

IN THE SUPREME COURT OF SOUT

(APPELLATE DIVISION)

In the matter between:

THE RITZ HOTEL LIMITED Appellant

AND

CHARLES OF THE RITZ LIMITED First Respondent

AND

REGISTRAR OF TRADE MARKS Second Respondent

Coram: CORBETT, HOEXTER, SMALBERGER, NESTADT, JJ A et

NICHOLAS, A J A

Heard: 22 February 1988

Delivered: 21 March 1988

J U D G M E N T

NICHOLAS, A J A :

The Parties.

Charles of the Ritz Limited is a company registered in the United Kingdom. It is a wholly owned subsidiary of Charles of the Ritz Group Limited of New York, a corporation registered in the United States of America ("the US company"), which is a manufacturer and distributor internationally of cosmetics and perfumery products. It has a number of other subsidiaries which operate in various parts of the world as well as licensees and distributors. The US company has a Technical Services Division, whose function it is to ensure the quality of all Charles of the Ritz products wherever they are manufactured: it lays down formulae

and specifications, approves the sources and quality of raw materials used in manufacture, and approves the containers and packaging in which products are marketed.

Companies belonging to the Charles of the Ritz group use the trade marks Charles of the Ritz and Ritz, which originated in the United States of America. These have a history extending back to 1910, when the Ritz-Carlton Hotel opened in New York. There Charles Ritz conducted a hairdressing business, in which he sold a range of cosmetic preparations on which he used the word Ritz as a trade mark. In 1919, Charles Jundt purchased Ritz's business, including the goodwill and the right to use the trade mark Ritz in relation to cosmetics. Jundt was at first known to his customers as Mr. Charles, but they later began to refer to him as "Charles of

the Ritz". In 1926 Jundt adopted Charles of the Ritz as a trade mark for his cosmetic products. In 1928, there was founded Charles of the Ritz Incorporated (a predecessor of the US company), which acquired Jundt's cosmetic business, including the rights in the trade marks Charles of the Ritz and Ritz.

The following trade marks are registered in the name of Charles of the Ritz Limited in Part A of the South African register of trade marks:

1 Trade Mark Registration No: 650/46

Trade Mark : CHARLES OF THE RITZ

Class and Goods : Class 3(iv):

"Perfumed soap, cosmetics, dentifrices; perfumery, including toilet articles, preparations for the teeth and hair; oils for toilet purposes"

Date of Registration : 15th March, 1946

Registered User : African Sales Company (Pty) Ltd

(recorded on 9th March, 1962);

2 Trade Mark Registration No : 491/55

Trade Mark : RITZ

Class and Goods : Class 3(iv):

"Creams, lotions, preparations for the skin, oils, pastes and powders, all being non-medicated toilet preparations, lipsticks, toilet rouge, cosmetic rouge boxes, eye-brow pencils, eye-black, eye-shadow nail varnish, nail varnish removing preparations and astringent lotions for toilet purposes"

Date of Registration : 18th February, 1955

Associated with No. 650/46

Registered User : African Sales Company (Pty) Ltd

(recorded on 9th March, 1962).

3 Trade Mark Registration No : 65/2279

Trade Mark : CHARLES OF THE RITZ

Class and Goods : Class 25(iv):
"Clothing"

Date of Registration : 7th June, 1965

Associated with No. 650/46

and No. 71/0325

4 Trade Mark Registration No : 71/0325

Trade Mark : CHARLES OF THE RITZ

Class and Goods : Class 26(iv):
"Wigs, toupees, false hair,
hair pieces and hair tresses,
all for wear"

Date of Registration : 26th January, 1971

Associated with 65/2279;

5 Trade Mark Registration No : 71/1336

Trade Mark : CHARLES OF THE RITZ

Class and Goods : Class 3(iv):

