trade marks, it made no sense for the law to require an applicant for registration to first wait until they had acquired common law rights before allowing registration.

The next chapter discusses the territoriality principle, a critical aspect of the argument that separate independent trade marks are created by registration in different jurisdictions.

²²⁸ See para 4.2, *supra*.

²²⁹ See para 4.2.1, *supra*.

²³⁰ See para 4.2.2, *supra*.

²³¹ See para 4.2.2.1, *supra*. In both SA and English law registration is deemed to take place when an application for registration is made.

²³² See chapter 4 para 2.4, *supra*.

sovereign² authority³ within their respective territories. The extent to which the territoriality principle has been accepted in, and its significance for, trade mark law are mapped out.⁴ The principle of national treatment, the international treaty law incarnation of the territoriality principle, is invariably included in international trade mark law instruments.⁵ The widespread adherence to these international instruments is evidence that the overwhelming majority of jurisdictions or States⁶ in the international community exercise jurisdiction on the basis of the territoriality principle and apply the territoriality principle in their trade mark law.

The territoriality principle lies at the foundation of the conflict of laws branch of domestic / national law⁷ because it results in the territorial limitation of law to the jurisdiction in which it is generated, whether the law is generated by legislation or the evolution of the common law. The problems attendant on the application of the principles of the conflict of laws to trade marks, provides valuable insight into the manner in which parallel importation a trade mark phenomenon has been dealt with.

The importance of this chapter lies in establishing the broad theoretical foundation for the thesis that the *situs* of a registered trade mark, and its concomitant exclusive right, is the jurisdiction in which it is registered. My thesis is that registration in each State produces a trade mark that is independent of every other identical trade mark registered in every other State.⁸ The chapter also seeks to provide some insight into the interrelationship between national and international trade mark law.

² The implications of the concept of sovereignty are examined in para 2.3, *infra*.

³ State authority is referred to as jurisdiction: see para 2.4, *infra*.

⁴ See part [4], *infra*.

⁵ See part [4], *infra*.

⁶ Up until this point the term 'jurisdiction' has been used to indicate what most texts on international law refer to as 'States'. International law texts use the term 'jurisdiction' in a different context, according it a different meaning to that which it has hitherto borne in this thesis. The term State is adopted in section 1 of this chapter in keeping with the practice in international law. The term 'jurisdiction' will bear the meaning of 'country', as indicated in chapter 1, in the rest of the thesis.

⁷ See part [5], *infra*.

⁸ See chapter 2 para 6.1, *supra*.

2.2 THE STATE: A TERRITORIAL ENTITY

States have been variously described: 'an association of persons or citizens within a territory'¹⁰ and 'legal entities [each of which owns and controls a separate territory]¹¹, aggregates of human beings dominated by an apparatus [politico-legal] that wields authority over them.'¹² It has been argued, completely justifiably, that territory is the essence of statehood.¹³

Territory has been defined as that portion of land that is subject to the sovereign authority of a State.¹⁴ Territory is one of the criteria for statehood, the full criteria for which Dugard



¹⁰ G Kegel & I Seidl-Hohenveldern, 'On the Territoriality Principle in Public International Law', 1982 *Hastings International and Comparative Law Review* 245, at 249. The authors also argue that: 'Territory and population' have been the principal constituent parts of a state' (at 250).

¹¹ A Cassese, *International Law*, Oxford University Press, Oxford, (2001) at 55.
¹² *Ibid.*

¹³ RMM Wallace, *International Law*, 5 ed, Thompson: Sweet & Maxwell, London, (2005) holds that state territory is necessary to statehood (at 96).
Cassese says:

'Most activities performed by the primary subjects of the world community, States, take place within a geographic area. Territory is crucial not only to the very existence of a State (a State without territorial basis, however tiny it may be, is inconceivable). Territory also constitutes the dimension within which States deploy their major activities' (*op cit*, at 55).

Cassese also argues that

'In traditional international law the physical dimension of State activity was regulated in fairly simple terms. The earth, portions of the sea, and air, were divided up into areas subject to the sovereign authority of States' (*ibid*).

See also J Dugard, *International Law: A South African Perspective*, 3ed, Juta & Co, Cape Town, (2006), agrees that an entity without territory is not a state (at 126); DP O'Connell, *International Law*, 2 ed, Steven & Sons, London, (1970), indicates that territory is 'perhaps the fundamental concept of international law' (at 403); see also H Waldock (Sir), *J Brierly The Law of Nations*, 6ed, The Clarendon Press, Oxford, (1963),

'At the basis of international law lies the notion that a state occupies a definite part of the surface of the earth, within which it normally exercises, subject to the limitations imposed by international law, jurisdiction over persons and things to the exclusion of other states' (at 162).

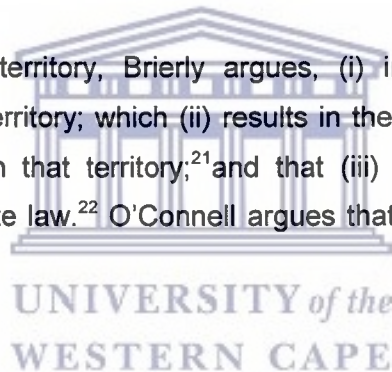
¹⁴ Cassese, *op cit* where he indicates that

'At present no territory exists that is not subject to a sovereign Power. ... Today there therefore exists an absolute nexus between territory and sovereignty' (at 56).

The seventeenth century Dutch writers propounded the doctrine of state sovereignty. One of these writers, Ulrichus Huber¹⁹ expressed the essence of sovereignty by means of three axioms:

- (1) The laws of every sovereign authority have force within the boundaries of its state and bind all subject to it, but not beyond.
- (2) Those are held to be subject to a sovereign authority who are found within its boundaries, whether they are there permanently or temporarily.
- (3) Those who exercise sovereign authority so act from comity that the laws of each nation, having been applied within its own boundaries, should retain their effect everywhere so far as they do not prejudice the power or rights of another state or its subjects.²⁰

The exercise of authority over territory, Briery argues, (i) indicates that the State possesses sovereignty over the territory; which (ii) results in the State exercising control over property and persons within that territory;²¹ and that (iii) territorial sovereignty is comparable to ownership in private law.²² O'Connell argues that territory is 'perhaps *the*



¹⁹ In *De conflictu Legum Diversarum in Diversis Imperiis* (1684).

²⁰ FA Mann, 'The Doctrine of Jurisdiction in International Law' 1964 *Recueil des Cours* 9, at 26.

Joseph Story built on these principles in his work *The Conflict of Laws*:

'The first and most important general maxim or proposition is ... that every nation possesses an exclusive sovereignty and jurisdiction within its own territory. The direct consequence of this rule is, that the laws of every state affect and bind directly all property, whether real or personal, within its territory, and all persons who are resident within it, whether natural-born subjects or aliens, and also all contracts made and acts done within it. Another maxim or proposition is that no state or nation can by its laws directly affect or bind property out of its own territory, or bind persons not resident therein, whether they are natural-born subjects or others. This is a natural consequence of the first proposition; for it would be wholly incompatible with the equality and exclusiveness of the sovereignty of all nations, that any one nation should be at liberty to regulate either persons or things not within its territory.

Upon this rule is often engrafted an exception of some importance to be rightfully understood. It is that although the laws of a nation have no binding force or effect, except upon persons within its own territories, yet that every nation has a right to bind its own subjects by its own laws in every other place.'

In *The Schooner Exchange v M'Fadden*, 11 US 116 Marshall CJ said:

'The jurisdiction of the nation within its own territory is necessarily exclusive and absolute. It is susceptible of no limitation not imposed by itself' (at 136).

²¹ *Op cit*, at 162.

²² *Ibid*. Sovereignty is the most extensive public law right over a territory (the public law property) while ownership is the most extensive private law right over property.

that the international community lacks law making and enforcement machinery concurs with that of Wallace who indicates that:

'Strictly speaking, the reception of international law by a State and its internal effect is a matter of municipal law'.²⁸ Cassese too explains that international law must be incorporated into national law because each State in the international community is eager to control the individuals subject to its jurisdiction, with the result that each State decides the extent to which individuals subject to its jurisdiction *may hold rights and be subject to obligations*.²⁹

Considerations such as those discussed in the previous paragraph led Cassese to conclude that

'It is ... apparent that most international rules cannot work without the constant help, co-operation, and support of national legal systems'.³⁰

This reinforces the view that because globalisation has had little impact on the territorial sovereignty of the State it has, in turn, had little impact on the structure and functioning of the international community.³¹

We now proceed to examine how sovereignty is exercised – jurisdiction.³²

²⁸

Op cit, at 36.

She indicates that there are traditionally two principal schools of thought on the relationship between national and international law

- (1) The monistic school, which sees municipal and international law as parts of one system.
- (2) The dualistic school which sees municipal (national) and international law as distinct from each other, regulating different subject matter (at 37).

Whichever school of thought holds sway, ultimately the decision whether international law shall be applied in any State is a matter which the courts of that State decide. The Courts will of course, subject to the provisions of the constitution, give effect to any legislative determination that international law would apply in particular circumstances (such legislative determination will, however, have transposed the international law into domestic law).

Cassese also indicates that '... international rules to be applied within States within their own legal systems generally need to be incorporated into national law' (*op cit*, at 9). Dugard is of a similar view, concluding that s 231(4) of the Constitution Act 108 of 1996 returned SA to the pre-1994 position, which he characterised as falling within the dualist approach with regard to the incorporation of treaties into municipal law (*op cit*, at 58-61).

Ibid (my emphasis).

Op cit, at 9.

This conclusion is in accord with Wallace's views (*op cit*, at 37).

See Wallace, *op cit*, at 96; Dugard indicates that jurisdiction defines the functions that a State exercises within the territory over which it is sovereign (*op cit*, at 148).

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The jurisdiction a State enjoys derives from its sovereignty. Mann regards it as *axiomatic* that a State's sovereignty (internal powers) is limited only by its need to reconcile its exercise of jurisdiction with the interests of other states in exercising theirs.³⁹ He indicates that the history of the theory of legislative jurisdiction is pervaded by the themes of state sovereignty, and the notion of the territorial character of the state's jurisdiction (the territorially and personally limited scope of its law).

Wallace indicates that there are a number of bases, or principles, on which jurisdiction may be exercised: the territorial, national, protective (security), universality or passive personality principle.⁴⁰ She holds that

[The territorial principle] is the favoured basis of State jurisdiction. Events occurring within a State's territorial boundaries and persons within that territory albeit their presence is temporary, are as a rule subject to the application of local law'.⁴¹

The nationality principle allows the offender's national State to exercise jurisdiction for crimes committed abroad.⁴² In terms of the protective (security) principle a State may exercise jurisdiction in respect of crimes that are injurious to its security, even when committed abroad and by non-nationals.⁴³ The universality principle invests all States in the international community with jurisdiction in respect of acts that are particularly offensive, contrary to international law and prohibited by the international community.⁴⁴ The passive personality principle allows a State to exercise jurisdiction where the victim is one of its nationals.⁴⁵

It is my submission that the examples given in this paragraph indicate clearly that all the bases of jurisdiction other than the territoriality principle, are designed to deal with

³⁹ *Op cit*, at 30.

⁴⁰ *Op cit*, at 118.

Wallace makes two further subdivisions to the territoriality principle: the subjective territoriality principle and the objective territoriality principle. She explains these by means of the example of a person firing a gun from State A and injuring a person in State B. In terms of the subjective territoriality principle State A, in which the crime commenced, would have jurisdiction, while the objective territoriality principle would invest State B, in which the crime was consummated, with jurisdiction. The objective territoriality principle has transmuted into the 'effects' principle in terms of which 'the State in which the effect or impact of the crime is felt may exercise jurisdiction' (Dugard, *op cit*, at 152).

⁴¹ At 117.

⁴² See Wallace *op cit*, at 120; Dugard, *op cit*, at 154.

⁴³ See Wallace, *op cit*, at 121; Dugard, *op cit*, at 154.

⁴⁴ See Wallace, *op cit*, at 121; Dugard, *op cit*, at 146.

⁴⁵ See Wallace, *op cit*, at 128; Dugard, *op cit*, at 155.

and property in other States by means of the conflict of laws rules and that this hardly ever draws any protest from the State in which the person or property is situated.⁵¹ If we accept that one State will sometimes exercise jurisdiction in another State by means of the conflict of laws, the reason for second State not mounting any protest in conflict of laws situations is clear: the State that wishes to exercise jurisdiction in another State,⁵² invokes the assistance of the government of the latter State, specifically its judicial arm, in obtaining and enforcing a judgment affecting a person or property in that other State.⁵³ The State, when it is asked to recognise and enforce a foreign judgment, exercises its right arising from its sovereign judicial jurisdiction. The ultimate decision that the judgment should be enforced therefore rests with the State in which the person or property is situated: hardly an affront to its sovereignty.⁵⁴ In my submission the existence of the conflict of laws as a branch of domestic/national law is based on an acknowledgment of, and results in the application of, the territoriality principle.

Territorial jurisdiction embraces the notion of the effectiveness of state action within the territory of the state: the territoriality principle of jurisdiction means that certain types of state action, including legislation, are generally effective *only* within the territory of the acting State.⁵⁵ ***Sovereignty is the reason for the territoriality of jurisdiction: a State exists and is sovereign within a particular territory therefore its jurisdiction is limited to that territory.***⁵⁶

⁵¹ *Op cit*, 148, where he cites in support CF Forsyth, *Private International Law*, 4 ed, Juta & Co, Cape Town, (2003), chapter 6.

⁵² The State in which the person or property is situated.

⁵³ CF Forsyth, *op cit*, at 389; PM North & JJ Fawcett, *Cheshire & North's Private International Law*, 13ed, Butterworths, London, (1999), at 405 (this work is hereafter referred to as Cheshire & North).

⁵⁴ Forsyth indicates that in terms of SA law four conditions must be fulfilled before a court will recognise and enforce a foreign judgment: (1) the court which rendered the judgment must have international jurisdiction or competence; (2) the judgment must be final and conclusive and not have become superannuated; (3) the judgment must not be against public policy; and (4) the judgment must not fall foul of the Protection of Businesses Act 99 of 1978. Forsyth also indicates that the 'courts apply foreign law because their local sovereign so commands' (*op cit*, at 63 where he refers to *Laconian Maritime Enterprises v Agromar Lineas Ltd*, 1986 (3) SA 509 (D), at 515H-I and at 516B-C). The Court indicates that it is accepted that under certain circumstances SA law commands the application of foreign law saying 'certain rules have been formulated' (at 516B).

⁵⁵ Kegel & Seidl-Hohenveldern, *op cit*, at 249.

⁵⁶ *Ibid*.

movables within the territory; ... (N)o territorial legislation can give jurisdiction which any foreign Court ought to recognise against foreigners, who owe no allegiance or obedience to the Power which so legislates'.⁶⁴

The upshot of the territoriality principle on which the jurisdiction (primarily legislative) of the territorially defined sovereign State rests, as *Salmond* indicates,⁶⁵ is that law is both conceived of and described as territorial.⁶⁶ Salmond draws a distinction between the territorial enforcement of law and the *territoriality of law itself*.⁶⁷ He argues, correctly, that enforcement is territorial because the state's power is exercised only within the state's territory '... for force is a physical affair and is manifested in space'.^{68 69}

Salmond qualifies his general statement, indicating that the criminal law sometimes punishes offences committed outside the state, and also that the *forum* applies its procedural law even where the facts in dispute are connected with other states.⁷⁰

The principle of territorial jurisdiction, in my submission, limits the operation of all law being limited to the territory of its state, because the law derives from the lawmaking authority a State has by virtue of its sovereignty.

⁶⁴ At 683 – 4 (my emphases).

⁶⁵ PJ Fitzgerald, *Salmond on Jurisprudence*, 12ed, Sweet & Maxwell, (1966).

⁶⁶ At 75.

⁶⁷ It is my submission that this distinction is of very little practical significance. A law that is not realistically capable of enforcement is hardly law at all. The probability of and machinery for the direct enforcement is one of the principal attributes of municipal law. In parallel import cases the court does not purport to be dealing with anything but the SA rights, which must then emanate from SA law. The *Morocco Bound Syndicate Ltd v Harris*, [1895] Ch 535, which is in keeping with the territoriality principle in SA IP law, stands in the way.

⁶⁸ *Op cit*, at 76. The view that law is territorial in nature rests on a far more complex basis as Salmond explains

'The proposition that a system of law belongs to a defined territory means that it applies to all persons, things, acts and events within the territory, and does not apply to persons, things, acts or events elsewhere ...

In other words to say that a legal system belongs to a defined territory means partly that its rules do not purport to apply extraterritorially, partly that those who apply and enforce them do not regard them as applying extraterritorially and partly that other states do not so regard them' (at 77, my emphasis).

⁶⁹ See the discussion of the objective and subjective territorial, nationality and passive personality principles, all of which are exceptions to the general rule: para 1.4, *supra*.

⁷⁰ JG Castell & J Walker, *Canadian Conflict of Laws*, 5 ed, Butterworths, Markham, Ontario, (2003) indicate that 'Courts always apply their own procedural rules to matters before them, including matters involving foreign elements, even if the merits of the controversies are governed by foreign law' (at para 6.1). Forsyth holds that 'one of the most clearly established of all rules of this branch of the law is that the *lex fori* governs all questions of procedure' (*op cit*, at 21, my emphasis); Cheshire & North, at 68.

Anor v The Master & Ors,⁷⁸ Mrs Anderson had acquired a right to a one third share of her husband's estate when they were married in Scotland, but she needed to exercise that right in SA where the property was situated at the time of his death. The right that Mrs Anderson claimed did not exist in terms of SA law so it could not be enforced into SA law.

The conflict of laws provides a mechanism by which a right created in one State, can be recognised and enforced in another State:⁷⁹ the one State, the *forum*,⁸⁰ applies the law of another State, the *lex causae*. In terms of the *forum*'s law, more particularly its conflict of laws rules, it recreates the right which exists in the foreign State and law, by means of the *forum*'s conflict of laws rules. When the conflicts rules of the *forum* direct the Court apply the private law rules of another State that is in a sense a direction to make that foreign State's law the law of the *forum for the purposes of that dispute*. The right originally created in terms of the foreign law then exists in terms of the *forum*'s law, as a result of the application of the *forum*'s conflicts rules, and the *forum*'s courts can then enforce the right.

WW Cook⁸¹ explains the application of the conflict of laws as follows:

'The forum when confronted with a case involving foreign elements, always applies its own law to the case, but in doing so adopts and enforces as its own law a rule of decision identical, or at least highly similar though not identical, in scope with a rule of decision found in the system of law in force in another state or country with which some or all of the foreign elements are connected, the rule so selected being in many groups of cases, and subject to the exceptions noted later, the rule of decision which the given foreign state or country would apply, not to the very group of facts before the court of the forum, but to a similar but purely domestic group of facts involving for the foreign court no foreign element. ... **The forum thus enforces, not a foreign right, but a right created by its own law**'.⁸²

It is not the interests of the foreign State (the one whose law is the *lex causae* of the dispute) that are served by applying the conflict of laws, but those of the individual who seeks to enforce the right acquired in the foreign State. The foreign State has no power to demand the application of its law – the *forum* in terms of its law ordains that the foreign law shall be applied. In fact, the SA courts, when SA is the *forum*, will not directly or

⁷⁸ 1949 (4) SA 660 (E).

⁷⁹ There cannot be enforcement of a right that does not exist and unless the right is recognised it does not exist.

⁸⁰ The place in which the person who has acquired the right in terms of a foreign legal system needs to exercise the right and takes legal steps in an effort to do so: in a word, the place where the dispute is heard.

⁸¹ '**The Logical and Legal Bases of the Conflict of Laws**', Harvard University Press, (1942).

⁸² At 20 – 21, my emphasis. Cheshire & North subscribe to this view (*op cit*, at 9), which is also shared by me.

facts and events occur in or are connected with that State and that connection it has been determined is the most appropriate one for determining which law should apply.⁸⁹

The connecting factor, a key element in the conflict of laws, is an entity that describes a geographic location: it connects the dispute with a place and the law that applies there.⁹⁰ The requirement of a connecting factor indicates that the law is connected to the dispute by virtue of the facts being connected with a particular State. If, as a general rule, the *forum's* law applied to facts situated and events which occurred in foreign States, there would be no need for the conflict of laws. A jurisdiction that has a set of conflict of laws rules generally accepts the territoriality principle in matters of private law.



⁸⁹ Forsyth, *op cit*, at 2 – 3 and at 10; Cheshire & North, indicate that there is 'some fact, or event or transaction that is so closely connected with a foreign system of law as to *necessitate* recourse to that system' (at 5, my emphasis). E Kahn, 'Ruminations of a Quondam Would –Be South African Conflicts Lawyer', (2002) *Tydskrif vir Suid Afrikaanse Reg (TSAR)* 125.

⁹⁰ Forsyth, *op cit*, at 6.

all his actions, not only those [actions] taking place within a particular legal region. The spiritual strength of the person is not locally limited, and the right to recognition is therefore a right which should not be tied to boundaries'.⁹³

In Beier's view the essence of the universality principle was judicially considered in the *Mariani* case,⁹⁴ in which the Court held that a trademark is not a territorially limited intellectual property right, capable of independent exploitation in every country, but more in the nature of a merchant's name which is not restricted by territorial boundaries, hence basically universal in nature.⁹⁵

Hiebert is of the opinion that Kohler's approach flowed from his (Kohler's) view that the principal trade mark function was the communication of information.⁹⁶ The view that a trade mark is a functional entity makes it no less an item of IP. In accordance with the functional view trade marks operate to designate goods and the effect of this designation, ie the recognition it evokes by virtue of the association,⁹⁷ is not limited by political boundaries. The psychological effect of the designation of the goods by means of a trade mark was translated into a *legal effect* with the result that trade mark rights were regarded as transcending national boundaries. Hiebert contends that there are two kinds of goodwill: psychological and proprietary, and argues that the psychological goodwill is *not limited territorially as the proprietary is*.⁹⁸ The consequence of the limitation of proprietary

⁹³ Hiebert, *op cit*, at 500, his translation of Kohler, *Recht des Markenschutzes*, at 412-3.

⁹⁴ RG May 2, 1902 cited by Beier, *Territoriality*, at 56.

⁹⁵ Beier, *loc cit*. In my submission the comparison with a merchant's name evokes the notion of reputation which is only one part of goodwill, goodwill being ultimately what trade marks were intended to protect. The absoluteness of the trade mark rights probably contributed to the view that they were similar to the reputation or *fama* of a merchant, and in that sense universal. There does not appear to have been any confusion regarding the fact that a trade mark had an independent existence apart from the proprietor, but rather a need for a point of reference from which to begin describing its nature. The choice of the producer's name was logical in the sense that there was a long association between trademarks and the names of manufacturers.

⁹⁶ *Loc cit*. Cornish & Llewlyn share the view of the function of a trade mark (*op cit*, at 571). MN Shúilleabháin, 'Common-Law Protection of Trade Marks – The Continuing Relevance of the Law of Passing Off' (2003) 34 *IIC* 723, holds that the passing off action operated to ensure the integrity of the information link between the trader and his customers constituted by his trade mark. The TMA definition as interpreted by the cases cannot however be ignored: see chapter 7.

⁹⁷ The trade mark functions operate through the recognition the symbol evokes: see chapter 7 para 2.2, *infra*.

⁹⁸ Hiebert, *op cit*, at 484 - 486.

even though it had continued to purchase the powder from the same manufacturer. The defendant imported the same powder in the original packaging from the manufacturer. The U S Supreme Court upheld the plaintiffs claim on appeal,¹⁰⁶ holding that the Second Circuit had 'erroneously concluded that the foreign manufacturer's identical mark on the imported goods truly indicated their origin'.¹⁰⁷ The following passage of the judgment is critical:

'It is said that the trademark here is that of the French house and truly indicates the origin of the goods. But that is not accurate. It is the trademark of the plaintiff only in the United States and indicates in law, and, it is found, by public understanding to come from the plaintiff although not made by it'.¹⁰⁸

Hiebert¹⁰⁹ argues that in Europe there was a conscious and openly declared shift from the universality paradigm to that of territoriality.¹¹⁰ Derenberg, who concentrated on the *legal* rather than *factual* nature of territoriality, defined it as meaning

'the trademark and the good will symbolized by it may have a *separate legal existence* in different parts of the world and, therefore, be subject to territorial assignment and – it must follow – have a "situs" in more than one country'.¹¹¹

Ladas later offered the following explanation of the territoriality principle

'It really means that, in principle, the protection of a trademark in a certain country depends *exclusively* on the law of that country, and that the *effects* of a trademark ownership by use or registration in a country do not reach beyond the borders of that country. It also means that only facts occurring in a certain country may affect the trademark right in that country, for instance, infringement, abandonment, annulment. Facts occurring outside the country are not generally considered as affecting the trademark in the country concerned'.¹¹²

¹⁰⁶ The plaintiff had succeeded in the District Court, that decision had been overturned by the Second Circuit of the Appeals Court of the US and plaintiff appealed to the Supreme Court.

¹⁰⁷ Davis, *op cit*, at 669.

¹⁰⁸ The Court said:

'Ownership of the goods does not carry the right to sell them with a specific mark. It does not necessarily carry the right to sell them at all in a given place' (at [692]).

¹⁰⁹ TH Hiebert, *Parallel Importation in US Trademark Law*, Greenwood Press, Westport, Connecticut, (1994).

¹¹⁰ He quotes the Hengstenberg decision of 20 September 1927 (see also Beier, *Territoriality*, at 54) to the following effect:

'No recognition at all is due to the doctrine that German trademark law reaches out across the boundaries of Germany ... This doctrine rested ... essentially on the theory of the law of personality which Kohler had advocated ... But for trademark law nothing else can be valid but what has been said of patent law ... German trademark law too must be ruled by the principle of the nationality of marks'.

¹¹¹ Derenberg, *op cit*, at 734 (my emphasis).

¹¹² SP Ladas, *Patents, Trademarks and Related Rights*, (1975), at 1340. These views were similar to those he had earlier expressed: see chapter 2 note 418, *supra*.

same mark were vested in an unaffiliated entity'.¹¹⁹ Davis quotes *Dial Corp v Encina Corp*,¹²⁰ in which the Court explained that under the universality doctrine 'it was believed that the public would not be deceived as to the source or origin, which was *deemed to be the manufacturer* and not the distributor who held the domestic trademark'.¹²¹

3.3 APPLICATION OF THE TERRITORIALTY PRINCIPLE TO REGISTERED TRADE MARKS

The territoriality principle as we have seen has its genesis in, and is a product of, state sovereignty.¹²² The territoriality principle being a principle of general application to law also applies to trade mark law. Derenberg, says 'It is only since the adoption of Article 6*bis* and particularly 6*quater* of the Convention of the Union of Paris for the Protection of Industrial Property of March 20, 1883 that the principle of "territoriality" of trademark protection has become a cornerstone of international trademark law'.¹²³ Waelbroeck describes the essence of the territoriality principle as it applies to trade marks in the words '... the protection given to a trade mark does not extend beyond the territorial limits of the country whose law *recognises* the trade mark'.¹²⁴

¹¹⁹ At 665. The notion of the trade mark remains 'valid' means its use would be non-infringing. 643 F Supp 951 (1986).

¹²⁰ At 954 (my emphasis). Davis, *op cit*, at 670.

¹²¹ See the discussion of sovereignty at para 1.3 *supra*. See also GH Hackworth, *Digest of International Law*, US Govt Printing Office, Washington, (1944) Vol. I 53; Wertheimer, *op cit*, speaks of the 'territorial sovereignty of each state in matters of trademark law' (at 630).

¹²² *Op cit*, at 734.

¹²³ Waelbroeck, *op cit*, at 340, my emphasis to indicate that the recognition is in fact the creation of the trade mark. He also says:

'when a given trademark is registered in more than one country, this [registration] gives birth, in each of those countries, to separate and distinct rights, each of which is wholly independent from the others as far as its validity and its duration are concerned. The situation is not fundamentally different when, instead of registering the trademark separately in each country, the owner applies for an international registration pursuant to the provisions of the Madrid Arrangement of April 14, 1891: this registration does not give rise to a *single right* applicable in all states that are parties to the Arrangement, but it merely confers upon the registrant the right to enjoy the same protection as *if the registration had been effected independently in each of these states*' (*ibid*, my emphases).

Beier finds the infringement action for parallel importation particularly problematic.¹²⁹ The question for him is: *does the territoriality principle in trade mark law allow division of the markets to enforce distribution and pricing policies?*¹³⁰

Cornish & Llewelyn hold that the territoriality principle has four facets:

- (1) The right in each country is determined by the law of that country and is independent of equivalent rights governing the same subject matter (invention, work, trade mark, etc.) in other countries and neither stands nor falls with them.
- (2) The right only affects activities undertaken by others within the geographical territory for which it is granted. This area is normally defined by the boundaries of the State concerned, with possible extensions for cross-border, sea, air and space activities connected with it.
- (3) The right may be asserted only by nationals of the country for which the right is granted and such others as the law also includes.
- (4) The right may be asserted only in the courts of the country for which it is granted'.¹³¹

None of the major authors dispute the applicability of the territoriality principle to trade marks as a general proposition. In my submission it is clear that the territoriality principle was the main reason for the development of national registers rather than an international register. There is, however, a significant degree of disagreement regarding its ambit and effect, which all agree depends on the facts of each case.¹³²

¹²⁹ He propounds the view that the purpose of the infringement action in most parallel import cases is to protect the proprietor's marketing system, and that there are seldom attempts to protect genuine trade mark interests, such as a concern for the reputation of the goods (*op cit*, at 52). In my submission this is the reason why the author is prepared to allow competition considerations to play an important role in the determination of such cases.

¹³⁰ *Op cit*, at 52. This is another way of asking the question: what does his second rule mean? The fact that the main objective in parallel importation cases is as set out by Beier does not deny the reality that the issue concerns the exercise of trademark rights. It is my submission that there is much to commend the attitude of the Dutch Hoge Raad in *Grundig v Prins* (December 14, 1956, the *Grundig I* case: see Waelbroeck, *op cit*, at 350) where it indicated that the trade mark proprietor was entitled to invoke his rights even for a purpose other than that for which the rights had been conferred by the legislature as long as the purpose was a proper one.

¹³¹ WR Cornish & D Llewelyn *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 5ed, Sweet & Maxwell, London, (2003), at 26 –27.

¹³² See Wertheimer, Beier and Waelbroeck, *op cit*.

3.4.1 The *Tie Rack* Case

Tie Rack (the appellant) was the proprietor of an established business of selling men's ties and clothing accessories in a number of jurisdictions¹⁴⁰ and planned to expand to other jurisdictions. It was the proprietor of the trade mark TIE RACK registered in six jurisdictions. The first respondent, TR Stores, set up a business under its registered name and registered the trade mark TIE RACK by assignment.¹⁴¹ The appellant sought interdicts and expungement of TR Stores' trade mark on the grounds that they were infringing the copyright in its logo, passing off its business as that of or associated with Tie Rack's business and unlawful competition.¹⁴²

The Court characterised the 'main thrust' of applicant's evidence as being that 'first respondent unlawfully filched applicant's goodwill in South Africa, unlawfully competing with it as a result.'¹⁴³ The Court found it particularly relevant that applicant generated a substantial reputation by the proliferation of outlets and the widespread press publicity given to its business.¹⁴⁴ Some of the publicity had spilled over from the UK into SA¹⁴⁵ and the Court found that many people travelled from SA to the UK by air.¹⁴⁶ Applicant claimed that this publicity and the exposure of people from SA to its business had created a business reputation for it in SA.¹⁴⁷ The respondent denied this as Tie Rack had not traded here.¹⁴⁸

On the issue of passing off the Court found at the outset of its judgment that

'the most significant fact is that the applicant has not traded in South Africa. It has opened no shop here, nor has it franchised one. It has sold no goods here. It has not advertised its business here. *There is no suggestion* that its reputation abroad, however extensive it may be, has attracted customers from this country, in the sense that anyone has journeyed from here in order to patronise one of applicant's own or its franchised shops.'¹⁴⁹

¹⁴⁰

At 431A.

¹⁴¹

At 431H. The trade mark had been assigned to TR Stores by Messrs Leighton and Morrison who had applied for the registration of TIE RACK as a trade mark but following a feasibility study had decided not to establish a retail business marketing men's clothing accessories under that name (at 436 marginal letters 'I' – J).

¹⁴²

At 432C.

¹⁴³

Ibid.

¹⁴⁴

There were 167 outlets (at 433D-E).

¹⁴⁵

At 433H-I.

¹⁴⁶

At 434F-G. This was of particular significance as there was a Tie Rack outlet at Heathrow airport.

¹⁴⁷

Ibid.

¹⁴⁸

TR Stores put the position as follows:

'The applicant has at no stage ever conducted any business whatsoever in this country and it seems unlikely to do so. ... There is no evidence whatsoever in any of the papers filed by the applicant in this matter of a single sale in this country under the name "Tie Rack" and...[the applicant] cannot possibly have any business goodwill in South Africa in the name "Tie Rack" for that reason' (at 434H-I).

¹⁴⁹

At 438 marginal letter 'I' – 439A (my emphasis).

The Court eventually held that the passing off claim must fail,¹⁵⁸ basing its decision on the finding that

'The simple truth is that the applicant had no goodwill, no attractive force in this country. The fact that people in this country – and accepting that there may be many – know of applicant's business *abroad* and may be misled into believing first respondent's shops are associated therewith, does not afford applicant a proprietary right *in this country*. Put differently, *applicant has no business of any kind in South Africa and nothing first respondent has done can or is likely to do any harm to applicant in the patrimonial sense in this country*.'¹⁵⁹

The significance of territory for the existence of the right is clear. In order that a trade mark should exist as an item of IP, which is what the applicant was claiming in the *Tie Rack* case,¹⁶⁰ it had to be constituted in terms of SA law.

In the *Gap (SCA)* case the Court dealt with the territoriality principle.¹⁶¹ The Court cited the *Victoria's Secret* case¹⁶² and indicated that '... the principle is not peculiar to this country but is generally accepted.'¹⁶³ The Court quoted extensively, with approval, from the USA decision *Barcelona.com v Excelentísimo Ayuntamiento De Barcelona*,¹⁶⁴ in which the following had been said:

'It follows from incorporation of the doctrine of territoriality into US law through section 44 of the Lanham Act that United States Courts do not entertain actions seeking to enforce trade mark rights that exist *only* under foreign law'.¹⁶⁵

¹⁵⁸ At 445D.

¹⁵⁹ 445B-D (my emphasis). The applicant's claim based on unlawful competition fared no better, the Court having assumed that such a claim was competent in an action couched on the basis of passing off (at 445E). The Court found that 'one essential component [of an action for unlawful competition] is absent from this case. The parties are not and have never been in competition. Indeed there is no evidence that it proposed doing so at any *particular stage* in the future' (at 445 marginal letter 'I' – J, my emphasis).

¹⁶⁰ In my submission, unless one adopts the approach of the English courts evidenced in *Inter Lotto (UK) Ltd v Camelot Group plc*, [2003] 3 All ER 191 (ChD); [2003] 4 All ER 575 (CA), (discussed in chapter 5 para 4.2.2.1, *infra*) of distinguishing between registered trade mark rights and passing off rights, not referring to the common law trade mark, the word symbols 'Tie Rack' as they had been used by both the parties, constituted a common law trade mark as it had been used sufficiently in SA for the goods in relation to which it was used to have acquired a business reputation.

¹⁶¹ At paras [9] to [11].

¹⁶² *Supra*, at 745G.

¹⁶³ At para [9].

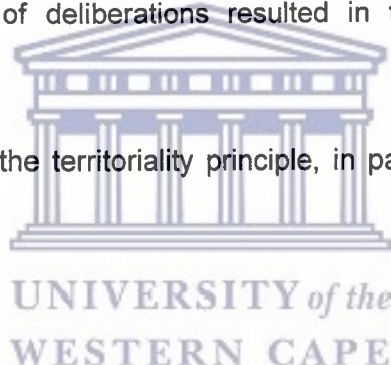
¹⁶⁴ 189 F Supp 2d 367 (ED Va 2002).

¹⁶⁵ The *Gap (SCA)* case, para [10], my emphasis.

sovereignty.¹⁷⁵ In relation to trade marks the domestic (national) law determines the requirements for registration of the trade mark as well as the content of the trade mark rights.¹⁷⁶ Agreement among commentators on the principle ends here. The arguments are never articulated clearly, but some seem to ignore the fact that there are separate trade marks and rights, as well as that the proprietors of the trade marks in different jurisdictions are separate *personae*.¹⁷⁷

The extent of the application of the principle and its effect, the writers agree, are to be dealt with on the basis of different sets of facts. In the end, however, the debate was dominated by a single consideration: the origin of the goods, as understood.¹⁷⁸ The origin function's complete dominance of deliberations resulted in the territoriality principle receiving scant consideration.¹⁷⁹

The international implications of the territoriality principle, in particular in the context of trade mark treaties.



¹⁷⁵ See part [1], *supra*.

¹⁷⁶ See Waelbroeck, Beier and Wertheimer, as well as the *Victoria's Secret* and the *Gap (SCA)* cases.

¹⁷⁷ See chapter 2 para 6.1, *supra* and chapter 7 para 4.3.1, *infra*.

¹⁷⁸ See chapter 7 part [4] on origin and parts [8] – [10] on the approaches to parallel importation in which the dominance of origin, understood as manufacture, is illustrated.

¹⁷⁹ The origin function is still the dominant function. None of the writers indicate that it received any attention in the courts.

Soon after the establishment of the first national registers,¹⁸² it was realized that it would be beneficial to provide for international protection of trade marks.¹⁸³ To this end treaties were concluded, one of the earliest and still most important is the Convention of Paris for the Protection of Industrial Property (the Paris Convention).¹⁸⁴

The treaty mechanism was chosen to secure international trade mark protection. In my submission, had the conflict of laws route been followed, international trade would eventually have led to 'clashes' between the rights conferred by registration in different jurisdictions,¹⁸⁵ and the conflict of laws would have created the difficulty and danger of the courts of a jurisdiction being required to enforce broader rights than its law conferred.¹⁸⁶

The framers of the treaties, starting with the Paris Convention, adopted the principle of national treatment as a basis for the treaties.¹⁸⁷ The basic tenet of this principle is that the protection provided to a trade mark is determined by the laws of the jurisdiction in which protection is sought,¹⁸⁸ but each party that subscribes to the treaty is obliged to provide protection of the trade marks of nationals of other convention jurisdictions.¹⁸⁹

National treatment, by ensuring that protection could be obtained in each jurisdiction that subscribed to the Convention, obviated the need for resort to the conflict of laws mechanism.¹⁹⁰

¹⁸² The first American statute establishing a trade mark register was passed in 1870 (Gardiner, *op cit*, at 64) and the English one in 1875 (Gardiner, *op cit*, at 42).

¹⁸³ It was obvious that the protection provided by registration was limited to the jurisdiction in which the registration had been procured.

¹⁸⁴ This treaty was concluded in 1883: see para 4.3.1, *infra*.

¹⁸⁵ The 'clashes' would have arisen from imported goods being brought into the jurisdiction bearing a trade mark identical to a trade mark registered locally (in the import jurisdiction) in the name of someone other than the person who was the proprietor in the foreign jurisdiction. The clashes would have resulted from requests to recognize the rights acquired in the foreign jurisdiction: see para 5.4.1, *infra*.

¹⁸⁶ See para 5.4.2, *infra*.

¹⁸⁷ See GE Evans 'The Principle of National Treatment and the International Protection of Industrial Property', [1996] *EIPR* 149.

¹⁸⁸ See para 4.2, *infra*.

¹⁸⁹ See para 4.3, *infra*.

¹⁹⁰ It possibly also in effect precluded the application of the conflict of laws mechanism: see para 5.4, *infra*.

This need for international protection therefore derived from the territorial limitation on the lawmaking competence of sovereign states (by legislation or the development of the common law), which is now examined.

4.2.1 THE TERRITORIAL LIMITATION ON THE LAWMAKING COMPETENCE OF STATES

The existence of a right is a conclusion derived from the application of a set of legal rules. Each sovereign jurisdiction generally only applies its own set of rules otherwise it undermines its own sovereignty by rendering *its subjects* subservient to the dictates of another sovereign. The sovereign in a particular jurisdiction does however, under certain circumstances dictate that its courts shall apply foreign law: but only under the relevant circumstances.¹⁹⁸ When the sovereign dictates that foreign law be applied, the mechanism of application is generally the conflict of laws.¹⁹⁹

The limitation of the area of efficacy of IP statutes to the territory over which the legislative authority that promulgates the legislation has jurisdiction, means statutory IP and IP rights exist in a particular jurisdiction by virtue of compliance with the statute applicable in that jurisdiction.²⁰⁰ Lipstein²⁰¹ expresses the position as follows

'[I]t is insufficiently appreciated that the territorial restriction [on the application of the conflict of laws to intellectual property matters] is a legislative restriction which precludes the effective application by the courts of other jurisdictions, even if in the latter intellectual property legislation of the jurisdiction of origin is sought to be pleaded'.²⁰²

The international trade mark treaties mentioned earlier,²⁰³ as a general rule, provide that the holders of IP who are nationals of one convention jurisdiction²⁰⁴ have the right to

¹⁹⁸ *Laconian Maritime Enterprises Ltd v Agromar Lineas Ltd*: see note 54, supra.

¹⁹⁹ Forsyth, *op cit*, at 63; Cheshire & North, indicate that for the *forum* of its own volition to give effect to foreign law or to enforce a right that is creature of that [foreign] law involves no abdication of sovereignty (at 31).

²⁰⁰ See part [3], *supra*. An analogy can be drawn between immovable property and IP in one respect: the statute from which it derives its existence, is in a sense immovable, like land, because the statute can only apply in the jurisdiction in which the authority that promulgates the statute has legislative competence, derived from the sovereignty of that state. The IP and IP right are 'attached to' the statute in terms of which they are created.

²⁰¹ K Lipstein, 'Intellectual Property: Jurisdiction or Choice of Law?' [2002] *Cambridge Law Journal* 295.

²⁰² *Op cit*, at 298. Lipstein qualifies his view by saying '*if* foreign intellectual property is territorially and substantially limited to its country of origin (*lex originis*)' (at 300, my emphasis).

²⁰³ They are the Paris Convention, Madrid Agreement, Madrid Protocol and TRIPS Agreement.

4.2.1.1 Statutory Confirmation of Limitation on Lawmaking Competence

Two clear examples of legislative restriction of IP to the territory in which the statute that creates it operates can be found in the CRA: s 23(2)²¹⁴ and s 37.²¹⁵

²¹⁴ Section 23(2) provides for what is commonly called indirect infringement: Copeling and Smith, *op cit*, paras 45–47. In terms of the section, in order for a plaintiff to succeed in an infringement action he must prove that the making of the article to which the infringement action relates would have 'constituted an infringement of that copyright or would have constituted such an infringement if the article had been made in the Republic'.

The copyright referred to must be SA copyright because the CRA only applies in SA. The infringing act is not performed in SA so it cannot actually infringe SA copyright. The act of the alleged infringer must therefore be deemed to have infringed the SA Act. The making of the article could only have been an infringement of SA law if it was done in SA where the CRA applies. The CRA would not apply in the place in which the article was made. That would be consonant with the territoriality principle because SA law is used to decide if the making of the article is to be regarded as an infringement in SA where the CRA applies. What is done is that by a fiction, the circumstances in which the article was made are transposed onto SA soil and SA law applied as it normally applies in SA.

²¹⁵ In terms of s 37 of the CRA the Minister of Trade and Industry is empowered to enact by notice in the Government Gazette that 'any provision of this Act specified in the notice shall in the case of the jurisdiction so specified apply ...' and each subsection stipulates that the relevant provision shall apply 'as if the relevant act was performed in the Republic' (subsections (1)(a) to (e)). In other words, SA law creates the copyright. A provision of this nature would have been unnecessary if the CRA had extraterritorial effect.

Eg, in *Morocco Bound Syndicate Ltd v Harris*, [1895] Ch 535, the copyright which the plaintiff sought to protect existed in Germany, the place where the allegedly infringing performance was to take place. Action was launched in England under the provisions of the English Copyright Act, which only conferred copyright in England. There was no cause of action because the rights sought to be protected did not exist in terms of the English legislation. An order issued by the Court would have offended Germany's sovereignty.

The CRA only applies in SA; therefore the infringing act must be *deemed* to have taken place in SA for the CRA to apply. The place where the infringing act is performed and the place in which the law applies must coincide (Beier, *Territoriality*, at 59), and by means of the fiction they do. The law being referred to here is the one that protects the rights by means of the infringement action. This is why conflict of laws has to be applied: a right is only enforceable in the jurisdiction in which it exists. In order for the courts of the *forum* to enforce a right created in another jurisdiction, the right has to be 'transferred' to the *forum*. The rights cannot be 'transferred' without 'transferring' the law that gave birth to the right, *because the right only exists in terms of that law*. That is why the *forum* makes the law of the jurisdiction in which the right was created part of its law for the purpose of deciding the dispute. WW Cook explains this by saying that **the *forum* creates a right in terms of its own law that is equivalent to the right in the jurisdiction where the right was created, by making that jurisdiction's rule the *forum's* rule** (see para 2.6, *supra*). The right cannot be created nor can it exist without that specific rule! There is no interference with the rights in any other jurisdiction because the rights in SA are in issue in the infringement action: the act of infringement (the unlawful conduct required for delictual liability) is 'brought to' SA, the only place where it can affect SA rights. In the *Morocco Bound* case, *supra*, the place in which the law that creates the rights which are allegedly infringed, and the place of infringement, did not coincide: there was an attempt to enforce the rights in one jurisdiction by means of an action prosecuted in another jurisdiction. The action was only available to protect the rights in the jurisdiction in which the action was instituted because there can be no transfer of rights. This confirms that the CRA does not apply

territoriality principle. The protection s 35 and s 63 extends clearly provides for exceptional circumstances under which the TMA extends its protection to 'foreign' trade marks.²¹⁹

4.2.1.2 The Mechanisms Available for International Trade Mark Protection

The choices available for solving the problem of providing international trade mark protection were the conclusion of treaties and the application of the principles of the conflict of laws. The international treaty solution was adopted. In my submission, international treaties, incorporating the principle of national treatment, provide an eminently more suitable solution than the conflict of laws, which would have proved inappropriate for two reasons:

- (i) The prospects of it leading to a 'clash' of rights,²²⁰ and
- (ii) The undesirability of the courts of any jurisdiction being required to enforce greater IP rights in than its law would confer.²²¹

Consideration of these two factors is undertaken later, as they will be better addressed after the treaties themselves have been examined,²²² and as part of considering the application of territoriality principle to trade mark law from the conflict of laws perspective.²²³

The international treaties will now be examined.²²⁴

²¹⁹ See chapter 4 part [7], *supra*. If these provisions were not contained in the TMA the rights they provide for would not exist. These provisions apply under limited circumstances and are therefore exceptions which confirm the tenor of the general rule. On the basis of the *expressio unius exclusio alterius* canon of interpretation, the territoriality principle still applies as a general rule. De Ville, *op cit*, at 131; Devenish, *op cit*, at 159; Du Plessis, *op cit*, at 69

²²⁰ See para 5.4.1 *infra*.

²²¹ See para 5.4.2 *infra*.

²²² See para 4.3, *infra*.

²²³ See para 5.4, *infra*.

²²⁴ The general scheme on which the discussion of treaties for the international protection of trade marks is based, is that adopted by the Paris Convention.

The combined effect of these provisions is that '... ***the same right in substance can be created independently in every other country in virtue of its own law or of an International Convention***'.²²⁹ Trade marks therefore exist on a national basis.²³⁰

In essence, therefore, the principal rights that the Paris Convention creates are:

- (i) a right to acquire the identical IP to that in the jurisdiction of origin in accordance with the local law of a convention jurisdiction,²³¹ and
- (ii) a right to prevent others from acquiring, as a local trade mark, a trade mark that is well-known locally.²³²

The only obligation the Paris Convention itself brings into existence is the obligation imposed on each convention jurisdiction to confer trade mark rights on nationals of convention jurisdictions on terms identical to those it confers on its own nationals, ie without discrimination against foreign nationals from other convention jurisdictions.²³³ An individual the proprietor of a registered trade mark in one convention jurisdiction cannot demand registration of a trade mark in another convention jurisdiction that does not provide for registration by invoking the Paris Convention:²³⁴ the legal basis for registration or recognition must exist in terms of the jurisdiction's national or domestic law.²³⁵

Registration of trade marks, therefore, still operates, by and large, on a national basis. The legislative provisions that had to be put in place during the process of integrating the EU

²²⁹ Lipstein, *op cit*, at 297 (my emphasis).

²³⁰ The transitional provisions demonstrate that if the legislative framework, within which the trade marks are created, is removed, the trade marks will cease to exist. OH Dean, 'The Case for the Recognition of Intellectual Property in the Bill of Rights', (1997) 60 THRHR 105 says: 'Subject to the common law remedy of passing-off, all forms of IP are creations of statute. ***If the statutes in question were to be repealed, the property would cease to exist and would disappear***' (at 113 my emphasis).

²³¹ Arts 2 and 6(1) are transposed into SA law in s 63 of the TMA: see chapter 4 para 7.2. *supra*.

²³² Art 6^{bis} of the Paris Convention of the TMA is transposed into SA law by s 35 of the TMA: see chapter 4 para 7.1, *supra*.

²³³ Art 2(1) of the Paris Convention.

²³⁴ Similarly, a person could not demand recognition of common law trade mark rights he holds in the original jurisdiction if there is no common law trade mark right in the convention jurisdiction in which he is demanding recognition of his rights.

²³⁵ In ***Silhouette International Schmiedt GmbH & Co KG v Hartlauer Handelsgesellschaft mbH***, ECJ Case C-355/96 (the ***Silhouette*** case), the Treaty of Rome could not be invoked to provide a remedy that was not available in terms of the domestic (national) legislation of an EU Contracting Party (Austria).

Agreement but who have their domicile or a real and effective industrial or commercial establishment in a State that is a party to the Madrid Agreement.²⁴³

Prior to any international registration taking place, the trade mark for which international registration is sought must be registered at the national level with the IP authorities of a country of origin.²⁴⁴ A country of origin (hitherto called a 'State') means

- (1) a country in which the applicant has a real and effective industrial or commercial establishment;
- (2) the country in which the applicant is domiciled in the event of criterion (1) not being met; or
- (3) the country of which the applicant is a national, in the event of criterion (2) not being met.²⁴⁵

The necessity for a registration in a country of origin clearly proves that the principal of national treatment is the basis of international registration in terms of the Madrid Agreement.

