



THE SUPREME COURT OF APPEAL OF SOUTH AFRICA
JUDGMENT

Case No: 251/11
No precedential significance

In the matter between:

NEW BALANCE ATHLETIC SHOE INC **Appellant**

and

ABDULLAH MOHAMED DAJEE NO **First Respondent**

**HASSEN GOOLAN MOHAMED
KAROHA NO** **Second Respondent**

BASHIR AHMED MOHAMED NO **Third Respondent**

Neutral citation: *New Balance Athletic Shoe Inc v Dajee NO* (251/11)
[2012] ZASCA 3 (2 MARCH 2012)

Coram: NUGENT, SNYDERS, MALAN, BOSIELO and
MAJIEDT JJA

Heard: 16 FEBRUARY 2012

Delivered: 2 MARCH 2012

Summary: Trade mark – removal from register – non-use
under s 27(1)(b) of the Trade Marks Act 194 of
1993 – bona fide proprietor under s 10(3) –
deceptive or confusing use under s 10(13).

ORDER

On appeal from: North Gauteng High Court, Pretoria (Southwood, Phatudi and Makgoka JJ sitting as court of first instance):

The appeals are dismissed with costs that include the costs of two counsel.

JUDGMENT

NUGENT JA (SNYDERS, MALAN, BOSIELO and MAJIEDT JJA CONCURRING):

[1] The appellant (which I will refer to as New Balance Inc) is a United States corporation. It has a wholly owned subsidiary in this country – New Balance South Africa (Pty) Ltd – that conducts business in Cape Town (I will refer to it as New Balance SA).

[2] New Balance Inc is the registered proprietor in South Africa of two trade marks, namely, P-F FLYERS (registration 1972/1361) and P-F (registration B 1965/02999), both registered in class 25 in respect of footwear. It acquired the trade marks from a former registered proprietor, Leif J Ostberg Inc, also a United States corporation, on 5 February 2001. The assignment of the trade marks to New Balance Inc was registered on 19 September 2002.

[3] The late Mr Dajee conducted business in this country retailing, marketing, selling and distributing clothing and footwear. His was a family business that commenced operating in 1931. Mr Dajee took control of the business in 1968. He died after the current proceedings were commenced and was substituted by the executors of his estate, who are the respondents in these appeals. For convenience of narration I will refer to Mr Dajee as if he was still alive and party to the proceedings.

[4] Mr Dajee is the registered proprietor of the trade mark POSTURE FOUNDATION – PF (registration 1996/06063), which is registered in class 25 in respect of clothing, footwear and headgear. The circumstances in which he became the registered proprietor are dealt with later in this judgment.

[5] In August 2005 it came to the knowledge of Mr Dajee that New Balance SA intended to promote footwear bearing the trade marks of New Balance Inc (P-F and P-F FLYERS), in association with the mark POSTURE FOUNDATION, at a trade exhibition that was to be held the following month. Alleging that by doing so New Balance SA would be infringing his trade marks Mr Dajee, through his attorneys, made various demands of New Balance SA. New Balance SA declined to submit to the demands, and announced its intention to apply for the removal from the register of Mr Dajee's trade mark (POSTURE FOUNDATION – PF).

[6] Mr Dajee's response was to apply to the registrar for the removal from the register of New Balance Inc's trade marks, relying for his application on s 27(1)(b) of the Trade Marks Act 1993, which allows for such removal at the instance of an interested party on the grounds of non-use.

[7] Apart from opposing that application New Balance Inc applied in turn for the removal from the register of Mr Dajee's trade mark on various grounds. Only two remain relevant to this appeal. They are that the mark was not registrable because, first, it was a 'mark in relation to which the applicant for registration [had] no *bona fide* claim to proprietorship' (s 10(3)), and secondly, because it was 'a mark which, as a result of the manner in which it [had] been used, would be likely to cause deception or confusion' (s 10(13)).

[8] The registrar upheld Mr Dajee's application, and dismissed that of New Balance Inc. New Balance Inc appealed against both orders to the full court of the North Gauteng High Court, as it was permitted to do by s 53. That court (Southwood, Phatudi and Makgoka JJ) dismissed both appeals, but granted leave to appeal to this court.

[9] I deal first with the appeal against the order removing the trade marks of New Balance Inc from the register.