"False eye/lashes, false finger
nails, perfumes, non-medicated
toilet preparations, cosmetic
preparations, dentifrices,
depilatory preparations, toilet
articles (not included in other
classes), shampoos, soaps and
essential oils"

Date of Registration : 1st April, 1971

Associated with No. 650/46

and No. 65/2279

The Ritz Hotel Limited, which is a company

registered in the United Kingdom, owns and operates the Ritz
Hotel at 15 Place Vendôme in Paris. This is a luxury

establishment with an international reputation. Its emblem

is the following:



PARIS

Since about December 1965, the Ritz Hotel

Limited has offered for sale in the "gift shop" in the hotel

in Paris goods which bear its emblem, including soap, shampoo,

hair conditioner, scarves, ties, bathrobes, bedroom slippers,

playing cards, stationery, food and beverages.

The gift shop consists of a long hallway which

extends from the main Place Vendôme lobby of the hotel to the

rear lobby at the entrance from Rue Cambon, and in which the

items for sale are displayed inside glass-enclosed cases on either side. The salesperson in charge is stationed at a small desk in the middle.

The Ritz Hotel Limited has obtained registration in South Africa of its emblem as a trade mark as follows:

1, Trade Mark Registration No : 80/6893

Trade Mark : HOTEL RITZ & CREST Device

Class and Goods : Class 25(iv)
"Ready-made clothing or clothing made-to-measure for men, women and children, knitted wear and knitted goods, lingerie, underwear, dresses, skirts, trousers, shirts, ties, scarves, belts, gloves, hats; shoes and slippers; rain-coats, socks, stockings, tights"

Date of Registration : 21st October, 1980

Associated with No. 80/6894

2. Trade Mark Registration No : 80/6894

Trade Mark : HOTEL RITZ and CREST Device

Class and Goods : Class 26(iv):

"Lace and embroidery, ribands and braid; buttons, press-buttons, hooks and eyes, pins and needles, artificial flowers"

Date of Registration : 21st October, 1980

There are pending two applications for registration of trade marks, namely (i) Application No. 80/6882, for registration of the Hotel Ritz and Crest device in Class 3 in respect of:

"Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps, perfumes, perfumery, toilet waters, deodorants, essential oils, beauty preparations, cosmetics, creams, powders, make-up, toilet-milks, lotions, toilet-soaps, shampoos, toothpastes, bath salts, bath oils" ;

and (ii) Application No. 84/6465, for the registration of the

trade mark Ritz in Class 25(iv) in respect of

"Articles of clothing including boots, shoes and slippers;
parts and accessories for all the foregoing."

Application No. 80/6882 is being opposed by

Charles of the Ritz Limited on two grounds: (a) that the

applicant has not used and does not intend to use the trade mark

"Hotel Ritz" and Crest device in relation to all the goods in

respect of which registration is sought; and (b) that the

applicant's mark so nearly resembles the opponent's regis-

tered trade marks No. 650/46, No. 491/55 and No. 71/1336, that

use of such mark in relation to the goods in respect of which

registration is sought, and use of the opponent's marks in

relation to the goods in respect of which the latter marks

are registered, will be likely to deceive or cause confusion.

- (b) in terms of s. 33(1), on the ground that the respective entries made in the register were entries wrongly remaining on the register, inasmuch as the use of them offended against the provisions of s. 16(1), in that such use would be likely to deceive or cause confusion.

Charles of the Ritz Limited opposed the application both on the ground that The Ritz Hotel Limited was not a "person aggrieved", and on the merits.

The application was heard by MACARTHUR J, who held that The Ritz Hotel Limited was a person aggrieved in respect of all five registrations; that in relation to marks 650/46, 491/55 and 71/1336 (which will be referred to collectively as "the Class 3 marks") these had been in use by Charles of the Ritz Limited during the relevant period; that marks No. 65/2279 and NO. 71/0325 had not at any time been used in South Africa in relation to goods in respect of which they were registered; and that it had not been shown

The Application to the Transvaal Provincial Division.