There is no transnational IP or IP right.²⁴⁶ The so-called 'international' registrations provided by the Madrid Agreement and Protocol are simply simultaneous multiple national registrations.²⁴⁷ Kunze indicates that registration in accordance with the procedure provided for in the Madrid Agreement has 'effect in all or some of the jurisdictions who are members of the Agreement'²⁴⁸ and that 'A prerequisite for the application for an international registration [in terms of the Madrid Agreement] is a national basis'.²⁴⁹ Havelock²⁵⁰ argues that the EU Trade Mark Regulation stands 'in contrast to ... the Madrid Agreement [which is] ... simply concerned with procedures for obtaining registration'.²⁵¹

²⁴³ This is in accordance with Art 3 of the Paris Convention.

²⁴⁴ Art 1(2) of the Madrid Agreement.

²⁴⁵ Art 1(3) of the Madrid Agreement.

²⁴⁶ This means an item of intellectual property, the existence of which is not dependent on the provisions of any national law. See the *WIPO Introduction*, at 411; see the *Barcelona.com*, case, at note 164.

²⁴⁷ See Article 4, *infra*. See the *Gap (SCA)* case.

²⁴⁸ Kunze, *op cit*, at 224.

²⁴⁹ *Ibid.*

²⁵⁰ K Havelock, 'The Common Market Trade Mark Regulation', [1982] *EIPR* 200.

²⁵¹ At 201.

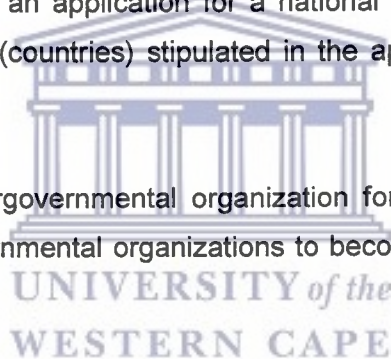
international registration to other countries during the currency of an international registration.²⁵⁸

4.3.2.2 The Madrid Protocol

On 27 June 1989 the 'Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks' was adopted.²⁵⁹ The most important ways in which the Madrid Agreement is amended by the Madrid Protocol is discussed.

In terms of the Madrid Protocol registration may not only be based on national registration²⁶⁰ as the Madrid Protocol provides for a failed application for international registration to be converted into an application for a national or regional registration in each of the Contracting Parties (countries) stipulated in the application for international registration.²⁶¹

The EU is regarded as an intergovernmental organization for purposes of the Madrid Protocol, which allows intergovernmental organizations to become Contracting Parties of the Madrid Protocol.²⁶²



²⁵⁸ During the currency of an international registration, the protection can on application be extended to other countries that are parties to the Madrid Agreement. Such an extension has the same effect as an international registration in the countries in which it was requested. See the *WIPO Introduction*, at 413.

²⁵⁹ The *WIPO Introduction*, at 416.

²⁶⁰ Art 2(1)(a) of the Madrid Protocol.

²⁶¹ Art 9^{quin} of the Madrid Protocol: see the *WIPO Introduction*, at 416 (para 21.50).

²⁶² Art 14(1)(b) of the Madrid Protocol allows for membership of certain intergovernmental organizations. Article 1 of the Madrid Protocol creates a Union consisting of the States and intergovernmental organizations which become members of the Madrid Protocol together with parties to the Madrid Agreement (as revised in Stockholm in 1967 and amended in 1979). Membership of the Madrid Protocol is open to States that are members of the Paris Convention and intergovernmental organizations of which at least one member is a party to the Paris Convention provided the intergovernmental organization has a regional office for the registration of trade marks that are effective within the territory of the organization, provided the organization is not subject to notification in terms of Art 9^{quat}. In terms of Art 9^{quat} Contracting Parties that agree to unify their domestic trade mark laws may notify the DG of the International Bureau of WIPO that a common office shall be substituted for the national office of each of them and that the whole of their combined territories shall be deemed to be a single state for purposes of Arts 9^{quin} and 9^{sex}. Art 9^{quin} has been discussed and Art 9^{sex} provides that where the office of origin of the applicant is a state which is party to both the Madrid Agreement and the Madrid Protocol, only the provisions of the Madrid Agreement shall operate in respect of the application.

4.3.2.3 Conclusions Regarding the Madrid System of International Trade Mark Registration

The Madrid Agreement and Protocol, referred to jointly in the sub-heading as the Madrid System, represent mechanisms to overcome the practical problem of non-recognition.²⁶⁸

The mechanism adopted in the Madrid Agreement overcomes the practical consequences of non-recognition, but it does not undermine the principle that the trade mark rights granted in one jurisdiction cannot be exercised in another jurisdiction. A registration in a convention jurisdiction in accordance with the Madrid Agreement or Madrid Protocol does not constitute recognition of the rights that were created in the original jurisdiction (in which they were first applied for), the national basis to which Kunze refers.²⁶⁹ The trade mark right that comes into existence when a convention registration is deemed to take place²⁷⁰ by virtue of the international registration, is still created afresh in the convention jurisdiction by means of that deemed registration.²⁷¹ The right conferred by the deemed registration is enforceable by virtue of the deemed registration in the convention jurisdiction, and not as a result of the registration in the original jurisdiction.²⁷²

The Madrid Agreement and Protocol are to the effect that registration in the international register under their provisions is equivalent to registration of the trade mark in the registers of all jurisdictions that are subscribers to the Treaty, that are stipulated in the application. This provision clearly does not constitute a transfer of the rights from the original jurisdiction to every convention jurisdiction.²⁷³ The registration in Geneva is not a Swiss registration, but a simultaneous registration in each subscriber jurisdiction specified in the application.²⁷⁴ The position in regard to registrations in terms of the Madrid System can be illustrated by saying that it is as if the register in Geneva becomes an extension of the register of every subscribing jurisdiction mentioned in the application.

²⁶⁸ See part [5], *infra* for a discussion of non-recognition, perhaps best be understood in the conflict of laws context.

²⁶⁹ *Op cit*, at 224.

²⁷⁰ The term 'deemed registration' is used to indicate a registration that is deemed to have taken place by virtue of a registration in accordance with an international treaty.

²⁷¹ See Evans, Kunze and para 4.3.2.1, *supra*.

²⁷² The national law of the relevant convention jurisdiction must provide that registration in the Geneva register will be deemed to be registration in accordance with its provisions: see chapter 4 para 7.2, *supra*.

²⁷³ Kunze, *op cit*, at 23. Art 6(2) of the Paris Convention ensures this result.

²⁷⁴ This is congruent with Art 6(3) of the Paris Convention: see para 4.3.1, *supra*.

4.4 CONCLUSIONS: THE INTERNATIONAL TREATIES AND NATIONAL TREATMENT

The principle of national treatment is a corollary, but in my submission, more aptly described as the treaty law incarnation or embodiment, of the territoriality principle.²⁷⁷ National treatment applies in all international trade mark treaties, viz the Paris Convention, the Madrid Agreement, the Madrid Protocol, and the TRIPS Agreement.²⁷⁸ The basic framework for the international treatment of trade marks is laid down in the Paris Convention and built on by the other instruments.²⁷⁹

The Paris Convention establishes national registration as the norm,²⁸⁰ obliges each subscriber jurisdiction to grant nationals of other subscriber jurisdictions national trade mark rights on the same terms as it grants its own nationals,²⁸¹ divorces the validity of each registration from that of every other,²⁸² and provides that the trade marks registered in each jurisdiction are independent of each other.²⁸³

The Madrid Agreement and Madrid Protocol provide a mechanism for the international registration of trade marks.²⁸⁴ These instruments however in effect provide for no more than an administrative convenience – they create individual national registrations in each jurisdiction stipulated in the application.²⁸⁵

The TRIPS Agreement stipulates in a great measure of detail what the domestic legislation of subscribers must contain,²⁸⁶ but does not break with the principle of national treatment.

The principle of national treatment, in its operation as a foundation principle of the international trade mark treaties, plays a major role in confirming the independence of national registrations. 'International' trade mark rights are like a patchwork quilt of

²⁷⁷ See para 4.2.1, *supra*.

²⁷⁸ See para 4.3, *supra*.

²⁷⁹ The other treaties may almost be seen as supplementary to the Paris Convention.

²⁸⁰ See para 4.3.1, *supra*.

²⁸¹ See para 4.3.1, *supra*.

²⁸² *Ibid.*

²⁸³ *Ibid.*

²⁸⁴ See para 4.3.2, *supra*.

²⁸⁵ *Ibid.*

²⁸⁶ See para 4.3.4, *supra*.

[5]

THE TERRITORIALITY PRINCIPLE AND THE CONFLICT OF LAWS

This part of the chapter consists of the following paragraphs

- 5.1 Introduction
- 5.2 Basic principles of the conflict of laws and parallel importation disputes
- 5.3 The foreign element in parallel importation cases
 - 5.3.1 Introduction
 - 5.3.2 The foreign element in each approach
 - 5.3.2.1 The genuine goods approach
 - 5.3.2.2 The enterprise approach
 - 5.3.2.3 The exhaustion approach
 - 5.3.3 Conclusions: the foreign element in parallel importation cases in conflict of laws perspective
- 5.4 Exclusive national trade mark rights: the conflict of laws perspective
 - 5.4.1 Clash of rights
 - 5.4.1.1 Clash: the result of convergence of two rights in a single replica
 - 5.4.1.2 Enforcement and the clash of trade mark rights
 - 5.4.2 More extensive foreign rights
- 5.5 Conclusions: the territoriality principle and the conflict of laws

5.1 INTRODUCTION

The existence of conflict of laws²⁸⁹ as a branch of national or domestic law is founded on acceptance of the territoriality principle.²⁹⁰ Conflict of laws also represents an effort to temper the effects of the territoriality principle, which resulted in law being a phenomenon

²⁸⁹ The purpose of the conflict of laws is to determine which legal system's rules are the most appropriate to apply in resolving a dispute that involves foreign elements – the rules of just one system at a time. Forsyth *op cit*, at 3 and 25; Cheshire & North, at 1, 8 and 32; HE Yentema, 'The Historic Bases of Private International Law', (1953) 2 *American Journal of Comparative Law* 297.

²⁹⁰ The major tenets of the principle are discussed at para 2.5, *supra*.

the light of conflict of laws principles²⁹⁵ provides a very useful perspective which illuminates the flaws in the treatment of parallel importation.

The ensuing discussion of the conflict of laws is intended to provide insight into and assists in resolving the following difficulties in relation to parallel importation, difficulties which impact on each other:

- (1) The same trade mark appeared to exist in all jurisdictions;²⁹⁶
- (2) The appearance that there was a single trade mark gave rise to the notion, not directly articulated²⁹⁷ however, that there was a single trade mark right which is exercised in all jurisdictions;²⁹⁸
- (3) The notion of a single trade mark right was reinforced in situations where the same person was the trade mark proprietor in a number of jurisdictions,²⁹⁹ and this led to misconstruction of the key concept, origin.³⁰⁰

²⁹⁵ The basic principles express its underlying philosophy and methodology.

²⁹⁶ The argument that there are many registered trade marks has been set out in chapters 2 to 5 *supra*. The argument is supported by section [1] of this chapter.

²⁹⁷ It nevertheless, perhaps even subconsciously underlies the manner in which parallel imports have been dealt with: see chapter 7, *infra*. See also Beier, *Territoriality* who says the question raised by parallel importation is 'can the owner of a trademark prevent third parties from **unauthorized** importation of genuine goods' (at 48, my emphasis).

²⁹⁸ The existence of a multiplicity of registered trade mark rights, each existing in a particular jurisdiction, is supported on the basis that it is the natural consequence of the existence of separate trade marks in different jurisdictions. Even if that view is rejected, the right is created by registration in each jurisdiction: see chapters 4 and 5, *supra*.

²⁹⁹ The person enrolled as such in the register in the jurisdiction is the proprietor. My submission still stands, whether one accepts that there is more than one trade mark or more than one trade mark right – the critical fact is there is a different mark or right in each jurisdiction.

³⁰⁰ The misconstruction of origin derives from the failure to recognise that the person who is proprietor of the trade mark in each jurisdiction is a different legal *persona*: the person acting in the capacity of trade mark proprietor in a particular jurisdiction (see para chapter 7 para 7.4.2, *infra*). The *persona* is easily distinguished from the person: in cases in which the trade mark is assigned, the new proprietor simply assumes the mantle or *persona* of trade mark proprietor (see chapter 7 para 7.4.2, *infra*)

A fuller discussion of the misconstruction of origin is undertaken in chapter 7 part [4], *infra*, but the principal elements of the argument that it is misconstrued are:

- (a) origin has a technical meaning;
- (b) that meaning results in the market, which in my view is the jurisdiction in which the goods are situated, constituting a central concept;
- (c) the central role of the jurisdiction results in the trade mark in a particular jurisdiction being used to indicate origin in the *persona* of the proprietor in that jurisdiction; with the result that
- (d) the capacity in which the proprietor acts is critical to origin; which
- (e) has to be determined afresh in each jurisdiction, not just once off.

5.2 BASIC PRINCIPLES OF THE CONFLICT OF LAWS AND PARALLEL IMPORTATION DISPUTES

The rules of conflict of laws are invoked where at least some of the facts and events connected with a dispute are situated in, or have occurred at, a place outside the *forum*.³⁰²

In conflicts disputes the court of the *forum*³⁰³ determines which is the appropriate law to settle the dispute by applying the traditional methodology,³⁰⁴ ie (a) determining whether or not it has jurisdiction; (b) classifying the dispute which reveals the conflicts rule of the *forum* that is appropriate to the category of dispute; that (c) indicates which law is the appropriate law to settle the dispute, the *lex causae*.³⁰⁵ If the *lex causae* is foreign law, the court of the *forum* creates a right, *in the forum*, that is equivalent to the right foreign right (that exists in the foreign jurisdiction, the *lex causae* jurisdiction),³⁰⁶ which the court is asked to enforce.³⁰⁷ The court of the *forum* then enforces the right that it has created.

In parallel importation cases, by contrast, the equivalent right to the one the importer acquired in the export jurisdiction, already exists in the import jurisdiction and, in my submission, cannot be created again in the import jurisdiction. The right which the importer

³⁰² Forsyth, *op cit*, at 2; Cheshire & North, at 1; Castel & Walker indicate that conflicts come into operation when there is at least one foreign legally relevant factual element in a case (*op cit*, at para 1.5).

³⁰³ The *forum* is the jurisdiction in which a conflicts dispute is being heard, which would be the import jurisdiction in parallel importation cases.

³⁰⁴ Castel & Walker indicate that some of the different approaches and methodologies as applied in the conflict of laws are: (a) the traditional method which consists of jurisdiction selecting rules; (b) governmental interests and policies; (c) principles of preference; (d) the predominance of the *lex fori*; and (e) the choice influencing factors and policies of the Second Restatement (*op cit*, at para 1.14). See Forsyth, *op cit*, at 9 – 11; Cheshire & North, at 35 – 36.

³⁰⁵ The *lex causae* may be the law of the *forum*.

³⁰⁶ The *lex causae* is the law to be applied in settling the dispute. This would be the law of the jurisdiction which the dispute is most appropriately connected with in terms of the conflict of laws rule of the *forum*. This law is identified through a process (see Forsyth *op cit*, 9; Cheshire & North, at 35 – 36. The *lex causae* jurisdiction would be the export jurisdiction in parallel importation cases: see para 5.3, *infra*).

³⁰⁷ This is in accordance with the local law theory propounded by WW Cook, *The Logical and Legal Bases of the Conflict of Laws*, Harvard University Press, (1942), at 20 – 21 (see para 2.6, *supra*); Forsyth, *op cit*, indicates that despite the criticism that it is sterile, analytically the local law theory is true (at 55). The vested rights theory seems to be the basis of the practice in parallel importation (see AE Anton, with PR Beaumont, *Private International Law. A Treatise from the Standpoint of Scots Law*, 2ed, W Green, Edinburgh, (1990), at 27 – 28; Forsyth, *op cit*, at 53).

Even though a parallel importation dispute is not a conflicts dispute, the fact that the importer acquired the right he claims to be entitled to exercise, in a foreign (the export) jurisdiction, creates a situation in which the application of the conflict of laws rules *would ordinarily have been considered appropriate*.³¹⁶ The courts, however, in applying the approaches to parallel importation disputes, operate as if the right, which the importer claims he is entitled to exercise, *exists* in the import jurisdiction by virtue of the law of the import jurisdiction, almost as if the importer's right to the trademarked corporeal item³¹⁷ creates a right to use the trade mark in the import jurisdiction.³¹⁸ In parallel importation disputes no regard is had to, and no significance is attached to the issue of *where the right was acquired*: the courts appear to ignore the fact that the importer brought the goods into the import jurisdiction.³¹⁹

If a parallel importation dispute were regarded a conflicts dispute, the importer would be claiming that he had acquired the right to use the trade mark in the export jurisdiction and was requesting the court in the import jurisdiction to recognize and enforce that right.³²⁰ The parallel importation dispute appears as if it could be a conflict of laws dispute because the right that the importer claims exists by virtue of the law of the export jurisdiction,³²¹ and ordinarily the right could only be enforced if a court in the import jurisdiction applied its conflict of laws rules to recognize and enforce that right in the import jurisdiction. The conflict of laws perspective thus demonstrates that there are elements in parallel importation disputes which would have been recognised as *foreign elements*, and have been dealt with as foreign elements, had parallel importation disputes been conflicts disputes.

³¹⁶ It is submitted, however, that the conflict of laws rules cannot find application: see para 5.4, *infra*.

³¹⁷ It makes no difference whether the right importer's right is ownership of the goods or lawful possession.

³¹⁸ It is a matter of trite law that the corporeal entity in relation to which the trade mark is situated and the trade mark are distinct entities and the rights in and to them distinct.

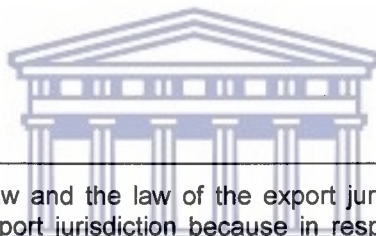
³¹⁹ But for the approaches, it is almost as if the court were saying: the importer acquired the goods lawfully, the goods were lawfully trademarked (this is a proper inference from the fact that the import proprietor does not claim that the goods were not lawfully trademarked, even though this is not part of his cause of action) he is the lawful possessor or owner of the goods, entitled to possess the goods, and therefore had the right to import them.

³²⁰ The fact that he raises it by way of defence does not alter its nature.

³²¹ See the conclusions in this chapter: see part [6], *infra*.

- (2) He was granted implied consent when he acquired the goods.³²⁵
- (3) His action does not constitute infringement because the right the proprietor purports to assert was previously exhausted.³²⁶

The trade mark proprietor, by affixing the trade mark to goods *and* placing the goods on the market, invests the owner or lawful possessor of the goods with the right to use the trade mark in the jurisdiction in which the placement on the market occurred.³²⁷ In other words, the only registered right which the owner or lawful possessor of the goods is permitted to exercise, by virtue of his acquisition of the trademarked goods in the export jurisdiction, is the export right.



'shadow land' between SA law and the law of the export jurisdiction, applying SA law to facts that occurred in the export jurisdiction because in respect of a parallel importation dispute, since it is not a conflicts dispute, the law of the export jurisdiction will not have been pleaded and proved in a SA court (see para 5.2.1 *infra*). The most sensible basis on which to hold that the right exists is by consent implied from the use of the trade mark in the sale. The export trade mark is used during the sale of the goods in the export jurisdiction. Since the *export trade mark* is used, one can only draw an inference regarding the export trade mark (the conduct relates to the export trade mark and provides no indication of the proprietor's attitude in regard to his other trade marks). This means implied consent is granted to use only the export trade mark. So when the supplier delivers the goods to the importer in the *export jurisdiction*, he transfers the right to use the export trade mark *only*. If the supplier and the importer agreed that the sale would only take effect upon delivery, the supplier would become the importer of the goods: he would be responsible for the transportation of the goods until he fulfilled his obligation to deliver the goods to the purchaser. Importation occurs when the goods enter the territory of the import jurisdiction. If they agreed that delivery was deemed to take place on or before the border, the importer would be responsible for the entry of the goods into the import jurisdiction. If they agreed that delivery would take place in the import jurisdiction, the exporter would be responsible for the goods crossing the border and he would be the infringer if there was an infringement. *The border is therefore a critical geographic divide in trade mark matters: it separates the area in which exhibition of a replica will constitute use of one trade mark, from the area in which the exhibition of that same replica will constitute use of another trade mark.* The critical act of use in parallel importation matters is not the use in conclusion of the contract the sale, but the placement of the goods on the market in the import jurisdiction.

In summary, sale of trademarked goods transfers to the purchaser the right to use the trade mark in the jurisdiction in which the delivery occurs.

325

This is in accordance with the enterprise approach: see chapter 7 part [9], *infra*.

326

The exhaustion of the right means the importer has the right to deal with the goods of which he is lawful possessor or owner without hindrance by the import proprietor. This is in accordance with the exhaustion approach: see chapter 7 part [10], *infra*.

327

See chapter 7 part [2], *infra*, in which the use of a trade mark is discussed.

cannot cross national boundaries, however waiver³³⁴ and acquiescence could perhaps deprive the proprietor of the right to sue for infringement.³³⁵

Examination of the ways in which the foreign element is introduced into a parallel import dispute, exposes more clearly that the defences do not relate to the import right.

5.3.2 THE FOREIGN ELEMENT IN EACH APPROACH

Each approach introduced the foreign element is into the parallel importation dispute in a different manner. The foreign element derives from a transaction relevant to the dispute occurring outside the *forum* jurisdiction.³³⁶ The foreign element has to be dealt with: if the conflict of laws cannot deal with it, it must be excluded, for not to do so will indirectly result in it overriding the local right.³³⁷ The defendant's (importer's) plea relies on a foreign right, and if the foreign right cannot be recognised or enforced, his plea must fail.³³⁸

³³⁴ See the combined ECJ judgment, called the *Levi's* case, in (i) *Zino Davidoff SA v A & G Imports Ltd* (case C-414/99); (ii) *Levi Strauss & Co and Levi Strauss (UK) Ltd v Tesco Stores Ltd and Tesco plc* (case C-415/99); and (iii) *Levi Strauss & Co and Levi Strauss (UK) Ltd v Costco Wholesale UK Ltd formerly Costco UK Ltd* (case C-416/99), on waiver (the Court indicated that consent was equivalent to a renunciation of right and the insistence on consent in respect of individual items in the *Sebago* case render waiver less than likely).

In *New Media Publishing (Pty) Ltd v Eating Out Web Services CC* (the *Eating Out* case), 2005 (5) SA 388 (C) the question of acquiescence was discussed at 405E – 408H. In regard to acquiescence the Court in *Burnkloof Caterers (Pty) Ltd v Horseshoe Caterers (Green Point) (Pty) Ltd*, 1974 (2) SA 125 (C) said: 'Acquiescence is in my view, a form of *tacit consent*, and in this regard it must, however, be borne in mind that ... "Quiescence is not necessarily acquiescence" ... conduct to constitute acceptance must be an unequivocal indication to the other party' (at 137D-F, my emphasis).

³³⁵ One of the characteristics of parallel importation situations is the absence of express consent to the importation of the goods (see chapter 7 part [6], *infra*). Institution of the action militates against the inference that there is waiver. The general features of exhaustion are set out in para 5.3.2.3, *infra* and it is discussed in detail in chapter 7, *infra*.

³³⁶ It is alleged to have either conferred on the importer the right he claims to be entitled to exercise (this would be either under the genuine goods or enterprise approach: see chapter 7 parts [8] and [9], *infra*) or consumed the right which the import proprietor claims to assert (his would be under the exhaustion approach: see chapter 7 part [10], *infra*).

³³⁷ The enjoyment of the foreign right in a conflicts case does not result in someone being deprived of his right in the *forum*, let us say SA. In the *Anderson* case, (*supra*) Mrs Anderson's right to a one third share of her deceased husband's estate, in reality meant that *that* one third share was not her husband's to deal with in terms of his will. So Mrs Anderson's right did not deprive Mr Anderson's heir of her SA right; Mr Anderson had no right to that share and therefore the heir could have none. So in a conflicts case, when the court rules that the rights are to be determined in accordance with foreign law, it is in effect declaring that there is no SA right in the situation – if any right exist, it exists in terms of foreign law. In the event of the person, who relies on the foreign law, not being able to establish that it is applicable, he fails in his action or defence.

³³⁸ E Kahn, 'Proving the laws of our friends and neighbours', (1965) 82 *SALJ* 133.

In regarding the grant of implied consent in the export jurisdiction as constituting a grant of implied consent to use the trade mark in the import jurisdiction, the court is applying the law of the export jurisdiction in a manner similar to that in which a court would apply the *lex causae* in a conflicts case. In other words, the court is saying that whether the consent was granted in the import jurisdiction is determined by the law of the export jurisdiction. Once again, the court is operating as if it had applied a SA conflicts rule that determined that the law of the export jurisdiction was the *lex causae*. No such conflict rule exists,³⁴³ however, and the court in the import jurisdiction is dealing with a different trade mark.³⁴⁴

5.3.2.3 The International Exhaustion Approach

In applying the international exhaustion approach the foreign element is introduced into the dispute by the court determining whether or not *the* right that the import proprietor seeks to enforce in the import jurisdiction, *was previously exercised*, and thereby exhausted, in another jurisdiction.³⁴⁵

Equating the exercise of the export right with exercise of the import right is an application of the export jurisdiction's law in the manner in which a court would apply the *lex causae* in a conflicts case.³⁴⁶ In other words, the court of the *forum* says that, in order to determine whether the import right has been exercised and exhausted, is determined by the law of the export jurisdiction. Once again, it is as if a SA conflicts rule identified the law of the export jurisdiction as the *lex causae*, but there is no such conflicts rule.³⁴⁷

³⁴³ See para 5.4.4, *infra*.

³⁴⁴ The other reasons for rejecting the enterprise approach are canvassed in chapter 7 part [10], *infra*.

³⁴⁵ The essential elements of this approach were mentioned in chapter 1 para 1.7, *supra*. The words are emphasized because the approach could be interpreted as operating as if there is one trade mark internationally.

³⁴⁶ In other words, the court of the *forum* says that in whether or not the import right has been exercised and exhausted is determined by the law of the export jurisdiction. The export jurisdiction determines the matter on the basis of the facts that occurred in that jurisdiction – another major flaw of the parallel importation approaches (when regard is had to the fact that the import right is in dispute).

³⁴⁷ See para 5.4.4, *infra*.

dispute not being a conflicts dispute, the court tends to overlook the fact that *the importer's defence is based on a right that he obtained in the export jurisdiction*.³⁵⁶ The defendant simply asserts that he obtained the right from the *person* who is the proprietor in the import jurisdiction, without referring to place at all.³⁵⁷ The defendant himself would not raise the foreign element unless it would bring him an advantage, which, as we have just seen, would be unlikely. There is no reason, however, why the plaintiff could not seek to introduce the foreign element by pointing out that the right the defendant asserts was obtained in a foreign jurisdiction and showing why that right should not be recognised by the court at the *forum*.

Having examined parallel importation disputes in light filtered through a conflict of laws prism it has been confirmed that they are not conflicts disputes.³⁵⁸ The scrutiny of parallel importation disputes from a conflicts perspective engenders a clear realisation that the importer relies on a *foreign right*. The examination also confirms that there are many trade mark rights, not a single universal one.

During the discussion of the territorial limitation of legislative competence,³⁵⁹ the reasons for the adoption of the treaty rather than the conflict of laws solution to providing the need for international trade mark protection were alluded to. The reasons are now discussed in greater detail.

³⁵⁵ It is also seen in chapter 7 that in parallel importation situations is that the goods are obtained in the export jurisdiction and imported into the import jurisdiction.

³⁵⁶ See para 5.3.2, *supra*.

³⁵⁷ It was earlier indicated that the emphasis of origin in a person has contributed to the misdirection (note 286, *supra*): this is how the misunderstanding comes about.

³⁵⁸ The right to use the trade mark 'runs with the goods' in the jurisdiction in which it was granted.

³⁵⁹ See para 4.2.1, *supra*.

he obtained by registration in the import jurisdiction while the importer would be claiming the right to *use* an identical trade mark acquired in the export jurisdiction.³⁶⁸ Trade marks are incorporeal; therefore, if the trade mark registered in jurisdiction A is identical to the trade mark registered in jurisdiction B, and the trade mark registered in jurisdiction A is used in jurisdiction B, there will in fact be use of the trade mark registered in jurisdiction B, to which the trade mark in jurisdiction A is identical. A clear understanding of this problem requires a fuller examination of the exclusivity of national trade mark rights, ie the right created in each jurisdiction.

Lipstein argues that one simply cannot apply the principles of conflict of laws in IP disputes where there are identical items of IP in the relevant jurisdictions.³⁶⁹ The basis of his argument is that in the *forum*, whose court is asked to create a right similar to the one enjoyed by the person who requests the recognition of the foreign right, the identical right already exists.³⁷⁰ The local court cannot therefore create the right again and confer it on someone other than the person who holds the right in the *forum* jurisdiction by virtue of the registration.³⁷¹ The court, if it recognized the foreign right, would in fact invest the importer with the import right, which belongs to the import proprietor. The import proprietor, who seeks to prevent the importer exercising his right, would find himself in a position in which the importer has usurped his right. The trade mark right can only be exclusive if it is the only right in the trade mark that can be exercised in the jurisdiction in which there is a registration.³⁷² Lipstein expresses the position as follows: the exclusive nature of intellectual property legislation precludes the coexistence in the same jurisdiction of more than one system of such rights'.³⁷³

The need to 'avoid a clash' explains why, even if we accept that there is nothing inherent in the nature of law that makes it territorial,³⁷⁴ its effectiveness is limited to a specific territorial unit. There is, of course, nothing to prevent the courts of a sovereign State

³⁶⁸ The fact that the use of one trade mark that is identical to the other means use of the second is discussed in chapter 7 paras 2.5.1.2 and 2.5.2.3, *infra*.

³⁶⁹ The *forum* and the one from which the right sought to be enforced emanates.

³⁷⁰ WW Cook: see para 2.6, *supra*.

³⁷¹ The problem of fashioning a local equivalent of a foreign IP right has already been referred to: see para 5.2, *supra*.

³⁷² The right is the exclusive right to use the registered trade mark in that jurisdiction.

³⁷³ Lipstein, *op cit*, 297.

³⁷⁴ In keeping with the ideas of Salmond para 2.5, *supra*.

5.4.1.1 Clash the Result of the Convergence of Two Rights in a Single Replica

The clash of rights can be explained by saying that if the courts of jurisdiction A recognized the trade mark rights conferred on an identical trade mark registered in jurisdiction B, two rights would converge in a single replica trade mark in jurisdiction A.³⁷⁹ The replica would be a replica of the import trade mark, because the goods would be in the import jurisdiction.³⁸⁰ If the export right were recognized, the same replica would simultaneously be a replica of the export trade mark since the export right cannot be exercised except by means of a replica.³⁸¹ If there is a convergence and clash of rights in a single replica, the question arises which right would the court enforce or prefer?

In parallel importation cases there would always be a clash because the import proprietor would rely on his import right and the importer on a right acquired in the export jurisdiction.³⁸² There would be a clash of rights even if one person was the proprietor in both the export and import jurisdictions.³⁸³ The impact of the clash would, however, probably not be perceived where one person is the proprietor of the trade mark in both the export and import jurisdictions and would in all probability be ignored – there is no recognition by the courts that the export and import proprietors are different *personae* who just happen to be inhabited by one person.³⁸⁴ It is this same clash of rights that results in infringement where there are different proprietors.³⁸⁵

There can be no transfer of a registered trade mark right from one jurisdiction to another by means of a replica, the use of which was authorized in one jurisdiction. Transfer is impermissible because it would lead to the convergence just referred to, ie the replica would be a replica of the export trade mark because it would be the means by which the

³⁷⁹ See chapter 2 para 6.1, *supra* and chapter 7 para 2.5.2.3, *infra*.

³⁸⁰ See chapter 7 para 2.5.2.3, *infra*.

³⁸¹ See chapter 7 para 2.2, *infra*.

³⁸² See para 5.2, *supra*.

³⁸³ If the same person is the proprietor in both the export and import jurisdictions, the proprietor would invoke his import right and the importer the export right. The importer would invoke the export right whether he sought to establish his right or to establish that the proprietor's right had been consumed.

³⁸⁴ In my submission this is what the genuine goods approach does.

³⁸⁵ In an infringement situation, where different persons are the export and import proprietors, the import proprietors right prevails because the importer is claiming that he is entitled to exercise the *export right* which clashes with the import right in the identical trade mark. It is clear under those circumstances that the importer could only succeed if he had obtained the right to use the import trade mark (and exercise the import right).

of occasions on which a court of the *forum* issues an order in terms of which a litigant in a conflicts case is permitted to engage in an ongoing exercise of the right created in the *forum* are so significantly fewer than those in which the judgment can be satisfied by a single act, that they can be regarded as the exception rather than the rule. The nature of the relationship that gives rise to the right will determine whether or not an ongoing exercise will be permitted. Eg, in the case of a claim for maintenance, the relationship which gives rise to the right is an ongoing relationship therefore if a court of the *forum* recognises a right to maintenance the court will make an order permitting an ongoing exercise of the right. In cases of parallel importation, however, the *right* to use the export trade mark does not extend beyond the boundaries of the export jurisdiction because the *relationship*³⁹⁰ between the *replica* trade mark affixed to the goods and the trade mark registered in the export jurisdiction is severed irreversibly when the goods leave the export jurisdiction.³⁹¹

The problem encountered in allowing the exercise of foreign trade mark rights in parallel importation cases can be more clearly understood if we contrast a case of parallel importation with a case in which the plaintiff seeks redress for infringement of a foreign trade mark right where the infringement also occurred in a foreign jurisdiction.

If the court of the *forum* grants an order for redress of a foreign trade mark right infringed in the foreign jurisdiction in which the right subsists, the court is declaring that

- (a) there was a right in the foreign jurisdiction,³⁹²
- (b) the defendant infringed that right in the foreign jurisdiction, and
- (c) the plaintiff is entitled to redress, which the court of the *forum* then grants on the basis of the equivalent right created in the *forum* jurisdiction.³⁹³

³⁹⁰ A relationship exists between the proprietor in the import jurisdiction and the replica trade mark affixed to the goods because the replica constitutes a replica of the trade mark registered in the import jurisdiction: see chapter 7 para 4.6, *infra*.

³⁹¹ The replica trade mark, while it is in a particular jurisdiction is a replica of the trade mark registered in that jurisdiction because it shares its physical characteristics. Once the replica is removed from the jurisdiction, because the trade mark registered in the jurisdiction from which the replica is removed only exists in that jurisdiction, the replica can no longer be a replica of the trade mark registered in the jurisdiction from which the replica is removed. See chapter 7 para 4.4.2, *infra*.

³⁹² The right may still exist in the foreign jurisdiction but for purposes of the litigation its existence at the time the cause of action is alleged to have arisen is critical.

³⁹³ See para 5.2 and 5.4.1, *supra*.

court in effect allows the importer to exercise the import trade mark right – the upshot of recognising the right the importer acquired to use the export trade mark is to confer on him the right to use the import trade mark.³⁹⁷ The importer is also in effect indirectly asking to be allowed to pass the right on to other persons to whom he will transfer the goods, making them lawful possessors of the trademarked goods.³⁹⁸

5.4.2 MORE EXTENSIVE FOREIGN RIGHTS

Cornish & Llewelyn indicate that a major consideration for the courts of one jurisdiction not recognising IP rights created in another jurisdiction was that it could have led to a peculiar situation: if the foreign rights³⁹⁹ were recognized in the *forum*,⁴⁰⁰ a person could come before the court of the *forum* (the import jurisdiction) having acquired his rights abroad (the export jurisdiction), and possibly enjoy greater protection than a person who acquired his IP rights in the *forum* (import jurisdiction).⁴⁰¹ This would have led to people acquiring IP rights in the jurisdiction that provided the most favourable terms of protection and then exercising those rights in other jurisdictions,⁴⁰² subject of course to the other jurisdictions recognising and enforcing the rights obtained in the jurisdiction offering the most extensive rights. This consideration, Cornish & Llewelyn suggest, was one of the main reasons for the *adoption* of the territoriality principle,⁴⁰³ saying:

'In the early period of industrialisation, the political unacceptability of this approach [allowing persons to acquire the most favourable protection abroad and enforcing the rights in the *forum*] was soon enough appreciated and instead the territorial character of intellectual property became widely accepted during the nineteenth century'.⁴⁰⁴

within its area of jurisdiction, the court would in any event assume the power to order maintenance against the guardian or person who in terms of SA law is liable for the minor's maintenance without necessarily referring to the foreign law, but would recognize a foreign court order providing for maintenance.

397

See para 5.2, *supra*.

398

See para 5.3.1, *supra*.

399

For example, the right granted in the export jurisdiction.

400

Eg the import jurisdiction.

401

Op cit, at 27, where they give the example of someone enjoying longer copyright protection.

402

Ibid.

403

It is my submission that the territoriality principle was not adopted, it was recognized as the inevitable consequence of the existence of national registers and the factors discussed in parts [2] – [4] *supra*.

404

Op cit, at 27.

5.5 CONCLUSIONS: THE TERRITORIALITY PRINCIPLE AND THE CONFLICT OF LAWS

A court in the import jurisdiction (the *forum*) cannot recognize and enforce the rights in and to a trade mark identical to the one registered in the *forum* under circumstances in which recognition would result in an ongoing exercise of the 'foreign' trade mark rights. In parallel import, and other situations in which there would be an ongoing exercise of foreign trade mark rights, the court granting recognition would in fact be permitting the exercise of the trade mark rights that were conferred *in the forum*.⁴¹¹ The result just mentioned would flow if the replica of the trade mark registered in the export jurisdiction is exhibited in the import jurisdiction, and there is an identical trade mark registered in the import jurisdiction. The exhibition would result in the exercise of the trade mark right in the import jurisdiction: a replica of one of two identical trade marks, is perforce a replica of the other.⁴¹²

In most circumstances in which recognition of the foreign trade mark would not involve an ongoing exercise of the foreign rights, the action is aimed at obtaining redress for infringement of the foreign trade mark right. The foreign right is subsumed in the right of action when redress is sought, and the fact that it is subsumed in the action insulates the right in dispute from the right that exists (and operates) in the *forum* (import jurisdiction).⁴¹³ In the parallel importation situation, however, recognition of the right to use the trade mark created in the export jurisdiction would amount to a conversion of that right into, or conferral of, the right to use the trade mark registered in the import jurisdiction and the exercise of the import right.⁴¹⁴

The manner in which parallel importation has been dealt with under the traditional approaches has brought about a highly undesirable situation in which the measure of protection granted to a trade mark by the trade mark right acquired by registration *within one jurisdiction* depends on legal rules that operate outside of the jurisdiction, *without the principles of conflict of laws being invoked and applied*.

⁴¹¹ See para 5.4.1, *supra*.

⁴¹² Display of a replica of a trade mark constitutes use of that trade mark: see chapter 7 para 2.2, *infra*.

⁴¹³ The concept 'subsumed in the cause of action' is intended to convey that the right is only exercisable through the action and not outside thereof.

⁴¹⁴ This is explained at para 5.4.1, *supra*. Recognition for the purpose of providing a remedy is different from recognition to allow an ongoing exercise of the rights. See par 5.4.1.2, *infra*.

There are numerous bases on which States can exercise jurisdiction, one of which is the territoriality principle.⁴²⁵ Those legal systems which fall within the Anglo American family as a general rule exercise jurisdiction on the basis of the territoriality principle, and on other bases by way of exception.⁴²⁶ In terms of the territoriality principle each State excludes other States from exercising authority within its territory as a result of which within its territory its authority is exclusive.⁴²⁷ The territoriality principle results in the municipal or national law each State, having effect only within its territory, consequently conferring rights only within that territory.⁴²⁸

SA law operates primarily on the basis of the territoriality principle, though there are exceptional circumstances when other bases will be utilised.⁴²⁹

Prior to trade mark law operating on the basis of the territoriality principle, the universality principle was applied.⁴³⁰ The universality principle, in effect held that there was a single trade mark, because the trade mark was almost in the nature of an aspect of the trade mark proprietor's personality.⁴³¹ In terms of the universality principle the courts erroneously converted the psychological effect of designating goods by a trade mark, which is not limited by national boundaries, into legal effect.⁴³² The error was recognised and the principle generally accepted that ownership of the trade mark had to be determined in accordance with the law of a particular State, the ground rule of the territoriality principle.⁴³³

Recognition of a trade mark by a particular State is determined exclusively by its national or domestic law⁴³⁴ which determines all the relevant facets of the existence of a trade mark and its concomitant right.⁴³⁵ Consequently as a general rule, a trade mark right is limited to

⁴²⁵ See text at note 39, *supra*.

⁴²⁶ See para 2.5, *supra*.

⁴²⁷ *Ibid.*

⁴²⁸ *Ibid.*

⁴²⁹ Para 2.6, *supra*.

⁴³⁰ Para 3.1, *supra*.

⁴³¹ See text at note 82, *supra*.

⁴³² See para 3.2, *supra*.

⁴³³ See para 3.2, *supra*.

⁴³⁴ See para 3.3, *supra*.

⁴³⁵ See paras 3.3 and 3.5, *supra*.

protection to be determined by the national law of that State.⁴⁴⁷ The adoption of national treatment by all international trade mark treaties confirmed the application of the territoriality principle.⁴⁴⁸ The application of the territoriality principle was also reinforced by the need to transpose international law into national law.⁴⁴⁹

The essence of national treatment is that trade mark rights enjoyed in each State, including those rights conferred in fulfilment of international treaty obligations, are created by the law of the jurisdiction in which the rights are conferred.⁴⁵⁰ The territorial restriction on a State's lawmaking competence, the reason for national treatment, is sometimes acknowledged in the legislation itself, in most cases indirectly.⁴⁵¹ The provision of the Paris Convention in terms of which a trade mark registered in one country of the Paris Union is independent of identical trade marks registered in other countries of the Union, confirms an important aspect of the two trade mark thesis.⁴⁵²

Acceptance of the territoriality principle is a *sine qua non* for the existence of the conflict of laws as a branch of a State's national law.⁴⁵³ The discussion of the conflict of laws in this thesis is not predicated on the view that the principles of the conflict of laws can or ought to be applied to parallel importation disputes.⁴⁵⁴ The underlying philosophy and methodology of the conflict of laws, however, provides invaluable insight into the manner in which parallel importation cases are dealt with.

The conflicts of laws rules of a jurisdiction are applied to disputes that contain a foreign element. Once it has been determined that the law of the foreign State is applicable, the court of the *forum* creates a right equivalent to that which exists in the foreign country and enforces that right.⁴⁵⁵ In parallel importation cases it is not possible for a court of the *forum*

⁴⁴⁷ *Ibid.*

⁴⁴⁸ See para 4.3, *supra*. The EU trade mark instruments are international in the sense that the EU consists of a number of Contracting Parties, even though the effect of the trade mark instruments and the free movement of goods principle is to constitute the EU a single supra-national territorial unit for purposes of trade mark law (see para 4.3.3, *supra*).

⁴⁴⁹ See para 4.2, *supra*.

⁴⁵⁰ *Ibid.*

⁴⁵¹ See para 4.2.1.1, *supra*.

⁴⁵² Article 6(3): see para 4.3.1, *supra*.

⁴⁵³ See para 5.1, *supra*.

⁴⁵⁴ *Ibid.*

⁴⁵⁵ See para 5.2, *supra*.

CHAPTER SEVEN

INFRINGEMENT OF THE REGISTERED TRADE MARK RIGHT BY PARALLEL IMPORTATION

This chapter consists of the following parts:

- 1 Introduction
- 2 Use of a trade mark
- 3 The function of a trade mark
- 4 Origin
- 5 Essential elements of infringement other than by parallel importation
- 6 Anatomy of parallel importation
- 7 Introduction to the approaches to parallel importation
- 8 The genuine goods approach
- 9 The enterprise approach
- 10 The exhaustion approach
- 11 Parallel importation in SA law
- 12 Conclusions regarding parallel importation

[1]

INTRODUCTION

The principal aim of the analysis undertaken in this chapter is to examine the implications of the thesis that a registered trade mark has its *situs* in, and that its existence is limited to, the jurisdiction in which it is registered. A natural consequence of the trade mark being limited to the jurisdiction in which it is registered, is that its concomitant right is likewise restricted to the same jurisdiction, and only capable of being infringed in that jurisdiction.

Two concepts that are critical to a proper understanding of trade mark infringement, viz, 'use' and the function of a trade mark, are examined.¹ The concept of 'origin' of a trade mark is analysed.² An overview of the general principles of trade mark infringement in

¹ These concepts are examined in parts [2] and [3] respectively.

² See part [4], *infra*.

Competition

Brooks¹⁰ indicates that the 'public interest' is an important consideration in determining whether a particular restrictive practice, acquisition, or monopoly situation contravened the Maintenance and Promotion of Competition Act (MPCA).¹¹ He argues that this consideration has to be taken into account 'when the interface between an individual's immaterial property (IP) rights and the rules governing competition are considered'.¹²

Brooks indicates that the EU and USA have 'pertinently addressed' the interaction between immaterial property rights and the rules governing competition.¹³ He argues that their exclusive nature creates the potential for conflict between IP rights and the principles of antitrust law, saying that

'at the risk of over-simplification it is submitted that as long as [an] ... IP right ... is exercised within the demarcated legal parameters of such a right it will not conflict with the antitrust laws'.¹⁴

Brooks refers to the EU situation in which the existence of IP is governed by national law and competition by Community law.¹⁵ He also refers to a distinction being drawn between the existence (governed by national law) and exercise of IP rights (which is governed by EU competition law, especially the free movement of goods principle derived from Article 30 [of the Treaty of Rome]),¹⁶ and expresses the view that the free movement of goods principle has had a far reaching impact on the utilisation of intellectual property rights in the EU.¹⁷

The MPCA provided that the Act shall not, subject to s 2(2),¹⁸ be construed so as to limit any of the rights acquired under the Trade Marks Act 63 of 1962, Designs Act 57 of 1967, Plant Breeders Rights Act 15 of 1976, Patents Act 57 of 1978 and Copyright Act 98 of 1978. Brooks, correctly, in my submission, concludes that the MPCA had 'a relatively

¹⁰ PEJ Brooks, 'Immaterial Property Rights and the Promotion of Competition', 1987 *Modern Business Law* 22.

¹¹ Act 96 of 1979

¹² *Op cit*, at 22-23.

¹³ *Op cit*, at 23.

¹⁴ *Op cit*, at 24.

¹⁵ *Op cit*, at 26. See chapter 8 para 1.2, *infra*.

¹⁶ *Op cit*, at 27.

¹⁷ *Ibid*.

¹⁸ Section 2(2) makes the exercise subject to the finding that the person has been involved in a restrictive practice.

In my submission, the TMA falls within the domain of the private law of competition and, as Rutherford indicates, more than just the exercise of the exclusive right it conferred was required to take trade mark use out of the private law domain into that of the public law of competition, where it might fall foul of the CPA. In my further submission, similar remarks to those made by Kingsbury³⁰ can be made with regard to the position in SA under the MPCA (and, by extension the CPA).³¹ Kingsbury indicates that '[i]t is not clear why courts in trade mark cases do not use competition law style market definition' even though, as she argues, '[t]he primary goal of trade mark law is the facilitation of competition'.³² In my submission, there is a similar distinct absence of the language of competition law reasoning in the SA parallel importation cases,³³ even though it is clear, from the case law as well as the statutory measures adopted in the EU and USA, that parallel importation cases often lie at the interface between competition and IP rights (including trade mark rights). The absence of the language of competition law reasoning is particularly significant because the MPCA was in force at the time all SA's parallel importation cases were heard. ***Protective Mining & Industrial Equipment Systems (Pty) Ltd (formerly Hampo Systems (Pty) Ltd) v Audiolens (Cape) (Pty) Ltd*** (the ***Pentax*** case),³⁴ contains the merest hint at competition considerations where the Court said: 'These articles could be sold profitably by the respondent at prices lower than those charged ... by the appellant'.³⁵ If not even the language of competition law features in SA's parallel importation cases in which trade mark infringement is alleged, there is hardly a basis on which one can draw the conclusion that the courts applied competition principles in deciding the cases. ***Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd*** (the ***Impregum*** case)³⁶ was decided on the basis of the principles of the private law concerning unlawful competition alone, without reference to those of trade mark law because the plaintiff made no claim to any trade mark rights. The ***Impregum*** case therefore provides no indication of how the SA courts have dealt with, and will deal with, the interface between trade mark rights and competition principles.

concerned' (at para 273) and then lists the TMA among a number of Acts which contain 'provisions ... relevant in that respect' (*ibid*).

³⁰ A Kingsbury, 'Registration, Infringement, Competition and Markets under the New Zealand Trade Marks Act 2002', [2005] *EIPR* 213.

³¹ In my submission, a similar position would prevail under the Competition Act 89 of 1998.

³² *Op cit*, at 219.

³³ These are discussed in chapter 7 part [11], *infra*.

³⁴ 1987 (2) SA 961 (AD): see chapter 7 para 11.4, *infra*.

³⁵ At 972F.

³⁶ 1991 (1) SA 412 (AD): see chapter 7 para 11.6, *infra*.

[2]

USE OF A TRADE MARK

Part two of this chapter consists of the following paragraphs:

- 2.1 The concept of trade mark use
- 2.2 Trade mark use and the characteristics of a replica trade mark
- 2.3 Use in relation to goods
 - 2.3.1 The *Trebor Bassett* case
 - 2.3.2 The *Verimark* case
- 2.4 Primary and secondary use
- 2.5 Principal modes of trade mark use
 - 2.5.1 Affixation of a trade mark
 - 2.5.1.1 Affixation and the creation of trademarked goods
 - 2.5.1.2 Affixation and the national identity of a replica trade mark
 - 2.5.1.3 Significance of affixation for parallel importation
 - 2.5.2 Placement of trademarked goods on the market
 - 2.5.2.1 The *Kappa* case
 - 2.5.2.2 Affixation and placement distinguished
 - 2.5.3 Trade mark use by mass media advertisement
 - 2.5.3.1 Distinction from other modes of trade mark use
 - 2.5.3.2 Use in relation to goods
 - 2.5.3.3 Use of the trade mark in the jurisdiction
 - 2.5.3.3.1 The *Jordache* case
 - 2.5.3.3.2 The *GAP (D)* case
 - 2.5.3.4 Provision of information
- 2.6 Conclusions

2.2 TRADE MARK USE AND THE CHARACTERISTICS OF A REPLICA TRADE MARK

A trade mark is an incorporeal entity embodied and expressed by a symbol; the incorporeal is **represented** by the symbol enrolled in the register.⁴⁹ In fact without physical characteristics, the 'trade mark' is just an idea, incapable of protection because it is not IP.⁵⁰ A trade mark, therefore, does not exist and cannot achieve any purpose unless it is represented in material form.