[10] It is trite that a trade mark is registered in order for the proprietor to use it and not merely to prevent others from using it.¹ That principle is recognised in s 27(1)(b), which allows for the removal of a trade mark from the register for non-use, in the following terms:

'[A] registered trade mark may, on application to the ... registrar by any interested person, be removed from the register in respect of any of the goods or services in respect of which it is registered, on the ground ... that up to the date three months before the date of the application, a continuous period of five years or longer has elapsed from the date of issue of the certificate of registration during which the trade

¹ The Advocate General, F G Jacobs, in *Hölterhoff v Freiesleben* (ECJ) (Case C-2/00), cited with approval in *A M Moolla Group Ltd v The Gap Inc* 2005 (6) SA 568 (SCA) para 26.

mark was registered and during which there was no *bona fide* use thereof in relation to those goods or services by any proprietor thereof or any person permitted to use the trade mark as contemplated in section 38 during the period concerned.’

[11] The allegations made by Mr Dajee in support of his application were straightforward. He alleged that he keeps himself informed of existing and new products that have a bearing on his business, and that he constantly monitors the South African trade so as to remain aware of the activities of competitors and potential competitors. He said that he was not aware of any use in South Africa of the trade marks of New Balance Inc in relation to the goods for which they are registered nor, indeed, in relation to any other clothing, footwear, or related fashion goods, up until August 2005, when he learnt that New Balance SA intended introducing goods to the trade in South Africa at the trade exhibition. Those allegations were supported by a director of Tomenco (Pty) Ltd, Mr Ivan Kukuljevic, which had been involved in the footwear and clothing industries since 1967. Mr Kukuljevic said that to his knowledge there had been no use of the trade marks in relation to any fashion goods, including footwear, by any other person in the normal course of trade in South Africa prior to the exhibition.

[12] Mr Edward J Haddad, the vice president of New Balance Inc, who deposed to the answering affidavit, said nothing himself concerning the use of the trade marks in this country, confining himself to their use in other parts of the world. As to alleged use in South Africa he relied upon a supporting affidavit of Mr Gary van Rooyen, the General Manager of New Balance SA.

[13] Mr van Rooyen’s affidavit is decidedly sparse. He said that

footwear bearing the trade marks P-F and P-F FLYERS had been sold to members of the public in the ordinary course of business at the factory store of New Balance SA in Cape Town ‘during the past four years’. He attached a photograph depicting the interior of the store, a photograph of footwear on display in the store, two photographs depicting models displaying the footwear, and two photographs depicting what was said to be ‘the typical manner in which the . . . trade marks P-F and P-F FLYERS are being used in South Africa’. He said that the turnover in South Africa of goods bearing the trade marks ‘during the past five years’ amounted to R700 000, and that promotional expenditure of R250 000 had been incurred during that period. Three executives of New Balance SA deposed to affidavits, in identical form, in which they purported to ‘confirm that footwear bearing the trade marks P-F and P-F FLYERS have been sold by [New Balance SA] in at least the past four years’ at its factory store.

[14] Mr van Rooyen also said that as a result of great demand for the footwear, and after conducting market research ‘for the best part of 2005’, it had been decided by New Balance SA, in conjunction with New Balance Inc, that New Balance SA would expand sales of the footwear, and that an agreement had been reached with a wholesaler on 10 May 2005 to assist in the distribution of the goods. An affidavit deposed to by a member of the close corporation that operates the wholesaler makes no mention of the alleged agreement, nor, indeed, of any discussions or negotiations to that end, but in any event, the evidence advanced by Mr van Rooyen is not evidence of relevant use.

[15] That is the extent of the evidence that was advanced by New Balance Inc in support of its allegation of relevant use. There are no

invoices or delivery notes recording purchase or receipt of the stock that was alleged to have been sold at the Cape Town factory store, no invoices recording sales, no accounting records of the transactions: in short, no documentary evidence at all was advanced to corroborate the allegation that footwear was sold.

[16] The court below evaluated the evidence according to the rules laid down in *Plascon-Evans* (the case is so well known that its full citation will only further burden its annotation) and both counsel accepted that that was the correct approach. Those rules manifest the principle that application proceedings are intended for the resolution of legal issues. For that reason final relief will be granted only where the relief is justified by undisputed facts (facts alleged by the applicant that are not disputed, together with facts alleged by the respondent), though there are exceptions,² which applies as much where the respondent bears the onus of proof.

[17] But the rule in *Plascon-Evans* is not blind to the potential for abuse. As this court said in *Fakie NO v CCII Systems (Pty) Ltd*,³ ‘in the interests of justice, courts have been at pains not to permit unvirtuous respondents to shelter behind patently implausible affidavit versions or bald denials.’⁴ That seems to me to be particularly important in proceedings of this nature, in which the proprietor respondent, who bears the onus of proving relevant use,⁵ can be expected to have comprehensive and peculiar knowledge of that fact if it has occurred. In those circumstances it can be expected that a proprietor who alleges relevant

2 ‘[F]or example, where the allegations or denials of the respondents are so far-fetched or clearly untenable that the Court is justified in rejecting them merely on the papers’ *Plascon-Evans* at 635C.