Alleging that it was a person aggrieved by the registrations in the name of Charles of the Ritz Limited, The Ritz Hotel Limited made an application to the Transvaal Provincial Division of the Supreme Court for an order authorizing and directing the Registrar of Trade Marks to expunge and/or remove from the register of trade marks all of those trade mark registrations. This relief was claimed

- (a) in terms of s. 36(1)(b) of the Trade Marks Act, No. 62 of 1963 ("the Act") on the ground that up to a date one month before the application a continuous period of 5 years or longer elapsed during which the trade mark was a registered mark and during which there was no bona fide use thereof in respect of any of the goods in respect of which it was registered; and

that the use of the Class 3 marks was likely to deceive or cause confusion. The learned judge accordingly granted an order authorizing and directing the Registrar of Trade Marks to expunge and/or remove from the register of trade marks, registration No. 65/2279 Charles of the Ritz in Class 25(iv), and No. 71/0325 Charles of the Ritz in Class 26(iv), but made no order in regard to the Class 3 marks. He considered that in the final result both parties had achieved substantial success and accordingly made no order as to costs.

With the leave of the Court a quo, The Ritz Hotel Limited now appeals to this Court against the failure of the Court a quo to order the expungement of the Class 3 marks, and against the order relating to costs; and Charles of the Ritz Limited cross-appeals against the part of the

judgment ordering the expungement of trade marks No. 65/2279
and No. 71/0325.

(In what follows I shall be referring to The
Hotel Ritz Limited as "the appellant", and to Charles of the
Ritz Limited as "the respondent".)

"Person aggrieved".

In an application to rectify the register,
whether under s. 33(1) or under s. 36(1) of the Act, it is a
prerequisite that the applicant should be a "person aggrieved".

The question here is merely one of locus standi, and it
must be approached on the assumption, which is necessary to
answer it, that the trade mark is wrongly on the register.

(In re Apollinaris Companies' Trade Mark (1891) 2 Ch 186 (CA)

per FRY L.J. at 224.)

The courts have given a wide and liberal interpretation to the expression "person aggrieved". (See for example Apollinaris (supra) at 224-225; William Powell v The Birmingham Vinegar Brewery Company, Limited, (1894) AC 8; "Daquiri Rum" Trade Mark 1969 RPC 600 (H.L.) at 615.)

It was observed in Apollinaris (at 225), that the words are not to be so read as to make evidence of great and serious damage a condition precedent to the right to apply.

The effect of the decided cases is summarized in Kerly's Law of Trade Marks and Trade Names (11th ed.) in s. 11-07) as follows. The persons who are aggrieved are all persons who are in some way or other substantially interested in having the mark removed from the register; including all persons who would be substantially damaged if the mark

remained, and all trade rivals over whom an advantage was gained by a rival trader who was getting the benefit of a registered trade mark to which he was not entitled.

See also Halsbury's Laws of England, 4th ed.,

vol 48, s. 225.

The case of the trade rival is only one case of a person who is substantially interested in having the mark removed from the register. There are others. Thus, in Apollinaris, (supra), it was held at 228-229 that when one trader uses the fact of registration as any part of his case against any other trader in any legal proceedings, that second trader is aggrieved. Kerly states (ubi cit) that an alleged infringer of a mark is always a person aggrieved by its registration. (But this requires qualification: Cf.

Lever Brothers, Port Sunlight Ltd. v Sunniewite Products, Ltd.

(1949) 66 RPC 84 at 101.) In Ernest Marshall, (1943) 60

RPC 147 at 151 in fin, it was held by the Comptroller-General

that where a registered trade mark is the basis of the oppo-

sition to his own application for registration, the appli-

cant for rectification is clearly a person aggrieved.