Two of the important functions the trade mark inscribed in the register in the jurisdiction fulfils are:

- (i) It establishes the ambit, the physical characteristics, of what the trade mark proprietor claims as his property; and
- (ii) It provides a standard against which allegedly infringing marks can be measured.⁵¹

The trade mark enrolled in the register is for these reasons referred to as the **official representation** of the trade mark.

The incorporeal nature of a trade mark means that it has to be replicated, reproduced, or in the terminology of the TMA, a 'representation' of it must be generated, in order for it to be brought into relation with goods.⁵²

The term 'replica' is used in this thesis to denote a specimen or representation of the trade mark in material form.⁵³ A trade mark is an incorporeal; therefore each replica is simply a material representation of the *single* incorporeal entity that exists in a particular jurisdiction, though there is no limitation on the number of times it can be represented.

⁴⁹ The requirements for the creation of a trade mark are discussed in chapters 2 to 4, *supra*.

⁵⁰ See chapter 2 paras 5.1 and 5.3, *supra*.

⁵¹ See *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* (the *Plascon-Evans* case), 1984 (3) SA 623 (AD) discussed at para 5.2.6, *infra*.

⁵² See the definition of trade mark: sections 2(1), 2(2) and 2(3)(a) of the TMA.

⁵³ See chapter 2 paras 3.2 to 3.4, *supra*.

of a single trade mark per registration has the consequence that when goods bearing replicas of a trade mark are situated in a particular jurisdiction, the replica on the trademarked goods is, and can only be, a replica of the trade mark registered in *that jurisdiction*.⁵⁹ This is an inexorable consequence of

(1) the incorporeal nature of a trade mark, which necessitates its representation in material form; and

(2) the fact that the physical characteristics of the trade mark that exists in that jurisdiction and the replica are identical, which makes it a replica of *that* trade mark.

If there are a number of identical registered trade marks in a jurisdiction, the class of goods in relation to which the replica trade mark is used, will determine which trade mark is, or trade marks are, used.⁶⁰

As indicated earlier, no rights subsist in the replica: the rights subsist in the incorporeal entity which the replica represents. A person who has the right to use the trade mark invokes the assistance of and employs a replica in order to use the trade mark, or otherwise expressed, a person who has the right to use a trade mark exercises the right by means of replicas, which he either affixes to the goods or, if the goods are already trademarked, which he exhibits by placing the goods on the market in the jurisdiction.⁶¹ All that the replica is in reality is a mechanism for using the registered trade mark to which it is

case), 1982 (4) SA 123 (T) in which the Court says 'applicant's trade mark consists of the name "Watson" and a horse's head device' (125A) and later on speaks of there being four *trade marks* (at 125C my emphasis on the plural). The Court found that the horse head is at least a striking, if not the dominant feature' of the applicant's trade marks (at 127E) and eventually held that 'the Jordache mark with the horse's head device ... if used in relation to goods in respect of which the applicant's *trade marks* are registered, would constitute an infringement thereof' (at 128A my emphasis on the plural) and furthermore held that the use did (at 129F, after it had resolved the question of whether or not there had been use in relation to goods in respect of which the applicant's trade marks were registered: at 128A – 129E).

⁵⁹ If there are a number of identical registered trade marks, a replica of any of them is a replica of each one of them.

⁶⁰ Registration is effected in respect of classes of goods: see chapter 4 para 2.1, *supra*. There may be infringement of more than one trade mark by means of a single act: the **Sodastream** case, at 233E and 233G-H. MN Shuilleabháin, 'Common-Law Protection of Trade Marks – The Continuing Relevance of the Law of Passing Off', (2003) 34 *IIC* 722 indicates the lawfulness of a single act of use being determined in accordance with two separate bodies of law, implying the common law and the registration statute (at 750). In my submission this makes it less than strange that there may be two registered trade marks infringed by a single act of use. In the **Sodastream** case, there were two identical trade marks, one a gas mark and one a cylinder mark, both of which might theoretically have been infringed by the same act.

⁶¹ Affixation and placement are separate acts of use: see para 2.5.2.2, *infra*.

mark, that the official representation represents. The act of affixing the replica⁶⁹ of the trade mark constitutes use of the trade mark – it is used to signify a connection between the goods and the proprietor.⁷⁰ The exhibition (display) of goods to which the trade mark is affixed for trade purposes, also constitutes use of the trade mark to indicate the connection in the course of trade between the goods and the proprietor of the trade mark.⁷¹

The fact that a trade mark appears on goods does not automatically mean that the trade mark is being used as a trade mark in relation to the goods – it is a question of fact whether or not the trade mark is being used as a trade mark in relation to goods. The question has to be decided by having regard to the context in which the trade mark is exhibited (ie used). The English case of *Trebor Bassett Ltd v Football Association* (the *Trebor Bassett* case)⁷² provides significant insight in this regard.

2.3.1 The *Trebor Bassett* Case

The case involved two actions:

- (1) The plaintiff's claim for an injunction against the defendant, for threatening to institute infringement proceedings against it;⁷³ and
- (2) The defendants' claim that the plaintiff had infringed its rights in the crest trade mark of the England national football team.⁷⁴

The alleged infringement consisted of the plaintiff selling packets of sweet sticks, the packets also contained photographs of famous English footballers.⁷⁵ Some photographs depicted members of the English national team wearing their English national team jerseys, which jerseys bore the crest trade mark.⁷⁶ The Court held *obiter* that it could be argued that there had not been 'use' in the real sense of the word.⁷⁷ The Court decided that there had not been 'use' of the crest as a 'sign' in respect of the cards.⁷⁸

⁶⁹ The word 'replica' is being used for emphasis in this part of the chapter.

⁷⁰ This is the way the connection is indicated: see also para 4.2, *infra*.

⁷¹ This is the result of the function as stipulated in the definition of a trade mark.

⁷² [1997] FSR 211.

⁷³ At 212 lines 32 – 35.

⁷⁴ At 212 lines 39 – 45.

⁷⁵ Class 16 in which the crest is registered included 'printed matter': at 212 lines 19 – 24.

⁷⁶ At 212 lines 10 – 13.

⁷⁷ At 216 lines 29 – 32.

⁷⁸ At 212 lines 33 – 37. Section 1(1) of the 1994 United Kingdom Trade Mark Act defines a trade mark as a sign.

to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods'.⁸⁷

The Court in the *Verimark* case indicated that in the *Anheuser-Busch* case the ECJ had held that a third party's use of a sign affects or is liable to affect the essential trade mark function where the use creates the impression that there is a 'material link in trade between the third parties goods and the undertaking from which those goods originate'.⁸⁸ The Court in the *Verimark* case interpreted this to mean that

'[t]here can only be primary trade mark infringement if it is established that consumers are likely to interpret the mark, as it is used by the third party, as designating or tending to designate the undertaking from which the third party's goods originate'.⁸⁹

The Court also referred to the decision of the House of Lords in *R v Johnstone*,⁹⁰ in which Lord Walker said that 'The court [ECJ] has excluded use of a trade mark for "purely descriptive purposes" (and the word "purely" is important) because such use does not affect the interests which the trade mark proprietor is entitled to protect'.⁹¹

The Court in the *Verimark* case found that consumers would regard the BMW logo as identifying the car and that the car was being used to advertise the properties of the Diamond Guard polish, 'rather than use of the trade mark'.⁹² The Court also found:

'No-one, ..., would perceive that there exists a material link between BMW and Diamond Guard or that the logo on the car performs any guarantee of origin function in relation to Diamond Guard'.⁹³

The Court consequently upheld the appeal in relation to the use of the polish mark. In relation to the claim based on s 34(1)(c), the anti-dilution provision,⁹⁴ the Court referred to *dicta* of Lord Menzies in *Pebble Beach Company v Lombard Brands*⁹⁵ and interpreted them as indicating that

'the provision [the equivalent of s 34(1)(c)] is not intended to enable the proprietor of a well-known [trade] mark to object as a matter of course to the use of a sign which may remind people of his [trade] mark'.⁹⁶

⁸⁷ At para 59, where the Court cited *Arsenal Football Club plc v Matthew Reed*, ECJ Case C-206/01.

⁸⁸ The *Anheuser-Busch* case, at para 60.

⁸⁹ At para 5.

⁹⁰ [2003] 3 All ER 884 (HL).

⁹¹ The *Verimark* case, at para 6; the *Johnstone* case, at para 85.

⁹² At para 8.

⁹³ *Ibid.*

⁹⁴ The *Verimark* case, at para 11.

⁹⁵ [2002] Scot CS 265.

⁹⁶ The *Verimark* case, at para 13 (my emphasis).

The Court found that that in the context use of 'Peregrine' did not constitute passing off.

In *Reckitt & Colman Products Ltd v Borden & Ors* (the *Jif Lemon (ChD)* case)¹⁰⁵ the Court said:

'As far as the Mark I lemon is concerned I would regard the contrary proposition as wholly unarguable. It does not bear any name which would strike the average shopper as a brand name even if she were to examine the label with minutest care. All it says is REALEMON. ... the defendants have chosen to continue to use the word "Realemon," I presume as a kind of quasi trade mark . The word certainly cannot possibly become distinctive of their lemon juice save (if at all) under exceptional circumstances. ... the defendants own research has conclusively established that the "brand awareness" of "Realemon" among shoppers is in the order of one per cent of shoppers. In other words, to the vast majority of shoppers, "Realemon" spelled out in this way means nothing more or less than "real lemon" and is perceived as such and not as a brand'.¹⁰⁶

These decisions demonstrate that before there can be use to indicate origin the trade mark must be *affixed to goods* in a manner which indicates that it is being used in the trade mark context.¹⁰⁷ The mere fact that the trade mark appears on goods, under circumstances in which the trade mark does not indicate the origin of the goods, does not constitute use of the trade mark.

The expression 'use of a mark as a trade mark' really means use of a replica of the trade mark: under the circumstances in which the symbol is used outside of the trade mark context, ie to indicate the origin of the goods, there is use of the symbol and not the trade mark, which is used by representation. There can only be trade mark use in the trade mark context and therefore only a replica trade mark in the trade mark context. The trade mark is represented by a replica; the symbol alone is not represented by a replica trade mark.

In the *Verimark* case the BMW logo, even though a distinctive composite entity, designed by or for the BMW company, and which only had a real 'association'¹⁰⁸ with the BMW company, was found not to have been used as a trade mark. In the terms in which these matters are discussed in this thesis, the trade mark was not used by the symbol (the BMW logo). The symbol does not indicate trade origin, the trade mark does. The words 'use [of a symbol] as a trade mark' should only be interpreted as use of an entity that is not identical

¹⁰⁵ [1987] FSR 505.

¹⁰⁶ At 513.

¹⁰⁷ This does not mean that a photograph depicting trade marked goods cannot involve the use of a trade mark. See the discussion of advertising, para 2.5.3, *infra*.

¹⁰⁸ The *Verimark* case, at para 15.

2.5 PRINCIPAL MODES OF TRADE MARK USE

The three principal modes by which trade marks are used are:

- (1) affixation of the trade mark to goods;
- (2) placement of trademarked goods on the market; and
- (3) advertisement of trademarked goods, especially by the mass media.¹¹⁴

The most important of these from the point of view of parallel importation, is placement of the trademarked goods on the market.¹¹⁵ The discussion will encompass all three modes but be focused on affixation and placement because all the other uses will flow from these two: most trademarked goods are advertised once they have been placed on the market in a jurisdiction.¹¹⁶

2.5.1 AFFIXATION OF A TRADE MARK

Affixation may be described as the (physical) *attachment* to or generation of a replica of a registered trade mark on goods or a label packaging or similar device attached to goods or in which the goods are placed or contained,¹¹⁷ in a manner in which the trade mark indicates that the goods have a particular origin.¹¹⁸ Affixation brings the incorporeal registered trade mark into a physical relation with the goods, constituting one method of complying with the definition of trade mark use in relation to goods.¹¹⁹ Affixation is indispensable to all forms of *use in relation to goods*.

2.5.1.1 Affixation and the Creation of Trademarked Goods

Registration of a trade mark invests the proprietor with the exclusive right to use the trade mark in relation to a particular class or certain classes of goods or to permit others to use the trade mark to identify and thereby distinguish the goods.¹²⁰ Affixation is the act by

¹¹⁴ The other functions a trade mark can fulfil have not been referred to because of the definition of a trade mark and because all functions are fulfilled by using the trade mark in one of the modes just indicated.

¹¹⁵ See para 2.5.2, *infra*. This is because the goods are already trademarked when it occurs.

¹¹⁶ In *Parfums Christian Dior SA v Evora BV* (the *Christian Dior* case), ECJ Case C-337/95, it was not contested that the advertisement of the trademarked goods constituted use of the mark. The issue was: did the law permit this use (by implied consent) that was dependent on the user having had the right to import and sell the goods in the import jurisdiction. The advertisement of goods that are not in the jurisdiction raises special problems: see para 2.5.3, *infra*.

¹¹⁷ This would include a container itself: definition of 'mark' in s 2(1) of the TMA.

¹¹⁸ The basis for this definition is provided in the rest of this paragraph (2.5.1).

¹¹⁹ Sec 2(1).

¹²⁰ See chapter 4 para 6.3, *supra*.

2.5.1.2 Affixation and the National Identity of a Replica Trade Mark

National trade mark registrations are the norm, so the question arises: does the replica trade mark affixed to the goods have a national character?

A replica trade mark on goods has no internalized or inherent national identity: it acquires the national character of the trade mark registered in the jurisdiction in which it is situated at the relevant time. *The manner in which the replica trade mark affixed to goods acquires the national character of the trade mark of the jurisdiction in which the trademarked goods are situated at the relevant time can be compared to the manner in which water, to which no colourant has been added, appears to take on the colour of the receptacle in which the water is situated at the time, or a chameleon takes on the colouration of its surroundings.* When a replica is affixed to goods, it is a replica of the trade mark inscribed in the register in the jurisdiction in which the replica is affixed to the goods, because the replica has identical physical characteristics to the official representation of the trade mark in that jurisdiction.¹²⁶

A replica trade mark that is affixed to goods cannot be a replica of more than one trade mark at any given time because it is impossible for any item of goods to be in more than one jurisdiction at a time. The physical presence of the trademarked goods in a jurisdiction therefore results in the replica trade mark on the goods being a replica of the trade mark registered in that jurisdiction *alone*.¹²⁷

The identity of physical characteristics and the existence of one trade mark per registration in a jurisdiction are the reasons why when trademarked goods are taken from the export jurisdiction to the import jurisdiction in which there is a registered trade mark identical to the one in the export jurisdiction, the trade mark affixed to the goods, because it has identical physical characteristics to the import trade mark, *is* a replica of the import trade mark. There is no transformation of the replica – it just is a replica of the trade mark in the jurisdiction for the reasons given.

¹²⁶ It is a replica of that trade mark because of the identical physical characteristics and the fact that the identity of characteristics evokes an association with the registered trade mark.

¹²⁷ This is because there is a single trade mark per registration in each jurisdiction.

in which the affixation takes place. Affixation can only occur once; therefore its legal significance has to be determined only once and in terms of the rules of one legal system, the legal system that applies where the affixation occurs.

The replica trade mark being a representation of a trade mark, has to be a representation of a trade mark that exists – the trade marks registered in the jurisdictions other than the one in which the replica is being affixed, do not exist in the jurisdiction where the affixation occurs and therefore the replica cannot be a replica of any of those trade marks at that time.

The legal significance of every trade mark has to be determined by the law of the place in which the trade mark is created. The legal significance of a replica, which is a *representation* of a trade mark,¹³⁵ must be determined by the law that determines the legal significance of the trade mark which the replica represents. The identity of physical characteristics between the replica and the trade mark registered in the jurisdiction in which the goods are on the market means that the replica's legal significance has to be determined by the law of the jurisdiction in which the goods are situated – if this were not so, every alleged infringer would argue that each replica affixed to an item of allegedly infringing goods was a replica of a trade mark registered in another jurisdiction, but this avenue is not open to the alleged infringer.¹³⁶ A comparison of their objective features determines whether or not the trade mark in the jurisdiction has been used.¹³⁷

¹³⁵ See para 2.2, *supra*.

¹³⁶ See the *Sodastream* case, in which the Court held that where an alleged infringer has used a trade mark on or in relation to goods in a manner which led others to think there was a connection in the course of trade between the proprietor and the goods and the alleged infringer was aware or had to be taken to be aware of the fact that there would be that perception, he must be held to have used the trade mark as a trade mark and cannot be heard to say that, subjectively, in reality that was not his purpose (at 236G-H). In my submission, in a similar manner, a person who uses a trade mark in SA which is identical to a SA registered trade mark cannot say he is using an identical Swazi trade mark.

¹³⁷ *Ibid.*

- (3) placement of the goods on the market in jurisdiction B; and
- (4) the placement of the goods on the market in jurisdiction A for the *second time*.

The return of the goods into jurisdiction A is a fresh act of use, ie, 're-importation', which in parallel importation cases constitutes placement of the trademarked goods on the market in the import jurisdiction.¹⁴⁴ The re-importation is not automatically lawful because it is a fresh act of use.¹⁴⁵

2.5.2 PLACEMENT OF TRADEMARKED GOODS ON THE MARKET

The nature of the trade mark use in the import jurisdiction must be determined as the trade mark must be used in the import jurisdiction for infringement to be possible.¹⁴⁶ Affixation cannot be the relevant act of use because affixation takes place in the export jurisdiction.

Placement of the trademarked goods on the market consists of making the goods available for trade.¹⁴⁷ Placement is the act of use by which the goods have their *origin* in the proprietor in that jurisdiction even if placement occurs in the same jurisdiction as that in which the trade mark is affixed.¹⁴⁸ The affixation of the trade mark to the goods is indispensable to use of the trade mark – without it there are no trademarked goods. It is undeniable that affixation is performed in the course of trade. So all that it is necessary for the proprietor to do to place the goods on the market, is to make it possible for third parties to obtain the trademarked goods, and so use the trade mark in trade. If the trade mark proprietor has not issued the goods,¹⁴⁹ ie placed them on the market, and someone else

¹⁴⁴ The same jurisdiction would previously have been the export jurisdiction.

¹⁴⁵ See H-C Kersten, ' "Gray Market" Exports and Imports under the Competition Law of the European Economic Community', (1988) 78 *TMR* 479.

¹⁴⁶ The critical role played by the initial placement on the market in the EU is testimony of the significance of that act of use: see chapter 8, *infra*.

¹⁴⁷ The trade mark proprietor must conduct trade in the goods for them to be on the market, ie, sell, agree to sell or make the goods available for sale to third parties: see the *GAP (D)* case. The EU Trade Mark Harmonization Directive (89/104/EEC) gives a fair idea of what the notion of 'trade' includes by providing that conduct which may be prohibited for conflicting with the proprietor's exclusive right includes: affixing the trade mark (it is called a 'sign' in the Harmonization Directive) to the goods or their packaging; offering the goods for sale or *putting them on the market* or stocking them for those purposes under the trade mark; importing or exporting goods under the trade mark; and using the trade mark on business papers and in advertising (Art 5(3) my emphasis).

¹⁴⁸ See part [4], *infra*.

¹⁴⁹ See para 4.5, *infra*.

mark inscribed in the register in the import jurisdiction,¹⁵³ and there is use of the trade mark in the import jurisdiction when the goods are imported for the purpose of trade.¹⁵⁴

The intention to conduct trade in the goods as trademarked, which must be proved,¹⁵⁵ includes the intention to make the representation of origin.¹⁵⁶ It would be difficult for a person who intends to trade in trademarked goods to rebut the inference that he foresaw that the presence of the trademarked goods on the market would represent that the goods have their origin in the import proprietor.¹⁵⁷ The intending trader's persistence in the conduct of placing the goods on the market in the import jurisdiction indicates that he reconciled himself with the consequence, ie, the representation that the goods originate in the proprietor in that jurisdiction. Once it is proved that the person intended to conduct trade in the trademarked goods, legal intent, *dolus eventualis*, with regard to making the representation regarding origin, is established.

Placement of the goods on the market can occur

- (1) in the jurisdiction in which the trade mark was affixed to the goods; and
- (2) in jurisdictions other than that in which the trade mark is affixed to the goods.

¹⁵³ See para 2.5.1.2, *supra*.

¹⁵⁴ The trade mark on the goods and the trade mark on the register are identical which results in the representation that the goods have their origin in the trade mark proprietor in the import jurisdiction. See para 4.4, *infra*.

¹⁵⁵ See the **GAP (D)** case: chapter 3 para 2.3.3.2, *supra*.

¹⁵⁶ See para 2.3, *supra*.

¹⁵⁷ In the **Sodastream** case the Court said

'It seems to me, however, that where, ... an alleged infringer had used a trade mark on or in relation to goods in such a manner as to lead others to think that there is a connection in the course of trade between the goods and the proprietor ... of the trade mark, and the alleged infringer was aware of this (or must be taken to be aware of this), he must be held to have used the trade mark as a trade mark and cannot be heard to say that, subjectively, in reality this was not his purpose. In this sense the test [of the purpose for which a trade mark was used], in my view, is an objective one' (at 236G-H).

The Court found that ordinarily 'use as a trade mark' meant use for the purposes of

- (i) indicating a connection in the course of trade between the goods in question and the trade mark proprietor, and
- (ii) distinguishing such goods from the same kind of goods connected in the course of trade with any other person.¹⁶⁶

The Court referred to the *Pentax* case in which the Court had found that the expression 'use as a trade mark' excluded use in respect of genuine goods.¹⁶⁷

The key to the question of whether or not the conduct falls within the exclusion was the concept of 'genuine'. In the *Kappa* case the Court held that the goods were genuine where they were

'in fact connected in the course of trade with the trade mark proprietor'.¹⁶⁸

The Court then explained that even the unauthorized use of the trade mark in relation to genuine goods is not an infringement because it conveys no more than that fact [the goods are connected in the course of trade with the proprietor].¹⁶⁹

In my submission it is implicit in the Court's statement that the goods were genuine that the trade mark was affixed to the goods by or with the consent of the trade mark proprietor. It cannot be that anyone can lawfully place the proprietor's trade mark on goods that are connected in the course of trade with the proprietor; even a trade mark proprietor who manufactures goods, to which he customarily affixes his trade mark, is and must be entitled to decide whether or not he will affix his trade mark to the goods.¹⁷⁰

Beier¹⁷¹ indicates that there are three principle aspects to the trade mark right:

- (i) the exclusive right to affix the trade mark to the goods (the basic right);
- (ii) the 'right of *bringing the trademarked goods into commerce*' (my emphasis); and
- (iii) the right to use the trade mark on business papers and in advertising.¹⁷²

¹⁶⁶ At 60D-F where the Court quoted the *Plascon-Evans* case, at 639A-B and the *Sodastream* case, at 236E-F.

¹⁶⁷ The *Pentax* case, at 991D-F and 992B-C; the *Kappa* case, at 60F-I.

¹⁶⁸ At 60 marginal letter 'I'.

¹⁶⁹ At 61A.

¹⁷⁰ Origin is a voluntarily created relationship: see para 4.3, *infra*.

¹⁷¹ *Exhaustion*.

¹⁷² At 23. It is worth noting that Beier does not shrink from defining the proprietor's right in **positive terms** – the negative right to prevent other persons from using the trade mark is a right to defend the positive aspects of his right. On the positive definition of the trade mark right see also A Kur, 'The Right to use One's own Trade Mark: A Self-evident Issue or a New Concept in German, European, and International Trade Mark Law?' [1996] *EIPR* 198.

The other issue was that of the placement of the goods on the market. The questions were essentially:

- (i) was placement of the goods on the market a separate act of trade mark use from the affixation of the trade mark to the goods? and
- (ii) did the agent require special consent to do so or not?

The definition of the origin of goods requires that the goods be issued under the auspices of the proprietor.¹⁷⁹ The word 'issued' in my submission means that the goods must be placed on the market in the jurisdiction¹⁸⁰ and not just that they should have been trademarked by or with the proprietors consent: there must be an intention to trade in the goods. The *GAP (D)* case is most instructive in this regard:¹⁸¹ the trade mark on the goods in a sealed container in Durban harbour was not being used in trade, because the goods were not in commercial circulation in SA, destined as they were for a port outside SA. The goods were trademarked but they had not been issued onto, ie placed on, the market in SA. In my submission, the proprietor of the goods in the sealed containers would not have had to go as far as opening the containers and selling the goods for it to be found that the goods were on the market in SA – he would just have to offer to sell the goods in the sealed containers to someone in SA.

The Court's decision, in the *Kappa* case, that the breach of contract between MCT and Gemelli would not render the manufacturer (Gemelli) liable for passing off,¹⁸² is with respect, questionable. It places too great an emphasis on the manufacture of the goods as the factor which results in goods having their *origin* in the proprietor and attaches no significance to the question of whether or not he was willing to have the goods on the market under his trade mark. Indubitably as a general rule and under ordinary circumstances a proprietor intends the goods he has trademarked, or has had trademarked, to be placed on the market but that is not inevitable – he may have good reason to withhold the goods from the market until a particular time.¹⁸³

¹⁷⁹ *Aristoc Ltd v Rysta Ltd*, [1945] 1 All ER 34: see para 4.4, *infra*.

¹⁸⁰ See para 4.5.1, *infra*.

¹⁸¹ See para 2.5.3.3.2, *infra*.

¹⁸² At 62A.

¹⁸³ For example, the proprietor may wish to withhold his goods that have a new packaging from the market to allow time for stocks of the goods on the market under an old packaging to be sold off.

proprietor,¹⁸⁸ does not stand up to scrutiny because it does not recognize the difference between affixation and placement of the goods on the market.¹⁸⁹ The same trade mark is not being used and therefore the use has not been authorised by the same *persona* of trade mark proprietor.¹⁹⁰ The goods are not on the market with the consent of the *persona* of proprietor in the jurisdiction, unless he has expressly or impliedly authorized their placement on the market. The distinction between affixation and placement is more readily appreciated in cases where the goods are trademarked in one jurisdiction and placed on the market in another jurisdiction, but the distinction between affixation and placement in the same jurisdiction can clearly be seen in the *Kappa* case in which the agent was specifically *denied authority to place the goods on the market*.¹⁹¹ A number of ECJ parallel importation cases, especially *Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgesellschaft mbH* (the *Silhouette* case)¹⁹² and *Sebago Inc and Ancienne Maison Dubois et Fils SA v GB-Unic SA* (the *Sebago* case),¹⁹³ which emphasize the initial placement of the goods on the market in the import jurisdiction, serve to highlight the difference between affixation of the trade mark to the goods and the placement of the goods on the market.

The *Silhouette* case is of particular significance in regard to placement on the market because it involved the *re-importation* of goods: the trademarked goods had been exported from Austria to Bulgaria and the proprietor in Austria objected when those goods were re-imported into Austria.¹⁹⁴ It is not clearly indicated on the facts of the *Silhouette* case whether or not the goods (spectacles) were on the market in Austria at some stage prior to their exportation to Bulgaria. The goods were on the market in Austria prior to their exportation to Bulgaria, in my submission, even though their description as 'out of fashion'

¹⁸⁸ The fact that the genuine goods approach is based on implied consent is explained in the *TDK* case where the Court said:

'the proprietor of a trade mark, by selling goods under that mark without any restriction and in contemplation of their being resold, thereby unconditionally consents to them being resold in that form under the mark ... An application of the recognised tests for implied terms in contracts bears this out' (at 185B).

¹⁸⁹ See para 2.5.2.2, *infra*.

¹⁹⁰ See chapter 2 para 6.2, *supra* and para 4.3.1, *infra*.

¹⁹¹ Passing through the hands of the proprietor simply means that the proprietor authorised their placement on the market.

¹⁹² ECJ Case C-355/96; see chapter 8 part [2], *infra*.

¹⁹³ ECJ case C-173/98; see chapter 8 part [3], *infra*.

¹⁹⁴ This was a matter of EU law because Bulgaria was not an EU Member State; so upon re-importation the goods were entering the EU from a Non-Contracting Party.

jurisdiction in regard to the exercise of trade mark rights acquired within any EU Member State,²⁰¹ makes EU jurisprudence highly relevant to SA, even though SA does not apply the regional exhaustion approach – regional exhaustion is aimed at forging the EU Member States into one jurisdiction for trade mark purposes and SA *is* a single supra-national jurisdiction, therefore the principles applicable in the EU as a single jurisdiction should apply in SA.

In each jurisdiction the trade mark proprietor has exclusive legal title to use the trade mark.²⁰² The right which the importer claims to have, ie to use the trade mark by placing the trademarked goods on the market, must be derived from the trade mark proprietor by transfer of the goods to him or an agreement between himself and the trade mark proprietor.²⁰³ Everyone else who uses the trade mark must obtain the right to do so from the proprietor in the jurisdiction.²⁰⁴ So *prima facie* anyone that uses the mark without obtaining the right to do so from the proprietor, meets one of the requirements for infringement of the proprietor's rights, viz, unauthorised use.²⁰⁵

The significance of placement on the market in the jurisdiction in which the trade mark is affixed, derives from the definition of origin which, requires the goods to be on the market.²⁰⁶ goods come to be on the market in a jurisdiction by their placement on the market in a jurisdiction, not by the affixation of the mark.²⁰⁷ Affixation results in the goods being trademarked, but their being on the market, as trademarked goods, is the result of their placement on the market in the relevant jurisdiction. Affixation of the trade mark, though not the most significant act of use from the point of view of origin and parallel importation, is indubitably use of the trade mark because it involves exhibition of the trade mark in order to indicate the origin of goods in the trade mark proprietor. Affixation forges

²⁰¹ See chapter 8 para 1.2, *infra*.

²⁰² See chapter 4 para 6.3, *supra*.

²⁰³ This is the normal consequence of the trade mark proprietor having the exclusive right to use the trade mark.

²⁰⁴ Honest concurrent user (see chapter 3 para 2.4 and chapter 4 para 5.1, *supra*) and ordinary co-owners are exceptions. The principle that co-owners do not derive their rights from each other is trite.

²⁰⁵ See paras 5.2.2, 5.3.2 and 5.2.5, *infra*.

²⁰⁶ See para 4.5, *infra*.

²⁰⁷ This is the case even though placement on the market in the jurisdiction in which the trade mark is affixed to the goods involves no more than the formulation of the intention to conduct trade in the goods in the jurisdiction.

registered trade marks and no UK trade marks have been *applied* to the Brazilian toothpastes either by Limitada or Colgate US or anyone else'.²¹⁵

In my submission, the intention with which the replica trade mark, as a physically perceptible entity, is affixed cannot alter the fact that a replica is a representation of the registered trade mark in the jurisdiction in which the affixation occurs.²¹⁶ In the **Sodastream** case, the Court pointed out that a defendant who used a trade mark which was identical to one registered in the jurisdiction could not be heard to say it was not his intention to use the trade mark as a trade mark (ie to represent the origin of the goods as being in the trade mark proprietor):²¹⁷ the physical manifestation and context are the determining factors, not a particular state of mind.

In the **Colgate** case Lord Justice Slade quoted Kerly's view²¹⁸ that

'use abroad only of a trade mark registered in the United Kingdom – even use by a person resident in the United Kingdom – does not constitute an infringement of the British trade mark. *But a trade mark is used in the United Kingdom* [in my submission, meaning a UK trade mark is used] *if goods bearing the mark are sold here, although the proprietor applied the trade mark and sold the goods abroad only ...* The registration of a trade mark abroad does not give any rights, exclusive or otherwise, to use the trade mark *in the United Kingdom*'.²¹⁹

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²¹⁵ At 522 lines 32 – 38 (my emphasis). The Judge thereafter confirmed the correctness of the decision of Vivian Price, Deputy High Court Judge, in **Castrol Ltd v Automotive Oil Supplies Ltd** (the **GTX** case), [1983] RPC 315, at 322 – 323.

²¹⁶ In **George Ballantine & Son Ltd v Ballantyne Stewart & Co Ltd**, [1959] RPC 273. George Ballantine & Son (GBS) was the proprietor of two trade marks consisting of the word BALLANTINES. The first trade mark was for use on goods for export and the second for use in the UK. The labels of the defendant's product (which is described in detail at 275 line 33 to 276 line 3), the one in contention relating to export, had prominently displayed on it the words 'Ballantyne Stewart & Co Ltd'. The finding of the Court a quo that this label infringed the plaintiff's trade mark was confirmed by the Court of Appeal. Evershed MR rejected the argument that there had to be a likelihood of confusion in the UK, finding instead that the 'wrongful act (that is user of the label) must occur in order to give jurisdiction under the Act. ... Likelihood of causing confusion or deception is a quality of the offending mark. It is established if the likelihood is shown to occur where the mark is likely to be used' (at 279 lines 2-7). Bently & Sherman correctly in my submission, deduce that for the use to occur in the UK, the goods must be in the UK even though the confusion will be caused outside the UK (*op cit*, at 907-908). In **Waterford Wedgwood v David Nagli**, [1998] FSR 92, there was still use in the UK even though the goods were in transit: in the **David Nagli** case, unlike the **GAP (D)** case, the goods were not insulated from trade in the UK in a sealed container and therefore there was no objective evidence that the goods were not in trade.

²¹⁷ At 236G – H.

²¹⁸ TA Blanco White & R Jacob, **Kerly's Law of Trade Marks and Trade Names**, 12ed, Sweet & Maxwell, London, (1986).

²¹⁹ At 521, lines 28 – 37 (my emphasis). The Judge was referring to use in the UK.

Advertisement in a jurisdiction by the display of the actual goods to which the trade mark is affixed, eg by means of AUDI cars parked in a sales lot, PIONEER DVD recorders on display in a furniture store or WEET-BIX breakfast cereal on display on supermarket shelves, does not raise the questions just posed. Such advertising is, in my submission, nothing more than an extension of the placement of the goods on the market – offering the goods for sale in the jurisdiction- and adequately covered by the principles dealing with such use. The only matter deserving mention in regard to non-mass media advertising is that different persons may at different times be *responsible* for the fact that the goods are on the market – if the goods remain in one jurisdiction they are continuously on the market in the jurisdiction, but each person who obtains the goods from another person, and displays them at his business establishment (offers them for sale), uses the trade mark and is responsible for his use thereof.²²⁴

2.5.3.1 Distinction from Other Modes of Use

Mass media advertisement of trademarked goods, in my submission, is best not dealt with as part of either of the other modes of use,²²⁵ primarily because it generally involves use of the trade mark at a remove from the goods or *indirectly* in relation to the goods: the goods being advertised and the advertisement are in different places. In mass media advertising the association between the trade mark and the goods is generated by *a representation of the trademark bearing goods themselves*: there is not just representation of the trade mark, but of the goods themselves. In other words, there is a representation, by a photograph, drawing or in a broadcast image, of goods in physical relation to which the trade mark is being used.

The trade mark on the goods is a replica trade mark,²²⁶ therefore the question arises: is the trade mark depicted in the advertisement a replica of the trade mark in the jurisdiction in which the advertisement is displayed or into which the advertisement is broadcast *or* is

jurisdiction, neither conducting business himself nor through others selling his goods in the jurisdiction in which the goods are advertised: see chapter 3 para 2.3.3, *supra*.

²²⁴ In the *Kappa* case the Court's ruling that as a matter of language each seller of trademarked goods uses the trade mark, coupled with its finding that the use in respect of genuine goods is exempted because the goods are genuine, indicates that notwithstanding the genuine goods exemption, there was use of the trade mark and that, but for the genuine goods exemption, the user would have been responsible for his use.

²²⁵ That is, affixation and placement on the market: in my submission the particular form which the exhibition of the trade mark takes engenders the difference.

²²⁶ See para 2.2, *supra*.

the packaging is manufactured for goods which are to be packaged in the UK (in which case the goods would be in the UK) there is trade mark use because the trade mark is used 'in relation to goods'. They contend that if the goods are to be packaged outside of the UK, use of the trade mark on the packaging materials in the UK is not use *in relation to the goods* in the UK and therefore not infringing.²³³ They state that '[t]he fact that use must take place "in the course of trade" serves to restrict the scope of protection given to trade mark owners'.²³⁴ The trade must take place in the jurisdiction in which it is claimed that there has been an infringement.

Advertisement of trademarked goods is not the equivalent of placing them on the market. Some support for this argument can be gleaned from *My Kinda Bones Ltd v Dr Pepper's Stove Co Ltd* (the *Dr Pepper's* case).²³⁵ In the *Dr Pepper's* case the applicant sought to strike out the respondent's claim of passing off but the Court held that it could not reject the possibility that the pre-launch publicity for a steak house restaurant business may provide a sufficient foundation for a passing off action, even though trading had not commenced.²³⁶ The Court granted the restraining order (interdict), but remarked that

'If the recognizable and distinctive qualities of a particular type of goods or services offered under a particular name are to lead to the achievement of a reputation in the market within the principles of the *Warnink* decision, then *prima facie*, it seems to me, a substantial number of customers or potential customers must at least have had the opportunity to assess the merits of those goods or services for themselves. *Prima facie*, it seems to me, they will not have sufficient opportunity to do this until the goods or services are placed on the market. It may well be that, if the goods or services are placed on the market after extensive preparatory publicity, a very short time thereafter will suffice for the public to assess their merits for the relevant reputation to be acquired.'²³⁷

A SA decision that adopts a position somewhat in line with the position in the *Dr Peppers* case is *Pepsico Inc & Ors v United Tobacco Co Ltd* (the *Ruffles* case).²³⁸

²³³ At 907.

²³⁴ *Op cit*, at 907 – 908.

²³⁵ 1984 FSR 289.

²³⁶ In my submission such a situation is comparable to goods not having yet having been placed on the market.

²³⁷ At 299. This quotation, is also to be found in chapter 3 para 2.3.3.1, *supra*, and repeated here for ease of reference.

²³⁸ 1988 (2) SA 334 (W). The case however involved far more than just advertising, since steps such as distributing samples had taken place, but the advertising was a significant consideration since the retailers, Simba Quix's customers, had not yet been supplied. The goods were clearly in existence. See chapter 3 para 2.3.1, *supra*.

goods on which the mark is visible! The advertisement contains only a representation of the goods to which the trade mark is affixed, and the use (placement of trademarked goods on the market) of the trade mark on the goods indicates the origin of the trademarked goods in the proprietor.²⁴⁴ There is indirect use of the trade mark in relation to goods because the trade mark in the advertisement does not stand *in physical relation to the advertising material*, but in a physical relation to the goods that are depicted in the advertisement, wherever the goods depicted are to be found.

The TMA does provide that a trade mark may be used in other relation to the goods.²⁴⁵ It is, however, my submission that 'use in other relation' envisages reference to a situation in which the trade mark has to be physically situated in relation to the goods. In my submission, 'use in other relation' is only use of a trade mark where the use in other relation makes a reference to or is a representation of a trade mark which is physically situated in relation to goods. Goods must therefore exist for the trade mark to be used whether in physical or other relation to the goods – the question is where must the goods to which the reference is made or which are represented be?

The *Trebor Bassett* case is of particular assistance in understanding the *lawfulness* of trade mark use by print advertising,²⁴⁶ even the situation in that case was atypical of situations in which there is print media advertising. The difference between the typical situation in which trademarked goods are advertised and the situation in the *Trebor Bassett* case, lies in the manner of use – the context from which it has to be determined whether or not it is likely that the public will perceive the symbol as an indication of trade origin and therefore a replica trade mark.²⁴⁷ In the typical situation the person who mounts the advertisement campaign intends to inform the public that he has the goods depicted in the advertisement available for sale at his business establishment. A person using the trade mark under such circumstances undoubtedly uses it to indicate the trade origin of the goods. In the *Trebor Bassett* case, the context was such that the use of the crest trade mark did not indicate a connection between the photographs (which were the goods

²⁴⁴ See para 4.4, *infra*.

²⁴⁵ See chapter 3 paras 2.3 and para 2.2.3, *supra*.

²⁴⁶ No reason exists for radio, television or internet advertising to be subject to different rules.

²⁴⁷ It is only where the symbol performs that function that it constitutes a trade mark: see chapter 2 para 3.3, *supra*.

registered as no Jordache footwear had been sold in SA. The Court found that there had been such use and rejected Chowles & Webster's argument that the plaintiff would have to show that 'the goods referred to were actually in existence and available for purchase in this county'.²⁵⁴

The Court found that too wide a statement of the position: in its view there was no 'justification for the requirement that the goods be actually in existence and available for purchase in this country in order for an advertisement to constitute such use [in other relation to the goods]'.²⁵⁵

The Court was, with respect, correct when it found that a trade mark exists once it is proposed to use a particular symbol as a trade mark²⁵⁶ and that once a trade mark is registered infringement can occur.²⁵⁷ The Court however, with respect, erred in its ultimate finding based on that fact: the fact that a registered trade mark exists even without actual use does not mean the goods need not be available for the trade mark to be used in relation to them so that infringement can occur. It must of course, always be borne in mind that the position where a person seeks an interdict is different: he need only establish an apprehension of the probability of harm.²⁵⁸

The GAP Inc v AM Moolla Group Ltd (the **GAP (D)** case) also provides support for the argument that the goods must be in the jurisdiction for infringement to occur.²⁵⁹

2.5.3.3.2 *The GAP (D) case*

This case concerned goods which bore the trade mark GAP situated in a sealed container awaiting transshipment in Durban harbour. The goods had been manufactured and trademarked outside of SA. The GAP trade mark belonged to

²⁵⁴ *Chowles & Webster's South African Law of Trade Marks*, *op cit*, 2ed, at 52-53, were of the view that use in of a trade mark in other relation to goods covered use physically divorced from the goods 'but of such a nature that it is identifiable with those goods' including use on invoices and other documents.

²⁵⁵ At 129B-C.

²⁵⁶ See chapter 4 para 3.3.1, *supra*.

²⁵⁷ At 129A. Once the trade mark was registered it could be infringed. The Court held that deception or confusion could arise whether or not the proprietor had used his trade mark and imported the definition of trade mark as a mark 'proposed to be used' into s 44. That meant infringement could be perpetrated by the 'unauthorised use of a trade mark *proposed to be used* in relation to goods or services'.

²⁵⁸ In the **Jordache** case the Court held that the applicant had 'established a reasonable apprehension of infringement by the respondent' (at 129G) and that such a reasonable apprehension of an infringement was 'sufficient to entitle the applicant to an appropriate interdict' (at 130B; see chapter 5 para 4.1, *supra*).

²⁵⁹ 2003 Commercial Law Reports 225 (D).

physical relation to the goods. It is difficult to envisage a trade mark that is used in any relation to goods without there being a place in which there is a physical relation between the trade mark and the goods: how is the association forged? The idea that someone would create a 'mock up' of goods²⁶⁷ with the trade mark affixed to the mock up, depict the mock up goods in an advertisement *and not affix the trade mark to the actual goods* advertised is ludicrous. The purpose to be served by such an exercise is extremely difficult to discern.

The goods must exist in SA for the trade mark to be used even in non-physical relation to them – goods are corporeal entities which occupy space and have a geographic location (*situs*). A trade mark can only be used *in relation to goods* where the goods are since they are corporeal entities: the trade mark cannot relate to the goods but where the goods are. The advertisement constitutes use in relation to the goods by virtue of the trade mark on the goods, which are depicted in the advertisement, *referring* to the goods which are situated at a place other than where the advertisement is,²⁶⁸ eg, a warehouse, shop, or factory. The trade mark in the advertisement constitutes use of a trade mark *in relation to goods* because it generates an association between the advertisement, ie the goods depicted, and the trade mark that is used in physical relation to goods somewhere. In the **Trebor Bassett** case the trade mark was used in relation to the jerseys which were being worn by the persons depicted in the photographs, not in relation to the photographs themselves.

The depiction of the goods in the advertisement is not use in physical relation to the goods, but in other relation to the goods,²⁶⁹ since the goods are not in their depiction. The trade mark as depicted in the advertisement is being used directly, ie in physical relation to the goods depicted, so the advertisement is a record of the trade mark being used in direct relation to goods. The depiction itself can only be indirect use of the trade mark in relation

²⁶⁷ The *Collins Dictionary* provides the following description of mock up: 'a working full-scale model of a machine, apparatus, etc., for testing, research, etc' (at 725).

²⁶⁸ Where the advertisement consists of a flyer or newspaper, the flyer or newspaper is often in ones home – which is where the seller would want the goods to be pursuant to a sale of the goods by him.

²⁶⁹ The TMA defines use to include use 'in other relation' to the goods: s 2(3)(a). In my submission the same principle applies with regard to common law trade marks: there is no logical reason why the position should be different. It must however be borne in mind that there can be infringement of a registered trade mark without *the proprietor* having used the trade mark.

2.5.3.4 Provision of Information

The most logical conclusion, where an advertisement is mounted under circumstances in which the trademarked goods are not available *and* the person mounting the advertisement does not intend to make the goods available for trade in the jurisdiction in which the advertisement appears in the immediate future, is that the person mounting the advertisement is not engaged in use of the trade mark, but is simply providing information about a product. Support for this view can be found in the *Dr Peppers* case in which the Court said:

'I regard the plaintiffs' notice [an advertisement] to their patrons at Chicago Pizza Pie Factory about back ribs "coming from our sister restaurant the Chicago Rib Shack" as merely falling into the same category as all the other publicity. ... All that the notices amounted to in substance was information that the plaintiffs would shortly be opening another restaurant in Knightsbridge which was to be called Chicago Rib Shack'.²⁷⁶

The Court made its remarks in a situation in which the notice was issued before the Chicago Rib Shack opened for business, the claim *in casu* being one of passing off, which required that the business have acquired goodwill or a reputation.²⁷⁷

In my submission, because the trade mark must be used in the course of trade in relation to goods for the use to have its customary legal implications, there must be trademarked goods situated in the jurisdiction available for trade.²⁷⁸ Where the trademarked goods are not, nor intended to be, on the market within a reasonable time: the trade mark is being used to provide information about the goods and not being used as a trade mark.

2.6 CONCLUSIONS

This part of the chapter has examined, and demonstrated, the central significance of the concept 'use' in trade mark law, especially because it is a basic requirement for establishing trade mark infringement.²⁷⁹ The definition of 'use' in the TMA has led to the concept having to be given its ordinary meaning.²⁸⁰

²⁷⁶ At 300.

²⁷⁷ See chapter 3 para 2.3.3.1, *supra*.

²⁷⁸ See para 2.5.3.3, *supra*.

²⁷⁹ See para 5.1, *infra*.

²⁸⁰ See para 2.1, *supra*.

Affixation is the physical application of a replica trade mark to goods or a corporeal entity situated in relation to the goods for the purpose of indicating the trade origin of the goods.²⁹³ Affixation, which invests the goods with the quality of being trademarked, is indispensable to all other forms of trade mark use in relation to goods.²⁹⁴ The trade mark indicates the origin of the goods, but does not necessarily identify the person in whom the goods have their origin.²⁹⁵

A replica when affixed to goods assumes the national character of the trade mark registered in the jurisdiction in which the affixation occurs.²⁹⁶ A replica trade mark does not retain this national character when the goods leave that jurisdiction and are taken into another jurisdiction in which there is a registered trade mark identical to the replica.²⁹⁷ The loss of the national character just described is an inexorable consequence of the incorporeal nature of the trade mark, the fact that each registration creates a single trade mark in a particular jurisdiction²⁹⁸ and the fact that the replica situated in the trade context is a representation of a trade mark.²⁹⁹ The loss of one national character occurs because the replica acquires another. Affixation itself does not, however, constitute a person the origin of the goods without a further step being taken – placement of the goods on the market.³⁰⁰ The fact that affixation can only take place once results in it being of limited *direct* significance in parallel importation situations.³⁰¹

Goods are placed on the market when the proprietor, his agent or licensee,³⁰² offers to or conducts, or indicates a willingness to conduct, trade in the trademarked goods.³⁰³ Each time a different person, who has obtained trademarked goods, exhibits them so as to indicate his willingness to conduct trade in the goods, he uses the trade mark – even though the trademarked goods are already on the market, that particular individual's use of

²⁹³ See para 2.5.1, *supra*.

²⁹⁴ See para 2.5.1.1, *supra*.

²⁹⁵ See chapter 3 para 2.1, *supra*.

²⁹⁶ See para 2.5.1.2, *supra*.

²⁹⁷ See para 2.5.1.3, *supra*.

²⁹⁸ See para 2.1, *supra*.

²⁹⁹ See para 2.2, *supra*.

³⁰⁰ See para 2.5.2, *supra*.

³⁰¹ See para 2.5.1.3, *supra*.

³⁰² These terms are used in a non-technical sense.

³⁰³ See para 2.5.2.1, *supra*.

[3]

THE FUNCTION OF A TRADE MARK

Discussion of the function of a trade mark is conducted under the following subheadings:

- 3.1 Introduction
- 3.2 Fundamental characteristics
- 3.3 Specific functions
 - 3.3.1 Identification and distinguishing function
 - 3.3.2 Origin function
 - 3.3.3 Guarantee function
 - 3.3.4 Advertising and selling function
 - 3.3.5 Goodwill function
 - 3.3.6 Information and communication function
- 3.4 Conclusions

3.1 INTRODUCTION

A trade mark is defined in the TMA as an entity that fulfils a particular function. The registered trade mark developed from the passing off action via the intervention of the common law trade mark.³¹² A common law trade mark fulfilled the function of indicating the origin of the goods bearing the trade mark, origin meaning manufacture.³¹³ Various trade mark Acts, both SA and English, have provided definitions of a trade mark, each of them indicating the function of a trade mark.³¹⁴ The definitions notwithstanding, the canon of interpretation requiring a statute to be interpreted in a manner that least departs from the previous legal position,³¹⁵ has resulted in the common law understanding of the trade mark function ie, origin, continuing to exercise a decisive influence.