3 *Fakie NO v CCII Systems (Pty) Ltd* 2006 (4) SA 326 (SCA).

4 Para 55.

5 Section 27(3).

use will advance clear and compelling evidence to that effect, and ought not to expect that the evidential burden will be discharged by allegations that are sparse, ambiguous, or lacking in conviction.

[18] In this case it is remarkable that no documents were advanced to corroborate the allegations of sales. Nonetheless, counsel for New Balance Inc submitted, while its evidence might have been fuller, the factual allegations made by Mr van Rooyen, corroborated as they are by three others, cannot be summarily dismissed as false. While that might be correct, in my view New Balance Inc faces an insurmountable hurdle.

[19] The relevant period during which relevant use needs to be shown is 3 July 2000 to 3 July 2005. Use outside that period is immaterial. The court below pointed out that the affidavits of Mr van Rooyen and the three executives were deposed to on 2 March 2006, which was eight months after expiry of the relevant period. The evidence of sales is decidedly unspecific as to when the alleged sales occurred. The four deponents content themselves with alleging that the sales took place, variously, ‘during the past five years’ and ‘during at least the past four years’. In both cases that could mean that they took place between 6 July 2005 and 2 March 2006, just as much as that they took place between 3 July 2000 and 3 July 2005. Greater particularity concerning the dates might have been revealed by documentary evidence, of which there is none, and the evidence does not disclose when the various photographs were taken.

[20] On that issue Southwood J, who delivered the judgment of the court, said the following:

‘None of the witnesses has attempted to show that sales took place during the relevant

period and their statements are ambiguous about when the use, if there was use, took place. In view of the documentary evidence which would be available to these witnesses if their statements were correct the vagueness and ambiguity must be deliberate.’

[21] Counsel for New Balance Inc took issue with the finding of the learned judge that the absence of evidence must be deliberate. He submitted that that equates to a finding that the deponents set out to mislead the court, which was not justified. He submitted that a court must assume that witnesses are honest, and that while better evidence might have been presented, the allegations are nonetheless *prima facie* factual evidence of use.

[22] Greater particularity concerning the time at which sales took place would indeed have been revealed by documentary evidence corroborating the alleged use, of which there is none, and the evidence does not disclose when the various photographs were taken. Given the clear requirement of the section that use be demonstrated during a specific period I, like the court below, find it difficult to avoid the inference that documentation was not advanced lest it revealed the time at which the alleged sales occurred. But in any event it is not necessary to find that the ambiguity, and absence of supporting evidence, was deliberate. The fact remains that there is no clear evidence that the alleged use occurred during the relevant period, and the surrounding circumstances revealed in the affidavits provide no sufficient basis for inferring that they must have occurred then. Whatever corroborating evidence might or might not be required in proceedings of this kind, what is called for, at the least, is clear and unambiguous factual evidence that brings the matter within the terms of the section. I agree with the court below that the evidence was

insufficient for that purpose

[23] In the absence of clear and unambiguous proof of relevant use during the relevant period, the trade marks of New Balance Inc are liable to be removed from the register, though the registrar, and the court below, retained a discretion not to do so. For reasons that will become apparent I deal later in this judgment with the submission by counsel for New Balance Inc that that discretion ought to have been exercised in its favour. I turn to the second appeal, which is against the dismissal of the application by New Balance Inc for removal of Mr Dajee's trade mark.

[24] I deal first with s 10(3), which precludes registration of, and renders liable to removal from the register, a 'mark in relation to which the applicant for registration has no *bona fide* claim to proprietorship'.

[25] A United States corporation, BF Goodridge Company, was at one time the proprietor in the United States (and perhaps in other countries as well) of the trade marks POSTURE FOUNDATION, P-F and P-F FLYERS. At some unspecified time the three trade marks were sold by BF Goodridge Company to Brookfield Athletic Shoe Company Inc. They then came into the hands of Leif J Ostberg Inc (when and how it came to be the proprietor does not appear from the evidence), which sold them to New Balance Inc on 5 February 2001.

[26] BF Goodridge had used the mark POSTURE FOUNDATION in the United States, and elsewhere in the world, as far back as the 1930's. Mr Dajee said that in 1996 he was looking for a new trade mark, and recalled the mark (the mark that he said he recalled was POSTURE FOUNDATION P-F). He believed that the use of the mark had long since

been abandoned and it had not been used anywhere for many years. He said he was satisfied that the mark was unknown to consumers in South Africa and he adopted and registered the trade mark in good faith in 1996.