MACARTHUR J dealt with the question of locus

standi in a globular fashion in respect of all five of the

respondents' registrations. In my opinion, when an applica-

tion for rectification is made in respect of several re-

gistrations, the applicant must show in respect of each of

them that he is a person aggrieved; and where different

considerations apply each entry should be separately con-

sidered.

In the present case, the Class 3 entries may conveniently be treated together but separately from the Class 25 and Class 26 registrations.

(i) The Class 3 registrations.

In relation to the Class 3 registrations, the appellant claimed to be a person aggrieved on two grounds:

- (a) that it wishes and intends to use its trade marks Hotel Ritz and Crest Device and Ritz in South Africa in respect of the goods covered by its applications and registrations in Class 3(iv); and

(b) / 20

(b) that the respondent cited its Class 3 registrations in opposing the appellant's trade mark application No. 80/6882, and that the appellant was consequently aggrieved by the existence of those registrations.

In regard to ground (b), the appellant's argument could fairly be stated as follows:

"Whether or not I intend to trade in goods to which the respondent's trade marks relate, I am entitled, in the absence of good ground to the contrary, to registration in terms of my application No. 80/6882. The respondent, in citing his marks in opposition to that application, has raised an obstacle to its being granted. Unless the marks are removed from the register, the respondent is gaining the benefit of a registered trade mark to which he is not entitled. I am accordingly aggrieved."

On the other hand, it may be suggested that it would be an effective answer to this argument if it were proved affirmatively that the appellant did not deal, and did not have a definite and present intention to deal in the goods covered by the application. (See the reference to J. Batt and Company (infra)).

It is, however, unnecessary to further consider these matters, or to consider ground (a), because I am prepared to assume, without deciding, that the appellant is a "person aggrieved" in respect of Class 3 marks.

(ii) The Class 25 and Class 26 marks.

In the appellant's founding affidavit it was stated in para. 10 that

"The Applicant wishes and intends to use its aforesaid trade marks HOTEL RITZ AND CREST Device and RITZ in South Africa in respect of the goods covered by its aforesaid applications and registrations in Classes 25(iv) and 26(iv)."

It was further stated in paragraph 12.2 -

"12.2 The Applicant is also aggrieved by the existence of trade mark registration No. 65/2279 CHARLES OF THE RITZ in Class 25(iv) because this is for the identical trade mark as covered by registrations Nos. 650/46 and 71/1336 on which the First Respondent is basing its opposition referred to above. The applicant, as I have stated in paragraph 10 above, has a direct interest in Class 25 and believes that the First Respondent might seek to rely on registration No. 65/2279 to attempt to frustrate the Applicant's use of its trade marks in Class 25 or interfere with or attack the Applicant's aforesaid registration No. 80/6893 in Class 25(iv) and/or its application No. 84/6465 RITZ in Class 25(iv).

"12.3 Similarly, the Applicant believes that the First Respondent might seek to rely on its registration No. 71/0325 CHARLES OF THE RITZ in Class 26(iv) to frustrate or attack the Applicant's use or registration of its trade mark in Class 26(iv) as aforesaid. The Applicant is therefore also aggrieved by the existence of registration No. 71/0325."

Counsel for the appellant conceded that the first sentence in paragraph 12.2 was a non sequitur, and that no basis had been shown for the beliefs alleged in the second sentence, and in paragraph 12.3.

The purpose of paragraph 10 was presumably to bring the appellant within the case of the trade rival. If that is so, the necessary allegations and proof are deficient.

In Re Powell's Trade Mark (1893) 2 Ch 388

BOWEN LJ said at 406:

" persons would be aggrieved if they are in the same trade, and might reasonably be expected to deal in the same article, though not prepared to prove at the moment that they had formed a clear determination to do so."