³¹² See SA Diamond, 'The Historical Development of Trademarks' (1975) 65 *TMR* 265; FI Schechter, *The Historical Foundations of the Law Relating to Trade-Marks*, Columbia University Press, New York, (1925) (hereafter Schechter, *Historical Foundations*); SJ Gardiner, *The Nature of the Right to a Trade Mark in South African Law*, LLD Thesis, UNISA (1995); TD Drescher, 'The Transformation and Evolution of Trademarks – From Signals to Symbols to Myth' (1992) 82 *TMR* 301, at 309 – 332.

³¹³ See Webster & Page, *op cit*, 3ed, at 19.

³¹⁴ The Trade Mark Act of 1905 provided the first English statutory definition: Webster & Page, *op cit*, 3ed, at 20.

³¹⁵ LM Du Plessis, *Interpretation of Statutes*, Juta & Co, Cape Town, (1986), at 69; GE Devenish, *Interpretation of Statutes*, Juta & Co, Cape Town, (1992), at 159; J De Ville, *Constitutional and Statutory Interpretation*, Interdoc Publications, Goodwood, (2000), at 170.

division into economic and legal functions as 'a priori',³²³ but clearly the economic and legal natures of a trade mark are not identical.³²⁴

Some of the most significant functions a trade mark performs will now be examined.³²⁵

3.3 SPECIFIC FUNCTIONS

The following discussion examines some of the commonly identified trade mark functions.

3.3.1 IDENTIFICATION AND DISTINGUISHING FUNCTION

Gardiner argues that distinctiveness is the essential element of a trade mark and that before a trade mark can indicate a connection, it must distinguish the goods from other goods (that do not emanate from the same source).³²⁶ Gardiner argues that it is not invariable that a trade mark identify the goods but invariable that it distinguish the goods. He uses the example of two trade marked products on the supermarket shelf: one trade mark is known to the consumer and the other not. He argues that the second trade mark has not identified the goods but rather distinguished them from the other goods.³²⁷ While his argument may be correct, it is also true that the trade mark on the second *collection of goods* that all bear the same trade mark indicates that they all have something in common. Franceschelli³²⁸ who supports the view that a trade mark performs the identification function indicates that:

'When the trademark is placed on a product, it assumes a particular meaning since it indicates that all things which have the sign in question have certain characteristics in common such as certain properties, certain functional or structural elements, or certain facts, acts, events or operations having a social, technical, or legal significance: in other words, there exists a common denominator. The sign distinguishes things which have common characteristics or properties from others which lack them or have different characteristics or properties'.³²⁹

One of the common elements is their source or origin in the same person, the trade mark proprietor, who has placed the goods on the market in the jurisdiction.³³⁰

³²³ *Op cit*, at 499.

³²⁴ See Beier, *Territoriality*, at 63.

³²⁵ The scheme adopted by Gardiner will be used as a basis: *op cit*, at 458 – 500.

³²⁶ *Op cit*, at 459.

³²⁷ *Op cit*, at 460.

³²⁸ R Franceschelli, 'Trademarks as an Economic and Legal Institution', (1977) 8 *IIC* 293.

³²⁹ At 294.

³³⁰ In my submission this would be realized even on the first encounter with the goods.

The subdivision into three sub-functions provides a more satisfactory view of the identification function, which it provides with content, as opposed to the colourless concept that Gardiner seems to suggest it is.³⁴⁰

The identification and distinguishing of the goods is embodied in the origin function that still holds the position of the dominant legal function.³⁴¹

3.3.2 ORIGIN FUNCTION

The origin function developed from the concrete version (in which the trade mark indicated a known source) to the abstract notion (where the consumer expectation is that all goods that bear the same mark have the same albeit anonymous source).³⁴² Gardiner explains that '[t]he source need not be known by name, and in that a buyer does not know or care about the name of the corporation making or distributing the product, can be anonymous'.³⁴³

The position in England, Sebastian indicates,³⁴⁴ was that the trade mark was seen as an indication and assurance of quality of the article purchased but also required the trade mark to indicate origin in someone who had 'expended labour on the article so that it owed some of its value to the affixer of the trade mark'.³⁴⁵ It was clear that the trade mark itself could not be regarded as the added value. The 1994 English Trade Marks Act still retains the emphasis on the origin theory. Gardiner argues that the English statutes did not recognize the quality assurance function then and continue to hold that the origin function

³³⁹ In accordance with which the mark by identifying the goods serves to advertise them. Wertheimer suggests that this function is inherent in the appearance of the mark on the goods, a suggestion which has my support. What he means by 'advertising the goods' is the display of the trademarked goods with the trade mark visible to the prospective purchaser. This type of advertising is different to the extraneous advertising of the goods by means of the print or broadcast media and the internet.

³⁴⁰ *Op cit*, at 463.

³⁴¹ Gardiner, *op cit*, at 458. The definition of trade mark in the TMA still makes origin the basis on which trademarked goods are distinguished: see para 4.2, *infra*.

³⁴² See Gardiner, *op cit*, at 468 – 469 (where he cites McCarthy, *Trademarks and Unfair Competition*, at 109 – 111).

Wertheimer says:

'The origin function... is already fulfilled if the public is satisfied that goods bearing the same trademark originate from **the same source. It is not essential that the public know which source this is**' (*op cit*, at 646, my emphasis).

³⁴³ *Op cit*, at 468.

³⁴⁴ *Trade Marks*, at 2 –5; see Gardiner, *op cit*, at 470.

³⁴⁵ Gardiner, *op cit*, at 469 – 470.

Beier, who regards the origin function as the only legally protected function,³⁵⁵ argues that the guarantee function (which he refers to as the quality function) is only protected to the extent that the consumer is guaranteed that the goods derive from a 'constant source of origin'.³⁵⁶ Kaufmann generally agrees with Beier, indicating the importance to the consumer of the source remaining constant because consumers believe that this provides a guarantee of constant (consistent) quality.³⁵⁷

'Source' as used by Beier refers to the proprietor.³⁵⁸ there is no legal requirement that the trade mark proprietor obtain the goods marketed under his trade mark from any specific person or place and therefore he is the source.^{359 360}

Kaufmann concludes, correctly, that by identifying a *constant anonymous source* not only does the trade mark fulfil the origin function, but also a communication function.³⁶¹ It could be argued that the principle function of a trade mark is to communicate: it achieves all other functions by communication,³⁶² and in the first place communicates origin.³⁶³

³⁵⁵ *Territoriality*, at 61-64.

³⁵⁶ *Territoriality*, at 63 and 66.

³⁵⁷ 1980 *Bijblad Industriële Eigendom* 67.

³⁵⁸ See the previous paragraph.

³⁵⁹ See *Aristoc v Rysta*, [1945] 1 All ER 34, at 48A: see para 4.4, *infra*.

³⁶⁰ Stuart alludes to this where he says that the origin function protects the trade mark proprietor 'even when his connection with the product is of the most tenuous': M Stuart (Lord), 'The Function of Trade Marks and the Free Movement of Goods in the European Economic Community', (1976) 7 *IIC* 27, at 31. In circumstances in which the connection is tenuous it is more a matter of form than substance eg where the proprietor gives consent to the importation of the goods. The connection so constituted is formal because the proprietor is not even under an obligation to satisfy itself that the goods are of an acceptable standard.

³⁶¹ Kaufmann, *op cit*, at 67: see Gardiner, *op cit*, at 474.

³⁶² MN Shuilleabháin, 'Common Law Protection of Trade Marks – The Continuing Relevance of the Law of Passing Off', (2003) 34 *IIC* 722; Cornish & Lewellyn, *op cit*, at 9; C Gielen, 'Harmonisation of Trade Mark Law in Europe: The First Trade Mark Harmonisation Directive of the European Council', [1992] *EIPR* 262, says 'The modern approach is that a trade mark functions as a means of identification and communication... In other words, the trade mark is a messenger' (at 264); PJ Kaufmann, *Passing Off and Misappropriation*, *IIC Studies in Industrial Property and Copyright Law*, Vol 9, VHC Publishers, Weinheim, (1986) argues that 'Trademarks keep the communication lines between producers and consumers open' (at 123); JB Swann (Sr), DA Aaker & M Reback (Swann *et al*), 'Trademarks and Marketing', (2001) 91 *TMR* 787 indicate that 'all trademarks, by definition convey information' (at 794) and that 'many strong modern trademarks are highly informative "data clusters" about attributes of goods' (at 796); A Kur, 'The Right to Use One's Own Trade Mark: Self-evident Issue or a New Concept in German, European, and International Trade Mark Law' (Kur, *Use*), [1996] *EIPR* 198 refers to a trade mark as an 'information channel' (at 199).

affixing the mark, has deliberately constituted a group of goods and placed them on the market indicating by means of the trade mark that they are under his auspices. As soon as the consuming public associates the trade mark with the idea that the goods have a common source, the abstract origin function is fulfilled. The existence of a group of trademarked goods evokes the realization that the group is different, and associated with each other. Their constitution as a group, is the result of someone deliberately constituting the group – the source or origin of the group. In my submission this is why the trade mark always fulfils the abstract origin function.³⁶⁷

The reason why the origin function is paramount is that the TMA requires the trade mark to distinguish the goods on the basis of the origin, which is an emanation of the connection in the course of trade between the proprietor and the goods,³⁶⁸ confirmed by the placement of the goods on the market.³⁶⁹ Consumer goods have to be distinguished from each other if the market share in the goods, or custom, is to be acquired, retained or increased.³⁷⁰

It is unnecessary to dislodge the origin function from its position of primacy because the other functions examined in this chapter can be adequately protected, even though indirectly, by providing adequate protection for the origin function, which is what I recommend.

³⁶⁷ See Franceschelli, *op cit*, at 294.

³⁶⁸ See para 4.2, *infra*.

³⁶⁹ The goods are identified and distinguished by means of the trade mark which indicates origin. The trade mark as symbol must represent an idea: that the goods are different is not much of an idea; that the symbol identifies the goods is not much of an idea; but that the goods have their origin in a person is an idea that must be conceptualized not just recognized.

³⁷⁰ Schechter indicates: 'The true functions of the trademark are, then, to identify a product as satisfactory and thereby stimulate further purchases by the consuming public' (*Rational Basis*, at 818).

The guarantee function has sometimes been taken to mean that the mark 'gives an assurance of the product's unchanged quality',³⁷⁷ but Beier is said to have argued that the guarantee function does no more than allow the owner to guarantee the goods 'as he himself put them into circulation'.³⁷⁸ Wertheimer himself is of the view that because a trade mark proprietor does not obtain the exclusive right for a specific product of a certain quality,³⁷⁹ it indicates that the proprietor is

'at liberty to change – i.e., improve or deteriorate – the quality of his goods ... without running the risk of losing his trademark right'.³⁸⁰

It is clear that there is no obligation on the trade mark proprietor

- (i) to produce the goods himself;
- (ii) to produce or market goods of a consistent quality; or
- (iii) to obtain the goods to which it affixes its trade mark from the same source or demand consistent quality from the same source or sources.

There is consequently no duty on the trade mark proprietor to maintain any particular standard or quality.³⁸¹ There hardly seems any point in attempting to gainsay that for most consumers who have past experience with goods bearing a trade mark, the trade mark is an indication that there is a strong likelihood that the goods which bear that trade mark will be of an acceptable standard because the proprietor assumes overall responsibility for the goods.³⁸²

Wertheimer indicates that the proprietor may be compelled to change the quality of the goods to maintain pace with technological developments and that there are invariably fluctuations in the quality of goods bearing the same trade mark where there is a variety of

³⁷⁷ Wertheimer, *op cit*, at 646, cites as authority Callman, (1962) 52 *TMR* 557.

³⁷⁸ Wertheimer, *op cit*, at 647 where he cites Beier, (1964) *Gewerblucher Rechtsschutz und Uberherrecht Internationale Teil (GRUR Int)* 205, which is unavailable to me. This notion is confirmed in *Television Radio Centre (Pty) Ltd v Sony Kabushika Kaisha t/a Sony Corporation & Anor* (the *Sony* case), 1987 (2) SA 994 (AD): see para 10.3.1, *infra*.

³⁷⁹ The Register provides for the registration in respect of various categories of goods but not for descriptions of the qualities of goods.

³⁸⁰ *Op cit*, at 648 where he cites the *Bostitch* case, 1963 RPC 197.

³⁸¹ Stuart, *op cit*, at 32, argues correctly, I submit, that the consumer must seek such guarantees in **other areas of law not trade mark law**.

³⁸² Trade marks such as Pick 'n Pay's 'No Name' brand and the 'Woolworths' brand operate on this principle given the variety of goods marketed under them. These retailers do not produce the goods which they trademark and sell under their respective trade marks. The consuming public understands this to be so and finds it acceptable as the continuation of the practice indicates.

The main aim of advertising is to generate goodwill for the goods to which the mark is affixed, thereby generating sales of the goods and encouraging consumer loyalty.³⁸⁹ Sanders and Maniatis see a trade mark as the nucleus of a 'brand' that is the entity through which the advertising function of a trade mark is exercised.³⁹⁰

These functions generally operate to create goodwill, interlinking with that function.

3.3.5 GOODWILL FUNCTION

Schechter called the modern trade mark 'good-will symbolized'.³⁹¹ Goodwill has been most appropriately described as the 'attractive force which brings in custom'.³⁹² The goodwill function has been described as the ability of the trade mark to heighten consumer confidence in goods that bear it.

The precise source of goodwill is often difficult to determine because of the variety of factors that can contribute to its creation.³⁹³ Some of these factors are the qualities of the goods sold, the service the consumer receives, the level of discretion with which the business is conducted and in fact any other consideration that tends to draw custom to the business.³⁹⁴ The trade mark is, whatever the reason for the development of goodwill, par excellence the mechanism by which the goodwill is identified, bought, sold and made known to the public.³⁹⁵ The distillation of goodwill into the trade mark is sufficient reason to refrain from dissecting goodwill into its constituent parts: its symbolic representation by a unitary entity, the trade mark, renders the parts irrelevant.

³⁸⁹ AK Sanders & SM Maniatis, 'A Consumer Trade Mark: Protection Based on Origin and Quality', [1993] *EIPR* 406, at 408; Wertheimer, *op cit*, at 646.

³⁹⁰ The brand also consists of the functional benefits of the goods plus values that the consumer regards as sufficiently important to pay for in the price of the product. Some of the additional values the authors enumerate are previous consumer experience, the social status of users of the brand, faith in its efficacy and the brand's appearance. The range and diversity of factors influencing purchase and price decisions, are amply illustrated by the factors just mentioned.

³⁹¹ *Op cit*, at 39.

³⁹² *Inland Revenue Commissioners v Muller & Co's Margarine Ltd*, [1901] AC 217, at 224. No doubt pre-advertising of the goods can create such goodwill even from the inception of use of a trade mark: once the goods are in existence goodwill accrues: see the *Jordache* case, para 2.5.3.3.1, *supra*.

³⁹³ See chapter 3 para 4.2.1.2.1, *supra*.

³⁹⁴ Herzog, *op cit*, at 85.

³⁹⁵ SL Carter, 'The Trouble with Trademarks' (1990) 99 *Yale Law Journal* 759, at 761.

any of the functions a trade mark can perform. The position in regard to parallel importation will then be on level footing with the position in which a person cannot, without the consent of the proprietor, affix the trade mark to goods and place the goods on the market in SA (and most other jurisdictions), and not incur liability.⁴⁰⁴

All the functions identified in the discussion above⁴⁰⁵ can be linked to and adequately protected by affording the origin function protection that is in accordance with the strict territoriality principle.⁴⁰⁶ The linkage between the origin function and the other functions is as follows.

The trade mark identifies and distinguishes the goods on the basis of their origin, the abstract origin principle being applicable:⁴⁰⁷ if other persons are prevented from misrepresenting the origin of the goods, the trade mark's ability to identify and distinguish goods is fully protected.

The guarantee function assures the public that the goods are of the standard of quality with which the proprietor placed them on the market.⁴⁰⁸ Assuring the proprietor the exclusive right to control placement of trademarked goods on the market by ensuring that only goods which have their origin in the *persona* of the proprietor in the jurisdiction may be placed on the market, enables the trade mark to fulfil the guarantee function.

The advertising and selling function feeds into the goodwill function and conclusions regarding all three are dealt with together.⁴⁰⁹ This function can also be protected by ensuring that the goods, which are advertised and sold, and in respect of which goodwill is sought to be amassed, have their origin in the *persona* of the proprietor.⁴¹⁰

The communication and information function is the embodiment of a significant facet of the *raison d'être* of trade marks. By ensuring that the trade mark accurately reflects the origin

⁴⁰⁴ See paras 5.2 and 5.3, *infra*.

⁴⁰⁵ It is neither Gardiner's nor my submission that this is a *numerus clausus*.

⁴⁰⁶ The strict territoriality principle is discussed in chapter 8.

⁴⁰⁷ See para 3.3.2, *supra*.

⁴⁰⁸ See para 3.3.3, *supra*.

⁴⁰⁹ See paras 3.3.4 and 3.3.5, *supra*.

⁴¹⁰ If the goods advertised do not have their origin in the trade mark proprietor, there is no doubt about the infringement of the registered trade mark: see para 3.3.4, *supra*.

[4]
ORIGIN

The framework within which origin is discussed is formed by the following subheadings:

- 4.1 Introduction
- 4.2 Origin and the connection in the course of trade
- 4.3 The origin relationship
 - 4.3.1 The *persona* of proprietor in a jurisdiction
 - 4.3.2 The relevant *persona* of proprietor must act
 - 4.3.3 Conclusions regarding the origin relationship
- 4.4 Definition of origin
- 4.5 Analysis of the definition
 - 4.5.1 Placement of the goods
 - 4.5.1.1 An act of trade mark use distinct from affixation
 - 4.5.1.2 Use of specific trade mark: the one in the jurisdiction
 - 4.5.2 On the market
 - 4.5.3 Under the proprietor's aegis
 - 4.5.3.1 Trade Mark Indicates the Goods are Under the Proprietor's Aegis
 - 4.5.3.2 Consent
- 4.6 Conclusions

4.1 INTRODUCTION

The dominant and central position that the concept 'origin' occupies in trade mark law derives from the fact that a trade mark is by definition an entity that exists to fulfil a specific function, that function being to indicate the origin of goods in relation to which it is used in the course of trade.⁴¹⁶

The historical position is correctly and aptly expressed by Webster & Page who observe

'At common law the prime function of a trade mark was to indicate the origin of the goods to which it was applied, the term "*origin*" being used in the connotation of the manufacturer of those goods'.⁴¹⁷

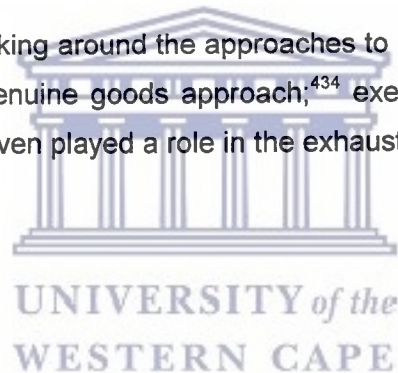
⁴¹⁶ See para 3.3.2, *supra*.

⁴¹⁷ *Op cit*, 3ed, at 19, my emphasis.

The notion of the goods being 'under the aegis of the proprietor' is also subjected to scrutiny.⁴²⁸ The manner in which this occurs is discussed,⁴²⁹ and the conclusion reached that, for the goods to be under the aegis of the proprietor, the *persona* of trade mark proprietor in the jurisdiction must be responsible for the goods being on the market.⁴³⁰ The significance of the concept of the '*persona*' of proprietor in the jurisdiction⁴³¹ for origin is integrated into the analysis.⁴³²

One of the principal conclusions reached is that origin is not a once off event but a relationship that is established afresh in each jurisdiction, therefore the correct question to ask is: is the *persona* of the proprietor in that jurisdiction the origin of the goods.⁴³³

Origin has been central to the thinking around the approaches to parallel importation. The concept of origin underlies the genuine goods approach,⁴³⁴ exerted an influence in the enterprise approach;⁴³⁵ and, has even played a role in the exhaustion approach.⁴³⁶



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See para 4.7, *infra*.

429

See para 4.7.1, *infra*.

430

See para 4.7.3, *infra*.

431

See chapter 2 para 6.2, *supra*.

432

See para 4.3.1, *infra*.

433

See para 4.6, *infra*.

434

See part [8], *infra*.

435

The notion of a common 'corporate' origin is important in regard to the enterprise approach: see part [9], *infra*.

436

Prof BR Rutherford, 'Parallel Importation', 1979 *Modern Business Law* 99 expresses the underlying rationale of exhaustion as follows:

'the use of the trade mark on those goods [which have been sold by or with the consent of the proprietor] for the purpose of subsequent distribution does not constitute trade mark infringement ... Having *authorized the use of his trade mark* he cannot invoke his trade mark rights to prevent the subsequent distribution of the trademarked goods' (at 102 my emphasis. He cites Beier, *Territoriality*, at 55. The emphasis is to indicate the single trade mark notion).

Rutherford also expresses the view that the critical question in regard to parallel importation is whether the goods originate with the proprietor (*ibid*).

not, there is confusion. It is irrelevant whether or not consumers have *subjective knowledge* or awareness of their confusion.⁴⁴²

Goods cannot have an origin in trade mark terms if they are not in trade: the origin relevant for trade mark purposes is trade origin, therefore the goods must be in trade.⁴⁴³

4.2. ORIGIN AND THE CONNECTION IN THE COURSE OF TRADE

In my submission the existence of a connection in the course of trade between the proprietor and the goods renders the use of the trade mark to indicate origin in the proprietor *authentic*: it is in a sense a precondition for the legitimate or authentic, as opposed to deceptive, use of a trade mark to indicate origin.

Webster & Page commence their discussion of the history of the statutory definition of a trade mark by observing that

'At common law the prime function of a trade mark was to indicate the origin of the goods to which it was applied'.⁴⁴⁴

A trade mark was at the time registration was introduced an indication of manufacture but this is no longer the case.⁴⁴⁵ The manufacture of the goods meant that a relationship of manufacturer and product existed between the manufacturer and the goods. The fact that

⁴⁴² In *Metal Box South Africa Ltd v Midpak Blow-Moulders (Pty) Ltd* (the *Midpak* case), 1988 (2) SA 446 (T), the Court held that it was the trade mark used by the alleged infringer that had to be deceptively or confusingly similar to the proprietor's registered trade mark and that the fact that material extraneous to the trade mark distinguishes the alleged infringer's goods from those of the proprietor 'is irrelevant for purposes of infringement' (at 451G). The Judge, after referring, *inter alia*, to *Saville Perfumery Ltd v June Perfect Ltd and FW Woolworth & Co Ltd* [1941] 58 RPC 147 (CA) 161, *adidas Sportschufabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd*, 1976 (1) SA 539 (T), at 535H, and Webster & Page, *op cit*, 3ed, at 267, concluded:

'Logically, in my judgment, it follows that the subjective knowledge or belief of the public as to the origin of the goods is irrelevant to the question of whether there has been trade mark infringement. This is unlike the situation in the case of passing off where a representation causing a likelihood of confusion or deception is a necessary element of the wrong' (at 451 marginal letter 'I' – 452A).

⁴⁴³ The *GAP (D)* case: see para 2.5.3.3.2, *supra*. If the proprietor has trademarked goods, and another person, the infringer, without the proprietor's consent, conducts trade in the goods (places the goods on the market) the person thereby incurs liability. The infringer incurs liability because the trade mark indicates origin in the proprietor, and if the proprietor has not consented to the placement of the goods on the market, he is not the origin.

⁴⁴⁴ *Op cit*, 3ed, at 19.

⁴⁴⁵ Webster & Page, *loc cit*.

The proprietor brings the two relationships that have just been described together by placing the trade mark on the goods, thus creating a tripartite relationship between the trade mark, himself and the goods.

The position is now, therefore, that the appearance of a person's trade mark affixed to goods does not indicate that he manufactured those goods. Trade mark origin of goods therefore no longer indicates a relationship of manufacturer and product. The trade mark is therefore now primarily an indicator of trade origin of the goods which derives from the decision to use the trade mark or consent to use the trade mark.

Webster & Page argue, correctly in my submission, that the concept of origin was progressively widened by the evolution of the definition of a trade mark in the various English⁴⁴⁷ and SA Trade Mark Acts.⁴⁴⁸ A close reading of their work reveals that they are of the view that the content of the concept 'trade mark origin' emerged from the nature of the *connection between the proprietor and the goods* prescribed by the relevant statute.⁴⁴⁹

The TMA does not prescribe that there must be a connection in the course of trade of any particular nature between the proprietor and the goods, but there appear to be two broad categories into which one could fit the likely connections in the course of trade between a proprietor and goods: manufacture and selection.⁴⁵⁰ Earlier pieces of trade mark legislation, generally by means of the definition of a trade mark, prescribed particular connections in the course of trade, eg the 1916 Act required that the trade mark indicate that the goods were the proprietor's

'by virtue of manufacture, selection, certification, dealing with or offering for sale'.⁴⁵¹

⁴⁴⁷ The first definition of trade mark was provided in the 1905 English Act: Webster & Page, *op cit*, 3ed, at 20.

⁴⁴⁸ The SA statutes would often mirror the developments in England. See chapter 3 part [2], *supra*.

⁴⁴⁹ *Op cit*, 3ed, at 20ff.

⁴⁵⁰ Neither manufacture nor selection has any direct trade mark significance: a trade mark is the symbolic representation of origin (see chapter 2 para 5.2, *supra* and the discussion of trade mark function in paras 3.3.2 and 3.4, *supra*). Selection should be given as wide an interpretation as possible, covering agricultural products as well as manufactured goods, since there will always be a measure of selection involved in what goods are sent out, even in just rejecting substandard goods.

⁴⁵¹ This was contained in the definition in s 96 of that Act. The generality of some of the words used is however to be noted.

The origin of goods in trade mark terms does not, therefore, arise from their manufacture: there is nothing in the definition of a trade mark which indicates that a person must be the manufacturer of the goods in order to qualify to be a trade mark proprietor in respect of such goods.⁴⁵⁷ The process of manufacturing goods by itself has *no direct trade mark implications*; even if the manufacturer is the proprietor, his trade mark on the goods does not indicate manufacture: manufacture is not the only relevant trading activity; in addition to which manufacture and trade marking are separate activities,⁴⁵⁸ even though both can be accomplished in a single continuous process.⁴⁵⁹

The definition of a trade mark establishes a link between the concepts of 'origin' and 'connection in the course of trade'.⁴⁶⁰ The definition requires a trade mark to distinguish 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, ie, a person other than the person who used or proposes to use the trade mark.⁴⁶¹ The trade mark itself would have been the basis of the distinction had the definition only required the trade mark to distinguish the goods to which it is attached from similar goods, but that is not what the definition provides and requires. **Inclusion of 'connected in the course of trade' in the definition makes connection in the course of trade the basis of the distinction, as is now explained.**

The trade mark is only affixed to some items of a particular *kind*, type or class of goods.⁴⁶² The trademarking of goods therefore results in there being two groups of goods: those that are trademarked and those that are not. The goods that are not trademarked form a group, which is, in terms of the definition, connected with a person or persons other than the trade mark proprietor.⁴⁶³ Since, as a matter of logic, there are clearly only two groups which can be distinguished by the presence of the trade mark on the goods of one group, the group of goods that bear the trade mark must be connected to the trade mark

⁴⁵⁷ There is nothing in the definition provided by Lord Wright in *Aristoc Ltd v Rysta Ltd*, [1945] 1 All ER 34 (at 48A) to indicate that manufacture is a necessary component of the relationship: see para 4.4, *infra*.

⁴⁵⁸ See para 2.5.1.2, *supra*.

⁴⁵⁹ See para 2.5.1, *supra*.

⁴⁶⁰ Section 2(1) of the TMA.

⁴⁶¹ *Ibid*.

⁴⁶² The same kind of goods would be sold by persons other than the proprietor, they may or may not be trademarked, and even the proprietors own goods may bear other trade marks.

⁴⁶³ The trade mark proprietor is the person who is regarded as using the trade mark: see para 4.5.3, *infra*.

himself even where s 38 is the basis of the connection.⁴⁶⁶ Selection is now hardly more than the proprietor's willingness to have the goods on the market under his trade mark.

4.3 THE ORIGIN RELATIONSHIP

The origin of the trademarked goods in the proprietor in a particular jurisdiction constitutes a relationship between the goods and the proprietor in that jurisdiction: there is clearly a relationship because as long as the goods bear the trade mark, they are regarded as having their origin in the proprietor in the jurisdiction in which the goods are situated.⁴⁶⁷ The origin relationship can be described as follows.

The replica of the trade mark on the goods is a replica of the trade mark registered in the jurisdiction in which the trademarked goods are situated.⁴⁶⁸ The trade mark in the jurisdiction belongs to the proprietor.⁴⁶⁹ The use of the replica trade mark on the goods signifies a relationship between the goods and the proprietor in the jurisdiction in which the goods are situated because the replica trade mark is a representation of the trade mark registered in that jurisdiction.⁴⁷⁰ The use of the replica trade mark brings the proprietor of the trade mark in the jurisdiction into a relationship with the goods because it is his mark that is being used by means of the replica that is affixed to the goods. The relationship just referred to is thus created by the replica trade mark on the goods, which indicates that the goods have their origin in the trade mark proprietor. In other words, the trade mark creates

⁴⁶⁶ Prior to the enactment of s 131^{bis} of the 1916 Act, the problem with licensing was that the trade mark would indicate a connection between the trade mark proprietor and the goods as a matter of law, whereas as a matter of fact, there was a connection between the goods and the licensee and such use was deceptive: see *Bowden Wire Ltd v Bowden Brake Co Ltd*, 30 RPC 45; 31 RPC 385.

Section 131^{bis} provided that

'permitted use of a trade mark shall be deemed to be use by the proprietor thereof ... for any ... purpose for which use is material under this Act or at common law'.

Permitted use was at that stage use by a registered user. Now under s 38 of the TMA permitted use is use by any licensee.

The legal fiction contained in s 131^{bis} of the 1916 Act and its successors (s 48(2) of the 1963 Act and s 38 of the TMA) overcame the absence of a *factual connection* between the proprietor and the goods by rendering the absence of such a connection legally irrelevant.

⁴⁶⁷ In the *Sony* and *Pentax* cases, the goods were trademarked in Japan but the trade mark indicated that the goods had their origin in the SA proprietor; in the *Sebago* case, the goods were trademarked in El Salvador but the trade mark indicated that they had their origin in the proprietor in the EU.

⁴⁶⁸ See paras 2.5.1.2 and 2.5.2.3, *supra*.

⁴⁶⁹ This means the proprietor has a relationship with the trade mark.

⁴⁷⁰ *Ibid.*

4.3.1 THE *PERSONA* OF PROPRIETOR IN A JURISDICTION

The concept of '*persona*'⁴⁷⁴ is used to indicate that the trade mark rights are held by a person because he stands in a particular relationship to the trade mark; in a manner of speaking, he occupies the 'office' of proprietor. Each office of proprietor only exists in a particular jurisdiction: the 'office' is the repository of the trade mark right, and each right only exists in a particular jurisdiction.⁴⁷⁵ The office of proprietor in each jurisdiction in which the trade mark is registered, is separate and distinct from, and also independent of, every other *similar office*, because the office attaches to the trade mark and the trade mark in each jurisdiction is a separate entity.⁴⁷⁶ It makes no difference that one person (natural or juristic) occupies a number of such offices – the office in each jurisdiction is separate and distinct from and also independent of every similar office in every other jurisdiction in which an identical trade mark is registered. The consequence of the offices being independent of, as well as separate and distinct from each other, is that the each office is occupied by a different *persona*, separate from and independent of the *persona* that occupies every other office of proprietor in every other jurisdiction. The *persona* exists by virtue of, and for the purpose of, the person exercising the powers of the office so to speak.

4.3.2 THE RELEVANT *PERSONA* OF PROPRIETOR MUST ACT

The *persona* of proprietor in a particular jurisdiction, not just the person who is trade mark proprietor, must act in order for the goods to have their origin in him – the *persona* of proprietor in that jurisdiction.

The initial act of trade mark use in the jurisdiction, ie the act by which goods come to be on the market in a jurisdiction⁴⁷⁷ must be performed by or with the consent of the *persona* of proprietor in that jurisdiction in order for the goods to be *lawfully* on the market in that

⁴⁷⁴ See chapter 2 para 6.2, *supra*. Other terms that also help illuminate the concept are 'mantle' or 'office' of proprietor in a particular jurisdiction.

⁴⁷⁵ The term '*office*' indicates that the person who must act is not the person who acts as the trade mark proprietor in their personal capacity, but the person who is trade mark proprietor, *in his capacity as holder of the exclusive right* to and in the trade mark in a particular jurisdiction. The person that holds the office of trade mark proprietor in the jurisdiction at the relevant time holds the exclusive right.

⁴⁷⁶ See chapter 5, *supra*.

⁴⁷⁷ Regarding placement on the market see para 2.5.2, *supra*.

The *persona* of proprietor in the jurisdiction must act, because by placing the trademarked goods on the market in that jurisdiction the trade mark in that particular jurisdiction is used. Placement brings the trademarked goods onto the market in a particular jurisdiction.⁴⁸⁴ So, where the *persona* of trade mark proprietor in the relevant jurisdiction does not act, the requisite relationship between the trade mark on the register in the jurisdiction and the trade mark on the goods does not come into existence, even though the replica trade mark affixed to the goods creates the impression that it does.⁴⁸⁵ *Where the persona of proprietor does not act the trade mark on the goods misrepresents the existence of the requisite relationship.*

The relationship between the goods and the proprietor must be lawfully constituted – this cannot occur unless the proprietor uses or consents to someone using his trade mark.⁴⁸⁶ *Lawful use of the trade mark, and not just the appearance of the trade mark on the goods, distinguishes goods that have their origin in the proprietor from those that do not.*⁴⁸⁷ If the proprietor's will is ignored or rendered irrelevant, a situation is created in which, if there was a connection in the course of trade between the goods and the proprietor (manufacture or selection),⁴⁸⁸ anyone could affix the trade mark to the goods and thereby render the proprietor the origin of the goods. The situation just postulated would be absurd, and certainly not accord with the notion of volition which the *dicta* in ***Aristoc v Rysta*** import.⁴⁸⁹ This means that the trade mark on the imported goods only correctly indicates that the goods have their origin in the import proprietor where the *persona* of proprietor has used or consented to the use of the trade mark in the import jurisdiction. If

its effect: see para 8.4.1, *infra*) in all jurisdictions or that the trade mark right was exhausted or implied consent was given by use in any jurisdiction in which one of its associated trade mark proprietors held the trade mark right (see part [9], *infra*). Under all of these circumstances the use of the trade mark on the imported goods was held to be non-infringing. The ***GAP (D)*** case shows that the goods must be in trade, ie on the market, in the jurisdiction: see para 2.5.3.3.2, *supra*.

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See para 2.5.2.3, *supra*.

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There is the appearance and not the reality of the relationship because no consent was given to use the trade mark. The relationship can only exist where there is consent; otherwise, wherever the identical trade mark was affixed to the goods by whomsoever, the goods would have their origin in the trade mark proprietor and there would be no infringement.

486

See para 2.5.3.2, *infra*.

487

The proprietor indicates his consent to the goods being on the market under his aegis is by placing or consenting to someone else placing them on the market: see para 4.5.3.2, *infra*.

488

See para 4.2.3, *supra* and para 4.5.3.2, *infra*.

489

See para 4.3.1, *supra*.

The tripartite relationship between the replica trade mark on the goods, the trade mark on the register and the proprietor in one jurisdiction, is separate from the relationship between the replica on the goods, that same proprietor and the identical trade mark in another jurisdiction, when the goods are in that other jurisdiction. The trade marks are identical and the features of the relationship *similar*, but the same relationship cannot exist in both jurisdictions. The relationship with each trade mark cannot endure beyond national boundaries because there is a different trade mark in each jurisdiction.⁴⁹⁶ A different trade mark in each jurisdiction must mean a different relationship in each jurisdiction.⁴⁹⁷ The different relationships between the proprietor and the goods that exist in the different jurisdictions mean origin has to be determined afresh in each jurisdiction. Origin therefore arises from the proprietor acting in the capacity of proprietor of the trade mark in a particular jurisdiction, the *persona* of proprietor in the jurisdiction.

One can also examine the origin relationship from the perspective of the exercise of the trade mark rights. In situations in which there are different trade mark proprietors in two different jurisdictions it is easy to see that there are two trade mark rights – one right in each jurisdiction belonging to one person. There have to be two rights for each of the two different proprietors each hold a right. There are still two trade mark rights in a situation in which the same person is the trade mark proprietor in both jurisdictions – one right in each jurisdiction, though it is not as obvious that there are two trade mark rights. So even on the principles as presently applied, there are two rights, each right created by registration in a different jurisdiction.⁴⁹⁸ This means that even where one person registers identical trade marks in two jurisdictions, there are two trade mark rights, each one capable of being exercised separately from the other. Origin therefore derives from the exercise of one trade mark right – the one in the jurisdiction in which the goods are placed on the market. The proprietor in the jurisdiction has the exclusive right to use the trade mark, therefore,

automatically, there could be no infringement – in the EU this would probably have been expressed by saying that the re-importation was not the initial placement of the goods on the market: see chapter 8, *infra*.

⁴⁹⁶ The fact that there is a different register is itself an indication that a different trade mark is being used.

⁴⁹⁷ Each relationship exists if the trade mark is used by or with the consent of the proprietor of the trade mark in the jurisdiction, because the exclusive right means the trade mark must be used by or with the consent of the proprietor. See chapter 4 para 6.3, *supra*.

⁴⁹⁸ See chapter 6 part [6], *supra*.

circumstances under which the goods are placed on the market will therefore determine in whom they have their origin.

The definition of origin⁵⁰⁵ is analysed under the following subheadings: (1) placement of the goods;⁵⁰⁶ (2) on the market;⁵⁰⁷ and (3) under the proprietor's aegis.⁵⁰⁸

4.5 ANALYSIS OF THE DEFINITION

4.5.1 PLACEMENT OF THE GOODS

The origin of trademarked goods has to be determined at the time of performance of the act that brings trademarked goods onto the market in a particular jurisdiction.⁵⁰⁹ Goods cannot have an origin, in my submission, unless they are in the jurisdiction, because only then can the trade mark in the jurisdiction be used.⁵¹⁰ The specific act by which trademarked goods come onto the market must involve the use of the trade mark in order for it to have trade mark significance. Placement on the market is use of the trade mark because it involves exhibition of the trade mark under circumstances in which the trade mark indicates origin in the trade mark proprietor.⁵¹¹ There is a separate registered trade mark in each jurisdiction and since origin must involve use of a trade mark, the goods do not only have their origin in a particular person but *also in a particular jurisdiction*.

⁵⁰⁵ See para 4.5.1, *infra*.

⁵⁰⁶ See para 4.5.1, *infra*.

⁵⁰⁷ See para 4.5.2, *infra*.

⁵⁰⁸ See para 4.5.3, *infra*.

⁵⁰⁹ See para 4.4, *supra*. In Lord Wright's words, when they are issued. The *Kappa* case (para 2.5.2.1, *supra*), erroneously, did not distinguish the right to affix from the right to place the goods on the market (see Beier, *Exhaustion, loc cit*). The significance of placement of the goods on the market can be seen clearly in the four principal cases discussed in chapter 8: there is an emphasis on the initial placement of the goods on the market in the EU.

⁵¹⁰ See para 2.2, *supra*.

⁵¹¹ See para 2.5.2 (and all its subparagraphs), *supra*. See also the *Sodastream* case, where the Judge indicates that the physical presence of Sodastream's trade mark, registered in respect of gas, on the cylinders at the time when Berman Bros exchanged the cylinders which it had filled with its own gas, for empty cylinders brought in by consumers, constituted use of Sodastream's trade mark (at 236B-C); and the *Pentax* case in which the Court rejected the argument that the seller of trademarked goods does not use the trade mark but that it is continued use by the proprietor (at 933A-B).

effective control of the trademarked goods and provides no indication that he is willing to relinquish his control over the goods in favour of another person, no other person can lawfully use the trade mark, even to indicate that the goods have their origin in the trade mark proprietor.

4.5.1.2 Use of a Specific Trade Mark: the One in the Jurisdiction

Trademarked goods have their origin in the *person* under whose aegis (auspices) they are issued, ie placed on the market.⁵²⁰ The trade mark, since it belongs to the proprietor who enjoys the exclusive right to use it to indicate that he is the trade origin of goods, indicates that the person under whose aegis the goods are issued is the proprietor. Placement on the market, since it occurs in a particular jurisdiction, constitutes use of the trade mark by means of the replica affixed to the goods. There is consequently use of a *specific trade mark*, viz the one registered in the jurisdiction in which the goods are placed on the market.⁵²¹ The proprietor in that jurisdiction has the exclusive right to use the trade mark; therefore he must place the goods on the market himself or consent to the goods being placed on the market, for the goods to have their origin in him.⁵²² A person who is the proprietor of identical trade marks in a number of jurisdictions acts in a different capacity in each jurisdiction, in the capacity of proprietor in that jurisdiction. The proprietor acting in the capacity of proprietor *in a particular jurisdiction* is referred to as the *persona* of proprietor in that jurisdiction.⁵²³ This means that if the same person is the proprietor in both the export and import jurisdictions, two different *personae* reside in him, the *persona* of export proprietor and the *persona* of import proprietor. The distinction between the person and the *persona* is of critical importance where one person holds a number of trade marks in different jurisdictions because when the *persona* acts, he acts in relation to a *particular trade mark*.⁵²⁴

In parallel import situations the goods have their origin in the import jurisdiction when they are placed on the market in the import jurisdiction. Once the goods are placed on the market in the import jurisdiction the trade mark reflects origin in the *persona* of the import proprietor.

⁵²⁰ See para 4.2.1, *supra*.

⁵²¹ See para 2.5.2.3, *supra*.

⁵²² See paras 4.3.2 and 4.5.3.2, *supra*.

⁵²³ See para 4.3.1, *supra*.

⁵²⁴ He uses or consents to the use of a particular trade mark.

course of trade *in the export jurisdiction* – the sale provides no indication that the purchaser is granted the right to use the trade mark in the import jurisdiction.⁵³⁴ This is because the proprietor only invests the purchaser with consent to use the trade mark as affixed to the goods which are on the market in the export jurisdiction: the person who is the import proprietor does not exercise his rights as *import proprietor* when he sells the goods in the *export jurisdiction*.⁵³⁵ The export proprietor has the exclusive right to use the trade mark and he exercises that right as user by placing the goods on the market in the export jurisdiction – he does not divest himself of his right as proprietor by placing the goods on the market.⁵³⁶ The right which the proprietor exercises is the right he passes on to purchasers of the goods.

The *persona* of import proprietor does not perform an act in the import jurisdiction from which it can be inferred that he, the *persona* of import proprietor, consents to the goods being on the market in the import jurisdiction, because it is the importer who uses the import trade mark by placing the goods on the market in the import jurisdiction. *If the import proprietor does not consent to the placement of the goods on the market in the import jurisdiction, the importer does not have the right to place the goods on the market in the import jurisdiction because the goods do not have their origin in the persona of import proprietor.*⁵³⁷ In other words, because placement of the trademarked goods on the market is use of the import trade mark the consent of the *persona* of the import proprietor is

⁵³⁴ See chapter 6 note 321, *supra*; **Betts v Wilmott**, (note 589, *infra*).

The **Sony** case (see para 11.5, *infra*) provides an example of use outside of the ordinary course of trade, hence the rider that the use must be within the ordinary course of trade.

⁵³⁵ The proprietor allows the exercise of the right and does not transfer the thing in which the right subsists – the trade mark. The trade mark proprietor has the right to use the trade mark and to confer the right on others to do so. A trade mark user only has the right to use the trade mark by means of the replica already affixed to the goods. The user cannot confer on another the right to affix the trade mark to goods unless he has such a right derived from the proprietor.

⁵³⁶ In the **Midpak** case, the Court said

'Transfer of ownership or possession of the containers [the trademarked goods] does not affect the incorporeal proprietary right in the trade mark relating to the plastic containers of the applicant. That right clearly *remains vested* in the owner of the trade mark' (at 452B-C).

⁵³⁷ The existence of two different *personae* means that the relevant *persona* must grant consent as each *persona* operates separately from the other, even where both *personae* reside in the same person. See para 4.3.1, *supra*, where the conclusion is drawn that trademarked goods must have their origin in the *persona* of the proprietor in the jurisdiction in which they are on the market.

does it become *possible* for any other person to acquire the right to use the trade mark by means of the replica affixed to the goods, and then the goods are in trade.⁵⁴³ So the goods are on the market when it is possible for persons other than the proprietor and his licensee to lawfully acquire the goods, and thereby use the trade mark in trade by means of the replica trade mark affixed to the goods by the trade mark proprietor or his licensee.

The question of the capacity in which the trade mark proprietor acted can only be ignored if, as far as the law is concerned, there is one universal trade mark *and* an international or global market *subject to a single set of laws*.⁵⁴⁴ Economists appear to regard a single global market as the *ideal*; however, they acknowledge that in reality there are numerous markets. The existence of individual jurisdictions with their own commercial laws, and regional entities such as the EU, belie the existence of a single global market.⁵⁴⁵ Even though there is a plethora of trade treaties which regulate international commerce, we have seen that international treaties generally operate on the principle of national treatment⁵⁴⁶ and also that international treaty law has to be transposed into national law.⁵⁴⁷

The term 'market' as a legal concept is, in my submission, most appropriately understood as an area, a territorial unit,⁵⁴⁸ in which a single set of legal rules, regulates commerce,

being in effective control of the goods when they enter the jurisdiction – the other person is his or her agent.

⁵⁴³ The proprietor can grant someone a licence to affix the trade mark without referring back to him, the proprietor, ie the licensee can select the goods himself. That kind of arrangement does not however alter the impact of s 38 of the TMA.

⁵⁴⁴ See chapter 6 para 2.3, *supra*.

⁵⁴⁵ See para 10.3.6, *infra*.

⁵⁴⁶ See chapter 6 para 4.3, *supra*.

⁵⁴⁷ See chapter 6 para 2.3, *supra*, especially the views of RMM Wallace.

⁵⁴⁸ The significance of territory to the operation of the law was discussed in chapter 6, *supra*. See I Eagles, 'Intellectual Property and Competition Policy: The Case for Neutrality', in CEF Rickett & GW Austin (eds), *International Intellectual Property and the Common Law World*, Hart Publishers, Portland, Oregon, (2000), who expresses the view that

'Markets are defined in terms of both products ... and of geography... Geographic markets ... are bounded by those invisible lines across which it is not ... (... in some cases legally possible) to trade competing products. Sometimes the lines become visible in the form of national borders, an artificial and purely legal limit' (at 306, my emphasis).

Eagles also indicates that ' "market" is as much the creation of lawyers as economists' (*ibid*).

display, a responsibility that goes with having given the assurance that they are of vendible quality.⁵⁵⁴

4.5.3.1 Trade Mark Indicates the Goods are Under the Proprietor's Aegis

The definition of origin cited above indicates that the goods must be placed on the market, or be regarded as having been placed on the market, by the proprietor, for the goods to be under his aegis.⁵⁵⁵ Proprietorship of the trade mark is the reason why the proprietor is regarded as having placed the goods on the market.⁵⁵⁶

There is no legal obstacle to one person being the proprietor of a number of identical trade marks, each one registered in a different jurisdiction.⁵⁵⁷ Where a person is the proprietor of a number of identical registered trade marks, the question of the capacity in which he acted must arise, since he can act in the capacity of proprietor of one trade mark or proprietor of more than one trade mark at any time.⁵⁵⁸ The answer to the question in which capacity the proprietor is acting, is that the person acts in the capacity of proprietor in the jurisdiction in which the relevant act was performed unless he states otherwise. In parallel importation situations, because the relevant act of use is placement of the goods on the market in the import jurisdiction, the import proprietor must perform or be regarded as having performed that act.⁵⁵⁹ This principle, however, has not been applied consistently,

⁵⁵⁴ The Court in *Aristoc v Rysta*, in its carefully chosen expression, appears to have deliberately eschewed propounding a more specific standard of quality for the goods than 'vendible'. 'Vendible' imports the notion of the goods displaying a general fitness for their purpose. The word 'assumes' is indicative of the fact that prior to the trade mark proprietor trademarking and placing the trademarked goods on the market (issuing the goods) under his aegis, he took no responsibility as trade mark proprietor for the qualities the goods displayed. The proprietor, if he is not the manufacturer or producer of the goods, even assumes responsibility for the qualities with which their manufacturer or producer imbued the goods, by placing them on the market under his trade mark. The proprietor, through his trade mark, will take the praise or blame for the qualities the goods display, no matter how the goods came to display those qualities.

⁵⁵⁵ Para 2.2, *supra*.

⁵⁵⁶ The trade mark, the indicator that the goods are on the market under someone's aegis, being his trade mark, naturally leads to the inference that the goods are under his aegis.

⁵⁵⁷ The TMA does not contain any provision limiting the number of trade marks a person may hold in SA. In the *MacDonald's* case, MacDonald's held 52 registered trade marks.

⁵⁵⁸ See chapter 2 para 6.2 and para 4.3.1, *supra*.

⁵⁵⁹ See para 4.3.2, *supra*.

4.5.3.2 Consent

Lord Wright's definition of origin indicates that the proprietor 'assumes' responsibility for the goods by issuing them. The goods therefore come under the proprietor's aegis insofar as the public is concerned by his *voluntary* act of issuing them.⁵⁶⁷ The proprietor indicates this assumption of responsibility by trademarking the goods and placing them on the market – issuing them.

The only two mechanisms by which it is possible for the trademarked goods to be brought onto the market in the import jurisdiction, ie issued, under the aegis of the trade mark proprietor are by the trade mark proprietor placing or consenting to the placement of the goods on the market under his trade mark.⁵⁶⁸ These are the only two methods by which the proprietor can *indicate* that he assumes responsibility for the goods.⁵⁶⁹ The trade mark is already affixed to the goods when the goods are placed on the market, but affixation does not result in the goods being on the market, even in the jurisdiction in which the trade mark was affixed to the goods.⁵⁷⁰ The goods cannot be on the market under the aegis of the import proprietor if they are not on the market.⁵⁷¹ In parallel importation cases the affixation often takes place in the export jurisdiction, which means that the affixation brings the goods under the aegis of the export proprietor when they are placed on the market in the export jurisdiction.⁵⁷²

In parallel importation cases the proprietor does not place the goods on the market in the import jurisdiction. In order for the goods to be under the aegis of the import proprietor he must therefore consent, expressly or by conduct,⁵⁷³ to the goods being placed on the market. A trade mark proprietor grants consent to another person to exercise the right he holds in one or more jurisdictions by simple agreement.