[27] The meaning of a ‘proprietor’ of a mark, as that term was used in s 20 of the former Trade Marks Act 62 of 1963,⁶ was considered by this Court in *Victoria’s Secret Inc v Edgars Stores Ltd*,⁷ and there is no basis for construing the word differently in s 10(3). On the contrary, it should be assumed that the drafter of s 10(3) was well aware of the construction that had been adopted in *Victoria’s Secret*, and intended that the word should bear that meaning when it was repeated in that section.⁸

[28] In *Victoria’s Secret* Nicholas AJA said that ‘one can claim to be the proprietor of a trade mark if one has appropriated a mark for use in relation to goods or services for the purpose stated’,⁹ using the verb ‘appropriate’ in its meaning of ‘to take for one’s own’. To that must be added that a trade mark is a territorial concept, with the consequence that a person might be considered to have adopted a mark, and thus become its proprietor, notwithstanding that it has been used in a foreign country. As Nicholas AJA said in *Victoria’s Secret*:

‘[T]he fact that a trade mark is registered and has been used, even extensively used, by one person in a foreign country does not in itself constitute a bar to its adoption and registration by some other person in South Africa.’¹⁰

Later he said the following:¹¹

‘In the case of a foreign trade mark, there is no legal bar to its adoption in South

6 Section 20(1): ‘Any person claiming to be the proprietor of a trade mark used or proposed to be used by him and who is desirous of registering it, shall apply to the registrar in the prescribed manner for registration and the application shall be accompanied by the fee prescribed.’

7 *Victoria’s Secret Inc v Edgars Stores Ltd* 1994 (3) SA 739 (A).

8 Cf *Ex parte Minister of Justice: in re Rex v Bolon* 1941 AD 345 at 359-360.

9 At 744I.

10 At 745H-I.

11 At 746F-I.

Africa unless it is attended by something more. Thus in delivering the unanimous judgment of the Full Court in *P Lorillard and Co* (*supra* at 356G-H), Boshoff J said:

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

See also *Lorimar Productions Inc and Others v Sterling Clothing Manufacturers (Pty) Ltd*; *Lorimar Productions Inc and Others v OK Hyperama Ltd and Others*; *Lorimar Productions Inc and Others v Dallas Restaurant* 1981 (3) SA 1129 (T) at 1156A-B; and *Re Impex Electrical Ltd's Trade Marks*; *Impex Electrical Ltd v Weinbaum* [1927] 44 RPC 405 (Ch).’

[29] The learned judge went on to point out that the principle has been similarly recognised in comparable jurisdictions:¹²

‘The principle has been recognised also in Australia. In a passage in his judgment in *The Seven Up Company v OT Ltd* (1947) 75 CLR 203, Williams J said at 211:

“In my opinion the effect of these cases is that in the absence of fraud it is not unlawful for a trader to become the registered proprietor under the Trade Marks Act of a mark which has been used, however extensively, by another trader as a mark for similar goods in a foreign country, provided the foreign mark has not been used at all in Australia at the date of the application for registration. But the position is different if at that date the mark has become identified with the goods of the foreign trade in Australia because those goods have been brought into Australia by the foreign trader himself or by some importer or in some other manner. The Court frowns upon any attempt by one trader to appropriate the mark of another trader although that trader is a foreign trader and the mark has only been used by him in a foreign country. It therefore seizes upon a very small amount of use of the foreign mark in Australia to hold that it has become identified with and distinctive of the goods of the foreign trader in Australia. It is not then a mark which another trader is entitled to apply to register under the Trade Marks Act because it is not his property but the property of

¹² At 746I-747G.

the foreign trader. The Registrar is entitled to refuse to register the mark for such goods. If it has been registered the Court may rectify the register on the ground that the mark is wrongly entered on the register.”

In the appeal in *The Seven Up* case *loc cit* Latham CJ said at 215-6:

“The use of the trade mark elsewhere than in Australia is not in itself a relevant matter, nor is registration of the trade mark abroad in itself a relevant matter . . . In my opinion the knowledge that a trade mark is registered in another country or used in another country is irrelevant in considering whether or not the registration of a mark would be likely to cause deception in Australia or in considering whether the mark is otherwise disentitled to protection in a court of justice. User in Australia would be relevant. So also would facts establishing a breach of confidential relations or any fraud . . . *The desire to use in Australia a successful trade mark in competition in trade with a person who may come here and who uses that trade mark in another country cannot be described as fraud or as involving any breach of the law.*”

(My emphasis.) Similarly, Rich J said at 216:

“Although the mark "7Up" has been extensively used in the United States, there has been no user of it in Australia. It is to the market of this country alone that one has to have regard. For that purpose foreign markets are wholly irrelevant unless it can be shown by evidence that in fact goods marked with the foreign mark have been imported into this country and the foreign mark thus acquires this characteristic that it is distinctive of the goods of the manufacturer.”