And in William Powell v Birmingham Vinegar Brewery Company Limited, (supra) LORD WATSON said at 12:

"In my opinion any trader is, in the sense of the statute, 'aggrieved' whenever the registration of a particular trademark operates in restraint of what would otherwise have been his legal rights. Whatever benefit is gained by registration must entail a corresponding disadvantage upon a trader who might possibly have had occasion to use the mark in the course of his business. It is implied, of course, that the person aggrieved must manufacture or deal in the same class of goods to which the registered mark applies, and that there shall be a reasonable possibility of his finding occasion to use it. But the fact that the trader deals in the same class of goods and could use it, is prima facie sufficient evidence of him being aggrieved "

It appears moreover that a trading interest,

which consists not of an actual trade, but a genuine intention to trade, is sufficient. See Halsbury ubi cit, referring to two cases decided in the Trade Marks Registry, namely Wells Fargo Trade Mark (1977) RPC 503, and Consort Trade Mark (1980) RPC 160. See too Kerly op cit s. 11.08. This is also implicit in the judgment of ROMER J in Lever Brothers, Port Sunlight, Ltd. v Sunniwite Products, Ltd. (1949) 66 RPC 84 (Ch.) at 101 lines 32 to 41, which are quoted below.

The intention which is requisite is similar to that required in an application for registration of a trade mark, as to which see J Batt and Company (1898) 15 RPC 534 (C.A.) per LINDLEY MR at 538:

"A question of law then arises, which may be stated shortly as follows: Can a man properly register a Trade Mark for goods in which he does not deal or intend to deal, meaning by intending to deal, having at the time of registration

some definite and present intention to deal in certain goods or descriptions of goods, and not a mere general intention of extending his business at some future time to anything which he may think desirable. This question we answer in the negative."

In this case the applicant's sole activity lies, and has lain since it came into existence, in the conduct

of a luxury hotel, to which a gift shop, which offers a limited range of goods, is a minor adjunct. This apart, it is not engaged in the production or distribution of goods. It does not trade in "wigs, toupees, fake hair, hair pieces and hair tresses" (see No. 71/0325) or in "clothing (see No. 65/2279) except for "bathrobes", which are sold only at the Ritz Hotel in Paris and, it appears, at Harrods in London, which is under the same ownership as the appellant. Dominique Mendy, the deponent to an affidavit filed on behalf of the respondent, says that she visited the gift shop at the Ritz Hotel on 11 March 1986. Two of the display cases

" ... contained bath products (bathrobes, towels, slippers and the like) made of terry-cloth and bearing the trade mark D. PORTHAULT as well as the name and logo Hotel Ritz. D. PORTHAULT is a well-known manufacturer of

such articles. I was told by the sales-person that D.PORThAULT manufactures all bath products for Hotel Ritz and that the articles in the display cases were similar to those that hotel guests would find in their rooms.... "

It appears that the appellant's trade in bathrobes, such as it is, is aimed not at the general public, but at visitors to the Ritz Hotel who want souvenirs. In my opinion such trade cannot fairly be regarded as making the appellant a trader in clothing.

In an affidavit submitted by the appellant, and deposed to by Klein, the appellant's Executive Vice-President and General Manager, it is said that

"13.3 The Applicant presently intends to distribute throughout the world, including South Africa, goods under its trade marks including cosmetics and perfumery, shampoo, hair conditioner, confectionery, stationery, bathrobes, towels, sheets, pillowcases, cutlery, yarn

and fabrics, clothing and clothing designs, sunglasses, playing cards, games, bedroom slippers, footwear, food, champagne and other beverages (alcoholic and non-alcoholic)."

At present the appellant does not distribute any of these goods in South Africa, despite the fact that the only ones which might be vulnerable to attack under any of the respondent's trade marks are cosmetics and perfumery, shampoo, hair conditioner and bathrobes. For the rest, the field is wide open. Of the vulnerable items, the only goods which are listed in the appellant's price list of Ritz Products dated January 1986 are bathrobes, and, under "Perfume Ritz Products", foaming bath, shampoo and soap. Klein says nothing in regard to any steps which the appellant may have taken to manufacture or obtain supplies of any of the goods set out in No. 65/2279 and No. 71/0325.