A person who is the proprietor of a number of identical trade marks, each registered in a different jurisdiction, can act in the capacity of trade mark proprietor⁵⁷⁴ in a particular

⁵⁶⁷ See para 4.4, *supra*.

⁵⁶⁸ This is because the trade mark in the jurisdiction must be used for the goods to be under the aegis of the trade mark proprietor in the jurisdiction.

⁵⁶⁹ In terms of s 38 of the TMA the proprietor will be deemed to have acted.

⁵⁷⁰ See the *Kappa* case, para 2.5.2.1, *supra*. See also para 2.5.2.2, *supra*.

⁵⁷¹ See the *GAP (D)* case, chapter 3 para 2.3.3.1, *supra* and para 2.5.3.3.2, *supra*.

⁵⁷² The trade mark in the export jurisdiction was used and the trade mark right in the export jurisdiction was exercised: the *Kappa* case.

jurisdictions, even on all goods placed on the market through the authorized distribution network. The fact that the proprietor must consent to each consignment being on the market in a jurisdiction and the fact that he has an official distribution network imply that the proprietor gives consent to a specific person within the distribution network to place particular goods on the market in a particular jurisdiction. In other words, consent is given for specific consignments of goods to be placed on the market in specific jurisdictions.⁵⁷⁸ all goods are not intended for all jurisdictions within the distribution network.⁵⁷⁹ It can therefore be said that each consignment of goods has as its intended destination a particular jurisdiction within the authorized distribution network and the use of the trade mark by the authorised distributors in each jurisdiction.⁵⁸⁰

In parallel importation situations the import proprietor does not grant the importer express consent to use his trade mark so implied consent must be found, implied by conduct.⁵⁸¹ Conferral of consent by conduct requires the proprietor to perform some act of use *in the import jurisdiction* or consent to the performance of some *act of use in the import jurisdiction* from which consent may be inferred.⁵⁸² To establish that the proprietor has granted consent to use his trade mark in a particular jurisdiction, it is not sufficient to show that the *person* who is trade mark proprietor in that jurisdiction has performed an act in some other jurisdiction from which implied consent can be inferred in that *other* jurisdiction.⁵⁸³

⁵⁷⁸ See the **Sebago** case, chapter 8 para 3.4, *infra*. The **Sony** case provides an illustration of technical measures in addition to trade mark ones that can be taken to prevent goods crisscrossing all jurisdictions in the distribution network.

⁵⁷⁹ See the **Sebago** case.

⁵⁸⁰ In my submission, this is not too general an intention for the purpose of gainsaying the existence of an intention (in the form of *dolus eventualis*) to place the goods on the market in any jurisdiction even those for which consent to import has not been given. The arguments advanced here are in large measure the same as those that demonstrate the flaw in the enterprise approach – the members give each other consent, not third parties (see the discussion of the enterprise approach (see para 9.3, *infra*). The existence of an international enterprise for the exploitation of a trade mark does not alter the fact that there is an interlocking 'patchwork quilt' of separate independent jurisdictionally based trade marks and rights: see the **GAP (SCA)** case, chapter 6 para 3.4, *supra*.

⁵⁸¹ This is a characteristic of parallel importation: see para 6.1, *infra*.

⁵⁸² The proprietor gainsays implied consent to the conduct by instituting an infringement action in the import jurisdiction.

⁵⁸³ There is constant reference to an act of use from which the inference can be drawn that the proprietor has granted implied consent, because in parallel importation situations the import proprietor does not grant express consent for the importer to use his trade mark. That leaves implied consent as the only realistic mechanism by which consent could be granted. Implied consent must flow from his conduct since there is no basis for, nor do the cases

when) is to be found in the **Sebago** case. In that case the Court in effect held that the fact that the manufacturer in El Salvador had consent to trademark the goods did not imply that the manufacturer, or anyone else who obtained the goods from the manufacturer, had consent to place the goods on the market in the EU.

The trade mark proprietor, by placing trademarked goods on the market or consenting to their placement on the market, confers *implied consent* on all subsequent **lawful possessors** or owners of the goods to use the trade mark (ie exercise the trade mark right) *in the jurisdiction in which he places the goods, or consents to the goods being placed, on the market.*⁵⁸⁹ Subsequent to the placement the goods are on the market in that jurisdiction, the trade mark indicates that they have their origin in the proprietor in that jurisdiction: therefore the *persona* of proprietor in that jurisdiction cannot object to the use of the trade mark.⁵⁹⁰ Once trademarked goods are on the market in a jurisdiction the *persona* of proprietor cannot object to the use of the trade mark because trade mark rights derived from the registration *operate jurisdiction-wide*, unless an order of the type made in **Sidewalk Café's (Pty) Ltd t/a Diggers Grill v Diggers Steakhouse (Pty) Ltd &**

⁵⁸⁹

In my submission the courts should apply an adapted version of the principle in **Betts v Wilmot**, [1871] 6 Ch App 239. Mr Betts manufactured a distinctive type of bottle stopper, for which he held a patent, both in England and in France. He sought to restrain the sale in London of a product which resembled his own. He gave evidence that the stopper in question was not made by him in England. He could not exclude the possibility that it came from one of his French factories so his action failed. Lord Hatherly said:

'But where a man carries on (the) two manufactories (i.e. one in France and one in England) himself, and himself disposes of the article abroad, unless it is shown, not that there is some clear injunction to his agents, but that there is some clear communication to the party to whom the article is sold, I apprehend that, inasmuch as he has the right of vending the goods in France or Belgium or England, or in any other quarter of the globe, he transfers with the goods necessarily the licence to use them wherever the purchaser pleases. When a man has purchased an article he expects to have control of it, and there must be some clear explicit agreement to the contrary to justify the vendor in saying that he has not given the purchaser his licence to sell the article or to use it wherever he pleases as against himself'.

In my submission the words 'in any other quarter of the globe' cannot be applied unqualified: they must be applied subject to the territoriality principle. This means that even where the same person, not *persona*, who placed the goods on the market in the export jurisdiction or consented to the placement on the market in the export jurisdiction, is the trade mark proprietor his consent is required for use in the import jurisdiction.

⁵⁹⁰

This sounds like an application of the genuine goods approach, but is not, because the *persona* of proprietor in that particular jurisdiction has consented to the use of his trade mark in that jurisdiction, by placing the goods on the market in that jurisdiction. My thesis is that **the right to a particular trade mark is limited to a jurisdiction**, not a smaller unit.

relation to the specific goods,⁵⁹⁷ the import proprietor does not perform any act that involves the exercise of the import trade mark right from which it can be inferred that he grants implied consent to use the import trade mark in relation to the imported goods. Consequently the importer does not have implied consent from the *persona* of import proprietor.

The importer's use of the trade mark affixed to the imported goods is unauthorised because it is performed without express or implied consent of the import proprietor. Unauthorised placement of the goods on the market should *prima facie* constitute infringing use of the trade mark, since the goods do not have their origin in the proprietor in the import jurisdiction, as is now explained.

The absence of consent means that the goods are not on the market under the auspices of the *persona* of trade mark proprietor, ie the person who is proprietor acting in the capacity of trade mark proprietor in the import jurisdiction.⁵⁹⁸ Therefore the goods do not have their origin in the *persona* of import proprietor.⁵⁹⁹

The placement of the goods on the market in the import jurisdiction for the purpose of trade constitutes use of the import trade mark. The placement on the market occurs as soon as the trademarked goods cross the border into the import jurisdiction,⁶⁰⁰ because from that point onwards, as long as the goods remain in the import jurisdiction, the replica trade mark affixed to the goods is a replica of the import trade mark.⁶⁰¹ There is use of the import trade mark since the replica represents it, and there is trade in the goods. The fact that the act of infringement occurs immediately the goods cross the border into the import jurisdiction leaves virtually no opportunity for the import proprietor to engage in *conduct* from which implied consent can be inferred. There is no act *by the import proprietor* from which his consent may be inferred.⁶⁰²

⁵⁹⁷ The consent must relate to the specific items (the *Sebago* case) and the specific act of use; therefore it must relate to specific goods: see the *Levi's* case, chapter 8 para 4.3, *infra*.

⁵⁹⁸ See chapter 2 para 6.2, *supra*.

⁵⁹⁹ See para 4.5.3, *infra*.

⁶⁰⁰ Placement on the market is the first act of trade mark use in relation to those specific items that occurs in the import jurisdiction.

⁶⁰¹ See para 2.5.2.3, *supra*.

⁶⁰² If the import and export proprietor are the same person, then it is the *persona* of proprietor in the particular jurisdiction that must have granted consent.

4.6 CONCLUSIONS

In terms of the definition in *Aristoc v Rysta* goods have their origin in the trade mark proprietor when they are on the market under his aegis.⁶⁰⁷ The concept 'on the market' means that the goods are available for trade in the jurisdiction.⁶⁰⁸ It has also been observed that the trademarked goods must be in the jurisdiction for a transaction relating to them to constitute the exercise of rights in the trade mark registered in that jurisdiction.⁶⁰⁹ This means that for any action, except an express conferral of consent,⁶¹⁰ to be taken under the aegis of the *persona* of proprietor in a particular jurisdiction, the action *must occur in that specific jurisdiction*.

The **capacity** in which a person who is proprietor of more than one trade mark acts is critical to origin, since the capacity in which he acts determines which trade mark he uses. If a proprietor executes a trade mark related act in a particular jurisdiction and he provides no indication in relation to which trade mark he is performing the act, the natural inference is that he is performing the act in relation to the trade mark in that jurisdiction and therefore acting in the capacity of proprietor in that jurisdiction. Trademarked goods have their origin in a specific *persona* of proprietor that resides in a particular person.⁶¹¹ Trademarked goods have their origin in the *persona* of proprietor in a jurisdiction, *whosoever that person may be in whom the persona resides*.⁶¹²

Origin commences with the act of trade mark use that brings the trademarked goods onto the market in a jurisdiction.⁶¹³ Origin can only be determined in relation to that act of use by which the goods come to be on the market in a jurisdiction because origin occurs when the goods are placed on the market, and placement on the market occurs in a particular jurisdiction. A different trade mark exists in each jurisdiction (market), and so when origin is determined it is determined afresh in each jurisdiction – in relation to the trade mark

⁶⁰⁷ [1945] 1 All ER 34.

⁶⁰⁸ The concept 'market' is discussed at para 4.5.2, *supra*.

⁶⁰⁹ *Ibid*.

⁶¹⁰ See para 4.5.3, *supra*.

⁶¹¹ Origin and capacity are therefore inexorably linked.

⁶¹² A person occupies the position of trade mark proprietor only in the particular jurisdiction because a trade mark only exists (is created and the right to it can only be exercised) in a particular jurisdiction. Therefore origin must be in the jurisdiction, the relevant acts being placement and consent.

⁶¹³ See para 4.1, *supra*.

are covered, ie do not have their origin in the person who is proprietor, the problem of defining counterfeit goods without reference to the use of the trade mark would remain: the goods are not counterfeit when the trade mark is used in relation to them by the proprietor or with his consent. The question of which trade mark was used, the import or the export trade mark, would therefore still arise.

The fact that trade mark legislation, in terms of which a registered trade mark is created, has only territorial operation, is unavoidable. The territorial limitation of registered trade marks to the jurisdiction in which they are registered is therefore unavoidable.⁶²²

The attempt by the SA legislature to overcome the problem of the territorial existence of trade marks,⁶²³ namely s 34(2)(d), ought to be rejected. Section 34(1) is a statutory enactment of the genuine goods approach and therefore ought to be rejected for the reasons the genuine goods approach is rejected.⁶²⁴

In my submission, in a parallel importation dispute the import proprietor's institution of an infringement action can and should properly be interpreted as an implicit denial that he is the origin of the goods. The proprietor in the import jurisdiction denies that he is the origin of the trademarked goods because he did not consent to the use of the trade mark in the import jurisdiction:⁶²⁵ this in essence is the argument that the use of the trade mark is unauthorized. The importer requires the proprietor's consent for the proprietor in the import jurisdiction to be the origin of the goods, because origin is the consequence of a specific act involving the use of a particular trade mark.⁶²⁶

It is my submission that when trademarked goods are taken out of a jurisdiction, the relationship between the trade mark in the jurisdiction from which the goods are exported

⁶²² Registration in different jurisdictions creates separate trade marks: see chapters 5 and 6, *supra*.

⁶²³ This provision deals with it as a matter of trade mark law, ostensibly limiting the exercise of the trade mark right. It may perhaps have been dealt with as a competition law matter, although the *Impregum* case (see para 11.6, *infra*) where there was no allegation of trade mark infringement, does not provide a clear indication of the relationship between trade marks and competition law: see also B Martin, 'Exclusive Distributorship of Trade-marked Goods', (1990) 19 *Businessman's Law* 191.

⁶²⁴

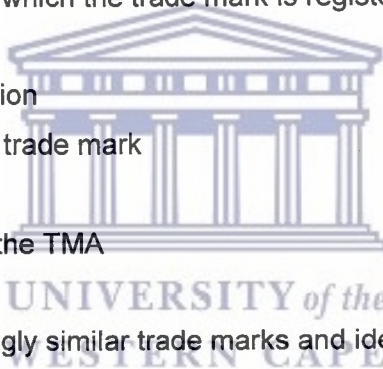
⁶²⁵ See para 4.5.3.2, *supra*.

⁶²⁶ See paras 4.5.1.2 and 4.5.3.2, *supra*.

[5]
**ESSENTIAL ELEMENTS OF INFRINGEMENT OTHER
THAN BY PARALLEL IMPORTATION**

This part of the chapter consists of the following subheadings

- 5.1 Introduction
- 5.2 Infringement under the 1963 Act
 - 5.2.1 General
 - 5.2.2 Use as a trade mark
 - 5.2.2.1 The *Sodastream* case
 - 5.2.2.2 Goods in respect of which the trade mark is registered
 - 5.2.2.3 Unauthorized use
 - 5.2.2.4 Likelihood of confusion
 - 5.2.3 Use other than as a trade mark
 - 5.2.3.1 The *Miele* case
- 5.3 Infringement under the TMA
 - 5.3.1 General
 - 5.3.2 Identical or confusingly similar trade marks and identical goods
 - 5.3.2.1 The *Albex* case
 - 5.3.3 Exclusion of importation from infringement
- 5.4 Conclusions



position, has not resulted in the origin function being ousted from its position of primacy⁶⁴⁰ but has led to the development of the view that it is not the only protected function.⁶⁴¹

An examination of the essential elements of trade mark infringement other than by parallel importation under the TMA, must be preceded by a similar examination of the position that obtained under the 1963 Act. One of the main reasons for this is the fact that all the SA parallel importation related cases analysed in this thesis were decided under the 1963 Act.⁶⁴²

This section of the chapter is intended to provide no more than a broad outline of the essential aspects of trade mark infringement, other than in parallel importation situations. The purpose of this extremely limited examination is to provide a basis for the submission that the courts deal with parallel importation in a very different manner to that in which they deal with other forms of infringement. The examination, having this limited objective, discusses only a single case that clearly tabulates all the requirements for establishing infringement under each of the relevant legal provisions.

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⁶⁴⁰ See para 4.2, *supra*.

⁶⁴¹ See *Abbott Laboratories & Ors v UAP Crop Care (Pty) Ltd & Ors*, 1999 (3) SA 624 (C), in which the Court said

'it is important to bear in mind the change brought about to the definition of a trade mark by the 1993 Act. The "badge of origin" element of the trade mark is no longer at the forefront and has been replaced by the distinguishing capability of the mark' (at 634D-E).

⁶⁴² They are *Shalom Investments (Pty) Ltd & Ors v Dan River Mills Inc* (the *Dan River* case), 1971 (1) SA 689 (AD); the *TDK* case; the *Pentax* case; *Television Radio Centre (Pty) Ltd v Sony Kabushiki Kaisha*, (the *Sony* case), 1987 (2) SA 994 (AD); *Taylor and Horne (Pty) Ltd v Dentall (Pty) Ltd* (the *Impregum* case), 1991 (1) SA 412 (A).

5.2.2 USE AS A TRADE MARK

The relevant portion of s 44(1)(a) read as follows:

- '(1) the rights acquired by registration of a trade mark shall be infringed by –
- (a) unauthorized use as a trade mark in relation to goods or services in respect of which the trade mark is registered, of a mark so nearly resembling it as to be likely to deceive or cause confusion'.⁶⁴⁹

The *Sodastream* case provided one of the clearest interpretations of s 44(1)(a).

5.2.2.1 The *Sodastream* Case

Early on in its judgment the Court records that

'First respondent is the proprietor of a number of South African trade marks ... including ...

- (a) ... "Sodastream" in class 1...; and
- (b) ... "Sodastream" registered in class 6'.⁶⁵⁰

The main form of the appellant's allegedly infringing conduct consisted of receiving empty cylinders bearing the SODASTREAM trade mark, refilling them with its own carbon dioxide gas, and exchanging or reselling the gas filled cylinders. The trade mark SODASTREAM stamped on the valve at the head of the cylinder or the words 'Guaranteed filled by an authorized Sodastream distributor' which were stamped on the cylinder were left uncovered or the gummed labels on the cylinders bearing the word SODASTREAM were left unobscured.⁶⁵¹

The Court held

'In this case we are not concerned with a mark "nearly resembling" the registered trade marks: it is in each case [ie in respect of the gas and the cylinder mark] the mark itself, viz the word "Sodastream" that it is alleged to have been used *unauthorizedly* by the appellant'.⁶⁵²

⁶⁴⁹ After its amendment in 1971, the 1963 Act did not mention the use of *the* trade mark, i.e. the identical mark but in the *Sodastream* case the Court decided that infringement still included the use of an identical trade mark to the one on the register (at 232G-233A).

⁶⁵⁰ At 227D-E.

This is clear evidence of the existence of two identical registered trade marks, the Court itself having used the plural.

⁶⁵¹ At 231J – 232C.

⁶⁵² At 232G-H (my emphasis).

Element (a) can be divided into two:

- (i) use of the registered trade mark or a mark nearly resembling it, and
- (ii) use of the trade mark creating a likelihood of confusion, and

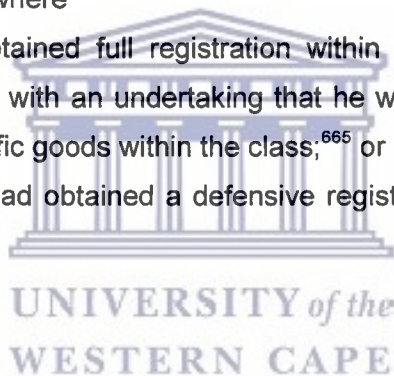
implicit in element (c) is that the use must be in the course of trade.⁶⁶³

Each of the four elements identified are now examined.

5.2.2.2 Goods in Respect of which the Trade Mark is Registered

The basic principle in regard to this requirement is that the plaintiff's right is restricted to preventing other persons from using the trade mark on the specific terms in which the registration is couched,⁶⁶⁴ except where

- (i) The proprietor had obtained full registration within a class, subject to him providing the Registrar with an undertaking that he would use the trade mark only in relation to specific goods within the class,⁶⁶⁵ or
- (ii) Where the proprietor had obtained a defensive registration of the trade mark under section 53.⁶⁶⁶



⁶⁶³ We thus end up with six elements, as with the position under s 44(1)(b): see para 5.2.3.1, *infra*.

⁶⁶⁴ Registration takes place in respect of classes of goods: chapter 4 para 2.1, *supra*. In the **Sodastream** case, the Court had to decide whether the gas or cylinder trade marks had been infringed, illustrating that there had to be infringing use in relation to goods in respect of which the trade mark was registered.

⁶⁶⁵ This was done where the Registrar apprehended a likelihood of deception or confusion if the trade mark was used in relation to some, but not all of the goods in a particular class. See Webster & Page, *op cit*, 3ed, at 179.

⁶⁶⁶ The register was divided into Part A and Part B under the 1963 Act. Part A contained trade marks that were inherently suited to distinguish. Part B of the Register contained trade marks not inherently suited to distinguish but which *could* acquire the capacity to distinguish.

In essence a defensive registration enabled the proprietor of a well known trade mark to protect his mark from use by other persons in classes other than those in which his trade mark was registered, where such use was likely to be taken as an indication of a connection in the course of trade between the trade mark proprietor and the other user's goods: see Webster & Page, *op cit*, 3ed, at 214; *op cit*, 4ed, paras 10.11 and 10.12. Defensive registrations are deemed to be ordinary registrations in terms of s 70(2) of the TMA. The savings clause in s 70(2) preserved the rights of the holders of such registrations until 1 May 2005 (ie for a period of 10 years after commencement of the TMA).

The *Plascon-Evans* case provides an authoritative explication of the meaning of the concept 'likely to deceive or confuse',⁶⁷⁴ the essential aspects of which are that

- (i) There has to be proof that a substantial number of *interested persons* would *probably* experience confusion;⁶⁷⁵
- (ii) It is not necessary to prove that interested persons would erroneously infer that a connection existed between the registered proprietor and the goods, but that they would at least probably experience *some confusion* as to whether or not such a connection existed;⁶⁷⁶
- (iii) The likelihood of deception or confusion has to be determined by a comparison between the two trade marks.⁶⁷⁷

In the *Plascon-Evans* case the Court also held that in drawing the comparison it was obliged to

- (a) Take into account the differences as well as the similarities between the trade marks;⁶⁷⁸ and
- (b) Assess the impact of the defendant's trade mark on the 'average customer likely to purchase that type of goods'.⁶⁷⁹

The notional 'average customer' had to be imbued with *average intelligence, proper eyesight and* had to be regarded as *someone who exercises ordinary caution* when buying.⁶⁸⁰

⁶⁷⁴ This decision is the authority for the rest of paragraph 5.2.2.4. See Webster & Page, *op cit*, 3ed, at 263-264; *op cit*, 4ed, para 6.11, para 12.8.2 and para 12.8.3.

⁶⁷⁵ At 640H. These would usually be customers and potential customers: see chapter 3 para 2.3.1, *supra*.

⁶⁷⁶ The *Plascon-Evans* case, at 640 marginal letter 'l'.

⁶⁷⁷ The *Plascon-Evans* case, at 641A.

⁶⁷⁸ *Ibid.*

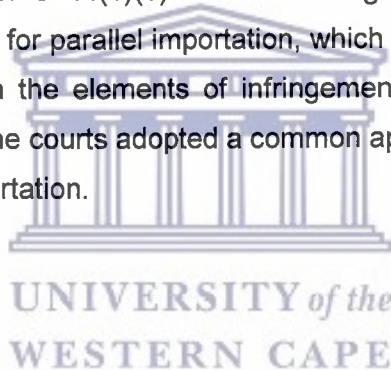
⁶⁷⁹ The *Plascon-Evans* case, at 641A; the *Cowbell* case, at 949C-D.

⁶⁸⁰ At 641A-B.

5.2.3 USE OTHER THAN AS A TRADE MARK

Section 44(1)(b) was enacted to remedy the shortcoming in the law revealed by *Irving's Yeast-Vite Ltd v Horsenail* (the *Yeast-Vite* case),⁶⁸⁸ the essential finding of which was that to constitute infringement the trade mark must be used to indicate that the proprietor is the origin of the goods. This was a classic case of a word,⁶⁸⁹ from which a trade mark is constituted, being used under circumstances in which it did not constitute a (*replica*) trade mark.⁶⁹⁰ It was the same word (symbol or mark) from which the trade mark had been constituted, but under the set of circumstances in which it was used, it was not used as a trade mark. It is clear that in one situation it is a trade mark and in another not.⁶⁹¹

The changes the amendment of s 44(1)(b) in 1971 brought about,⁶⁹² resulted in it thereafter not having implications for parallel importation, which always concerns use as a trade mark.⁶⁹³ The similarities in the elements of infringement under s 44(1)(a) and s 44(1)(b), however, indicate that the courts adopted a common approach in situations other than those involving parallel importation.



⁶⁸⁸ (1934) RPC 110. In that case the respondents had used the words from which the appellants' trade mark was constituted on the label of its goods to indicate that its (respondents') product was a substitute for that of the appellants which was sold under the trade mark. The House of Lords held that the respondents' action did not constitute infringement of the registered trade mark. The reason for the decision was, in the words of Lord Tomlin, that the exclusive right to use the trade mark

'carries the implication of use of the trade mark for the purpose of indicating in relation to the goods upon which or in connection with which the use takes place the origin of such goods in the user of the mark' (at 116).

⁶⁸⁹ In my submission, the same principle would apply to device marks.

⁶⁹⁰ The term replica trade mark is being used and emphasised to draw attention to the submission that the entity that appears on goods is a representation of an incorporeal entity with which its physical characteristics are identical: see chapter 2 para 3.2.4, *supra*.

⁶⁹¹ See chapter 2 para 3.3, *supra*.

⁶⁹² Prior to the amendment the relevant portion of the section read:

'the rights acquired by registration of a trade mark shall be infringed by –

- (b) unauthorised use in the course of trade, whether as a trade mark or not, of the identical trade mark or a mark so nearly resembling it as to be likely to deceive or cause confusion, if such use is in relation to or in connection with goods or services for which the trade mark is registered and is likely to cause injury or prejudice to the proprietor of the trade mark'.

⁶⁹³ After the amendment the relevant portion of the section read:

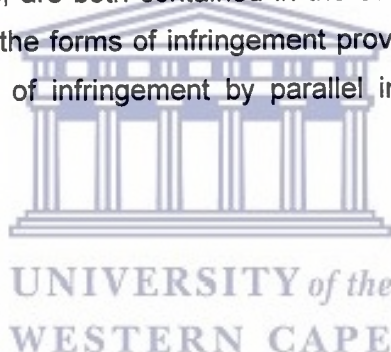
'unauthorised use in the course of trade, *otherwise than as a trade mark*, of a mark so nearly resembling it as to be likely to deceive or cause confusion' (my emphasis).

5.3 INFRINGEMENT UNDER THE TMA

5.3.1 GENERAL

Gardiner holds that the TMA establishes six acts of infringement,⁷⁰² each part of s 34(1) creating two acts of infringement.⁷⁰³ One act of infringement being constituted by the use of the identical trade mark, and the other by the use of a trade mark that so nearly resembles the registered trade mark as to be likely to deceive or cause confusion. Job,⁷⁰⁴ on the other hand, argues that there are 'three different types of infringement situation'.⁷⁰⁵

Notwithstanding that, in my submission, Gardiner's analysis is correct, since the first two acts of infringement he mentions, are both contained in the same provision (s 34(1)(a)), they are dealt with as one. Only the forms of infringement provided for by s 34(1)(a) are discussed as the possible form of infringement by parallel importation falls within its ambit.⁷⁰⁶



⁷⁰² *Op cit*, at 616. These are provided for in s 34(1)(a) – (c).
He identifies the following acts of infringement:

- (1) Under s 34(1)(a)
 - (i) use of the identical trade mark on the identical goods;
 - (ii) use of a similar trade mark on the identical goods;
- (2) Under s 34(1)(b)
 - (i) use of the identical trade mark on similar goods;
 - (ii) use of a similar trade mark on similar goods;
- (3) Under s 34(1)(c)
 - (i) use of the identical trade mark well known in SA on a dissimilar product where the use would result in dilution of the well known trade mark;
 - (ii) use of a trade mark similar to the well known SA trade mark on a dissimilar product where such use would result in the dilution of the well known trade mark.

⁷⁰³ Gardiner, *op cit*, at 616-618.

⁷⁰⁴ CK Job, 'The Infringement of Trade Mark Rights', in C Visser, (ed) *The New Law of Trade Marks and Designs*, Juta & Co, Cape Town, (1995), (*The New Law*).

⁷⁰⁵ At 23.

⁷⁰⁶ The spatial application of the law for all forms of infringement will be the same. For a discussion of s 34(1)(b) see, Job, *op cit*, at 24-25 (paras 8.1-9.6) and Gardiner, *op cit*, at 620-623; Webster & Page, *op cit*, 4ed, para 12.20 – 12.23. Interpretation of s 34(1)(c) is discussed by R Kelbrick, 'The New Trade-mark Infringement Provisions: How Have The Courts Interpreted Them?' (2007) 19 *SA Merc LJ* 86, at 87-92; Webster & Page, *op cit*, 4ed, para 12.24 – 12.29; *Bata Ltd v Face Fashions CC & Anor*, 2000 (1) SA 884 (SCA), at 851E-F (para [13]).

The type of infringement provided for by s 34(1)(a) does not differ materially from that provided for by s 44(1)(a) of the 1963 Act.⁷¹⁴

5.3.3. EXCLUSION OF IMPORTATION FROM INFRINGEMENT

A groundbreaking aspect of the TMA is its provision that certain types of conduct in relation to registered trade marks will not constitute infringement.⁷¹⁵ These provisions operate in a manner similar to the statutory defences to infringement that are contained in the CRA, which excise from the definition of infringement certain types of conduct, which would otherwise fall within its ambit.⁷¹⁶ The exclusionary provision germane to this thesis is sec 34(2)(d), which is dealt with later.⁷¹⁷



⁷¹⁴ The position under the 1963 Act has been discussed at paragraph 5.2.2.2, *supra*. See Job, *op cit*, at 23.

⁷¹⁵ The exclusionary provisions are contained in section 34(2) of the TMA.

⁷¹⁶ See sections 12 – 19B of the CRA.

⁷¹⁷ It is dealt with as part of the analysis of parallel importation in SA law: see para 11.7, *infra*.

[6]

ANATOMY OF PARALLEL IMPORTATION

This part of chapter seven is divided into the following paragraphs:

- 6.1 Introduction
- 6.2 The Rutherford formulation
- 6.3 The Davis formulation
- 6.4 The Beier formulation
- 6.5 The formulations compared

6.1 INTRODUCTION

'The Problem of Importation of Genuinely Marked Goods is not a Trademark Problem' the title of an article by a leading trade mark law commentator of his time confidently proclaims.⁷²⁹ The problem Vandenburg mentions in the title of his article is whether or not parallel importation constitutes trade mark infringement. The article discusses a proposed amendment to a piece of customs legislation in the USA⁷³⁰ but an examination of the principles relevant to this multifaceted and intricate phenomenon, demonstrates that the view the title expresses is justified. Beier⁷³¹ refers to parallel importation as

'... a complicated problem that is not readily solved. The problem embraces a great number of economic circumstances and is characterized by strongly opposing interests that make legal solutions especially difficult. This is demonstrated not only by the extremely controversial discussions in legal literature, but particularly by the large number of legal actions all over the world regarding the admissibility of parallel imports'.

Parallel importation is difficult to define because it presents in a wide variety of fact situations,⁷³² and can be described with far greater facility.

A number of descriptions and definitions are examined in order to provide a comprehensive overview of the phenomenon.

⁷²⁹ EC Vandenburg, (1959) 49 *TMR* 707.

⁷³⁰ His purpose was to dissuade trade mark lawyers from adopting a position for or against the legislation. The legislation affected parallel importation but as a matter of customs law.

⁷³¹ F Beier 'Territoriality of Trademark Law and International Trade' (hereafter Beier *Territoriality*) (1970) 1 *IIC* 48 – 49.

⁷³² Beier, *loc cit.*

Davis, also from the USA, describes parallel importation as follows:

‘ “Parallel imports”, or so-called “gray market” goods, are goods legitimately bearing the trademark, collective mark, or certification mark legitimately *applied by either the domestic mark owner or by one of its affiliates or licensees*, that are imported *without the consent of the domestic mark’s owner*.⁷³⁷

The Davis description raises an awareness of the relationship between the domestic proprietor and the person that affixed the trade mark to the goods.⁷³⁸

The essential questions raised by parallel importation are indicated in the *TDK* case as:

- (i) Does parallel importation constitute an infringement of the rights of the proprietor of the registered trade mark in the import jurisdiction? and,
- (ii) Can the proprietor act to prevent it?⁷³⁹

Beier couches the question in the following terms:

‘Can the owner of a trademark prevent third parties from unauthorised importation of *genuine goods* on the basis of his exclusive trademark right in the import country, i.e. can he prevent them from importing products manufactured and marketed under his mark either by himself or by a related company?’⁷⁴⁰

The question whether parallel importation is infringement arises because the importation takes place without the consent of the import proprietor.⁷⁴¹ The import proprietor has the exclusive right to use the trade mark in that jurisdiction⁷⁴² and in accordance with general principles his consent ought to be obtained.

Testimony to the complexity Beier refers to is found in the fact that numerous commentators on parallel importation have felt constrained to classify the various factual circumstances in which it occurs into groups in an effort to facilitate analysis of the problem. The classification systems adopted by leading commentators are now examined.

⁷³⁷ TD Davis, ‘Territoriality and Exhaustion of Trademark Rights under the Laws of the North Atlantic Nations’ (1999) 89 *TMR* 657, my emphasis.

⁷³⁸ The significance of this relationship becomes clearer in paras 6.2 to 6.4, *infra*.

⁷³⁹ The *TDK* case, see note 733, *supra*.

⁷⁴⁰ *Territoriality*, at 48, (my emphasis). Beier’s mention of ‘genuine goods’ provides one of the clearest indications that the notion that the goods are genuine underlies all three approaches.

⁷⁴¹ The Barrett and Davis descriptions, *supra*, make this clear. The absence of express consent is clearly implicit in the Rutherford formulation.

⁷⁴² See the *Sodastream* case.

Rutherford distinguishes two sub-categories:

- (a) The goods are **manufactured** in an export jurisdiction and marketed in various jurisdictions (including the import jurisdiction) through a distributor in each jurisdiction;⁷⁴⁸ and
- (b) The different entities that **manufacture** and market the goods in various jurisdictions are related to each other and the trade mark is registered in the name of the (sole) distributor in the relevant jurisdiction.⁷⁴⁹

Category Three

This group, 'Independent entities', comprises situations where the respective proprietors in the export jurisdiction and SA (the import jurisdiction), have no legal or economic relationship with each other.⁷⁵⁰

Rutherford indicates that in all the situations mentioned above, the goods in dispute are obtained in an export jurisdiction and imported for sale into SA, where the trade mark proprietor institutes an infringement action against the importer.⁷⁵¹

6.3. THE DAVIS FORMULATION

Davis identifies three cases (situations) that he regards as typical parallel importation circumstances in the USA.⁷⁵²

Case One

'[A] domestic firm purchases the rights otherwise owned by an unaffiliated firm'.⁷⁵³ He indicates that goods **produced** by the foreign proprietor, bearing the mark, may enter the domestic jurisdiction through importation by the foreign trade mark user or a third party.⁷⁵⁴

⁷⁴⁸ It appears to make no difference whether these are sole distributors, subsidiary companies or associated companies: Rutherford, *op cit*, at 99.

⁷⁴⁹ The nature of the relationship between the entities in situation (b) may be the same as those in situation (a).

⁷⁵⁰ Rutherford, *op cit*, at 99 indicates that the SA proprietor could be a sole distributor or manufacturer of the goods, who has acquired proprietorship of the trade mark.

⁷⁵¹ Rutherford, *loc cit*.

⁷⁵² Davis, *op cit*, at 657. He indicates that his approach is based largely on the distinctions drawn by the Court in the ***K Mart Corp v Cartier Incorporated***, 486 US 281 (1988).

⁷⁵³ *Op cit*, at 658. The word 'produced' is a synonym for 'manufactured' in the context.

⁷⁵⁴ *Loc cit*.

Case Three

In these situations, 'the domestic holder of a registered mark authorizes an independent foreign *manufacturer* to use the mark'.⁷⁶³ Davis points out that in such situations the domestic trade mark proprietor and the foreign *manufacturer* normally agree that the latter will not import goods under the mark.⁷⁶⁴ Davis argues correctly that the agreement will not contractually prevent third parties from parallel importing goods bearing the trade mark.⁷⁶⁵

Davis regards these three cases or 'contexts' as typical, but he takes pains to point out that these 'contexts may encompass any number of variations'.⁷⁶⁶ He illustrates his argument that there may be numerous variations by citing *Vivitar Corp v United States*, to the effect that

'The goods of the [domestic] owner may be imported and may be identical to, or different from, the parallel import. Goods may be produced [domestically] by the [domestic] trademark owner and different goods produced abroad by the [domestic] owner or by its affiliate. Services and warranties may or may not be the same here and abroad. A foreign licensee (i.e., related company) may be required by foreign law and may not be subject to meaningful control by the [domestic] owner'.⁷⁶⁷

⁷⁶³ *Op cit*, at 658. The domestic proprietor's authorisation of the use of the trade mark in the export jurisdiction means the domestic proprietor is also the proprietor in the export jurisdiction.

⁷⁶⁴ *Op cit*, at 659.

⁷⁶⁵ I submit that Davis is correct: there is no contractual nexus between the importer and the import proprietor.

⁷⁶⁶ *Op cit*, at 659. Davis uses the term 'contexts'. Davis also draws attention to JT Mackintosh, & TR Graham, 'Grey Market Imports: Burgeoning Crisis or Emerging Policy?', (1986) 11 *North Carolina Journal of International Law and Commercial Regulation* 293, at 294 - 295 who argue for the recognition of a fourth case of parallel importation (this journal is not available to me from sources in SA). Davis indicates that according to those authors such a situation arises where goods are produced domestically for export abroad. This implies that the goods are not placed on the market in the domestic jurisdiction prior to their export but are then imported back into the United States.

Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgesellschaft mbH (the *Silhouette* case), ECJ case C-355/96 is analogous to the possible fourth case Davis mentions. The facts of the *Silhouette* case were that the goods were produced in Austria, exported to Bulgaria and then imported back into Austria. The facts do not indicate that the goods were produced specifically for export. In my submission this does not constitute a significant difference from the situation Davis outlines. H Kersten ('"Gray market" Exports and Imports Under the Competition Law of the European Economic Community' (1988) 78 *TMR* 479) indicates that in the European Community this practice is known by the name of 're-imports'. In his analysis of the subject Kersten suggests, however, that this is no more than a refinement of nomenclature, as the courts apply the same basic principles applicable to other cases of parallel importation. As indicated above, Barrett's description (note 736, *supra*) suggests that many cases in the USA are cases of re-importation.

⁷⁶⁷ 761 F2d 1552 (1985), at 1570.

- (b) There is a **manufacturing** 'entity', that is the proprietor, in each jurisdiction. The parallel imported goods are manufactured in an export jurisdiction by an entity that is associated with the local proprietor (in the import jurisdiction).⁷⁷⁴

6.5 THE FORMULATIONS COMPARED

A comparison of the three formulations of categories discussed reveals the following similarities and divergences.⁷⁷⁵

Beier's group one, Rutherford's category one and Davis' case three, are equivalent to each other.⁷⁷⁶ In all three the same person is the trade mark proprietor in both the export and import jurisdictions.

Beier's group two, Rutherford's category two and Davis' case two are equivalent overall. In all three the central feature is the relationship between the proprietors in the export and import jurisdictions.

Rutherford's category three and Davis' case one are approximates: the respective export and import proprietors are not engaged in a legal or economic relationship with each other.⁷⁷⁷

⁷⁷⁴ Beier, *loc cit.* Beier refers to them as manufacturing companies.

⁷⁷⁵ In the light of my argument below that too much emphasis is placed on the facts, a more detailed comparison is not necessary and therefore has not been made. See para 12.1, *infra*.

⁷⁷⁶ In my submission, even though Davis does state as much, the proprietor in the import jurisdiction must be the proprietor in the export jurisdiction, otherwise it would not be in a position to authorize use of the mark in the import jurisdiction in his case three.

⁷⁷⁷ Beier does not have such a group. In my submission, he regards it as clear that where there are separate proprietors and no legal or economic relationship between them, importation would amount to infringement. Davis says: 'In case 1 situations involving divisions of *mark* ownership, no exhaustion of rights can be attributed to a domestic plaintiff and the territorial application of national law to trump *free trade* in imported goods is entirely appropriate' (*op cit*, at 766. My emphasis on the terms singular 'mark' and 'free trade'; the latter is the justification for not applying the national rights in other situations). In regard to such situations Wertheimer says: 'whenever goods from a trademark owner in one country are imported into another country where **an identical trademark** is held by another enterprise that has no economic or legal relationship with the first one, the latter's claim based on infringement of his trademark is invariably upheld by the Courts' (Wertheimer, *op cit*, at 631).

consideration.⁷⁸⁷ Reference to manufacture makes no contribution to clarity.⁷⁸⁸ In my submission, *Bourjois v Katzel*⁷⁸⁹ evidences the correct approach in clearly distinguishing between manufacture of the goods and trade mark origin: the goods were still manufactured by the French trade mark proprietor and imported by the American trade mark proprietor, but, in accordance with American law, the latter was the trade mark origin of the goods. The US Supreme Court held that the lower Court had erred in its conclusion that the

'foreign manufacturer's *identical* [trade] mark on the imported goods truly indicated their origin'.⁷⁹⁰

The conclusions to chapter 7 contain an examination of the expected correlation between the formulations discussed above and the approaches.⁷⁹¹ Some correlation is expected because the formulations tend to suggest that the variety of fact complexes in which parallel importation presents are not capable of being resolved in the same manner, and one might expect the existence of different approaches to be related to, or be an attempt to cater for, the different fact complexes. The expectation is heightened by the fact that the Rutherford and Davis formulations each have three groupings and there are three approaches.

The traditional approaches to parallel importation are now introduced.

⁷⁸⁷ See para 4.2, *supra*.

⁷⁸⁸ Davis, quotes *Dial Corp v Encina Corp* (the *Dial* case), 643 F Supp 951 (1986) in which the Court explained that under the universality doctrine 'it was believed that the public would not be deceived as to the source or origin, which was *deemed to be the manufacturer* and not the distributor who held the domestic trademark' (at 954, my emphasis) (Davis, *op cit*, at 670).

⁷⁸⁹ 260 US 689 (1923).

⁷⁹⁰ At 691-2 (my emphasis); see Davis, *op cit*, at 669.

⁷⁹¹ See para 12.1, *infra*.

The discussion of parallel importation, even though undertaken using material from other jurisdictions especially the UK and EU, is not a comparative study: the foreign materials seek to give perspective to the analysis of the position in SA law.⁷⁹⁷ Reference to foreign materials is essential, because SA has only applied one approach, and therefore insight into the other two approaches can only be gleaned from examining foreign materials.

The genuine goods approach is examined first,⁷⁹⁸ followed by the enterprise approach⁷⁹⁹ and then the exhaustion approach.⁸⁰⁰ In examining each approach, the basic principles are set out, the underlying basis of each approach is analyzed, and the principles of each approach are subjected to critical examination. The discussion of the enterprise approach also includes an examination of an exception to it,⁸⁰¹ as well as its demise.⁸⁰² The position in South Africa will then be examined,⁸⁰³ and the chapter will end with conclusions being drawn, part of which is an examination of the relationship between the approaches and the various fact situations in which parallel importation presents, as formulated by various writers.⁸⁰⁴

All the approaches are aimed at determining under what circumstances a court will find that the import proprietor had granted the importer implied consent to the import the goods into the import jurisdiction.⁸⁰⁵

⁷⁹⁷ The position in SA Law is discussed at part [11], *infra*.

⁷⁹⁸ See part [8], *infra*.

⁷⁹⁹ See part [9], *infra*. The term 'enterprise' used as the name for the approach was gleaned from TA Blanco White & R Jacob, *Kerly's Law of Trade Marks and Trade Names*, 12ed, Sweet & Maxwell, London, (1986), where the authors speak of 'the goods [being] originally marketed by some branch of the enterprise of which the UK registered proprietor or registered user forms part' (at para 14 – 30).

⁸⁰⁰ See part [10], *infra*.

⁸⁰¹ See para 9.4, *infra*.

⁸⁰² The other two approaches are still applied in practice.

⁸⁰³ See part [11], *infra*.

⁸⁰⁴ See part [6], *supra*.

⁸⁰⁵ See Webster & Page, *op cit*, 3ed, at 271.

Clauson J decided

'I ... hold that the use of a mark by the defendant which is relied on as an infringement must be use upon goods which are not the genuine goods, i.e. those upon which the plaintiffs' mark is properly used, for any one may use the plaintiffs' mark on the plaintiffs' goods, since that cannot cause the deception which is the test for infringement'.⁸¹²

8.2 BASIC PRINCIPLES OF THE APPROACH

The basic principle of the genuine goods approach is that once a trade mark has been *affixed* to goods lawfully, ie by or with the consent of the proprietor,⁸¹³ they are 'genuine goods'.⁸¹⁴ Muhlberg defines genuine goods as 'goods produced by, or under the ultimate control of, the registered proprietor of the trade mark'.⁸¹⁵ The inclusion of production in the definition reveals an important aspect of the problem: the interplay between production, origin and connection in the course of trade.⁸¹⁶

The consequence of characterizing the goods as genuine is that even though the proprietor has not consented to the use of his trade mark, by placement of the goods on the market in the import jurisdiction, the use of the trade mark, as affixed to such goods, in the import jurisdiction does not constitute an infringement of the proprietor's rights.⁸¹⁷

⁸¹² At, 341.

⁸¹³ The *persona* of proprietor in that jurisdiction, not just the person: see para 4.3.1, *supra*.

⁸¹⁴ 'Used' in the third line of the quotation from the *Champagne Hiedsieck* case above really refers to the affixation of the trade mark. Affixation as a method of use is discussed in para 2.5.1, *supra*. Affixation is not the relevant act of trade mark use in the import jurisdiction.

⁸¹⁵ J Muhlberg, *Can Use of a Trade Mark on Genuine Goods Constitute Trade Mark Infringement?* Unpublished LLM Thesis, UNISA, (1988), at 5.

⁸¹⁶ See para 4.2, *supra*.

⁸¹⁷ The passage quoted above from the *Champagne Hiedsieck* case (at page 341) bears ample testimony to this.

In the *TDK* case, the Court said:

'If I am incorrect in concluding that s 44(1)(a) does not apply to use on genuine goods, I am in any event of the view that the use of the mark by the respondent in the present case was not unauthorised, and that it is, for this reason as well, not an infringement of the rights of TDK Electronics' (at 183F-G).

The basis of the finding that the use was not unauthorised was that the goods were sold without any contractual restrictions on resale (at 183G-J). The Court also said:

'In my view, the submission that the proprietor of the trade mark, by selling goods under *that mark* without restriction *and* in contemplation of their being resold, unconditionally consents to their being resold in that form under the mark, is correct' (at 185B-C, *my emphasis*).

The Court invoked the test for implied terms in the law of contract in support of its finding (at 185C). The Court rejected the notion that its finding was based on estoppel (at 185E) and

8.3.1 ORIGIN

The question of the origin of trademarked goods has been discussed extensively,⁸²² and one of the conclusions arrived at was that origin had to be determined afresh in each jurisdiction.⁸²³ The act of bringing the goods onto the market involves the use of the trade mark,⁸²⁴ and the act by which the goods have their origin in the import jurisdiction is their placement on the market.⁸²⁵

The genuine goods approach operates on the basis that because the same person is both the export and import proprietor, the goods originate in the person who is the import proprietor with the result that there is no confusion regarding the origin of the goods, and consequently no infringement.⁸²⁶

The notion that the goods have their origin in a particular *known* person could not, and did not, survive the acceptance of the abstract notion of origin.⁸²⁷ Acceptance of the abstract notion of origin has meant that the trade mark no longer operates as *person Tom Jones'* trade mark, but as the trade mark of whosoever is the proprietor of the trade mark at that particular time – the *persona* of proprietor in the jurisdiction.⁸²⁸ Since there is no longer any need for the trade mark proprietor to be known through the trade mark, the trade mark

⁸²² The basis of the analysis was the *dictum* in *Aristoc v Rysta*, [1945] 1 All ER 34, to the effect that trademarked goods have their origin in the person under whose auspices they are on the market: see part [4], *supra*.

⁸²³ See para 4.7, *supra*.

⁸²⁴ The trade mark is an indicator of the origin of the goods; therefore it has to be *used* to attain this purpose.

⁸²⁵ *Ibid.*

⁸²⁶ In the *Levi's* case the reference to the goods being genuine reflects the general understanding of the notion that the goods are genuine because they were trademarked by the proprietor in the jurisdiction in which the trade mark was affixed to the goods.

⁸²⁷ This principle is discussed in chapter 3 para 2.1, *supra*. The abstract notion of origin is to the effect that the consumer does not need to be aware of the identity of the proprietor for there to be infringement of the proprietor's rights: see para 3.3.2, *supra*; Wertheimer, *op cit*, at 646. Rutherford says: 'Today it is generally recognized that a trade mark indicates that the goods upon which it is used originate from a single, albeit anonymous, trade source without necessarily disclosing the identity of the trade mark proprietor' (*Parallel Importation*, at 100, where he cites J Thomas McCarthy, *Trademarks and Unfair Competition*, Lawyers Co-operative Publishing Co, (1973), Vol 1, at 91).

⁸²⁸ See para 4.3.1, *supra*. The trade mark does not indicate origin in a particular person, who happens to be the trade mark proprietor, unless it is known that the person is the proprietor.

with the territoriality principle.⁸³⁶ Recognition of the territoriality principle should have sounded the death knell of the genuine goods approach, but it survives because of a misunderstanding of the impact of the territoriality principle on origin.⁸³⁷

8.4 CRITICISMS OF THE APPROACH

Three main criticisms may be levelled at the genuine goods approach:

- (i) It involves a non-recognition of the existence of separate trade mark rights;
- (ii) It is based on a misconstruction of origin;
- (iii) It disregards the requirement of consent.⁸³⁸

8.4.1 SEPARATE RIGHTS IGNORED

Immediately trademarked goods are taken across the borders of a jurisdiction in which they were placed on the market, into a jurisdiction in which another person is the registered proprietor of the trade mark, the quality of genuineness evaporates.⁸³⁹ As soon as the goods bearing the trade mark enter the second mentioned jurisdiction, it can no longer be said that the trade mark is being used in relation to the goods with the *consent* of the proprietor in that jurisdiction, unless consent to use the trade mark in the second jurisdiction has been given expressly or impliedly.⁸⁴⁰ This is because every legal right is created by the rules of a particular legal system and each legal system operates within a particular territorial unit, a jurisdiction.⁸⁴¹ The borders of the jurisdiction therefore demarcate and determine the area within which a right exists, and in which the right may be exercised.