[30] The trade mark that was used and registered by BF Goodridge Company outside South Africa (and which ultimately passed to New Balance Inc) was POSTURE FOUNDATION, which was not the mark that was adopted and registered by Mr Dajee (POSTURE FOUNDATION – PF) but nothing turns on that. New Balance Inc advanced no evidence of use of the mark POSTURE FOUNDATION – PF, nor, indeed, of the mark POSTURE FOUNDATION, in this country prior to its use by Mr Dajee, and it was on that basis that the court below found that it had not established that Mr Dajee was not the bona fide proprietor of his trade mark at the time he applied for its registration.

There was some suggestion in argument before us that the affidavit of Mr Dajee himself, carefully construed, reveals at least some use of the mark in South Africa prior to its adoption by Mr Dajee, but I think that is a strained construction of his evidence and the submission has no merit. I do not think that the finding of the court below on this issue can be faulted.

[31] Much of the argument was directed instead to inviting us to depart from the territorial approach to trade marks and to embrace in its place a trans-territorial concept, having the effect that foreign proprietorship of a mark should cling to the mark when it is used in this country. The concept of territoriality, it was submitted in short, has become outmoded in the global village. A similar invitation was extended to this court, and rejected, in *Victoria's Secret*. There Nicholas AJA said that to accede to the invitation would pre-empt s 35 of the present Trade Marks Act, which had not yet come into existence, and his observation naturally carries even more weight now that the section does exist.

[32] But in any event I think there is an insuperable hurdle to accepting the invitation. We are not now concerned with the common law, which, as counsel correctly submitted, is capable of being constitutionally developed. We are concerned with the application of a statute. Territoriality is imbedded within the proper meaning of the term in the statute, as it has been judicially interpreted, and it is not open to a court to alter the statute. That is a matter for the legislature, which will no doubt need to consider carefully the implications of reforming the law, including its implications for the country's international relations and

obligations, before embarking on that course.

[33] That brings me back to the outstanding issue in the first appeal. A court has a general or residual discretion to refuse removal of a trade mark from the register but that discretion is to be exercised against removal only where the circumstances are exceptional.¹³ New Balance Inc advanced various factors that, in combination, so it was submitted, constitute exceptional circumstances.

[34] First, it was submitted that the removal of the trade marks from the register will have no practical effect on the activities of Mr Dajee or on the use of his own trade mark. Secondly, it was submitted that the trade marks have been on the register for a considerable time (almost 50 years in one case and almost 40 years in the other case), that New Balance Inc (or at least its subsidiary) has demonstrated that the trade marks were used, if not during the relevant period, then at least shortly thereafter, and it has evinced a clear intention to use them even more extensively in the future. Finally, it was pointed out that the trade marks have been registered, and used extensively in other parts of the world. I do not think it can be said with any conviction that removal of the trade marks will have no practical effect. As for the remaining factors, it seems to me that it would entirely undermine the section if removal were to be refused on those grounds.

[35] The second ground upon which it was sought to have Mr Dajee's

¹³ *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd; McDonald's Corporation v Dax Prop CC; McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and Dax Prop CC* 1997 (1) SA 1 (A).

trade mark removed was the injunction in s 10(13) of the Act, which precludes registration, and allows for removal from the register, of a mark which, ‘as a result of the manner in which it has been used, would be likely to cause deception or confusion’.

[36] The court below pointed out, and it is conceded by counsel for New Balance Inc, that it is the use of the mark, and not merely a portion of the mark, which must be likely to cause deception or confusion, in order for the section to be invoked. It pointed out that the attack under this subsection was founded on the fact that at times Mr Dajee used the letters P-F on footwear, which was not use of the mark. Before us counsel for New Balance Inc drew our attention to the mark on an advertisement that is amongst the papers filed in this case. That was not the basis upon which the claim was brought and pursued either before the registrar or before the court below – indeed, it is not mentioned even in the heads of argument – and I do not think the belated reference to that document calls for consideration.

[37] In my view the orders of the court below cannot be faulted. The appeals are dismissed with costs that include the costs of two counsel.

R W NUGENT
JUDGE OF APPEAL

APPEARANCES:

For appellant: O Salmon
 F Southwood

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