Legal rights can and do exist on a regional basis where a supra-jurisdictional **regional legal unit** has been created. Once again, the boundaries of the regional unit dictate the area within which the rights recognised by the regional unit operate. The Madrid Agreement and Protocol do not create a supra-jurisdictional legal unit because they adhere to the principle

⁸³⁶ See chapter 6 para 3.4, *supra*, for a discussion of the fact that the territoriality principle has to be applied with regard to trade marks.

⁸³⁷ See para 4.6, *supra*.

⁸³⁸ This is the result of the misinterpretation of origin.

⁸³⁹ See para 8.3.1, *supra*.

⁸⁴⁰ See para 4.3.1 and 4.5.3.1, *supra*.

⁸⁴¹ See chapter 6 paras 2.4.2 and 2.5, *supra*.

they were not placed on the market by or with the consent of the person who is the import proprietor.⁸⁴⁸ It is plain to see that the proprietor in the import jurisdiction did not act in the export jurisdiction because in that jurisdiction he does not hold that position (office) of proprietor.⁸⁴⁹ The proprietors are not co-owners of the same trade mark: the registration in each jurisdiction determines proprietorship.⁸⁵⁰ The same trade mark right is not being exercised.

When a trade mark is used the trade mark rights in a particular jurisdiction are exercised.⁸⁵¹ The proprietor in each jurisdiction has the exclusive right to use the trade mark in the jurisdiction,⁸⁵² which includes both the exclusive right to affix the trade mark to the goods and also to place the trademarked goods on the market.⁸⁵³ This means that even as currently understood, the goods cannot have their origin in the proprietor without his consent, because without consent the exercise of the particular trade mark right is

⁸⁴⁸ M Waelbroeck, 'Trademark Problems in the European Common Market', (1964) 54 *TMR* 333, says:

'The fact that the sale was lawful in the country where it first took place does not imply that all future transactions concerning the goods will necessarily be lawful: their legality will have to be tested on the basis of the law of the place where they occur, and if this law reserves the exclusive right to use the trademark in that country to another person, any sale which the latter person did not authorize will constitute trademark infringement' (at 348).

⁸⁴⁹ The fact that the identical trade marks are owned by different persons in different jurisdictions indicates that the trade mark rights which are being exercised in the export jurisdiction are not the same as those being exercised in the import jurisdiction.

⁸⁵⁰ Registration creates the trade mark and trade mark right in each jurisdiction: see chapter 4 para 6.3, *supra*. In *Colgate-Palmolive Ltd & Anor v Markwell Finance Ltd & Anor*, [1989] RPC 497 (CA), Slade LJ says:

'The UK trade marks, have, of course been applied to the Colgate UK toothpastes. When the marks were applied to the Brazilian toothpastes by Limitada [the licensee in Brazil], however, there was no question of their being proposed to be used in this country ... In my judgment, section 4(3)(a) [of the UK Trade Marks Act of 1938] is only concerned with UK registered trade marks and no UK trade marks have been applied to the Brazilian toothpastes' (at 522 lines 32 – 38, my emphasis).

⁸⁵¹ The right to use a trade mark exists by virtue of registration in each jurisdiction.

⁸⁵² See chapter 4 para 6.3, *supra*.

⁸⁵³ The *Kappa* case notwithstanding: see para 2.5.1.1, *supra*.

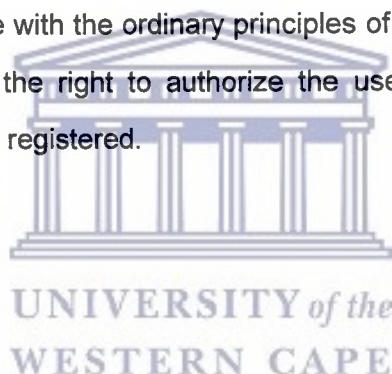
The reasoning of the *Kappa* case is, with respect, incorrect because it does not recognise the distinction between affixation and placement on the market and therefore denies the proprietor the opportunity to decide whether or not, having authorised the affixation of the mark, the goods should be placed on the market.

Beier, indicates that there are three aspect to the trade mark right: the exclusive right to affix the trade mark to goods, the exclusive right to bring trademarked goods 'into commerce' (place them on the market) and to use the trade mark on business papers and in advertising (*Exhaustion*, at 23).

Infringement is however not constituted by use of the trade mark *per se*, but use for specific purposes, the fulfilment of the trade mark function – as a trade mark, leading to confusion.⁸⁶² In my submission, there can hardly be doubt that in parallel importation situations the trade mark is used as a trade mark, i.e. to indicate the origin of the goods.⁸⁶³ *Thus in parallel importation situations we are dealing with the passing off variety of infringement, which protects the origin function.*

8.4.3 CONSENT IGNORED

The trade mark right is the exclusive right to use a trade mark in a particular jurisdiction.⁸⁶⁴ This exclusive right to use the trade mark includes the right to authorize other persons to use the trade mark in accordance with the ordinary principles of property law.⁸⁶⁵ Each trade mark proprietor therefore holds the right to authorize the use of the trade mark in the particular jurisdiction in which it is registered.



⁸⁶² In the discussion of origin it is indicated that confusion arises because there are different trade mark *personae* (para 4.3.1, *supra*).

⁸⁶³ The passing off form of infringement (provided for by s 34(1)(a) of the TMA) is the only relevant form in parallel importation cases because the goods imported in parallel are identical to those imported via the official channel. There is no dilution (dealt with by s 34(1)(c)) or use of a similar trade mark in relation to similar goods (provided for by s 34(1)(b)).

It is generally accepted that dilution by disparagement and blurring will eventually impair and destroy the trade mark's ability to distinguish. Gardiner indicates that

'Dilutive conduct is, therefore, ultimately directed at debasing the distinctive character of the mark, which will at some time involve an infringement of the distinguishing function' (*op cit*, at 646).

In my view the origin function will also be infringed because the trade mark must distinguish the goods on the basis of origin (see para 4.2, *supra*).

⁸⁶⁴ See chapter 4 para 6.3, *supra*.

⁸⁶⁵ This is in keeping with the ordinary principles of ownership: see *Broadway Pen Corp & Anor v Wechsler & Co (Pty) Ltd & Anor* (the *Everglide* case), 1964 (4) SA 434 (T), in which the Court said:

'The right of exclusive use is, of course, an important incident of *dominium* in respect of all things, but in regard to trade marks it is a fundamental characteristic of proprietorship' (at 444A-B).

8.5. CONCLUSIONS

The genuine goods approach is based on the notion that affixation is the only relevant form of trade mark use,⁸⁷¹ denying the significance of placement of the goods on the market. It also relies on the resurrection of the discarded and discredited universality principle.⁸⁷² In terms of this approach origin is perceived as an event that only relates to a person not a place as well.

The flaws in the genuine goods approach are revealed by the principal criticisms to which it is subject, viz,

- (a) it ignores or does not recognise the existence of separate trade mark rights;⁸⁷³
- (b) it misconstrues origin treating it as a once off event;⁸⁷⁴ and as a result
- (c) it does not require consent aimed specifically at the use of the *import trade mark*, not recognizing the existence of different trade mark proprietor *personae*.⁸⁷⁵

The insecure foundations on which the genuine goods approach rests, combined with the fundamental criticisms to which it is subject, render continued adherence to the genuine goods approach ill advised – its abandonment is strongly recommended.⁸⁷⁶

Implied consent was identified as a possible basis on which it could be found that the importer acquired the right to use the trade mark in the import jurisdiction. The enterprise approach, that is examined next, developed around the notion of implied consent.

⁸⁷¹

See para 8.2, *supra*.

In the **Colgate** case, even though both the Courts decided that the UK trade mark had not been affixed to the goods in Brazil, the UK trade mark had been used when the goods were imported and there was infringement of the UK trade mark (see also para 2.5.2.2, *supra*).

⁸⁷²

See para 8.3.1, *supra*.

⁸⁷³

See para 8.4.1, *supra*. This is consonant with the universality principle.

⁸⁷⁴

See para 8.4.2, *supra*. This notion also evidences adherence to the universality principle.

⁸⁷⁵

See para 8.4.3, *supra*.

⁸⁷⁶

See para 11.7, *infra*.

The view that this is a different approach to the genuine goods approach also rests on

- (1) the extension of the notion of ownership from the registered proprietor to a group of companies; in conjunction with
- (2) the notion of the proprietor granting consent being extended to consent being granted by, and on behalf of, a group of companies.

In my submission, these are sufficiently significant departures from the circumstances that prevail in cases such as the *Champagne Hiedsieck* case, to warrant it being considered a separate approach.

The essential elements of the enterprise approach are distilled from the reasoning in *Revlon Incorporated v Cripps & Lee Ltd* (the *Revlon* case).⁸⁸¹ The thinking that underlies the enterprise approach did not only manifest itself in the *Revlon* case: Beier cites a decision of the Swiss Bundesgericht, the *Philips* case, in which the Court found that the public regarded a trade mark as the common trade mark of a group of companies and the Court treated it as such.⁸⁸²

9.1.1 THE REVLOM CASE

There were four plaintiffs in the case:⁸⁸³ (1) Revlon Incorporated (Revlon) in the USA, the parent company, which manufactured and marketed REVLON products in the USA; (4) Revlon International (International), a wholly owned subsidiary of Revlon, also incorporated in the USA, whose function was to market REVLON products in numerous jurisdictions other than the USA, including England and Wales; (2) Revlon Suisse (Suisse), a Swiss wholly owned subsidiary of International (a 'grandchild' of Revlon), whose function was to 'hold the Revlon trade marks, specifically though not ... exclusively the United Kingdom trade marks',⁸⁸⁴ which had been transferred to Suisse some years prior to the action; and (3) Revlon Overseas Corporation (Overseas), a Venezuelan company which manufactured *certain* REVLON products in Wales.⁸⁸⁵ International decided that REVLON FLEX anti-dandruff shampoo and conditioner were unsuitable for the UK market and did not market them in the UK.⁸⁸⁶

⁸⁸¹ [1980] FSR 85.

⁸⁸² *Territoriality*, at 71.

⁸⁸³ The structure set out by the ChD, being the most logical exposition, is followed, even though it does not follow numerical sequence.

⁸⁸⁴ At 90.

⁸⁸⁵ *Ibid.*

⁸⁸⁶ At 91.

The Court rejected what it called the 'narrow emphasis on the individuality of companies in a group' as not being in accordance with recent authority,⁸⁹³ and eventually held that

'all the products produced by any company in the group are *connected in the course of trade* with all other trading companies in the group'.⁸⁹⁴

In my submission, the Court was of the view that the same trade mark was in use *in both the US and UK*. This emerges from its statement: 'Thus REVLON FLEX products manufactured by Revlon *in the United States* are connected in the course of trade with Revlon Suisse and Revlon Overseas'.⁸⁹⁵ The critical words are 'in the United States' – not when the goods reached the UK.

The ChD gave no indication that it considered the idea that the trade mark proprietor, Suisse, or Overseas, the registered user and licensee, may have applied (affixed) the trade mark.⁸⁹⁶ Since the Court had not found that the proprietor or registered user had affixed the trade mark it then considered whether Suisse or Overseas had granted consent to use the UK trade mark.⁸⁹⁷ Not even Revlon had given *express* consent, the ChD found;⁸⁹⁸ however, it held that

'In the context, however, of the group structure and group operations in this group, I take the view that each company impliedly consents to any use of any group mark by any other company in the group'.⁸⁹⁹

In the Court of Appeal, Lord Justice Buckley⁹⁰⁰ rejected the twin contentions that

- (i) 'proprietor' in section 4(3)(a) should be interpreted as the person who is the owner of the trade mark as a matter of *commercial reality*; and
- (ii) that that person was Revlon.⁹⁰¹

Buckley LJ found that even though the term 'proprietor' meant the registered proprietor, since all the relevant companies were wholly owned subsidiaries of Revlon, the trade mark was a Revlon asset, exploited for Revlon's benefit.⁹⁰² He was of the view that it was 'realistic

⁸⁹³ At 95.

⁸⁹⁴ At 97.

⁸⁹⁵ *Ibid.*

⁸⁹⁶ That was one possible ground on which section 4(3)(a) might have applied.

⁸⁹⁷ *Ibid.*

⁸⁹⁸ At 97.

⁸⁹⁹ *Ibid.*

⁹⁰⁰ Bridge LJ agreed, in a separate judgment, and Sir George Waller also concurred with him.

⁹⁰¹ At 105.

⁹⁰² At 105.

mark only became relevant when the goods crossed the border into the UK. Even if it is accepted that the trade mark was a **group trade mark** that could not alter the fact that the UK rights in respect thereof began at the UK border. Any consent not given expressly, to use even the group trade mark *in the UK*, could not be implied from conduct in relation to the *USA trade mark*.⁹⁰⁹

Revlon's actions in affixing the trade mark to the goods were not the actions of Suisse or Overseas. Buckley LJ held:

'The mark was applied to the United States products in question by Revlon. For my part, I feel unable to take the view that in these circumstances the mark can be said to have been applied to the product by the proprietor or the registered user, *notwithstanding the intimate relationship between Revlon, Suisse and Overseas*.'⁹¹⁰

So even though the goods were in one sense connected in the course of trade with Suisse and Overseas through Revlon, the trade mark had not been applied by the UK proprietor or registered user. So if section 4(3)(a) was to apply, the UK trade mark proprietor or registered user would have to have given consent – *consent to use the UK trade mark*.⁹¹¹

Buckley LJ's finding that there was implied consent rested on his earlier findings that:

- (1) Suisse, as a member of the Revlon Group which was subject to the control of Revlon, had concurred in and consented to the designation of the products by the trade mark; and
- (2) if Revlon exported the USA products to the UK⁹¹² none of the subsidiaries could have objected, and that in any event Revlon could have overruled any objection.⁹¹³

Revlon would not have been in a position to object to the importation of the goods into the UK as it was not the UK proprietor; therefore in my submission, it could not, for the same reason, grant consent to the importation of the goods: the power to object to and the power to consent to the use of the trade mark are both aspects of the *proprietor's exclusive right*, conferred by registration in the jurisdiction.

⁹⁰⁹ See para 2.5.2.3, *supra*.

⁹¹⁰ At 107, my emphasis.

⁹¹¹ As Dillon J had found, at 94.

⁹¹² In my submission it would have been more appropriate to speak of Revlon importing the goods into the UK, as importation is the conduct to which an objection was raised.

⁹¹³ At 107.

Brazilian subsidiary of Colgate-Palmolive US, because 'the trademarks are the same'⁹¹⁷ He held that when s 4(3)(a) referred to the proprietor applying the trademark it 'must mean the United Kingdom trademark in respect of which he has been granted an exclusive right'.⁹¹⁸

The Judge also said:

'The fact that the marks are *identical* is, with all respect to [counsel's] argument wholly irrelevant. Just as the United Kingdom Parliament can not create trademark protection in Brazil, so any application of the *Brazilian trademark* cannot affect the proprietor's exclusive right in respect of the *United Kingdom trademark*. *If the marks had been different, this would have been so obvious as to amount to a truism*'.⁹¹⁹

The decision therefore means that

- (1) the holding company gave consent on behalf of all the members of the group; because
- (2) the fact that the holding company could impose its will on every subsidiary meant that when a subsidiary acted, it acted on behalf of the holding company, and by extension, on behalf of every subsidiary, upon which the holding company could impose its will.

In terms of the approach adopted in this thesis the *Revlon* case may be interpreted as follows:

Where a group of related persons, of which one is in a position of control, market goods under identical trade marks, of which different members are the registered proprietors in various jurisdictions, if one member of the group grants consent to someone to use his trade mark, all other members of the group are deemed to have thereby given consent to the use of their respective identical trade marks in relation to the goods.⁹²⁰

⁹¹⁷ At 533, lines 12 – 17.

⁹¹⁸ At 533, lines 39 – 40.

⁹¹⁹ At 533, lines 41 – 46 (my emphases).

⁹²⁰ D Kitchen, 'The Revlon Case Trade Marks and Parallel Imports (UK)', [1980] *EIPR* 86 argues that 'certainly the reasoning [of the *Revlon* case] would apply equally to the case where the goods are labelled and marketed in the exporting country by one subsidiary and where the trade mark in the importing country is held by another subsidiary, or indeed where the latter company is in fact the parent' (at 88, where he cites the *GE Trade Mark* case, [1970] RPC 339, at 395 lines 18 -25).

9.3 CRITICISMS OF THE APPROACH

The main criticisms that may be levelled at the enterprise approach are that

- (a) The inference of implied consent is not justified on the facts; and
- (b) The existence of separate sets of rights is ignored.

9.3.1 INFERENCE OF IMPLIED CONSENT UNJUSTIFIED

In the *Revlon* case the Courts decided that the consent was implied.⁹²⁴ The inference of implied consent is unjustified,⁹²⁵ in my submission, because the Courts in the *Revlon* case did not have regard to the consideration mentioned by Lloyd LJ in the *Colgate* case where he said: 'consent means *real consent*, whether express or implied, *not constructive consent*', and also for two other reasons

- (i) the factual arrangements of the distributorship scheme; which indicate that
- (ii) proprietors, at best, intend to give each other consent, not third parties.

9.3.1.1 The Distributorship Scheme

Implied consent, as indicated above, must derive from the use of the trade mark.⁹²⁶ When the export proprietor uses the export trade mark,⁹²⁷ there is nothing in his conduct to indicate that he grants consent to use the import trade mark. The only manner in which it can be found that use of the trade mark in one jurisdiction confers implied consent to use the trade mark that exists in another jurisdiction, is to hold that the use of the trade mark in one jurisdiction constitutes a grant of implied consent to use each of the trade marks in every jurisdiction in which a member of the enterprise is the registered proprietor.⁹²⁸ This inference flies in the face of the intention conveyed by the actions of the respective proprietors in establishing a distribution network.⁹²⁹ The intention of the proprietors in establishing their network is to ensure that the distribution of the goods, which involves use of their respective

⁹²⁴ At 97 (ChD), and at 117 (CA).

⁹²⁵ At 534, lines 34-35.

⁹²⁶ See para 8.4.3, *supra*.

⁹²⁷ The export proprietor can only use the export trade mark in the export jurisdiction: see paras 2.5.1.2 and 2.5.2.3, *supra*.

⁹²⁸ There is no obvious basis for distinguishing use in one jurisdiction from use in any other jurisdiction: in other words, there is use in one jurisdiction or all jurisdictions.

⁹²⁹ The proprietor's conduct cannot lead to an inference that is in direct opposition to his actual intention: implied consent means implied by their conduct.

The extension of the enterprise approach to such situations is difficult to justify. If a court held that the licensee was part of the enterprise, the result would be that the actions of the licensee, a person that has limited rights, would have an effect that goes further than the jurisdiction in which the licensee is able to exercise his rights.⁹³⁵ The licensee would not be able to use the mark in a jurisdiction for which he does not hold a licence.⁹³⁶ There is, in my submission, only a slim possibility that a holding company that is part of an exclusive distributorship arrangement would *intend* that when a licensee of one of its subsidiary companies places goods on the market in the jurisdiction in which the subsidiary is the proprietor, this should be regarded as conferring on third parties implied consent to use the trade mark in the *territory in which it, the holding company, is the trade mark proprietor*. The far-reaching effects for the holding company in terms of the enterprise approach, cast doubt on the soundness of the proposition that each member has given the others consent to use its trade mark.⁹³⁷

A licensee who has authority to use the trade mark in the export jurisdiction could not exercise the right to use the trade mark in the import jurisdiction, and could therefore not confer such a right on another person by virtue of the principle expressed in the maxim '*nemo plus iuris transferre potest quam ipse habet*'.⁹³⁸ However, in terms of the enterprise approach, where the licensee sold trademarked goods to the parallel importer, the parallel importer had the right to use the trade mark in the import jurisdiction. The enterprise approach, being based on implied consent, makes the licensee the 'agent' of the trade mark

⁹³⁵ This would to some extent fly in the face of the *nemo plus iuris* principle: see note 938, *infra*.

⁹³⁶ This is the natural result of the limitation of the licence to a particular jurisdiction.

⁹³⁷ For example, it is very difficult to envisage the SA subsidiary of Revlon Inc granting a licence to a close corporation and when the licensee places goods on the market in SA Revlon Inc is then regarded as having given consent to the parallel importation of Revlon products into the USA by the licensee. This indicates that there is justification for the Court's hesitation to ascribe the same consequences to the actions of a licensee, as to those of a licensor, in the *Pentax* case.

⁹³⁸ Translated as 'no one can transfer more rights to another than he himself has' by PJ Badenhorst, JM Pienaar and H Mostert, assisted by M van Rooyen, *Silberberg & Schoeman's The Law of Property*, 4ed, LexisNexis Butterworths, Durban, (2003), at 80 (citing D 50 17 54 as authority). They refer to this as the 'golden rule' of the law of property.

The point made by the Courts in the *Appalachian* and *Dial* cases that consent cannot be inferred from the licensing of production *abroad*, is an important one: the manufacture abroad will involve the affixation of the trade mark in the place of manufacture and provide no indication that there is consent to the importation of the goods into the USA (the import jurisdiction in the instance).

Where the import proprietor actually consents to goods entering the import jurisdiction, the consent establishes a relationship between the goods and the proprietor in the import jurisdiction, via the trade mark affixed to the goods.⁹⁴⁵ This relationship makes the *persona* of import proprietor the origin of the goods.⁹⁴⁶ In terms of the enterprise approach, however, the relationship is deemed to exist in clear conflict with the actions of the different proprietors that evidence a denial of the consent that is necessary to constitute the relationship.⁹⁴⁷

The palpably false presumption that each member of the enterprise gave the other consent arose from the view that the intention of each party was to market the trademarked goods internationally. The presumption was unfounded because the distributorship arrangement resulted in the registered proprietor in each jurisdiction intending to be the exclusive marketer of the goods in his jurisdiction.⁹⁴⁸ In the *Revlon* case, International marketed Revlon products in the UK under licence from Suisse, which held the UK trade marks. Revlon Suisse, even though a wholly owned subsidiary of Revlon, would not have needed

markets. The defendant had imported dolls intended for the Spanish market. The Court found that the Spanish instructions and packaging material caused substantial confusion among Appalachian's domestic customers and even though there was one proprietor in both jurisdictions, the Court enjoined the importation (at 73).

In *Dial Corp v Encina Corp* (the *Dial* case), 643 F Supp 951 (1986) the plaintiff manufactured DIAL soap in the US. It had a number of foreign licensees who manufactured its soap in designated jurisdictions. The licensees were expressly prohibited from importing into the US. The Court enjoined the importation of DIAL soap obtained from one of the licensees as the soap lacked an active ingredient American consumers of DIAL soap relied on (at 955).

⁹⁴⁵ See para 4.3, *supra*, in regard to the tripartite relationship. The trade mark affixed to the goods is a copy of the trade mark registered in the import jurisdiction and as a result the trade mark in the import jurisdiction is used.

⁹⁴⁶ *Ibid.*

⁹⁴⁷ A characteristic of parallel import situations is that the proprietor in the import jurisdiction has not consented to the use of its trade marks (see para 6.1, *supra*) and consent is necessary to constitute the import proprietor the origin of the goods (see para 4.5.3.1, *supra*).

⁹⁴⁸ See the *Levi's* and *Dan River* cases.

9.3.1.2.1 Transmissibility of consent

In my submission, even if the members of the enterprise had granted each other consent to use their respective trade marks, that did not mean they intended the consent to be passed on to other persons so that they could import goods from other jurisdictions.⁹⁵³ The consent each member grants the other enabled and entitled the person who was given consent to exercise the trade mark rights, in the jurisdiction for which consent has been given, without incurring liability.

The enterprise approach operated as if the consent one member of the enterprise gave the other was intended for the recipient of the consent, as well as his successors and assigns.⁹⁵⁴ This was an implication the distribution network sought to avoid.

Each member of the enterprise granted the others consent to use the trade mark in the jurisdiction in which it held the exclusive right, not consent to use the identical trade mark outside of that jurisdiction.⁹⁵⁵ What the enterprise approach did was to hold that the importer was allowed to exercise, in the import jurisdiction, a trade mark right similar to the one he had acquired in the export jurisdiction,⁹⁵⁶ as explained by means of the following example.

A, B and C are members of an enterprise and each is the registered proprietor of an identical trade mark in jurisdictions A, B and C, respectively. Each gives the other members *actual* consent to use the trade mark in the jurisdiction in which he is the proprietor. A may thus import goods into jurisdiction C, because he has consent to do so. If the parallel importer, D, purchases goods in jurisdiction B, and imports them into jurisdiction A, then D is exercising the trade mark right in jurisdiction A.⁹⁵⁷ In accordance with the enterprise approach D has not infringed A's rights. So the effect of the enterprise approach is that when B sells the goods to D, B passes on to D the consent he has to use the trade mark in jurisdiction A. The enterprise approach therefore appears to have treated consent as an

⁹⁵³ Consent operates *inter partes* – it does not attach to the property.

⁹⁵⁴ It appears as if the person from whom the importer purchased the goods was treated as having been assigned the consent received by the person from whom he obtained the goods.

⁹⁵⁵ A member could only confer consent to exercise the right in the jurisdiction in which it is proprietor.

⁹⁵⁶ The importer acquires the right to use the trade mark in the export jurisdiction and then exercises the right to use the trade mark in the import jurisdiction.

⁹⁵⁷ See para 2.5.2.3, *supra*.

The existence of an international group of companies, of which the trade mark proprietor is a member, does not gainsay the fact that the origin of the goods is determined in the import jurisdiction because it involves the use of the import trade mark.⁹⁶⁴ Origin, it is argued, is not an occurrence that is unconnected with or floats above all jurisdictions, but is a relationship that exists between the goods and the trade mark proprietor in the jurisdiction in which the goods are, by virtue of the trade mark in that jurisdiction.⁹⁶⁵ A different relationship is constituted each time the goods move from one jurisdiction to another because there is a separate, though identical trade mark in each jurisdiction.⁹⁶⁶



⁹⁶⁴

See para 4.5.1.2, *supra*. Placement of trademarked goods on the market in the import jurisdiction, the act by which the goods have their origin in the import jurisdiction, constitutes use of the import trade mark. Placement brings the trademarked goods onto the market in the import jurisdiction and once the goods are on the market in the import jurisdiction the trade mark makes the representation that the goods have their origin in the trade mark proprietor in the jurisdiction.

⁹⁶⁵

See para 4.6, *supra*.

⁹⁶⁶

See paras 4.5.1.2 and 4.6, *supra*.

The Court in the *GTX* case distinguished the *Revlon* case on the basis that

'absence of consent to the use of the trade mark except within Canada was very clearly indicated, and no consent was given for the use of the United Kingdom registered trade marks'.⁹⁷⁶

The terms in which the distinction between the *Revlon* case and *GTX* case is expressed emphasize that the enterprise approach rests on implied consent.⁹⁷⁷ The fact that the Court in the *GTX* case, considered it necessary to distinguish the *Revlon* case, in conjunction with the basis on which the distinction was drawn, suggests that had there been no notice affixed, it was likely that the Court would have found that there was implied consent.⁹⁷⁸

When the goods were placed on the market in the UK, the UK registered trade mark was used. This indicates that there were separate Canadian and UK registered trade marks, or at the very least that the Canadian and UK registrations gave rise to separate rights:⁹⁷⁹ if there were one right, the notice denying that consent was conferred for the use of the trade mark, and exercise of the trade mark right in other jurisdictions, would have been to no avail.

The need for the exception made in the *GTX* case demonstrates that the application of the enterprise approach sometimes resulted in the trade mark proprietor not enjoying what was regarded as adequate protection for his trade mark.⁹⁸⁰ It is noteworthy that the *GTX* case was not based on the principles of the law of contract.⁹⁸¹

The demise of the enterprise approach is now considered.

⁹⁷⁶ At 324 (my emphasis to draw attention to (i) the reference to 'UK marks' as opposed to the Canadian ones, and (ii) the plural, 'marks' rather than the singular 'mark').

⁹⁷⁷ See para 9.2, *supra*. There is a stark contrast between the *GTX* and the *Levi's* cases (see chapter 8 part [4], *infra*): in the *GTX* case there were differences of quality between the goods which appear to have justified the imposition of restrictions by means of the notice whereas in the *Levi's* case neither the absence of differences in quality nor notices prevented the Court from finding that there was infringement by parallel importation. The differences between the *GTX* and *Levi's* cases evidence a diminution in the importance of factors other than the trade mark use in different jurisdictions.

⁹⁷⁸ See para 9.1.1, *supra*. The consent could only have been implied consent as the absence of express consent is a hallmark of parallel importation situations (see para 6.1, *supra*).

⁹⁷⁹ See chapter 4 para 6.3, *supra*.

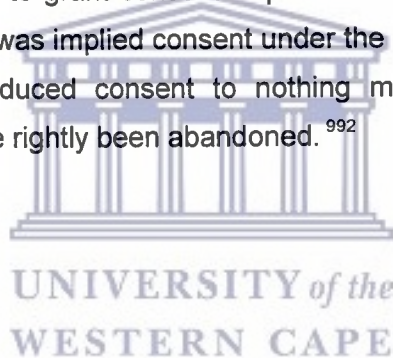
⁹⁸⁰ This does not arise if the strict territoriality principle is applied: see chapter 8, *infra*.

⁹⁸¹ If the Court had found that the territorial restriction was a term imposed by one of the parties to the contract (see the *Dan River* and *Colgate* cases) that would have necessitated resort to the principles of Conflict of Laws.

The approach adopted in the *Colgate* case also differed from that adopted in the *Champagne Heidsieck* case,⁹⁸⁸ in which the differences in quality of the goods was not regarded as a consideration of much significance.⁹⁸⁹

Its abandonment means that the enterprise approach is largely, though not completely, of historical significance. The notion of a group or enterprise using a trade mark was absorbed into the international exhaustion approach and to that extent still exerts an influence on parallel importation where international exhaustion is practised.⁹⁹⁰

The often elaborate marketing arrangements made by the members of the enterprise indicated that they did not intend to grant consent to persons in the same position as the importer. The decision that there was implied consent under the circumstances in which the enterprise approach applied, reduced consent to nothing more than a sham.⁹⁹¹ The enterprise approach has therefore rightly been abandoned.⁹⁹²



⁹⁸⁸ See para 8.1, *supra*.

⁹⁸⁹ The Judge blamed the proprietor for, and held that he had to bear the risk of, the consumer confusion created by marketing goods of *different qualities* under *the same trade mark* label, saying:

‘the evidence of the plaintiff’s managing director shows that the plaintiffs have for many years known that the Brut wine had in fact reach England and was, in fact, sold in England, and if, with this knowledge they placed on the brand a mark insufficient to distinguish it in England [the plaintiffs had argued that the trade marks were sufficiently distinctive of the goods in France], the fault is theirs, and theirs alone’ (at 337 lines 17 – 23).

⁹⁹⁰ See para 10.1.2.1, *infra* for an examination of international exhaustion.

⁹⁹¹ See paragraph 4.3.1, *supra*.

⁹⁹² The approach adopted in the *Revlon* case was also superseded by the UK Trade Mark Act of 1994 adopting the exhaustion approach in keeping with the UK’s obligations as an EU Contracting Party. Section 12 of the 1994 UK TMA transposed Article 7(1) of the EU Harmonization Directive into UK law (the EU Harmonization Directive is discussed in chapter 8 para 1.2.2, *infra*).

10.1 VARIANTS AND BASIC PRINCIPLES

This approach has three main variants: national (or domestic) exhaustion, international exhaustion and regional exhaustion. Their unifying feature is that once the trademarked goods have been placed on the market, the import proprietor cannot exercise his trade mark right so as to exclude the parallel imported goods from the market.⁹⁹³ Rasmussen⁹⁹⁴ indicates that exhaustion

'means that the trade mark owner's trade mark rights cease to exist once the product bearing the trade mark has been put on the market by him or by a third party acting with his consent (for example, affiliate, licensee, distributor, agent)'.⁹⁹⁵

Examination of the variants and the basic principles are combined because the basic principles of each variant are its identifying and distinguishing features.

10.1.1 NATIONAL EXHAUSTION

The essence of national or domestic exhaustion is that once trademarked goods are placed on the market in a jurisdiction, the right to control the distribution of the goods *within that jurisdiction* is exhausted.⁹⁹⁶ In terms of this approach all lawful possessors of the goods can lawfully use the trade mark in the jurisdiction.⁹⁹⁷

⁹⁹³ Exhaustion does not deal directly with either of the main requirements for infringement, viz unauthorised use and confusion. In terms of the exhaustion notion there is no enforceable right, therefore neither requirement is operative.

It makes no sense to concede that the trade mark is used and then hold that the right to control the use of the trade mark has been lost, when the right to control the use is the essence of the exclusive right created by trade mark proprietorship. There is no attempt to say the proprietor has lost his or her proprietorship but just the most important of the rights of proprietorship. The right is, however, just lying dormant (like a reversionary right) since it revives when a user threatens the goodwill embodied in the trade mark (see the *Sony* case).

⁹⁹⁴ J Rasmussen, 'The Principle of Exhaustion of Trade Mark Rights Pursuant to Directive 89/104 (and Regulation 40/94)', [1995] *EIPR* 174.

⁹⁹⁵ At 174.

⁹⁹⁶ W Alexander, 'Exhaustion of Intellectual Property Rights: Worldwide or Community-(EEA-) wide?' at 4 in JJC Kabel & G Mom (eds), *Intellectual Property and Information Law: Essays in Honour of Herman Cohen Jehoram*, Kluwer, The Hague, (1998); SK Verma, 'Exhaustion of Intellectual Property Rights and Free Trade – Article 6 of the TRIPS Agreement', (1998) 29 *IIC* 534, at 539.

⁹⁹⁷ The *effect* of national exhaustion has my support, but because it is associated with international exhaustion, which, in my submission, ought to be abandoned, it is preferable to attain the same result that national exhaustion attains by using implied consent proper as per the *Colgate* case (see para 9.5, *supra*) and *Levi's* case (see chapter 8 para 4.3.2, *infra*).

10.1.2.1 The Enterprise Extension to International Exhaustion

The ECJ extended the operation of the exhaustion principle to include circumstances in which the enterprise approach would have applied.¹⁰⁰³

In *Phyteron International SA v Jean Bourdon SA*,¹⁰⁰⁴ the Court held

'the principle of exhaustion ... applies where the owner of the trade mark in the State of import and the owner of the trade mark in the State of export are the same or where, even if they are different persons, they are economically linked'.¹⁰⁰⁵

The enterprise extension to the international exhaustion approach has been distinguished here for the purpose of completeness – its absorption means it is part of international exhaustion and there will be no further reference to it.

10.1.3 REGIONAL EXHAUSTION

The EU provides the clearest example of regional exhaustion. The essence of regional exhaustion, as it applies in the EU, is that once trademarked goods have been lawfully placed on the market in one of the Contracting Parties, the right to prevent the further distribution of the goods *within the EU*, (ie within the region), is exhausted.¹⁰⁰⁶ The approach recognizes that the national nature of trade mark rights¹⁰⁰⁷ could have constituted a barrier

¹⁰⁰³ So where there would have been an inference of implied consent in terms of the enterprise approach, the Court held that the rights were exhausted.

¹⁰⁰⁴ Case C-352/95.

¹⁰⁰⁵ At para 21. This meant that where an entity which was economically linked to the proprietor (member of a group of companies or licensee) placed goods on the market outside the EU, this was treated as equivalent to the trade mark proprietor itself placing the goods on the market in the EU, thus exhausting the trade mark rights. See E Gippini-Fournier, 'Case C352/95, *Phyteron International SA v Jean Bourdon SA*', (1998) 35 *Common Market Law Review (CMLR)* 947, at 956. See also Rasmussen, *loc cit*.

¹⁰⁰⁶ E Gippini-Fournier, 'Case C-355/96 *Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgesellschaft mbH*, Judgment of 16 July 1998. [1998], ECR I – 4799', 1999 *CMLR* 807, (hereafter Gippini-Fournier, *Silhouette*) uses the expression in a discussion of the advisory opinion of the Court of the European Free Trade Area in the case of *Mag Instruments Inc v California Trading Norway*, [1997] Rep EFTA Court, saying that 'mere regional (in this case EEA-wide) exhaustion would allow the trademark owner to oppose imports since it had not consented to their release in the EEA' (at 821). See the *Silhouette* case. Article 7(2) of the EU Harmonization Directive allows for an objection to the *further commercialization* of goods that have been lawfully placed on the market in the EU: see the *Sebago*, *Christian Dior* and *BMW* cases (chapter 8 part [3], especially para 3.3.1, *infra*).

¹⁰⁰⁷ This national nature of trade marks derives from the separate registrations in the different Contracting Parties: see chapter 8 para 1.2, *infra*.

10.2.1 THE NOTION OF A GLOBAL MARKET

The notion that there is a single global market underlies international exhaustion.¹⁰¹⁴ In some quarters a single global market is regarded as an ideal but not a reflection of *economic reality* in which there are national, regional and international markets.¹⁰¹⁵ The notion of a single global market is also not in accord with *legal reality* in which there are numerous separate sovereign independent jurisdictions (States).¹⁰¹⁶

The notion of a single international or global market is one of the intellectual foundations on which use of the trade mark, by marketing trademarked goods, in the export jurisdiction, is treated as equivalent to use of the trade mark in the import jurisdiction as a result of which there is international exhaustion.¹⁰¹⁷ The notion of a global market was already present in the thinking of the German courts as early as the end of the nineteenth century, as Beier indicates

'Already the Enterprise decision of 1898 stated that trade basically knows no national boundaries. Therefore, once put into circulation, branded goods must be able to circulate internationally and are no longer subject to control by the trademark owner'.¹⁰¹⁸

10.2.2 TRANSFER OF CONSENT

Rutherford points to an important aspect of the rationale of international exhaustion where he says

'the use of the trade mark on those goods [sold by or with the consent of the proprietor] for the purpose of subsequent distribution does not constitute trade mark infringement ... Having *authorized the use of his trade mark*, he cannot invoke his trade mark rights to prevent the subsequent distribution of the trademarked goods. It is immaterial whether the marketing takes place domestically or in a foreign jurisdiction'.¹⁰¹⁹

In Rutherford's view the critical question is whether the goods on which the mark is used 'originate' with the trade mark proprietor. This raises the question: when do the goods

¹⁰¹⁴ Beier, *Territoriality*, at 58. The idea of a single universal trade mark fits in with this notion, which, however, has economic origins.

¹⁰¹⁵ The existence of the EU as a single regional market is in itself proof that there is no single global market.

¹⁰¹⁶ In my submission, the notion of a global market from a legal regulatory point of view is a myth: see para 10.3.6, *infra*. It has already been argued that the phenomenon of globalization has had limited impact on the international legal order: chapter 6 para 2.3, *supra*.

¹⁰¹⁷ Beier, *Territoriality*, at 55; Rutherford, *Parallel Importation*, at 102.

¹⁰¹⁸ *Territoriality*, at 58 where he refers to the *Revlon II* case, OLG Düsseldorf, 1964 GRUR 207 and the *Maja* case, BGH in 1964 GRUR Int. 202.

¹⁰¹⁹ *Parallel Importation*, at 102 (my emphasis), where he cites Beier, *Territoriality*, at 55 as authority.

10.3 CRITICISMS OF THE APPROACH

Some of the main criticisms of international exhaustion are:

- (i) It is illogical, given that there is continued use of the trade mark in the import jurisdiction, which sometimes leads to a need to revive the rights;
- (ii) It re-introduces the effect of the universality principle;
- (iii) The ordinary principles of property and trade mark law are not applied; and
- (iv) Insofar as trade mark *legal regulation* is concerned, the global market is a myth.

10.3.1 THE NEED TO REVIVE THE RIGHT

The secondhand and reconditioned goods cases¹⁰²⁷ challenge the notion of exhaustion because they show that there is use of the trade mark to indicate the origin of the goods even after their initial placement on the market. The use of the trade mark to indicate origin of the goods means the trade mark is still fulfilling its designated function and therefore being used as a trade mark. The right to use the trade mark can only be exercised if the right exists: had no right to use the trade mark existed the secondhand and reconditioned goods cases would have been dismissed as disclosing no cause of action.¹⁰²⁸

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¹⁰²⁷ Webster & Page provide the following cases involving used and reconditioned goods: the *Sony* case, *supra*; *The General Electric Company v Pryce's Stores*, (1933) 50 RPC 232 in which the Court's finding that there was no passing off by use of General Electric's trade marks on secondhand goods indicates that there was use of the trade marks even after the initial sale of the goods. The use was impliedly authorised by the placement of goods on the market. In *Hoover Ltd v Air-way Ltd*, (1936) 53 RPC 399 the trade mark infringement action succeeded. The respondent had sold reconditioned vacuum cleaner under the trade mark HOOVER when three essential parts of the vacuum cleaners had not been manufactured by Hoover. The decision provides no indication that had the equipment been reconditioned using HOOVER parts an action would have been successful, bearing in mind the decision in the *Pryce's Stores* case. In *Champion Spark Plug Co v Sanders*, 331 US 125, Sanders sold reconditioned spark plugs originally produced by Champion, under the trade mark, CHAMPION. The US Supreme Court confirmed a lower Court decision holding that Sanders was entitled to use the trade mark subject to him notifying consumers that the goods were reconditioned (at 126). The fact that the trade mark proprietor was held to be entitled to protection indicates clearly that even after the initial sale it has rights in respect of the trade mark affixed to the goods.

¹⁰²⁸ See also Kerly, *op cit*, 12ed, para 16-28.
An astute defendant would probably have taken exception to the summons.

The Court found that the modified goods were not genuine goods and that as a result there was infringement of the SONY trade marks, holding that

'The basis of the decision in the *Protective Mining* case [the *Pentax* case] was that no infringement of a trade mark is committed by a trader who sells genuine goods properly marked with the trade mark by or with the consent of the trade mark owner. This is consonant with the origin of trade mark infringement as a species of passing off. What the trade mark proprietor is entitled to prevent is that the goods of another person are represented as his. If another person alters the goods, they are, to the extent to which they have been altered, no longer the goods to which the trade mark was affixed by the proprietor. It then becomes a matter of degree whether there has been a change in the goods sufficiently appreciable to render them no longer the 'genuine goods', i.e. the goods which the trade mark proprietor has marked'.¹⁰³⁸

Sony's rights would have been exhausted when the goods were placed on the market in Japan if SA applied the international exhaustion approach.¹⁰³⁹ The Court would under those circumstances have had to revive the rights in order to allow Sony (the proprietor) an action. When the right is revived, it is not a right to distribute the goods that comes into operation, but the right to use the trade mark.

10.3.2 RE-INTRODUCTION OF UNIVERSALITY PRINCIPLE

International exhaustion holds that when the goods are placed on the market in the export jurisdiction that is equivalent to placing the goods on the market in the import jurisdiction.¹⁰⁴⁰ This is how it is explained that the import right is exhausted by the placement of the goods on the market in the export jurisdiction.¹⁰⁴¹

Beier acknowledges the existence of a connection between exhaustion and universality in the *Kölnish Wasser* decision, saying

'The reasoning of that decision thus combines the principle of exhaustion applicable to all intellectual property rights with the principle of universality, formerly recognised in trademark law under the influence of Kohler. **This combination resulted in acceptance of a universal effect of the exhaustion of trademark rights**'.¹⁰⁴²

In my submission, the exhaustion principle relies on universality, rather than just being combined with it: it is argued below that the recognition of separate independent trade

¹⁰³⁸ At 1012B-D.

¹⁰³⁹ The placement on the market exhausted the rights as the same person was the proprietor in both the export and import jurisdictions: see para 10.1.2, *infra*.

¹⁰⁴⁰ Beier, *Territoriality*, at 55; Rutherford, *Parallel Importation*, at 102.

¹⁰⁴¹ Beier puts the position most clearly where he says 'foreign marketing is equivalent to domestic marketing' (*Territoriality*, at 57).

¹⁰⁴² *Territoriality*, at 56, the emphasis on 'formerly' indicates that the universality principle had already been rejected by the time Beier wrote.

jurisdiction. This means the rights even to one trade mark would be divided territorially – there are separate areas and in each area an exclusive right. Only the exercise of a particular right results in its exhaustion.

The rights in and to a universal trade mark, if there were one, would not be capable of separate proprietorship in different jurisdictions if the rights did not exist in separate territories.¹⁰⁴⁹ The rights are capable of being exercised separately in each jurisdiction because the jurisdiction is the area within which an exclusive right exists. If a particular person held the rights to the universal trade mark in several jurisdictions, even though geographically that person would be the proprietor in a supra-jurisdictional area, his ownership of the trade mark within the combined area would not result in the area being a single *legally significant unit*, ie a unit in which a single set of legal rules can be made and enforced.¹⁰⁵⁰ The fact that one person held the trade mark rights in a number of jurisdictions did not fulfill the international law function of constituting a legally relevant unit.¹⁰⁵¹ The argument that the area is not necessarily a legally relevant unit is supported by the creation of the EU as a legally relevant unit for trade mark purposes. In order to render the supra-jurisdictional or supra-national legal unit, the EU, a legally relevant one for trade mark purposes, it was necessary to enact the free movement of goods principle, derived from Arts 28 and 30,¹⁰⁵² the EU Harmonization Directive¹⁰⁵³ and eventually the EU Trade Mark Regulation.¹⁰⁵⁴ In the absence of these provisions, for trade mark purposes the EU would have remained divided into its constituent Contracting Parties.¹⁰⁵⁵

¹⁰⁴⁹ Each registration confers *exclusive rights* in the jurisdiction in which the registration is effected: see chapter 4 para 6.3, *supra* and para 11.1, *infra*.

¹⁰⁵⁰ See chapter 6 para 2.3, *supra*.

¹⁰⁵¹ J Dugard, *International Law: A South African Perspective*, 3ed, Juta & Co, Cape Town, (2006), indicates that the criteria for statehood are set out in the Montevideo Convention on Rights and Duties of States, 1933 (at 82; see chapter 6 para 2.2, *supra*). He points out that there is no distinction between *de facto* and *de iure* recognition of States as there is with regard to the recognition of governments (at 90). Dugard indicates that unilateral recognition of States, in terms of which a State that is already accepted as a State recognises an entity claiming statehood, which meets the factual requirements, holding that it is to be regarded as such (*ibid*) even though there are no prescribed rules for the act of recognition (at 93).

¹⁰⁵² Alexander, *op cit*, at 6; Gippini-Fournier, *Phytheron*, at 947.

¹⁰⁵³ Directive 89/104 of 21 December 1988.

¹⁰⁵⁴ First Council Regulation 40/94 on the Community Trademark (OJ no L11/1 of 4.1.1994).

¹⁰⁵⁵ This would have been the natural consequence of differential treatment of exhaustion by various Contracting Parties: see chapter 8 paras 1.2 and 2.3 to 2.5, *infra*.

10.3.3.1 'Distribution Right' Exhausted

Rutherford, correctly, indicates that what may be gleaned from the cases is that the right to 'prevent the subsequent distribution of the trade marked goods' is exhausted.¹⁰⁶⁰ Use of the trade mark for the purpose of 'subsequent distribution' can, however, be seen as

- (a) an aspect of using the trade mark for the purpose of distinguishing the proprietor's goods and indicating that the goods which are not trademarked are connected in the course of trade with persons other than the proprietor,¹⁰⁶¹ or
- (b) another way of expressing the right to use the trade mark so as to avoid the anomaly revealed by the continued use of the trade mark subsequent to the placement on the market.¹⁰⁶²

Rutherford indicates that the reason why the right is exhausted is that the proprietor has 'authorized the use of his trade mark' by means of implied consent.¹⁰⁶³ The notion that the right which is exhausted, is the right to prevent the subsequent distribution of the trademarked goods is problematic: the proprietor's right to control the distribution of the goods bearing his trade mark is simply the consequence of the proprietor having the exclusive right to *use* the trade mark. The proprietor's right being exclusive must include the power to decide who may use his trade mark, if anyone.¹⁰⁶⁴

¹⁰⁶⁰ *Parallel Importation*, at 99.

¹⁰⁶¹ This is the composite function of a trade mark as defined in the TMA. The distinction the ECJ draws between placement of the goods on the market in the EU and other jurisdictions emphasises the significance of the place where the goods are placed on the market: only placement in the EU brings EU rights into contention. As Beier points, the right to place goods on the market is one of the aspects of the trade mark right (*Exhaustion*, at 23).

The definition of 'trade mark' contains a complete embodiment of the legally relevant purpose for which a trade mark may be used – all other objectives which a trade mark user, including the proprietor, may seek to achieve by using the trade mark are not directly relevant for purposes of trade mark law (see paras 4.2 and 4.3, *supra*).

¹⁰⁶² See para 10.3.1, *supra*.

¹⁰⁶³ *Loc cit*.

¹⁰⁶⁴ This is in keeping with the ordinary principles of ownership: see *Broadway Pen Corp & Anor v Wechsler & Co (Pty) Ltd & Anor* (the *Everglide* case), 1964 (4) SA 434 (T), in which the Court said:

'The right of exclusive use is, of course, an important incident of *dominium* in respect of all things, but in regard to trade marks it is a fundamental characteristic of proprietorship' (at 444A-B).

10.3.4 TIMING OF EXHAUSTION

It is my submission that the right in the import jurisdiction must be exhausted when the goods are placed on the market in the *export jurisdiction* because the exhaustion of the right results in the trade mark proprietor not being in a position to *prevent importation* of the trademarked goods. Verma says:

'Under international exhaustion, if the goods are put on the market by the right-holder, or with his consent, in any of the countries where his *right* is protected, that will exhaust his right for *other national jurisdictions as well* where he enjoys the *similar right*'.¹⁰⁷¹

Importation is the first act of trade mark use in the import jurisdiction, so the right must be exhausted even before the goods reach the import jurisdiction.¹⁰⁷² There hardly appears to be a basis for arguing that exhaustion only occurs when the goods are about to leave the export jurisdiction because when the goods are removed from the jurisdiction the use of the trade mark in *that jurisdiction* ceases in any event.¹⁰⁷³

The need to resurrect the trade mark right in the import jurisdiction also tends to indicate that the right is exhausted before the goods reach the jurisdiction.¹⁰⁷⁴ If the right was exhausted when the goods reached the import jurisdiction and the trademarked goods were imported under circumstances in which the use of the trade mark would threaten the goodwill/ business reputation represented by the trade mark, the following situation would arise: the trade mark right would be exhausted in the ordinary course of events but would have to be revived immediately. It would make no sense to hold that the rights are simultaneously exhausted and resurrected when the goods reach the import jurisdiction. If the rights were not exhausted by the time the goods reached the import jurisdiction there would be no need for resurrection.

Placement of the goods on the market in the export jurisdiction occurs prior to the placement on the market in the import jurisdiction, whether the time lapse is considerable or negligible. Placement of the goods on the market in the export jurisdiction only involves the exercise of

¹⁰⁷¹ At 539.

¹⁰⁷² If the first act of use in the jurisdiction cannot be prevented the right is exhausted by then.

¹⁰⁷³ It would be ludicrous if ceasing to use the trade mark in one jurisdiction, if one accepts that there is only one trade mark, has the effect of exhausting the right.

¹⁰⁷⁴ See para 10.3.1, *supra*.

A trade mark is property in SA law.¹⁰⁸³ The property would neither have been destroyed nor alienated when exhaustion occurred, if SA applied exhaustion.¹⁰⁸⁴ The effect of exhaustion is that the essence of the property is lost in the import jurisdiction because once the goods have been placed on the market in the export jurisdiction the right to determine whether or not the import trade mark can be used is lost by exhaustion. A flaw in the reasoning appears to be the idea that *the right resides in the replica* of the trade mark affixed to the goods and that once the right is exercised by placement, the right is exhausted. The trade mark that the replica *represents* is the thing used.¹⁰⁸⁵ As long as the registered trade mark exists the consent of the proprietor is required for its lawful use by means of a replica.

10.3.6 GLOBAL MARKET A MYTH

There is often reference to 'the market', singular, implying an international or, now more customary, 'global' market.¹⁰⁸⁶ In economic terms there may only be one market but the legal reality is that there are national markets, which correspond with the legal reality of separate sovereign States or jurisdictions.¹⁰⁸⁷

If we accept the existence of a singular global market, it must be subject to legal regulation by means of a single set of legal rules.¹⁰⁸⁸ The appropriate form of regulation would have to be the international treaty because from the legal perspective the globe, and therefore the global market, consists of a number of jurisdictions (States). SA enforces all international treaties to which it is party through the mechanism of national law: treaties are transposed

¹⁰⁸³ In the *Pentax* case the Court refers to trade marks as 'a species of incorporeal property' (at 979A): See also *Laugh It Off Promotions CC v SAB International (Finance) BV t/a Sabmark International & Anor* (the *Laugh It Off* case), 2005 (8) BCLR 743, at 752D.

¹⁰⁸⁴ The sale of trademarked goods does not operate as an assignment of the trade mark (see the *Midpak* case, at 452B-C); M Waelbroeck, 'Trademark Problems in the European Community', (1964) 54 TMR 333 says: 'Even after the goods have been put into circulation, the owner remains the proprietor of the trademark; the buyer only obtains a temporary and limited right to hold the goods; when he resells them, he cannot transfer to the subpurchaser more rights than he had himself' (at 335). Sale of trademarked goods also does not destroy the trade mark which continues to be used (see para 10.3.1, *supra*).

¹⁰⁸⁵ Use of a trade mark is discussed in detail in para 2.2, *supra*.

¹⁰⁸⁶ Beier, *Territoriality*, at 58 makes reference to the 'factual universality of trade.' The contrary view is explored in chapter 6 para 2.2 and also para 4.5.2, *supra*.

¹⁰⁸⁷ See chapter 6 para 2.2, *supra*.

¹⁰⁸⁸ In my submission that is a trite principle.

towards 'the law of the future' as envisaged by Lord Justice Lloyd in the *Colgate* case.¹⁰⁹⁵ Counsel in the *Colgate* case had argued that it was irrelevant whether the Brazilian or UK trade mark was applied (affixed) to the goods in Brazil, saying 'it is a meaningless question, since the Brazilian and United Kingdom trademarks are the same'.¹⁰⁹⁶ Lloyd LJ responded as follows:

'however sensible that reply might seem in an era of multinational companies possessing a network of registered trademarks..., it does not accord with the present, as yet perhaps under-developed system of trademark protection. [Counsel's] response may well represent the law of the future. The present reality is that each country grants trademark protection within its own territorial limits. Thus the term "use" in the definition of a trademark ... means use in the United Kingdom'.¹⁰⁹⁷

Carboni has correctly argued that there has been progress 'at least some way towards the judge's prediction' because the law of the future has only arrived within the EU, not within the entire international (global) community in which there would be one law for the UK and Brazil.

There are, therefore, from the point of view of legal regulation of commerce, national and regional markets like the EU, not one global market. Partition into units that coincide with the different jurisdictions, for purposes of legal regulation, therefore far from being artificial constitutes the norm. Partition being the norm, means there cannot be a presumption of impropriety in the trade mark proprietor's insistence on exercising his rights in accordance with the partition.

¹⁰⁹⁵ At 533, line 21.

¹⁰⁹⁶ At 533, lines 16 -17.

¹⁰⁹⁷ At 533, lines 17-24, my emphases. See also the further remarks of Lloyd LJ quoted above at para 9.1.1, *supra*.

[11]

PARALLEL IMPORTATION IN S A LAW

The issue of parallel importation as a trade mark problem in SA law will be analyzed on the basis of the case law on the question. The court decisions have generally provided the impetus for the discussion and analysis of the issue. The discussion is conducted under the following subheadings:

- 11.1 The SA parallel importation cases
- 11.2 The *Dan River* case
- 11.3 The *TDK* case
- 11.4 The *Pentax* case
- 11.5 The *Sony* case
- 11.6 The *Impregum* case
- 11.7 Section 34(2)(d) of the TMA
- 11.8 Conclusions



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11.1 THE SA PARALLEL IMPORTATION CASES

The reported cases discussed in this part of the chapter are *Shalom Investments (Pty) Ltd & Ors v Dan River Mills Incorporated* (the *Dan River* case),¹¹⁰⁷ *Frank & Hirsch (Pty) Ltd v Roopanand Brothers* (the *TDK* case),¹¹⁰⁸ *Protective Mining & Industrial Equipment Systems (Pty) Ltd (formerly Hampo Systems (Pty) Ltd) v Audiolens (Cape) (Pty) Ltd* (the *Pentax* case),¹¹⁰⁹ *Television Radio Centre (Pty) Ltd v Sony Kabushiki Kaisha* (the *Sony* case)¹¹¹⁰ and *Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd* (the *Impregum* case).¹¹¹¹

A general feature of the SA cases that deal with parallel importation, as a trade mark problem, was that the same person was both the export and import trade mark proprietor. In my submission, only three cases – the *Dan River*, *TDK* and *Pentax* cases – actually deal

¹¹⁰⁷ 1971 (1) SA 689 (AD).

¹¹⁰⁸ 1987 (3) SA 165 (D). This case was decided on 21 March 1986 and for that reason is dealt with ahead of the next two cases that were reported before it.

¹¹⁰⁹ 1987 (2) SA 961 (AD).

¹¹¹⁰ 1987 (2) SA 994 (AD).

¹¹¹¹ 1991 (1) SA 412 (AD).

fabric in the USA, manufactured dresses from it and sewed DAN RIVER labels into them. The WLD had found that the appellants' actions constituted an infringement of the DAN RIVER trade mark.¹¹¹⁹

The appellants had argued that

'irrespective of whether or not the proprietor of a trade mark consents, no infringement occurs if someone other than the registered proprietor of the mark uses it, upon goods which originate from the proprietor in order to indicate such origin'.¹¹²⁰

The appellants submitted that the proposition just quoted was settled law in England under the English Trade Marks Act of 1905, relying on the authority of *Champagne Heidsieck et Cie Societe Anonyme v Buxton* (the *Champagne Heidsieck* case).¹¹²¹ The Judge questioned whether this single decision of a single judge of the Chancery Division could be regarded as having settled the law, but did not decide the question, and distinguished that case instead.¹¹²²

The Court found that the appellants had used the trade mark DAN RIVER upon, in relation to and in connection with the *dresses themselves*, as opposed to the material from which those garments were manufactured.¹¹²³ The Court then had to decide whether or not the use of the trade mark was unauthorized.¹¹²⁴ The appellants argued that their actions were not unauthorized because they had obtained the fabrics free from any restriction on re-sale.¹¹²⁵

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stocks (at 698E-F). Union had incorporated the first appellant and transferred the only two shares to Kagan. The Court *a quo* is quoted as saying that Shalom had been incorporated 'for the purpose of carrying on the doubtful activity of manufacturing the dresses and using the plaintiffs labels on such dresses' (at 699C-D).

¹¹¹⁹ At 696F and at 699F. The relevant statutory provision was s 44(1)(b) of the 1963 Act.

¹¹²⁰ At 699H-700A. In the course of its judgment the Court refers to the submission by counsel for the appellants that 'a trade mark is primarily a badge of origin' on the authority of *Aristoc v Rysta*, at 48A (see para 4.1, *supra* and part [8], *supra*).

¹¹²¹ [1930] 1 Ch 330. See the *Dan River* case, at 700A.

¹¹²² At 700H-701B. There were three aspects to the distinction of the *Champagne Heidsieck* case:

- (a) the Brut champagne was exactly as Heidsieck had bottled it whereas the DAN RIVER trade mark had been used in respect of garments not material (at 701A);
- (b) the provisions of the 1938 English Act were wider than those of the 1905 English Act on which the *Champagne Heidsieck* decision had been based (*ibid*); and
- (c) the provisions of the 1963 Act differed markedly from the previous legislation in that it contained more comprehensive provisions regarding infringement (*ibid*).

In the *Pentax* case the Court confirmed the correctness of the proposition quoted at note 1120, *supra* (see the *Pentax* case, at 984 marginal letter 'I' to 985D).

¹¹²³ At 705A. The Judge rejected their argument that they had used the labels to indicate that the dresses were made from DAN RIVER material (at 699G).

¹¹²⁴ At 705A.

¹¹²⁵ At 705F-H. The USA anti-trust laws prevented Dan River imposing restrictions.

The following are some of the implications of the passage quoted above.¹¹³³

- (a) The same juristic person, Dan River, was the trade mark proprietor in SA and the USA.¹¹³⁴ In the USA, Dan River had to be regarded as having granted consent since it was not in a position to deny consent to use its trade mark once it had placed the trademarked goods on the market in the USA.¹¹³⁵ The fact that there was consent to use the trade mark in the USA was not decisive of the issue whether the importers, the appellants, had consent to use the respondent's trade mark in SA.¹¹³⁶ One of the implications of the position in the USA not being decisive of the issue in SA is that the consent given in the USA did not necessarily constitute consent to use the identical trade mark in other jurisdictions.
- (b) It is significant that the Court classified transactions that took place in the USA as 'domestic sales.'¹¹³⁷ This characterisation is important because a common feature of parallel importation cases is that the importer seeks to use dealings with trademarked goods, ie use of a trade mark, in one jurisdiction as a basis for determining the legality of dealings in another jurisdiction.¹¹³⁸ If dealings in each jurisdiction are a matter of domestic law, and I submit they are, there is hardly a basis for drawing inferences from those dealings beyond the borders of the relevant jurisdiction.¹¹³⁹ The trade mark law of each jurisdiction, in terms of which trade marks are created and rights conferred in respect of those trade marks, is a matter of domestic concern.¹¹⁴⁰

¹¹³² The fact that the Court was concentrating on the activities in SA is emphasised by it using the word 'Republic' five times in the passage.

¹¹³³ At note 1130.

¹¹³⁴ There is no direct statement to the effect that Dan River was the proprietor in the USA, but that is the clear implication of the facts recited at 697A-G.

¹¹³⁵ The effect of the anti-trust laws of the USA was to deprive Dan River of the power to refuse consent, which it is assumed the proprietor would but for the anti-trust legislation have had.

¹¹³⁶ This is evidenced by the Court's refusal to infer implied authority: at 706D.

¹¹³⁷ At 706C.

¹¹³⁸ See chapter 6, *supra*.

¹¹³⁹ Notwithstanding the Court's disavowal of any wider implications for its decision, the decision is authority for the following proposition: dealings with a set of trademarked goods in one jurisdiction is a matter for the domestic law of that jurisdiction, and such domestic dealings do not necessarily have implications for dealings with the same goods in another jurisdiction.

¹¹⁴⁰ In chapter 6, *supra*, it is argued that even the obligations a jurisdiction (State) assumes under international trade mark instruments, is a matter of domestic law, as the obligations have to be transposed into national (domestic) law: see chapter 6 para 2.3, *supra*.

in the USA was distinct from the use in SA.¹¹⁴⁷ The question of the lawfulness of the sales policy in SA, which was not raised, would have been a matter of competition law.¹¹⁴⁸ In my submission the Court's decision clearly indicates that **as a matter of trade mark law**, the Court had no difficulty with a restrictive sales policy.¹¹⁴⁹

11.3 The TDK Case

The plaintiff, Frank & Hirsch (F & H), was the exclusive distributor in SA, *inter alia*, of blank audio cassette tapes manufactured by Tokyo Denki Kogyo Kabushiki Kaisha trading as TDK Electronics Co Ltd (TDK Electronics), the proprietor of the registered trade mark TDK in SA.¹¹⁵⁰ F & H became aware that Roopanand Bros were selling TDK tapes manufactured and sold by TDK Electronics but not distributed by it.¹¹⁵¹ F & H instituted action against Roopanand Bros on the basis that Roopanand Bros were unlawfully competing with F & H by using the TDK trade mark and passing off the tapes it was selling as being connected in the course of trade with F & H.¹¹⁵² The Court described the dispute as one involving parallel importation,¹¹⁵³ characterizing the problem raised by parallel importation as

'whether the trade mark proprietor can, under these circumstances [where the goods were genuine goods] prevent the third party [importer] from using the trade mark in relation to those goods because it constitutes an infringement of his registered rights in the mark'.¹¹⁵⁴

The Court held that the problem had been dealt with in the **Champagne Heidsieck** case in which it had been decided that infringing use must exclude use in respect of genuine goods.¹¹⁵⁵ The Court then examined the SA statutes to determine whether the finding in the **Champagne Heidsieck** case was still in accordance with the letter

¹¹⁴⁷ The use in each country is an exercise of the trade mark right in that jurisdiction, an independent right distinct from that in every other jurisdiction: see chapter 6, *supra*.
¹¹⁴⁸ Trade mark law, based as it is on the territoriality principle (see chapter 6 para 3.4, *supra*), could hardly provide a basis for objecting to a proprietor exercising his territorially based right.
¹¹⁴⁹ This submission is also supported by the measures the EU had to take to ensure that trade mark rights in individual Contracting Parties did not become an obstacle to the free movement of goods, a competition principle: see chapter 8 para 1.1, *infra*.
 In my submission the decision in the **Impregum** case did not overrule this aspect of the **Dan River** case – the **Impregum** case did not deal with the trade mark/competition law interface as Taylor & Horne did not base their action on trade mark rights.
¹¹⁵⁰ At 166C-E.
¹¹⁵¹ At 168D.
¹¹⁵² At 169F-G.
¹¹⁵³ At 173H which it described in terms set out in para 6.1, *supra*.
¹¹⁵⁴ At 173J-174A.
¹¹⁵⁵ At 174D -175E.

The Court drew the conclusion that

'the proprietor of a trade mark, by selling goods under that mark without restriction and in contemplation of their being resold, thereby unconditionally consents to their being resold in that form under *the mark*'.¹¹⁶⁷

It is of particular significance that the Court found:

'The consent flows directly from the implications of the conduct of the registered proprietor and is available to remote parties even when (as in the present case) they are being sued by the registered proprietor'.¹¹⁶⁸

The emphasis on the absence of restrictions on resale is of particular significance in the light of the ECJ decision in the *Levi's* case.¹¹⁶⁹

The decision in the *TDK* case was clearly an application of the classical genuine goods approach, and thus subject to the criticisms pertinent to that approach.¹¹⁷⁰



¹¹⁶⁷

At 185B. My emphasis to indicate that it appears that the Court dealt with the situation as if there was one trade mark worldwide. The Judge found that the standard test for implied contract terms would bear out his conclusion (at 185B-C), that business efficacy demanded that there be consent, as no reasonable trader would purchase goods with the threat of arbitrary unilateral prohibition of the right to use the trade mark hanging over the transaction (at 185C-D), and that the consent was irrevocable and extended to all successive sales (at 185D).

¹¹⁶⁸

At 185E.

¹¹⁶⁹

See chapter 8 para 4.3, *infra*.

¹¹⁷⁰

See para 8.4, *supra*.

In the *Champagne Heidsieck* case it was argued that title to a trade mark acquired by registration was not the same as had been obtainable at common law by proof of public use and distinctiveness, but had invested the proprietor with the power to

'object to any person selling or dealing with goods *produced* by the owner of the trade mark with the trade mark affixed, except on such terms and subject to such conditions as to resale, price, area of market, and so forth, as the owner might choose to impose'.¹¹⁸¹

The Court in the *Champagne Heidsieck* case had rejected the contention on the basis that this was an unwarranted extension of the proprietor's right, saying: 'The section appears to me to mean that the proprietor of a registered trade mark is to have the right to exclusive use of such trade mark in the sense of preventing others from selling wares which are not his marked with his trade mark.'¹¹⁸² The Court in the *Pentax* case found that despite the 1938 English Act,¹¹⁸³ having wrought a major change in the legal rights of trade mark proprietors, the English Court in the *Revlon* case still considered the *Champagne Heidsieck* case to be good law.¹¹⁸⁴

The Court in the *Pentax* case then examined SA's pre-Union legislation.¹¹⁸⁵ It summarized the position as being, that at common law a trade mark was an indication of the origin of the goods in the trade mark proprietor and that infringement occurred when the trade mark was used in relation to goods which were *not the proprietor's goods*.¹¹⁸⁶ The Court held that nothing suggested that the proprietor was able to 'control the sale or distribution of his goods which he had marked with his trade mark'.¹¹⁸⁷ The Court removed the doubts regarding the authoritativeness of the *Champagne Heidsieck* case in England,¹¹⁸⁸ and held that that case also correctly reflected the law in all SA's provinces prior to the promulgation of the 1916 Act.¹¹⁸⁹ The Court held that the 1947 Amendment Act¹¹⁹⁰ did not change the fact that consent was a good defence to an infringement action.¹¹⁹¹

¹¹⁸¹ The *Champagne Heidsieck* case, at 338; the *Pentax* case, at 980G.

¹¹⁸² The *Champagne Heidsieck* case, at 338-339; the *Pentax* case, at 980 marginal letter 'l' - 981A.

¹¹⁸³ The relevant provision had remedied the defect revealed by the *Yeast Vite* case: see para 5.2.3, *supra*.

¹¹⁸⁴ See para 9.1, *supra*. The Court referred to pages 108 and 113 - 114 of the *Revlon* case.

¹¹⁸⁵ At 982C - 984F.

¹¹⁸⁶ At 984F-G. My emphasis

¹¹⁸⁷ At 984G.

¹¹⁸⁸ At 984 marginal letter 'l' - 985D.

¹¹⁸⁹ Act 9 of 1916.

¹¹⁹⁰ The Patents, Designs and Trade Marks Amendment Act 19 of 1947 which introduced registered users and the term 'permitted use'.

¹¹⁹¹ At 986B-C.

The Court summed up the position¹¹⁹⁹ and eventually held:

'Applying these principles I have no doubt that, in view of the historical background, the intention of the legislature was that the expression "use as a trade mark" in s 44(1)(a) of the Act should be interpreted to exclude use in respect of so called genuine goods. This means that in a case like the present, the seller of goods is not infringing the *manufacturer's* trade mark for the simple reason that the seller's conduct is not covered by s 44(1)(a). The lawfulness of the seller's conduct consequently *does not depend on any implied authority by the trade mark proprietor as was argued on behalf of the appellant*'.¹²⁰⁰

The Court subjected its decision to two important riders:

- (a) The goods must be in 'exactly the same condition' as they were when they were trademarked and placed on the market;¹²⁰¹ and
- (b) The decision did not cover a situation in which a licensee applied the trade mark.¹²⁰²

The latter rider is highly significant as the only difference between the proprietor and the licensee acting would be the possible limitation on the licensee's authority, clear recognition of the significance of authority.

In my submission, the essential question the *Pentax* case did not answer is: when are the goods the trade mark proprietor's goods? In accordance with the submissions made above the goods are the proprietor's goods when *he has placed, or authorized the placement of the goods bearing his trade mark, on the market*.¹²⁰³

The principal criticisms of the *Pentax* case, which flow from my criticisms of the *Champagne Heidsieck* case, are that:

- (a) There were two trade marks involved, not one;
- (b) The origin relationship between the *persona* of SA proprietor and the goods commenced with the placement of the trademarked goods on the market;¹²⁰⁴

¹¹⁹⁹ At 991D-F. In essence the Court held that even though the ordinary meaning of the expression 'use as trade mark' was wide enough to cover the sale of genuine goods marked with the proprietor's trade mark, the expression's well established meaning (common law and statutory) connoted use other than in respect of genuine goods.

¹²⁰⁰ At 992A-C. My emphasis. This aspect of the case stands in direct contrast to the finding in the *Dan River* case, at 706A and the *TDK* case.

¹²⁰¹ At 993E.

¹²⁰² At 993F-G.

¹²⁰³ See part [4], *supra*.

¹²⁰⁴ See para 4.5, *supra*.

was affixed by the proprietor. It then becomes a matter of degree whether there has been a change in the goods sufficiently appreciable to render them no longer the 'genuine goods', ie the goods which the trade mark proprietor has marked'.¹²¹²

A central aspect of the Court's interpretation of genuine goods was:

If another person [someone other than the trade mark proprietor] alters the goods, they are, to the extent to which they have been altered, no longer the goods to which the trade mark was affixed by the proprietor. It then, it seems to me, becomes a matter of degree whether there has been a change in the goods sufficiently appreciable to render them no longer the "genuine goods", ie the goods which the trade mark proprietor had marked'.¹²¹³

In my submission, where the goods bearing the replica trade mark are not imported with the SA proprietor's consent the goods are not genuine goods.¹²¹⁴ If lack of consent to the goods being placed on the market *in an altered state* results in the use of the trade mark in relation to them being infringing use, the lack of the consent from the *persona* of proprietor in the jurisdiction to their being on the market *at all*, should result in the use of the trade mark being infringing use.

The decision in the **Sony** case demands that the goods be on the market exactly as they were placed on the market by or with the consent of the proprietor. This implies that only the same goods placed on the market by or with the proprietor's consent may be marketed in the jurisdiction; this implication is consonant with the decision in the **Sebago** case in which the ECJ held that there must be consent to the placement of each individual item of goods on the market in the EU,¹²¹⁵ the relevant jurisdiction.

There is little recognition in the genuine goods approach that the will of the *persona* of the import proprietor is critical to the lawful use of his trade mark: unless the trade mark proprietor decides to place trademarked goods on the market, there is nothing to indicate his willingness to have the goods on the market *under his aegis*.¹²¹⁶ In my submission, nothing much distinguishes placement of goods on the market without the consent of the *persona* of the proprietor in the jurisdiction, from affixation of a trade mark to goods without the consent

¹²¹² At 1012B-D. Emphasis has been added to stress that there are important differences between infringement and passing off (see chapter 5 para 3.3, *supra*).

¹²¹³ At 1012C-D.

¹²¹⁴ See para 8.4.3, *supra*.

¹²¹⁵ See chapter 8 para 3.3.1, *infra*.

¹²¹⁶ See para 4.5.3, *supra*.

had previously authorized alterations of this nature,¹²²¹ but the difference between those situations and the one before the Court was that Sony had authorized the placement of the altered goods on the market.

11.6 The *Impregum* Case

Taylor & Horne (T & H) was the exclusive SA distributor of dental products produced by a German corporation, 'ESPE'; two of the products were sold under the name IMPREGUM.¹²²² T & H discovered that Dentall was importing IMPREGUM into SA,¹²²³ and sought an interdict restraining Dentall from doing so while it (T&H) was the exclusive distributor in SA.¹²²⁴ The gravamen of the complaint T & H made was that Dentall's actions constituted unfair competition with it.¹²²⁵ The Court described the complaint as being that Dentall was *capitalizing on the market for the product that T & H had built up* with its money and labour.

The Court dismissed the appeal holding that

'As far as I am aware, it has never been suggested that the exploitation of a market established by a competitor for a particular product, or *type of product*, is in itself a form of unlawful competition. On the contrary, it appears to be generally accepted that, in the absence of statutory protection, the published idea or concept of a trader on which his product is based, may be freely taken over by a competitor even if the trader has already through his efforts built up a demand for his product'.¹²²⁶

This decision, being based squarely on the principles of competition law, provides no authority for the view that it has been decided that in SA law, free competition ranks higher on the scale of legally protected values than trade mark principles: there was no discussion of trade mark law in the decision.¹²²⁷ The decision did not deal with parallel importation as a matter of trade mark infringement, even though it involved the importation of trademarked goods.

The TMA contains a provision which on the face of it renders parallel importation lawful, s 34(2)(d), is now examined.

¹²²¹ At 1010B.

¹²²² 418E-G.

¹²²³ At 418 marginal letter 'I' - 419A.

¹²²⁴ At 419B-C.

¹²²⁵ At 420E-F.

¹²²⁶ At 422B-C, my emphasis.

¹²²⁷ The trade mark simply happened to be the identifying feature of the product.

In the *Pentax* case, the concentration on the affixation of the trade mark by or with the consent of the proprietor in SA, conflated two issues:

- (i) the status of the goods, as genuine or not, determined by the affixation of the trade mark to the goods in Japan, is the status of the goods in Japan – if the act of trade mark use undertaken in Japan, viz, the affixation of the trade mark, is to determine whether or not the goods are genuine in SA then conflict of laws should have been invoked,¹²³⁴ and
- (ii) the fact that the same person is the trade mark proprietor in SA which allows a pretence that the status of the goods as genuine is determined by SA law alone, notwithstanding that the trade mark proprietor has not consented to the importation of the goods in the exercise of its SA rights.¹²³⁵

The concept of 'genuine' allows the correctness and lawfulness of the origin of the goods in the person who is the export trade mark proprietor to be presented as indicating that the goods correctly and lawfully have their origin in the import proprietor.

Webster & Page argue that s 34(2)(d) just clears up a question left open by the Appellate Division in the *Pentax* case, where the Court said

'I do not express any view on the question whether there is infringement when the goods in question "are those of a foreign licensee or registered user"'.¹²³⁶

The question the Judge left open is: are goods produced and trade marked by a foreign licensee or registered user genuine goods. Webster & Page conclude that s 34(2)(d) establishes that the position set out in the *Pentax* case with regards to goods marked by the proprietor also prevails where the goods are marked by a foreign licensee or registered user.¹²³⁷

¹²³⁴ See chapter 6 part [5], *supra*.

¹²³⁵ See the discussion of the *persona* of proprietor in para 4.3.1, *supra*.

¹²³⁶ 993G-H.

¹²³⁷ At 993F-G.

Another factor that engenders a likelihood that the approach adopted by Webster & Page, that the section confirms the genuine goods approach,¹²⁴⁴ being preferred over Gardiner's interpretation of this exclusion, as providing for the exhaustion of trade mark rights,¹²⁴⁵ is the principle of statutory interpretation which presumes the legislature does not intend altering the common law or the previous legal position.¹²⁴⁶ The position under the 1963 Act as set out in the *Pentax* case, involved application of the genuine goods approach.¹²⁴⁷

In my submission, s 34(2)(d) does not settle the parallel importation question completely. Its principal shortcoming is that it is based on *affixation* of the trade mark,¹²⁴⁸ whereas the alleged infringement by parallel importation arises from the *placement* of the goods *on the market* in the import jurisdiction.¹²⁴⁹

A problem, which the section leaves unresolved, even if it provides for international exhaustion is that international exhaustion erroneously utilizes ownership of the trade mark in the *export* jurisdiction as a basis for making findings in regard to trade mark rights that the *import* trade mark proprietor on the basis of the exercise of a right he holds and has exercised in another jurisdiction, as if they were held in the import jurisdiction.¹²⁵⁰

The trade mark right in the import jurisdiction cannot be exhausted by the exercise of a similar right that exists in the export jurisdiction because the import right only exists and may therefore only be exercised, in the import jurisdiction.¹²⁵¹

¹²⁴⁴ Webster & Page, 4ed, *op cit*, para 12.12 and 12.41.

¹²⁴⁵ *Op cit*, at 264.

¹²⁴⁶ LM Du Plessis, *Interpretation of Statutes*, Juta & Co, Cape Town, (1986), at 69; GE Devenish, *Interpretation of Statutes*, Juta & Co, Cape Town, (1992), at 159; J De Ville, *Constitutional & Statutory Interpretation*, Interdoc Publications, Goodwood, (2000), at 170.

¹²⁴⁷ See para 11.4, *supra*.

¹²⁴⁸ The section uses the word 'applied'.

¹²⁴⁹ The courts and legislature do not draw a distinction between affixation and placement (see para 2.5.2.2, *supra*): once the trade mark is affixed the goods are genuine.

¹²⁵⁰ In this regard see chapter 6, *supra*, in which I argue that it is only the SA trade mark rights that exist in SA and that the rights in other jurisdictions cannot be exercised in SA. There is nothing to indicate that the trade mark proprietor intends to allow the exercise of any other rights but the rights that exist in the jurisdiction in which the consent to exercise the rights is being given: see paras 2.5.2.3 and 4.5.3.2, *supra*.

¹²⁵¹ See Verma, *loc cit*.

- (ii) The international exhaustion approach could also apply since the trademarked goods were placed on the market in the export jurisdiction by or with the consent of the person that is the import proprietor.¹²⁵⁷

The enterprise approach is not competent: one *person* cannot constitute an enterprise.¹²⁵⁸

The possibility that two of the approaches can be applied to this fact group suggests that the nature of the fact complex is hardly a factor of great significance in determining which approach is used.¹²⁵⁹

12.1.2 Group B Situations

In Beier's second group (group B situations), different persons are the import and export proprietors, but they have an economic or legal relationship with each other.¹²⁶⁰

Two possible approaches can also be used in this situation:

- (i) The enterprise approach – this group conforms to the textbook situation in which that approach would apply.¹²⁶¹
- (ii) The international exhaustion approach, as extended by its absorption of the enterprise approach.¹²⁶²

The genuine goods approach is excluded: different persons are the export and import proprietors.¹²⁶³

12.1.3 Conclusions: the relationship between the categories and the approaches

The following conclusions can be drawn in regard to the relationship:

- (i) The categories do not lead inexorably to the application of any particular approach;¹²⁶⁴ because
- (ii) In group A situations at least two of the three approaches can be applied,¹²⁶⁵

¹²⁵⁷

See para 10.1, *supra*.

¹²⁵⁸

It might however be possible to have argued that all the *personae* constitute an enterprise.

¹²⁵⁹

This proposition must however be tested against the other category.

¹²⁶⁰

See para 6.4, *supra*.

¹²⁶¹

See para 9.2, *supra*.

¹²⁶²

See para 10.1.3, *supra*.

¹²⁶³

The genuine goods approach has been discussed in part [8], *supra*.

¹²⁶⁴

See paras 12.2 and 12.3, *supra*.

12.2.1 RE-INTRODUCTION OF UNIVERSALITY

The result of applying the approaches discussed is that the effects of the universality principle are resurrected while in theory the territoriality principle is applied: there is formal allegiance to the territoriality principle whereas the universality principle is applied in substance.¹²⁷² This may be explained as follows.

In terms of the genuine goods approach the goods are considered genuine in the import jurisdiction because they are genuine in the export jurisdiction, as if in both the export and import jurisdictions there is a relationship with the *same trade mark*.¹²⁷³ The enterprise approach is to similar effect because the existence of separate rights is not recognised – the court holds that there is a group trade mark which is used by all members of the group.¹²⁷⁴ The approach was clearly rejected in the *Colgate* case in which the Court held that the UK trade mark was not affixed to the goods in Brazil – the Brazilian trade mark was.¹²⁷⁵ The exhaustion approach, in terms of which there is an exhaustion of the import right even before it is exercised, operates as if there was one trade mark which was used and therefore one trade mark right.¹²⁷⁶

The defects in the approaches were revealed by the examination of the creation and infringement of registered trade mark rights.¹²⁷⁷ The aim of the examination was to determine whether a more satisfactory and universally applicable basis could be found for determining whether parallel importation constitutes trade mark infringement. Any approach aimed at universal application would have to work both within parallel importation situations and in regard to infringement outside of the parallel importation context.

Universality leads to a failure to recognize that the trade marks in the different jurisdictions are separate items of IP and give rise to separate rights. This contributes in not insignificant measure to origin being misconstrued. The misconstruction of origin is summarized next.

¹²⁷² See paras 8.3.2, 9.3.2 and 10.3.2, *supra*.

¹²⁷³ See para 8.2, *supra*.

¹²⁷⁴ See para 9.2, *supra*.

¹²⁷⁵ See para 9.5, *supra*.

¹²⁷⁶ See para 10.3.4, *supra*.

¹²⁷⁷ The major portion of this analysis is conducted in chapter 4, *supra*.

CHAPTER EIGHT

**THE STRICT TERRITORIALITY PRINCIPLE IN
THEORY AND PRACTICE**

This chapter consists of the following parts:

- 1 Introduction
- 2 ***Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgesellschaft mbH*** (the *Silhouette* case)
- 3 ***Sebago Incorporated and Ancienne Maison Dubois et Fils SA v G-B Unic SA*** (the *Sebago* case)
- 4 ***Zino Davidoff SA v A & G Imports Ltd; Levi Strauss & Co and Levi Strauss (UK) Ltd v Tesco Stores Ltd & Tesco plc; Levi Strauss & Co and Levi Strauss (UK) Ltd v Costco Wholesale UK Ltd formerly Costco UK Ltd*** (the *Levi's* case)
- 5 ***Van Doren + Q GmbH v Lifestyle Sports + Sportswear Handelsgesellschaft mbH*** (the *Stüssy* case)
- 6 Tenets of the strict territoriality principle
- 7 Conclusions

The following consequence flows from those principles: Each registered trade mark right can only be exercised in the jurisdiction in which the trade mark in which it subsists, is registered.⁵ The restriction of the right to the jurisdiction in which the trade mark is created has two significant implications:

- (a) The rights in identical trade marks, the items of IP, flowing from registrations in different jurisdictions, cannot simultaneously be recognized and enforced in one jurisdiction;⁶ and
- (b) Rights in identical registered trade marks cannot be transferred from one jurisdiction to another: they must be created afresh in each jurisdiction.⁷

The trade mark right in each jurisdiction therefore exists only in the jurisdiction in which the trade mark in which it subsists is registered, ie the trade mark with which the right is concomitant.

This chapter examines, what in my submission is, the re-emergence, and strict application, of the territoriality principle through a number of ECJ decisions,⁸ primarily

- (1) The *Silhouette* case,⁹
- (2) The *Sebago* case,¹⁰ and
- (3) The combined ruling¹¹ in the following three cases
 - (a) The *Davidoff* case¹²
 - (b) The *Tesco* case;¹³ and
 - (c) The *Costco* case;¹⁴ as well as
- (4) The *Stüssy* case.¹⁵

⁵ See chapter 6 part [6], *supra*.

⁶ See chapter 6 para 5.4.1, *supra*.

⁷ *Ibid*.

⁸ C Rosner, 'Trade Mark Exhaustion. Van Doren + Q: The Very Last Step?' [2002] *EIPR* 604, examines the same quartet of ECJ decisions examined in this chapter, confirming their central role.

⁹ Case C-355/96.

¹⁰ Case C-173/98.

¹¹ The combined ruling is hereafter referred to as the *Levi's* case.

¹² Case C-414/99.

¹³ Case C-415/99.

¹⁴ Case C-416/99.

¹⁵ Case C-244/00.

EU Harmonization Directive would have to be incorporated into the international instruments affecting trade marks,²⁰ because the effect of doing away with the trade mark barriers internationally would be similar to overcoming those which had to be surmounted in creating the single EU market.

The cases discussed, when viewed in a broader context, demonstrate how the EU has restored the territoriality principle to its rightful place as a compulsory aspect of the law regarding registered trade marks. The contribution each case renders to this development emerges from the analysis of the case and their overall combined effect is summarized.

The ECJ decisions are analyzed in a detail in an effort to fairly present the context within which they were made. Some critical aspects of this context are the interrelationship between the competition law principles, which are part of the measures to create a single market out of the various Contracting Parties,²¹ and the trade mark principles that the EU Harmonization Directive obliges each Contracting Party to adopt in its national trade mark law. The argument presented in this chapter that the ECJ reasoning supports the application of the strict territoriality principle, is made notwithstanding the interrelationship just referred to: the argument is based on the fact that the ECJ has distinguished the national existence of trade mark rights from the exercise of the rights, the exercise being subject to Community law, which applies Community wide. It is clear that but for Community Law governing the exercise of trade mark rights, both the exercise and existence of such rights would be governed by national law. The Community wide *exercise* of trade mark rights means the EU operates as if it is a single jurisdiction for trade mark purposes. It is this operation as a single jurisdiction which, in my submission, justifies SA, which is a single jurisdiction, adopting similar principles and a similar practice to that adopted in the EU. The principles enunciated by the ECJ on the basis of EU legislation are necessary for maintaining the integrity of the single market cum single jurisdiction.

The EU legislative measures to counteract the operation of the territoriality principle among the Member States are examined briefly, as background to analysis of the cases.

²⁰ Such as the Paris Convention, the Madrid Agreement and the Madrid Protocol or the TRIPS Agreement: see chapter 6 part [4], *supra*.

²¹ This presupposes that a number of markets existed beforehand, at least from the trade mark perspective.

The exemption of IP from the provisions is, however, not unqualified because the second sentence of Art 30 provides that

'Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States'.²³

The effect, not the aim, of a prohibition or restrictive measure determines whether or not Art 28 applies, and a prohibition or measure is struck down if it meets two criteria:

- (1) it amounts to a total or partial restraint on imports, exports or goods in transit;²⁴
- (2) it constitutes a means of arbitrary discrimination or disguised restriction of trade.²⁵

Art 28 in effect creates a divide between those circumstances in which IP rights are exercised lawfully and those in which their exercise constitutes an abuse. The criterion for distinguishing between the two is what the ECJ has called the 'specific subject-matter' or 'specific object' of the IP right: legitimate use is limited to achieving the purpose circumscribed by the specific subject-matter or specific object.²⁶

Most IP rights are granted by national legislation therefore an explanation for the community wide exercise of the rights had to be provided. The ECJ has drawn a

²³ See SD Anderman, *EC Competition Law and Intellectual Property Rights*, (1998), Oxford University Press, Oxford; G Tritton, 'Articles 30 to 36 and Intellectual Property: Is the Jurisprudence of the ECJ Now of Ideal Standard', [1994] *EIPR* 422, at 423; TC Vinje, 'Magill: Its Impact on the Information Technology Industry', [1992] *EIPR* 397, indicates that the ECJ has sought to balance the 'obvious tensions' and 'inherent conflicts' between national IP rights and the competition provisions of the EC Treaty, by distinguishing between the existence and 'exercise' of IP rights (at 398). Vinje quotes what he regards as a summary of the ECJ's approach from *Hoffman-La Roche v Centrafarm*, Case C-102/77 to the effect that

'Whilst the Treaty *does not affect the existence* of rights recognized by the laws of a Member State in the matters of industrial and commercial property, yet *the exercise of those rights* may nevertheless, depending on the circumstances, be restricted by the prohibitions contained in the Treaty' (at 398 (my emphasis) where he mentions Articles 30, 85 and 86).

²⁴ This is what constitutes a quantitative restriction in terms of *Geddo v Ente Nazionale Risi*, Case C-2/73. The case concerned whether a levy imposed on the purchaser of rice of domestic origin in order to fund the activities of the National Rice authority constituted a prohibited quantitative restriction. The Court said 'The prohibition on quantitative restrictions covers measures which amount to a total or partial restraint of, according to the circumstances, imports, exports or goods in transit' (at para 7).

²⁵ Torremans lauds the Treaty system as being logical – it aims at creating a single market based on free competition which accepts that IP rights are a justified restriction on competition at one level but an enhancement of competition on another level (*op cit*, at 106, where he refers to his earlier consideration of the matter at 13 – 14 of his work).

²⁶ Torremans, *op cit*, at 107.

Torremans indicates that one of the earliest decisions that applied these principles³⁴ to trade marks³⁵ was *Centrafarm v Winthrop*.³⁶ In that case Winthrop, the Dutch subsidiary of the Sterling drug company (the UK trade mark proprietor), sought to prevent the importation and resale, in The Netherlands, of NEGRAM tablets Centrafarm had purchased in the UK. The Court held that the specific subject matter of a trade mark is

'the guarantee that the owner of the trade mark has the exclusive right to use the trade mark, for the purpose of putting products protected by the trade mark into circulation for the first time, and is therefore intended to protect him against competition wishing to take advantage of the status and reputation of the trade mark by selling products illegally bearing that mark'.³⁷

He argues that whether the trade mark proprietor places goods on the market himself or allows a third party to do so with his consent, the trade mark rights are still exhausted, interpreting the Court's ruling as meaning that

'Winthrop could thus not be allowed to exercise its Dutch trade mark rights to block the importation and resale operation Centrafarm was setting up for Negram as the marketing in the UK had been done by the Sterling Group, meeting the consent requirement, and had exhausted all rights under *parallel trade marks* in the Community'.³⁸

The Court held that a resale ban where the goods had been marketed under the (identical) trade mark in another Member State by or with the trade mark proprietor's consent 'is incompatible with the rules of the EEC Treaty concerning the free movement of goods within the Common Market'. Torremans points out that '***The consent for the marketing within the [European] Union is the crucial element***'.³⁹ The free movement of goods principle of the Treaty contributes significantly to making the Community (Union) a *legally relevant territorial unit for trade mark purposes* – this is why once a proprietor has granted consent it runs throughout the territory constituted by the Contracting Parties. In the absence of the EC Treaty's free movement of goods provisions the Community would not have constituted a legally relevant unit for the purposes of the *exercise of trade mark rights*.

³⁴ He had discussed the principles in relation patents.

³⁵ *Op cit*, at 429. See Cornish & Llewelyn, *op cit*, at 736ff.

³⁶ Case C-16/74.

³⁷ At para 8, my emphasis.

³⁸ *Op cit*, at 430. Torremans indicates that the rights the trade mark proprietor holds 'are rights under *parallel trade marks* in the Community' (at 430 my emphasis to draw attention to the plural).

³⁹ *Ibid* (my emphasis).

Art 7 deals with 'Exhaustion of the rights conferred by a trade mark'. Art 7(1) reads:

'The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under *that* trade mark by the proprietor or with his consent'.⁴⁵

This measure is interpreted as providing for regional (Community-wide) exhaustion.⁴⁶

Art 7(2) limits the effect of Art 7(1), providing:

'Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market'.

The EEC TM Memo recognized that harmonization could not, on its own, attain the goal of ensuring the free movement of goods in the EU and the creation of a single market, recording that

'the objectives of the European Economic Community, including that of ensuring the free movement of goods within the Community, cannot be achieved in the field of trade mark law **only by the approximation of national laws ... The reason is that the principle of territoriality in the national systems of trade mark law cannot be surmounted in this way.** Under this principle, a trade mark which is granted in one Member State can take effect only within that State; and the conditions, extent and limits of the protection afforded by the trade mark are governed *solely* by the law of that State. Even if national systems of trade mark law are assimilated through the approximation of laws, it is inescapable that in individual Member States third parties who are independent of one other can acquire protection for *identical or similar trade marks*, since it is only the national law in question that determines the registration requirements of a **national trade mark**'.⁴⁷

The inability of the harmonization mechanism to overcome the *territoriality principle* provides clear evidence of the fact that the territoriality principle **will apply** wherever there are different legally relevant territorial units: the EU CTM Regulation, because it is directly

⁴⁵ My emphasis: 'that' refers to the national trade mark. The importance of the specific national trade mark is brought out clearly by A Firth, 'Colgate-Palmolive v Markwell Finance', [1988] *EIPR* 278, in which she discusses *Colgate-Palmolive Ltd & Anor v Markwell Finance Ltd & Anor*, [1988] RPC 283 (ChD); [1989] RPC 497 (CA), says 'The marks on the Brazilian goods were not applied by the UK registered user, nor by the registered proprietor in the exercise of rights given by UK registration' (at 282; see the case discussion in chapter 7 part [9], *supra*).

⁴⁶ See the discussion of the *Silhouette* case, *infra*.

Gielen supported regional exhaustion, seeing the trade mark not just as a badge of origin but an asset in its own right, the embodiment of the goodwill generated by the characteristics of the goods to which it is affixed, characteristics which may differ from country to country (*op cit*, at 268).

⁴⁷ Para 35 (my emphases).

1.2.4 Effect of the EU Trade Mark Legislation

The EU Harmonization Directive and free movement of goods principle had already resulted in trade mark rights being *exercised* supra-nationally across the whole EU, prior to the enactment of the EU CTM Regulation.⁵² The EU-wide exercise of trade mark rights occurred despite most registrations still having been effected nationally: the treaty law overrode the national law of each Contracting Party.⁵³ So the EU-wide exercise of trade mark rights is based either on (a) the effect of the Harmonization Directive and free movement of goods principle, or (b) the EU CTM Regulation, which also provides for EU wide existence of trade marks.

The measures discussed constitute the EU a supra-national territorial unit that operates as if it were a single jurisdiction for the purposes of the exercise of the trade mark rights.⁵⁴

It must be borne in mind that the measures only operate among the EU Contracting Parties themselves, but not as between the EU, as a unit, and other jurisdictions.⁵⁵

The cases are now discussed, starting with the *Silhouette* case.

⁵² There was no provision for Community-wide registration, however.

⁵³ See para 1.2.1, *supra*.

⁵⁴ This, in my submission, was the upshot of the EU Harmonization Directive 104/89 as interpreted by the *Silhouette* case and subsequent decisions discussed in this chapter.

⁵⁵ The very existence of the EU, forged as it was to create a common market out of the Contracting Parties, undermines the reputed ideal of a single global market which is the underlying philosophy of much thinking around the question of parallel importation: *Beier, Territoriality*, at 58. There cannot be a single global market while the EU exists as one market of its own. S Casey & E Woodward, 'Fortress Europe', March 2004 *Trademark World* 32, argue:

'at the outer edge of the EEA [in relations between Member States and non-Member States], exhaustion ceases ... the [proprietor] is entitled to ... prevent the importation of goods he has previously placed in the international marketplace. Thus, the walls surrounding fortress Europe are very high. Those within, almost non-existent' (at 35);

C Gielen indicates that

'The CTM makes it possible to acquire *one exclusive right* covering the whole territory of the European Communities on the basis of one registration. It is therefore a system which runs parallel with the national trade mark systems' (*op cit* at 263, my emphasis);

K Havelock, 'The Common Market Trade Mark Regulation', [1982] *EIPR* 200 indicated that the CTM would create (and I submit has now created)

'a new unified law covering the whole territory of all Member States, ... the new law is in contrast to both the Trademark Registration Treaty and the Madrid Agreement, these laws being simply concerned with procedures for obtaining registration' (at 201).

2.2 QUESTIONS RAISED

- (1) Is Article 7(1) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of Member States relating to trade marks (OJ 1989 L 40, p. 1) to be interpreted as meaning that the trade mark entitles its proprietor to prohibit a third party from using the mark for goods which have been put on the market under that mark in a State which is not a Contracting State?
- (2) May the proprietor of the trade mark on the basis of Article 7(1) of the Trade Marks Directive alone seek an order that the third party cease using the trade mark for goods which have been put on the market under that mark in a State which is not a Contracting State?⁶¹

Hartlauer and the Swedish Government argued that a proper interpretation of the Harmonization Directive was that Contracting Parties were *obliged* to adopt Community-wide exhaustion, but were *free to adopt* a wider rule of exhaustion.⁶² The other parties argued that Art 7(1) contained a more complete harmonization of exhaustion among the Contracting Parties in terms of which the Contracting Parties were not free to maintain or introduce 'international' exhaustion.⁶³ The Court had before it for consideration the Advocate General's opinion.⁶⁴

⁶¹ At para 14. The relevant portion of Art 7(1) is contained in para 1.2.2, *supra*.

⁶² The parties to the proceedings before the ECJ were the European Commission, and the governments of Austria, Germany, France, Italy, the United Kingdom and Sweden. The question of references to the ECJ for preliminary rulings as provided for by Article 177 EC is discussed at some length by Hartley, *op cit*, at 258ff (chapter 9). See also FG Jacobs, 'When to Refer to the European Court', (1974) 90 *LQR* 486.

⁶³ At para 22.

⁶⁴ All information relating to the opinion of the Advocate General was obtained from E Gippini-Fournier, *Silhouette*. Advocate General Jacobs (Jacobs AG) saw the Court's task as deciding the extent of the harmonization effected by Art 7(1): did it preclude or leave the way open to international exhaustion.

He concluded that the EU Harmonization Directive provided an exhaustive harmonization, which would preclude international exhaustion. He based his decision on:

(1) A literal interpretation of the wording (he came to the conclusion that leaving the Contracting Parties free to adopt individual positions on the question of international exhaustion would result in 'barriers to trade in the internal market which it is precisely the object of the Directive to remove': Gippini-Fournier, *Silhouette*, at 810) and the structure of the enactment (he was of the opinion that because exhaustion was a *derogation from the proprietor's rights*, the rule should not be given a wide interpretation, such as would flow from leaving the door open to international exhaustion);

(2) The Harmonization Directive could regulate trade mark proprietor's rights *within the Community* whether the goods were *initially marketed* within or outside of the EU (the Swedish government had argued that to preclude international exhaustion was to go beyond the powers conferred by Art 95 EC (previously Article 100a) which restricted the First Council's powers to regulating intra-Community relations. The Swedish government argued that the interpretation proposed by Jacobs AG created a rule that would regulate trade relations not only between Contracting Parties but also between Contracting Parties and countries outside the EU: Gippini-Fournier, *Silhouette*, at 811);

(3) The danger of distorting the internal market that would result from some Contracting Parties practising international exhaustion, outweighed the advantages to consumers of

Hartlauer had argued that the action should be dismissed because 'Silhouette had not sold the frames subject to any prohibition of re-importation into the Community'.⁶⁸ The judgment does not deal with this point, suggesting that the Court did not regard the imposition of conditions as either (i) relevant to, or (ii) conclusive of, the issue of exhaustion.⁶⁹

On the question of where the goods had been placed on the market the Oberster Gerichtshof had held that 'the case before it concerned goods ... put on the market by the proprietor in a non-member country'.⁷⁰ This indicates that, in the Court's view, the relevant placement on the market was that in Bulgaria – whether or not they had been placed on the market in Austria, prior to their exportation to Bulgaria, was irrelevant.⁷¹ It cannot be gainsaid that the goods had been exported from Austria and were therefore being re-imported into Austria. The explanation of re-importation just proffered does not in any way imply that the goods had been placed on the market in Austria *by or with the consent* of the proprietor *when they were re-imported*.⁷² Silhouette's actions prior to exportation of the frames therefore provided no evidence that it consented to the placement of the goods on the market in the EU *when the goods were re-imported*.⁷³ The placement upon re-importation could only be an initial placement if the placement on the market in Bulgaria severed the nexus created by placement on the market in Austria, and a new nexus was being established.

⁶⁸ At para 11.

⁶⁹ This point was raised again, and disposed of, in the *Levi's* case: see *infra*.

⁷⁰ The *Silhouette* case, at para 13.

⁷¹ It has been observed above that placement on the market occurs when the proprietor or his agent, offers to or relinquishes physical control over the goods in favour of another person: see chapter 7 para 2.5.2, *supra*.

⁷² The goods were delivered in Sofia; therefore, in the absence of evidence that they had been placed in the custody of the purchaser or his agent prior to their leaving Austria and before arriving in Bulgaria, the goods were placed on the market in Bulgaria.

⁷³ The fact that placement of the goods on the market is a deliberate act must mean that it is undertaken with a specific intention. There must be an intention to authorize the placement on the market as well. This means that any placement on the market where the proprietor did not intend this to take place must constitute an infringement of the trade mark. The fact that an entity that receives goods that have been placed on the market without authority, is ignorant of that fact, will if it is submitted be treated in exactly the same manner as an entity that takes unaware of the proprietor's opposition to the placement of the goods on the market: the ignorance will be of no consequence on the reasoning of the *Levi's* case (see para 4.3.2.4). Placement of the goods on the market cannot be accidental: it involves use and must therefore be authorized.

2.4 SIGNIFICANCE OF THE DECISION

The treatment of re-importation as an initial placement on the market supports my argument that when trademarked goods are taken out of a jurisdiction, the relationship between the trade mark in the jurisdiction from which the goods are exported (and the relationship with the *persona* of the proprietor in that jurisdiction) and the goods is irrevocably severed and if the goods are returned to the jurisdiction still trademarked, an origin relationship is established afresh.⁸⁰ ***The origin relationship commences with an event, the act of placing the goods on the market, and continues to exist as long as the trademarked goods remain in the jurisdiction.*** The origin relationship constituted by a particular trade mark terminates as soon as the goods leave the jurisdiction. The relationship cannot be held in abeyance – the relationship cannot exist outside of the jurisdiction in which the trade mark exists that is used to constitute the relationship.⁸¹ Therefore if the goods are returned, a fresh relationship is established.

In the *Silhouette* case, Silhouette indicated clearly that it did not consent to the goods being on the market in the EU.⁸² The removal of the goods from Austria severed the nexus between the *persona* of Silhouette, the Austrian trade mark proprietor, and the goods. The arrival of the goods in Bulgaria would have established a relationship of origin between the goods and the *persona* of the Bulgarian trade mark proprietor (assuming that there was an identical registered trade mark in Bulgaria). The re-importation purported to establish a relationship of origin between the *persona* of Silhouette, the Austrian proprietor, and the goods.⁸³ Consent is necessary for the establishment of the relationship of origin if the goods are not placed on the market by the proprietor himself,⁸⁴ therefore the importer

⁸⁰ See chapter 7 para 4.3, *supra*.

⁸¹ This means that even if in the jurisdiction into which the goods are taken, there is no trade mark identical to the one in the jurisdiction from which the goods were removed, the relationship of origin between the goods and the *persona* of proprietor in the jurisdiction from which the goods are removed, cannot survive. See the discussion of the national character of a replica trade mark in chapter 7 para 2.5.2.3, *supra*.

⁸² The fact that the goods were sold to Union indicates that they were on the market in the EU. The goods having been on the market in the EU, the re-importation could only be regarded as an initial placement on the market if their return from Bulgaria established a fresh relationship of origin. If Silhouette had not offered the goods for sale in Austria, the return of the goods even though it would have been a re-importation, on the physical level, it would have been the *de facto* and *de iure* initial placement of the goods on the market.

⁸³ The identical physical characteristics of the trade mark would bring about this result: see para 4.5.3.1, *supra*.

⁸⁴ See chapter 7 para 4.5.3, *supra*.

[3]

**SEBAGO INCORPORATED and ANCIENNE MAISON
DUBOIS et FILS SA v G-B UNIC SA**

The *Sebago* case is discussed under the following subheadings:

- 3.1 Factual background
- 3.2 Questions raised
- 3.3 The judgment
 - 3.3.1 Consent
 - 3.3.2 Exhaustion
- 3.4 Significance of the decision

3.1 FACTUAL BACKGROUND

Sebago Inc (Sebago), a USA corporation, was the proprietor of two Benelux trade marks for DOCKSIDES and three Benelux trade marks for SEBAGO, all registered in respect of shoes.⁸⁷ Maison Dubois was the exclusive Benelux distributor of SEBAGO shoes.⁸⁸ G-B Unic, a clothing distributor, had sold a consignment of acknowledged *genuine* SEBAGO DOCKSIDES shoes in Belgium.⁸⁹

The Cour d'Appel de Bruxelles had upheld G-B Unic's contention that Sebago had granted its manufacturer in El Salvador an *implied* licence (consent) to market the goods in the EU.⁹⁰

⁸⁷ At para 5.

⁸⁸ *Ibid.*

⁸⁹ At para 7. A Belgian company had imported them from a *manufacturer* in El Salvador.

⁹⁰ At para 11, where the Cour d'Appel is reported to have decided that

'the mere fact that the manufacturer in El Salvador had exported the goods in question to the Community could not be regarded as proof that Sebago had consented to their being marketed there'.

Unfortunately the ECJ did not deal fully with the issue of an implied licence: the decision of the Cour d'Appel indicates that a mandate to affix a trade mark to goods does not automatically mean an implied licence to place the goods on the market in *any jurisdiction*.

The Court found that in essence it had to answer two questions in regard to consent:

'whether there is consent within the meaning of Article 7(1) of the Directive where the trade mark proprietor has consented to the marketing in the EEA of goods which are identical or similar to those in respect of which exhaustion is claimed or if, on the other hand, consent must relate to each individual item of the product in respect of which exhaustion is claimed'.⁹⁵

The Court came to the conclusion that:

'the rights conferred by the trade mark are exhausted only in respect of the *individual items* of the product which have been put on the market with the proprietor's consent'⁹⁶

and that

'for there to be consent within the meaning of Article 7(1) of that Directive, such consent must relate to each individual item of the product in respect of which exhaustion is pleaded'.⁹⁷

Two earlier ECJ decisions were pivotal to the Court's decision with regard to consent: ***Parfums Christian Dior SA v Evora BV*** (the *Christian Dior* case)⁹⁸ and ***Bayerische Motorenwerke AG (BMW) v Deenik*** (the *BMW* case).⁹⁹

⁹⁵ At para 18.

⁹⁶ At para 19.

⁹⁷ At para 22.

⁹⁸ Case C-337/95.

Christian Dior SA (Dior), a French cosmetic seller, marketed its luxury goods through appointed exclusive representatives, one of which was Christian Dior BV in the Netherlands. Dior's exclusive representatives in turn marketed through selected retailers, who were contractually obliged to market only to consumers or other selected Dior retailers (at para 3). Evora, incorporated in the Netherlands, operated a chain of chemist shops in the name of its subsidiary, Kruidvat. Evora, which was not an appointed Dior representative, advertised that parallel imported DIOR products were available at Kruidvat outlets (at paras 5 and 6). Dior objected to Kruidvat's advertisements which it (Dior) regarded as not consonant with the image of luxury with which its trade marks were normally associated, and instituted action for trade mark infringement (at para 7). The Court held that the purpose of exhaustion provided for by Art 7 of the EU Harmonization Directive would be undermined if the right of resale of the goods (exhaustion of the proprietor's right to exclude the goods and the free movement of goods principle created this right) were hampered by the reseller's inability to advertise the availability of the goods. The reseller was therefore free to use the trade mark to draw the public's attention to the *further commercialization* of the goods (at paras 37 and 38).

⁹⁹ Case C-63/97.

BMW BV, the Netherlands based BMW company, instituted action against Deenik, a second hand dealer in BMW motor cars. BMW claimed that he had made unlawful use of its registered trade marks or similar signs in advertisements, by describing himself as a 'BMW specialist' or as 'Specialized in BMWs' (at para 11). The Court ruled that Art 7 was enacted with the purpose of reconciling the interests of trade mark protection and those of free movement of goods 'by making the further commercialization of a product bearing a trade mark possible' (at para 57). The ruling in the *BMW* case indicates that on trade mark principles standing alone, the restriction would have been upheld and that it was only struck down because of the free movement of goods principle (at para 64)

The main parties to the **Sebago** case before the ECJ were the French Government and the European Commission.¹⁰⁴ They had agreed that the **Silhouette** case¹⁰⁵ disposed of the first three questions referred to the ECJ, answering all three in the negative.

The right to control the initial marketing of the goods in the EU meant the effective end to parallel importation into the EU: its further implications were spelt out in the **Sebago** case.

In the **Silhouette** case Art 7(1) was interpreted as being aimed at preserving the right to control the initial marketing of the goods. In the **Sebago** case the Court held that Art 7(1) meant that the *placement of identical or similar goods* on the market resulted in the exhaustion of the trade mark rights in the EU, the protection provided by the preservation of the right to control the initial marketing of the goods, would be 'devoid of substance'.¹⁰⁶ Exhaustion derives from placement of similar goods would have meant that there was deemed consent, not implied which required conduct in relation to those specific items.

The ECJ decided that there must be consent to place each item on the market in the EU for exhaustion to occur.¹⁰⁷

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The essence of this question is whether the effect of the initial unlawful placement of the goods on the market in the EU remained throughout the time the goods were on the market in the EU, ie within all jurisdictions in the EU.

The term 'genuine goods' indicates goods to which the trade mark has been affixed by or with the consent of the proprietor in the jurisdiction in which the trade mark was affixed to the goods. The goods can no longer be said to be genuine goods when they are imported because the trade mark establishes a new origin relationship, the relationship with the *persona* of the import proprietor (see chapter 7 para 4.3.1, *supra*). This means that even goods that are 'genuine' in one jurisdiction can infringe the trade mark right in another jurisdiction.

104

See para 14.

105

See para 13.

The ECJ delivered judgment in the **Silhouette** case after the **Sebago** case had been referred to it.

106

At para 20.

107

At para 21.

Walsh, Treacy and Feaster indicate that consent plays a central role in Community exhaustion, accommodating differences in the domestic laws of Member States, in particular whether or not exhaustion is triggered (*op cit*, at 261).

jurisdiction.¹¹² All of these considerations underline the importance of the territoriality principle.

It is implicit in the decision that even if the right to affix the mark in the export jurisdiction, included the right to place the goods on the market in that jurisdiction, that did not mean that the proprietor had impliedly authorized the licensee to confer on a person who purchased the goods from him, the right to place the goods on the market in the import jurisdiction.



¹¹² The goods must be on the market by or with his consent: see chapter 7 para 4.5.3.1, *supra*.

4.1 FACTUAL BACKGROUND

4.1.1 The Davidoff Case

Zino Davidoff SA (Davidoff) was the proprietor of two UK registered trade marks used on toiletries and cosmetic products. Davidoff had appointed an exclusive distributor in Singapore, who had undertaken to market Davidoff products only within a defined territory, outside the EU.¹¹⁴

A & G Importers (A & G) acquired stocks of DAVIDOFF products that had been placed on the market in Singapore, by Davidoff or with its consent,¹¹⁵ and imported these products into, and sold them in, the UK.¹¹⁶

Davidoff instituted proceedings in the ChD alleging that the importation and sale of the goods in the UK was an infringement of its UK rights.¹¹⁷ A & G's defence was that, because of the circumstances surrounding the placement of the goods on the market in Singapore, the importation and sale of the goods *was or should be deemed*¹¹⁸ to have been with Davidoff's consent. Davidoff denied consenting, and argued that it should not be deemed to have consented to importation of the products into the EU.

The ChD denied an application for summary judgment and ordered the matter to trial,¹¹⁹ but stayed the trial proceedings pending a preliminary ruling from the ECJ clarifying the scope and effect of Arts 7(1) and 7(2) of the EU Harmonization Directive.¹²⁰

¹¹⁴ At para 9. The distributor also undertook to prohibit local sub-distributors, sub-agents and retailers, to whom it sold the trademarked goods, from reselling the goods outside of the territory.

¹¹⁵ At para 10.

¹¹⁶ A & G, or someone else in the distribution chain, had removed or obliterated batch code numbers placed on the goods in compliance with EC Directive 76/768 relating to cosmetic products.

¹¹⁷ National registration is still the norm despite the exercise of trade mark rights being regulated as if the EU, even though a supra-national territorial unit, were a single jurisdiction: see para 1.1, *supra*.

¹¹⁸ A distinction can be drawn between deemed and implied consent: see para 4.2.3.3, *infra*.

¹¹⁹ At para 15.

¹²⁰ At para 16. The ChD formulated six questions on which it requested rulings.

4.2 QUESTIONS RAISED

The ECJ summarized the questions as follows:

'By its questions, the national court is seeking chiefly to determine the circumstances in which the proprietor of a trade mark may be regarded as having consented, directly or indirectly, to the importation and marketing within the EEA by third parties who currently own them, of products bearing that trade mark, which have been placed on the market outside the EEA by the proprietor of the mark or with his consent'.¹³⁰

4.3 THE JUDGMENT

The discussion deals with the Court's preliminary remarks in regard to exhaustion and then the principal issue – consent.

4.3.1 PRELIMINARY REMARKS ON EXHAUSTION

In its preliminary remarks regarding exhaustion, the Court re-iterated its ruling in the *Silhouette* case.¹³¹ It dismissed the Italian Government's argument that because the EU Harmonization Directive did not deal with exhaustion by the placement of goods on the market outside the EU,¹³² the question of consent to 're-importation'¹³³ did not relate to exhaustion as referred to in Art 7(1) of the EU Harmonization Directive.¹³⁴

¹³⁰ At para 34.

¹³¹ See para 2.4, *supra*.

¹³² In all the cases the goods had initially been placed on the market outside of the EEA, so all the cases involved the initial placement of the specific items on the market in the EU.

¹³³ In my submission, it is uncertain on the facts whether or not they constitute instances of re-importation, as there is no indication that any of the goods in question in any of the cases were placed on the market within one of the Contracting Parties prior to their being brought into one the UK by the importers. On the basis of the *Sebago* case, it is only the initial marketing in the EU that is placed within the power of the proprietor. Opposition based on Art 7(2) of the EU Harmonization Directive is still possible, but of course, only in respect of the first placement of the goods on the market within the EU.

¹³⁴ The Italian Government had also argued that since the EU Harmonization Directive did not cover consent in this context, it was a matter of national law concerning the 'disposing' of trade mark rights (the *Levi's* case, at para 38). The EU Harmonization Directive means there is no right to market in the EU without the consent of the proprietor (the essence of Art 5(3)(c)). Therefore, unless a person can show that the proprietor consented, he cannot market in the EU unless the goods are already in the EU. The Italian Government's argument did not adequately take account of the impact it would have if the Court decided that consent was a national issue. The approach recommended by the Italian government also underplayed the fact that the EU Harmonization Directive was intended as an exhaustive provision regarding the interpretation of the content of trade mark rights in the EU. The Court held that relegating consent to the status of a national issue would have rendered the content of the right to market goods in the EU subject to the approach of the national court at the point of entry. Such a state of affairs was irreconcilable with the aim of the EU Harmonization Directive to create a common entry policy so as to ensure uniform application of the free movement principle.

The Italian Government argued that because trade mark rights in respect of goods placed on the market outside the EU could not be exhausted by virtue of Community law,¹⁴⁰ the issue of whether or not there was express or implied consent to the 're-importation' into the EU is not a matter which concerned the consent referred to in Art 7(1) of the Directive.¹⁴¹ The Italian Government was of the view that the question concerned 'an act of disposing of trade mark rights'.¹⁴²

Only EU exhaustion was relevant, because, as soon as the goods enter one of the Contracting Parties, the exercise of the EU right is in issue as a result of the operation of the free movement of goods principle.¹⁴³ In the *Levi's* case the Court found that Arts 5 to 7 of the EU Harmonization Directive define the rights of trade mark proprietors *within the EU*.¹⁴⁴ In essence, if trade mark rights are claimed in the EU, then the *ambit* of their exercise must be determined on the basis of the EU law.¹⁴⁵ The question of whether or not the rights may be exercised in the EU was therefore of necessity a Community law concern.¹⁴⁶ The meaning of consent therefore fell within the purview of Arts 5 and 7 of the Directive.¹⁴⁷

The Court found that, if consent was a matter of the national law of Contracting Parties, there would be varying protection under the legal systems of the Contracting Parties contrary to the aim of the 9th recital of the preamble to the EU Harmonization Directive.¹⁴⁸

Art 7(1) requires consent to placement of the goods on the market within the EU, not elsewhere.¹⁴⁹ there is EU exhaustion or none at all, and where there is no exhaustion consent is necessary.

¹⁴⁰ Community law does not provide for extra-EU (international) exhaustion: para 38.

¹⁴¹ The concept of re-importation into the EU implies that the goods would previously have been exported from the EU. In such a case in my submission there would already have been a placement on the market in the EU, unless the circumstances were similar to those in the *Silhouette* case.

¹⁴² At para 38.

¹⁴³ See para 1.2, *supra*.

¹⁴⁴ EU rights are in issue as soon as goods cross the border into one of the Contracting Parties: the *Levi's* case, at para 39; the *Silhouette* case, at paras 25 and 29.

¹⁴⁵ EU law includes the EU Harmonization Directive and free movement of goods principle.

¹⁴⁶ This consideration alone would have justified the Court holding that the matter of consent had to be given a uniform Community-wide interpretation.

¹⁴⁷ At para 43.

¹⁴⁸ At para 42.

The *Levi's* case confirmed the finding in the *Sebago* case that the 'proprietor of a trade mark has a right to control the initial marketing in the EU of goods bearing the mark',¹⁵⁷ which separated the initial marketing within the EU from any marketing that took place outside of it.¹⁵⁸

4.3.2.3 Consent: Express or Implied?

The arguments raised the question whether consent could be implied or did it have to be express.¹⁵⁹ The Court's finding on the issue was that

'on a proper construction of Article 7(1) of the Directive, the consent of the trade mark proprietor to the marketing within the EEA of products bearing that mark which have previously been placed on the market outside the EEA by that proprietor or with his consent may be implied, where it is to be inferred from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the EEA which, in the view of the national court, unequivocally demonstrate that the proprietor has renounced his right to oppose placing of the goods on the market within the EEA'.¹⁶⁰

The Court found that consent would normally be conferred expressly, but that it was conceivable that consent could be inferred under certain circumstances.¹⁶¹ The Court's choice of the words 'conceivable' and 'unequivocally' make it abundantly clear that implied

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¹⁵⁶ The preamble to the EU Harmonization Directive describes the objective as ensuring 'the same protection under the legal systems of all Member States': the *Levi's* case, paragraph 42.

¹⁵⁷ The *Levi's* case at para 33, where the Court cited para 21 of the *Sebago* case.

¹⁵⁸ The initial marketing, whether retail or wholesale, refers to dealings with the specific items, in accordance with the *Sebago* case. The trade mark is used in relation to each item of the goods and therefore consent to the use in relation to each item has to be obtained. On the basis of the ordinary principles of interpretation Art 5(1) ensures the right to control the initial marketing of the goods in the EU. The initial marketing can be done by the proprietor of the trade mark or a third party. The initial marketing by a third party takes place where the proprietor or his agent delivers the goods to that third party, for the purpose of trade in the particular jurisdiction provided the third party is not subject to the control of the trade mark proprietor (see the discussion of the placement of the goods on the market in chapter 7 para 2.5.2, *supra*). The *Levi's* case was concerned the initial marketing of goods in the EU because the goods had been purchased elsewhere and imported into the EU by A & G, Tesco and Costco, respectively. The goods were acquired outside the EU, and therefore did not constitute marketing in the EU and delivery also took place outside of the EU. Zino Davidoff had at the latest relinquished control of the goods in Singapore and they were initially placed on the market there. The report does not indicate where the *Levi's* goods were manufactured but they had been purchased outside of the EU, which meant that they had not been placed on the market within of the EU.

¹⁵⁹ At para 44.

¹⁶⁰ At para 47.

¹⁶¹ At para 46.

The Court's overall finding in the *Levi's* case on the issue of consent, is consonant with the recognition that there are identical trade marks in the different jurisdictions, which are separate items of property, even though there is no explicit pronouncement to that effect. Recognition that the rights that flow from an EU registration are different from those in other jurisdictions is one indicator that the rights are held in different trade marks.

4.2.3.4 Consent Implied by Silence

The question of whether or not silence could constitute consent arose from the following considerations:

- (i) The defence arguments that this was the implication of the respective plaintiffs 'failing' to communicate their opposition to the use of the trade mark for sales in the EU;
- (ii) The absence of any warning or prohibition on the goods to marketing within the EU; and
- (iii) The transfer of ownership of the goods without any contractual reservation of rights.¹⁶⁹

Tesco and Costco argued that 'the defendant in an action for infringement of a trade mark must be *presumed* to have acted with the consent of the trade mark proprietor unless the latter proves the contrary'.¹⁷⁰ The Court's response to that argument was that

'it follows [from the Court's decision that for implied consent to be found, the facts must demonstrate by way of positive expression that the trade mark proprietor has renounced any intention to enforce its exclusive right] that it is for the trader alleging consent to prove it and not for the trade mark proprietor to demonstrate its absence'.¹⁷¹

they are in Spain, 'you may use my motor vehicle whenever you please'. The chances are minute that A's statement will be construed as a grant of consent to use the vehicle that is in SA.

There is only one trade mark per registration in any jurisdiction, and the jurisdiction in which it is registered is the *situs* of a trade mark. There is no reason why a trade mark should not be treated in the same way as corporeal property in this respect.

¹⁶⁹ The defendants argued that these factors implied that there was an unlimited right to resell in accordance with the contract laws governing the various contracts: at paras 51 and 52.

¹⁷⁰ At para 49 (my emphasis).

¹⁷¹ At para 54.

A proprietor's failure to expressly announce that he reserves a right which he has, can hardly be taken as an indication that he, the holder of the right, has renounced it: the failure to draw attention to an existing right cannot affect its existence, unless there is some legal requirement that the reservation should be declared.¹⁷⁶ The proprietor has a right to prevent the importation of the goods into the EU:¹⁷⁷ his failure to draw attention to this right is of no consequence.

The Court's ultimate conclusion on the issue of consent by silence is crystal clear:

'implied consent to the marketing within the EEA of goods put on the market outside that area cannot be inferred from the mere silence of the trade mark proprietor'.¹⁷⁸

This statement of principle supports the view that events and dealings with trademarked goods in one jurisdiction have no impact on the statutory rights in another jurisdiction. It must be borne in mind that the rights conferred by the EU Harmonization Directive are created in terms of the EU Harmonization Directive, even though many of the trade marks in respect of which the EU Harmonization Directive confers the rights, and to which it extends protection, are registered on a national basis, or deemed to be registered on a national basis, in any EU Member State in terms of the Madrid Agreement or Protocol.¹⁷⁹

EU law confers the right to oppose importation of trade-marked goods and the right exists unless EU law determines otherwise. Similarly, unless EU law determines otherwise, actions that take place outside of the EU have no impact on rights in the EU. Regional (EU-wide) exhaustion is a consequence of Art 7(1) of the EU Harmonization Directive.¹⁸⁰

4.3.2.5 Importer's Awareness of the Proprietor's Opposition

The Court gave short shrift to the argument that the importer had to know that the proprietor opposed his placement of the goods on the market, and that, as a result, the

¹⁷⁶ See s 12(7) of the CRA, which allows the reproduction in the press of an article published in a newspaper or periodical or the broadcast, on any current economic, political or religious topic 'if such reproduction or broadcast has not been expressly reserved'.

¹⁷⁷ The right to prevent the importation of the goods is conferred by Art 5 of the EU Harmonization Directive.

¹⁷⁸ The *Levi's* case, para 55.

¹⁷⁹ See chapter 6 para 4.3.2 and para 1.1, *supra*.

¹⁸⁰ Art 7(1) effectively means that dealings with trade-marked goods in one Contracting Party are equivalent to dealings in all Contracting Parties.

4.4 SIGNIFICANCE OF THE DECISION

The EU proprietor's consent is necessary for the lawful *use* by initial placement of the trade mark in the EU.¹⁸⁷ This supports the argument that for the goods to have their origin in the EU trade mark proprietor (import proprietor) his consent is necessary. Consent must be granted for the placement on the market (ie the specific act of use) in the particular jurisdiction.¹⁸⁸ The effect of consent is the same as the renunciation of the right to sue for infringement.¹⁸⁹

Consent can be implied,¹⁹⁰ but cannot be inferred from silence or a failure to impose restrictions on exportation and importation:¹⁹¹ implied consent is not the same as deemed consent. The existence and exercise of the trade mark right in the EU is a matter of EU law, not of any law outside of the EU.¹⁹² It is irrelevant whether or not a defendant is aware of the plaintiff's opposition to his placement of the goods on the market in the EU.¹⁹³ Placement of trademarked goods on the market outside the EU is consequently not equivalent to placement of goods on the market in the EU.

Gross¹⁹⁴ sees the *Levi's* case as the third in a series of decisions that are central to the issue of exhaustion / parallel importation.¹⁹⁵ Gross also indicates that three critical aspects of the *Levi's* case are:

- (1) Consent can conceivably be implied even though the proprietor has to unequivocally renounce his right to oppose the importer's placement of the goods on the market in the EEA;
- (2) Silence does not constitute implied consent;
- (3) Ignorance of the proprietor's opposition to the importation is irrelevant to a determination of whether or not there is exhaustion of the trade mark right.¹⁹⁶

Gross is of the opinion that it is difficult to envisage circumstances which demonstrate unequivocally that the proprietor has given implied consent to parallel importation.¹⁹⁷

¹⁸⁷ See para 4.3.2, *supra*.

¹⁸⁸ See para 4.2.2.2, *supra*.

¹⁸⁹ *Ibid*.

¹⁹⁰ See para 4.3.2.3, *supra*.

¹⁹¹ See para 4.3.2.3, *supra*.

¹⁹² See para 4.3.2.1, *supra*.

¹⁹³ See para 4.3.2, *supra*.

¹⁹⁴ N Gross, 'Trade Mark Exhaustion: The Final Chapter? The ECJ Decision in Zino Davidoff/Levi Strauss', [2002] *EIPR* 93.

¹⁹⁵ The other two are the *Silhouette* and *Sebago* cases.

selling from sources within the EU, and that the goods had been placed on the market in the EU by the proprietor or with its consent.²⁰¹

5.2 QUESTION RAISED

The Bundesgerichtshof referred the following question to the ECJ:

'Are Articles 28 and 30 EC to be interpreted as meaning that they permit the application of national legislation under which an infringer against whom proceedings are brought on the basis of a trade mark for marketing original goods, and who claims that the trade mark right has been exhausted within the meaning of Article 7 of Directive 89/104/ EEC ... has to plead and, if necessary, prove that the goods marketed by him have already been put on the market in the European Economic Area for the first time by the trade mark owner himself or with his consent?'²⁰²

The Bundesgerichtshof indicated that in answering the question it was faced with two major concerns, which were in conflict with each other:

- (1) The possibility that if it reversed the *burden of proof*, and imposed it on the proprietor, the Court would thereby render EU-wide exhaustion redundant, because it would create a situation in which international exhaustion applied, 'even though the alleged trade mark infringer could easily show the origin of the goods in question';²⁰³ and
- (2) The risk that if it required the alleged importer to reveal his source, the result would be to enable the proprietor to staunch any leaks in its restrictive distribution network: the staunching of the leaks would result in the proprietor preventing the alleged parallel importer from obtaining supplies of the goods in future, thereby

²⁰¹ At para 12. The proprietor had made a test purchase of the goods from Lifestyle and the goods in the test purchase had been obtained within the EU from an intermediary that Lifestyle averred it assumed had purchased it from an authorized distributor (*ibid*).

²⁰² At para 23.

²⁰³ At para 19.

The balance of convenience in regard to a reversal of the conventional onus of proof in delictual (tort) cases tilted in favour of requiring the *alleged infringer to reveal its source*, rather than risk undermining Art 7(1) as interpreted in the *Silhouette* case (see para 2.4, *supra*). The alleged infringer faced significant difficulty in that he might be unable to trace *all the links* in the distribution chain leading to him – if he bore the onus he would have to show that the goods were lawfully on the market in the EU when he obtained them. The success of the defence depended on the entire distribution chain either having *been authorized or exhaustion having taken place* during the passage of the goods along the chain prior to reaching him.

On the other hand, if the proprietor was not allowed to demand that the alleged infringer reveal the identity of his immediate supplier, placing the full onus on the plaintiff (proprietor), exposed the proprietor to even greater difficulty – he would have to prove that the goods had not arrived on the market in the EU lawfully. The difficulties of maintaining accurate records of all stocks is addressed below, but it would have meant that the proprietor would have had to be in a position to account for every item of the goods on the market in the EU.

burden of proof of whether or not the goods had been *initially placed on the market* in the EU, prior to their marketing by the alleged infringer.²¹⁰

The question the *Stüssy* case raised therefore precedes the question raised in the *Levi's* case, because only if the Court is concerned with the initial placement of the goods on the market in the EU does the question of consent in respect of the placement arise *directly*.²¹¹

5.3.2 ONUS OF PROOF OF THE INITIAL PLACEMENT ON THE MARKET

Lifestyle contended that its use of the trade mark on the goods did not constitute the initial placement of the goods on the market in the EU,²¹² and further, that, because its use did not constitute the initial placement on the market in the EU it was entitled to rely on a *presumption* that the goods had been lawfully placed on the market in the EU, arising from the fact that it obtained the goods in the EU.

In my submission, even though the test purchase established that Lifestyle had not initially placed the goods on the market in the EU, it was still incumbent upon Lifestyle to establish that the initial placement of the goods on the market in the EU was by or with the consent of the trade mark proprietor in the EU. An essential element of the defence the alleged infringer had mounted was that the proprietor placed or consented to the placement of the goods on the market in the EU for only then were the rights exhausted. If the Court did not require proof of either, then it was operating on the basis of a presumption that when goods are found on the market in the EU, they have been placed on the market in the EU by or with the consent of the proprietor.²¹³

²¹⁰ At para 30.

²¹¹ The word 'directly' is emphasized because in any case in which the proprietor challenges another person's right to market trademarked goods in the EU, the question of whether or not the initial placement of the goods was undertaken by the proprietor or with his consent arises indirectly in relation to previous transactions. The lawfulness of those actions determines the lawfulness of subsequent dealings with the trademarked goods. If the initial placement is unlawful the right is not exhausted.

²¹² See chapter 7 part [2], *supra* concerning the range of trade mark uses.

²¹³ This is because in the *Stüssy* case the Court accepted that for the alleged infringer to be exempted from the prohibition arising from the exclusive rights conferred on the proprietor by Art 5(1) of the EU Harmonization Directive, there had to be proof that the goods had been placed on the market in the EU by or with the consent of the proprietor (at para 34; this was the effect of the *Silhouette* and *Sebago* cases).

The Court found that an adaptation was necessary and decided that where the alleged infringer established that if it has to bear the *full onus* of proof that the placement of the goods was lawful, there is a 'real risk of partitioning of national markets',²¹⁹ then the EU trade mark proprietor must establish that the goods were initially placed on the market outside of the EU *by it or with its consent*.²²⁰

The Court's finding meant that the proprietor had to prove that the initial placement of the trademarked goods on the market in the EU was not made by or with his consent.²²¹ *The initial placement must have been the first in a series of transactions, all of which took place in the EU, culminating in the alleged infringer acquiring the trademarked goods.*²²²

Modification of the onus in this instance is clearly a matter of competition law rather than trade mark law. The principles of competition as part of public law, rightly takes precedence over trade mark law, largely a matter of private law.²²³

5.4 SIGNIFICANCE OF THE DECISION

The true impact of the *Stüssy* case, in my submission, depends on

- (a) determination of the circumstances under which there is a real risk of the national markets being partitioned if the alleged infringer bears the full burden of proof; and
- (b) the interpretation of the requirement that the trade mark proprietor will then have to 'establish' that the products were placed on the market outside the EU.

²¹⁹ At para 41. It would make no difference whether partitioning means either a partitioning of some national markets from the internal market as a whole or the partitioning of national markets, one from the other: both are proscribed.

²²⁰ At para 41. The italicized words were not meant to indicate that anything but consent to placement of the goods on the market in the EU was relevant and are probably an unfortunate expression as it would make no difference to the position within the EU whether the EU proprietor consented to the placement outside the EU or not, unless an attempt was being made to show that implied consent had been given.

²²¹ There would be no infringement no matter where the de facto initial placement of the goods was, as long as the initial placement of the goods *on the market in the EU* was by or with consent.

²²² See para 4.3.2, *supra*.

²²³ See M Lehmann, 'The Theory of Property Rights and the Protection of Intellectual and Industrial Property', (1985) 16 *IIC* 525, at 528.

One of the keys to understanding the decision the Court's finding that it is consonant with Community law for the burden of proof to be imposed on the alleged infringer,²²⁸ and that placing a duty on the proprietor to establish that he placed the goods on the market outside the EU qualifies the burden,²²⁹ but does not reverse it. Interpreting 'establish' as imposing a duty to adduce evidence is consonant with the idea of qualifying: requiring proof on a balance of probability would amount to a reversal of the burden.

The real risk of partitioning in the *Stüssy* case lay in requiring the alleged infringer to 'adduce evidence of the place where the goods were first put on the market by the trade mark proprietor or with his consent'²³⁰ which would

'enable him to obstruct the marketing of the goods purchased and prevent the third party from obtaining supplies in future from a member of the exclusive distribution network of the proprietor in the EEA in the event that the third party was able to establish that he had obtained his supplies from that member'.²³¹

There appears to have been no significant shift in the true burden of proof. All the proprietor has to do is to show that he placed the goods on the market outside the EU whereupon the full burden reverts to the defendant.²³² The proprietor is required to show that the initial placement of the goods on the market was not done within the EU by any of its exclusive distributors.²³³ There is therefore now a duty on the trade mark proprietor who

²²⁸ At para 36 the Court refers particularly to Articles 5 to 7 of the EU Harmonization Directive.

²²⁹ At para 42.

²³⁰ At para 40.

²³¹ *Ibid.* In my submission, 'compelled to' should replace 'able to'.

²³² The *Stüssy* case, para 41.

²³³ Repackaged goods could cause problems e.g. by batch numbers being lost in the process, making it difficult for the proprietor to show that the goods in issue were initially placed on the market outside of the EU. A requirement of some assistance was laid down in *Frits Loendersloot v George Ballantine & Sons Ltd and Ors*, (ECJ Case C-349/95). The essence of the *Loendersloot* case was that George Ballantine and other whisky sellers objected to the relabelling and repackaging of their goods by Loendersloot. The Court decided, *inter alia*, that a person who undertook such activities had to inform the trade mark owner of the relabelling *prior to putting the relabelled products on sale* (para 50, my emphasis). This requirement will have a limited impact once the goods have been passed on from the person who relabelled to another. There is no further obligation to keep the trade mark proprietor informed of the passage of the goods. The initial obligation cannot however be dismissed as insignificant: it will certainly go some of the way toward establishing the links in the chain.

It is important not to lose sight of the fact that the principles enunciated in the *Stüssy* case will only be applicable where there is a dispute as to where the goods were initially placed on the market. The ECJ by virtue of this ruling is saying that an allegation that the goods were not placed on the market in the EU by the exclusive distributor is not sufficient to raise a presumption that the goods were placed on the market outside of the EU. There will often

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TENETS OF THE STRICT TERRITORIALITY PRINCIPLE

The central tenets of the strict territoriality principle are

- (1) Application of the territoriality principle in trade mark law is obligatory, not optional;²³⁴
- (2) A registered trade mark, an item of IP, is created by registration in a specific jurisdiction, ie in terms of the law of that jurisdiction;
- (3) A number of identical registered trade marks can be constituted from the same symbol, however, each is a separate independent item of IP;²³⁵
- (4) Where one person is the proprietor of a number of separate independent identical trade marks in different jurisdictions, that person acting in the capacity of proprietor in one jurisdiction, is a separate *persona* from the same person, acting in the capacity of proprietor in another jurisdiction;²³⁶
- (5) The separate independent existence of each identical trade mark means trade mark dealings in one jurisdiction, unless otherwise indicated, constitute dealings with, and in relation to, one trade mark.²³⁷ Some implications of separate dealings with different trade marks are that
 - (a) Affixation of a trade mark to goods in one jurisdiction constitutes the use of the registered trade mark in *that* jurisdiction,²³⁸ and placement of those trademarked goods on the market in *another* jurisdiction, constitutes use of a different trade mark, the one in the second jurisdiction,²³⁹
 - (b) Each time trademarked goods are taken from one jurisdiction and placed on the market in another jurisdiction, in which one of a number of an identical trade marks is registered, the placement is an act of use of a different trade mark, the one registered in the jurisdiction in which the goods are placed on the market;²⁴⁰
 - (c) Consent to use (and thereby exercise the right in and to) the trade mark in one jurisdiction, is specific to that trade mark and does not, *ipso facto*,

²³⁴ See chapter 6 part [6], *infra*.

²³⁵ *Ibid.* This is a consequence of the application of the territoriality principle.

²³⁶ See chapter 2 para 6.2 and chapter 7 para 4.3.1, *supra*.

²³⁷ See chapter 7 para 2.5.2.3, *supra*.

²³⁸ See chapter 7 para 2.5.1.2, *supra*.

²³⁹ See chapter 7 para 2.5.2.3, *supra*.

²⁴⁰ *Ibid.*

[7]

CONCLUSIONS

The legal principles that emerge from the decisions discussed in this chapter, in my submission, evidence a renaissance of the territoriality principle. They also manifest definite support for its consistent application.

The *Silhouette* case confirmed that placement of the goods on the market in the EU was the critical act, which determined whether or not there was exhaustion of the trade mark rights. This confirmed that the goods have their origin in the import jurisdiction, and that the trade mark rights in respect of those goods, are exhausted by their placement on the market in that jurisdiction.²⁴⁴ The *Silhouette* decision confirmed that EU legislation does not have extra-territorial effect,²⁴⁵ and placed it beyond doubt that the EU is a single territorial unit for purposes of the exercise of trade mark rights.²⁴⁶

The *Sebago* case established that a licence to affix the trade mark to goods in the export jurisdiction (El Salvador) does not constitute an implied right to place the goods on the market in the import jurisdiction (the EU).²⁴⁷ This also indicates that specific territorially based rights involved.²⁴⁸

The *Sebago* decision establishes that the manufacture of the goods is irrelevant to the determination of matters of trade mark law: the rights to affix the trade mark and place the goods on the market are exclusive rights which the trade mark proprietor holds, not the manufacturer.²⁴⁹

A major consideration in the *Sebago* case was the circumstances under which a court would hold that there is implied consent to the use of a trade mark, on a market in one jurisdiction where the goods had been placed on the market in another jurisdiction. The

²⁴⁴ See para 2.4, *supra*.

²⁴⁵ *Ibid*.

²⁴⁶ See para 1.1, *supra*.

²⁴⁷ There can be little doubt now that each of these actions requires separate authorization.

²⁴⁸ See para 3.4, *supra*.

²⁴⁹ This is implicit in the ruling that even though the goods were genuine there was no consent to the use of the trade mark in the import jurisdiction.

initial marketing was the sole criterion.²⁵⁶ Consent was tantamount to the proprietor renouncing his right to prevent third parties from exercising his trade mark rights in the EU.²⁵⁷

In the *Levi's* case the Court held that neither silence nor the failure to impose on the goods restrictive resale conditions at the time they were *initially* placed on the market outside the EU, amounted to implied consent to use the trade mark in the EU.²⁵⁸ The Court held that a finding of implied consent by silence would have been a finding of deemed consent,²⁵⁹ and held that silence did not amount to implied consent. Flowing from its decision that silence did not constitute consent, the Court held that there was no need for the proprietor to expressly prohibit or otherwise provide any expression of opposition to third parties marketing products under its trade mark in the EU.²⁶⁰

There must be some 'unequivocal' manifestation of the implied consent,²⁶¹ the Court in the *Levi's* case insisted, because of the serious consequences of consent to place the goods on the market: it extinguishes the proprietor's right to prevent the use of the mark in the EU (the relevant jurisdiction). Transfer of ownership of the goods across the boundaries of different jurisdictions does not amount to consent to use the import trade mark: the right to use the trade mark has to be conferred or renounced by positive action.²⁶²

The *Stüssy* case was distinguished from the *Levi's* case on the basis that *Levi's* concerned the manner in which consent to the initial marketing was proved, whereas the *Stüssy* case concerned whether or not the alleged infringer's marketing was the initial marketing of the goods within the EU.²⁶³ The question raised in the *Stüssy* case has to be dealt with prior to that which was raised in the *Levi's* case.²⁶⁴

²⁵⁶ The same point was also made in the *Silhouette* case in which the fact that the goods were manufactured in Austria was irrelevant: the placement on the market outside the jurisdiction was the relevant factor.

²⁵⁷ See para 4.3.2.2, *supra*. The EU was the relevant jurisdiction in that case.

²⁵⁸ See para 4.3.2.3, *supra*.

²⁵⁹ *Ibid.*

²⁶⁰ See para 4.3.2.3, *supra*.

²⁶¹ The Court considered it 'conceivable' that implied consent may be granted, but stated that it saw express consent as the norm: see para 4.3.2.3, *supra*.

²⁶² See para 4.3.2.3, *supra*.

²⁶³ See para 5.3.1, *supra*.

²⁶⁴ *Ibid.*

Grassie is furthermore of the view that

'The law is clear. The trade mark owner can prevent parallel imports into the EEA if he has not placed them (those particular items) on the market in the EEA previously and this has not occurred with his positive consent'.²⁷³

The process of EU integration, through the operation of the Treaty (especially the free movement principle, derived from Arts 28 and 30) and the EU Harmonization Directive, has resulted in the EU operating in respect of trade marks as if the Contracting Parties together constituted a single jurisdiction.²⁷⁴ This has resulted in a resurgence of the territoriality principle in respect of trade mark dealings between the EU and the rest of the world.

Regional, ie Community-wide, exhaustion, which operates among the EU Contracting Parties *inter se*, is the only justifiable form of exhaustion and approach to parallel importation because it is in accord with the tenets of the strict territoriality principle. The EU integration process forged the EU Contracting Parties into a single legally relevant territorial unit for trade mark purposes (*inter alia*): the EU is a territorial unit to which the territoriality principle applies in dealings between the EU and other territories.

The result of applying the strict territoriality principle to parallel importation, undertaken without the consent of the *persona* of import proprietor, is that it is an infringement of the exclusive right of the *persona* of import proprietor. The exclusion of parallel imports in accordance with these principles is not an abuse of the trade mark right, but it is rather *its natural consequence*. In my submission, this is why many jurisdictions in which parallel importation is lawful have invoked the principles of competition law to ensure the lawfulness of parallel imports. The test for infringement by parallel importation, in terms of the strict territoriality principle, is in line with the test for all other forms of infringement, the single test being: was the trade mark used with the consent of the *persona* of import proprietor? In parallel importation cases the question of whether or not the trade mark was used with the consent of the proprietor means were the goods imported with the consent

²⁷³ *Ibid.* In my submission the word previously needs to be qualified: even if the goods may have previously been placed on the market, they must not have been removed from the market in the EU/EEA. In other words, there must be an unbroken series of transactions within the EU/EEA leading to the importer placing the goods on the market in the EU/EEA.

²⁷⁴ See para 1.2, *supra*.

CHAPTER NINE

CONCLUSIONS AND RECOMMENDATIONS

This chapter consists of the following two parts:

- 1 Conclusions
- 2 Recommendations

[1]

CONCLUSIONS

A trade mark is constituted from a symbol but is *in law* an entity distinct from the symbol.¹ It is widely accepted among Semioticians that a symbol consists of a signifier (a physically perceptible entity) and a signified (an idea/concept that the signifier embodies, expresses, represents and communicates).²

A signifier that is the same as that of the symbol from which the trade mark is constituted, combines, under certain circumstances, with the idea (signified) that the goods in relation to which it is used have their origin in the trade mark proprietor, to form a trade mark.³ A trade mark is only constituted when the law invests the proprietor with the exclusive right to use the symbol which is distinctive of his goods.⁴

In SA law only common law and registered trade marks are recognised and invested with an exclusive right: they are items of IP created in terms of SA law. There are other entities, called 'trade marks in fact' in this thesis, which do not enjoy full legal protection, occupying an intermediate position between symbols *per se*, which do not have trade mark implications, and trade marks, the fully protected items of IP.⁵

The semi-independence of SA's common law and TMA (statute law) makes it possible for a common law trade mark and a registered trade mark to be constituted from the same symbol.⁶ the common law and registered trade marks are separate yet identical legal entities and constructs, and each enjoys a separate exclusive right.⁷ Common law trade

¹ See chapter 2 para 4.4, *supra*.

² See chapter 2 para 2.3, *supra*

³ See chapter 2 paras 5.2 and 5.3, *supra*

⁴ See chapter 2 para 5.4.1, *supra*

⁵ See chapter 2 para 3.4, *supra*

⁶ See chapter 2 para 6.3, *supra*

⁷ *Ibid.*

There are three principle modes of trade mark use, viz, affixation of the trade mark to the goods, placement of the trademarked goods on the market and mass media advertisement of trademarked goods.¹⁶ Every time a trade mark is used by any of these modes, the trade mark registered in a *particular jurisdiction* is used, and therefore a *particular* trade mark right is exercised.¹⁷

The statutorily determined trade mark function is to indicate the origin of goods.¹⁸ Origin is a voluntarily created tripartite relationship between a trade mark, its proprietor and the goods to which replicas of the trade mark are affixed.¹⁹ The origin relationship has the following characteristics:

- (a) It commences with the placement of trademarked goods on the market in a jurisdiction;
- (b) It exists in each jurisdiction through use of the specific trade mark registered in that particular jurisdiction; and
- (c) It subsists as long as the trademarked goods remain in the jurisdiction.²⁰

The trade mark origin relationship in each jurisdiction is forged by means of a *specific trade mark*, and is therefore separate from the origin relationship in every other jurisdiction.²¹ The origin relationship therefore exists between the *persona* of proprietor in a *particular jurisdiction* and the goods.²² The *persona* of proprietor in the jurisdiction must *consent* to placement of the goods on the market for the goods to have their origin in the *persona* of proprietor in a particular jurisdiction.²³

Consent to exercise one trade mark right, granted by the *persona* of proprietor in a particular jurisdiction, does not automatically imply consent to exercise *another trade mark right*: in other words, consent granted by one *persona* of trade mark proprietor does not amount to consent being granted by every other *persona* that resides in the person who granted consent.²⁴

¹⁶ See chapter 7 para 2.5, *supra*.

¹⁷ See chapter 7 para 2.2, *supra*.

¹⁸ See chapter 7 para 3.3.2, *supra*.

¹⁹ See chapter 7 para 4.3, *supra*.

²⁰ *Ibid*.

²¹ See chapter 7 paras 4.3.3 and 4.5.1.2, *supra*.

²² See chapter 7 para 4.6, *supra*.

²³ See chapter 7 paras 4.3.2 and 4.5.3.2, *supra*.

²⁴ *Ibid*.

[2]

RECOMMENDATIONS

The principle recommendations made in this thesis resort under the following subheadings:

- 2.1 Adoption of the Strict Territoriality Principle
- 2.2 Repeal of s 34(2)(d) of the TMA
- 2.3 Amendment of the definition of a trade mark

2.1 ADOPTION OF THE STRICT TERRITORIALITY PRINCIPLE

The strict territorial principle should be applied in South African trade mark law as it gives full expression to the relevant trade mark principles.³² When parallel importation is viewed from the perspective of competition, it will be necessary to modify or override the strict territoriality principle, as is done in the European Union. The modification or overriding of the strict territoriality principle in the interests of competition must however be done on a rational and systematic basis, debating the various interests involved.

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2.2 REPEAL OF SECTION 34(2)(d) OF THE TMA

Section 34(2)(d) is the statutory embodiment of the genuine goods approach and should be repealed for the reasons that emerge from the criticisms of the genuine goods approach.³³ If s 34(2)(d) is interpreted as a statutory introduction of the exhaustion approach into SA law, it should still be repealed for the reasons that emerge from the criticisms of the international exhaustion approach.³⁴ A matter that is of particular significance is that s 34(2)(d) is based on affixation of the trade mark when exhaustion should be based on the placement of the trademarked goods on the market (ie exercise of the trade mark right).

³² This is discussed in chapter 8, *supra*.

³³ See chapter 7 para 8.4, *supra*.

³⁴ See chapter 7 para 10.3, *supra*.

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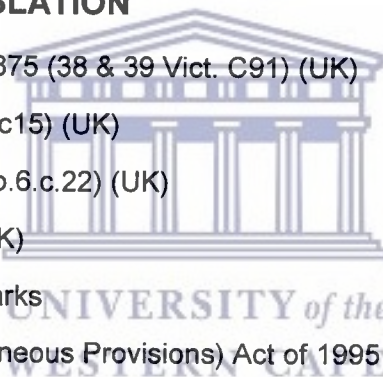
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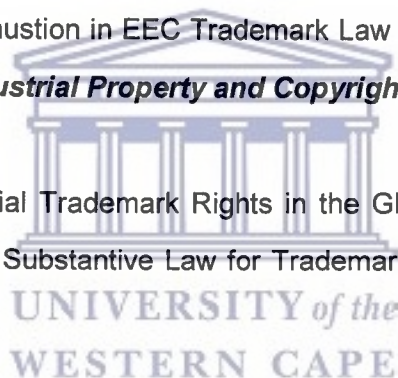
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