I think that the observations of ROMER J at p 101 of the Sunniwite case (ubi cit) are applicable mutatis mutandis to the appellant:

"In the present case the Defendants' sole activity lies, and has lain for some years past, in the region of soapless detergents. This being so, and in the absence of some evidence to support the view, I am unable to see how they can sensibly be regarded as aggrieved in respect of the Plaintiffs' mark being on the register in relation to perfumery, cosmetics, preparations for the hair and dentifrices. I have already indicated my opinion that none of these products are goods of the same description as detergents, which have, so far as I am aware, almost nothing in common with any of them. If therefore, the Defendants entertain, or have at any time entertained, any motion of embarking upon an enterprise so far removed from their present one, I cannot but think that it was incumbent upon them to call evidence to that effect. This they were singularly coy about doing."

In this case, too, there was nothing but Klein's bare ipse dixit as to the appellant's intentions.

In my opinion, therefore, the appellant did

not succeed in showing that it was a "person aggrieved" in regard to the Class 25 or Class 26 registrations, and it follows that the respondent's cross-appeal against the substantive order made by the Court a quo should be upheld.

Alleged non-use - s. 36(1)(b).

S. 36(1)(b) of the Act provides:

"36. (1) Subject to the provisions of sub-section (2) of section sixteen, and section fifty-three, a registered trade mark may, on application to the Court, or, at the option of the applicant and subject to the provisions of section sixty-nine, to the registrar by any person aggrieved, be taken off the register in respect of any of the goods or services in respect of which it is registered, on the ground either -

(a) ; or

(b) that up to the date one month before the date of the application a continuous period of five years or longer elapsed during which the trade mark was a registered trade mark and during which there was no bona fide use thereof in relation to those goods or services by any proprietor thereof for the time being; or

not succeed in showing that it was a "person aggrieved" in regard to the Class 25 or Class 26 registrations, and it follows that the respondent's cross-appeal against the substantive order made by the Court a quo should be upheld.

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(a) ; or

(b) that up to the date one month before the date of the application a continuous period of five years or longer elapsed during which the trade mark was a registered trade mark and during which there was no bona fide use thereof in relation to those goods or services by any proprietor thereof for the time being; or

The respondent has not itself used the Class 3 trade marks, but it is clear that they have been used extensively by African Sales Company (Proprietary) Limited ("African Sales"). This company, which is registered as registered user of No. 650/46 and No. 491/55, has for many years manufactured and distributed in South Africa a wide range of Charles of the Ritz products under the trade marks Charles of the Ritz and Ritz, and it has extensively advertised and promoted such products. (African Sales is not the registered user of No. 71/1336, but the appellant made no special point of the non-use of this mark.)

The appellant nevertheless contended that African Sales has not "used" the trade marks. This contention was based on the following facts. In the order form

for Charles of the Ritz products used by African Sales, the words "Charles of the Ritz New York" appear immediately below the African Sales heading and addresses. In addition, on some of the containers in which Charles of the Ritz products were distributed by African Sales, there appear the words "Made in USA. Charles of the Ritz Group Limited New York", or "Charles of the Ritz Group Ltd., Dist., New York". From this the appellant drew the conclusion in the founding affidavit that all Ritz and Charles of the Ritz products sold in South Africa emanated from Charles of the Ritz Group Limited; that African Sales had not used the trade marks but was a mere distributor; and hence that the trade marks had not been used in South Africa by the respondent.

In an affidavit by Priebatsch, the "director"

of African Sales, which the respondent filed with its answering affidavit, it was explained that the Charles of the Ritz products are "up-market, expensive and are accordingly sold in relatively small quantities", and that for reasons of cost and convenience African Sales had always imported containers and packaging for the products from the respondent and the US company. Steps were, however, being taken to avoid the use in future of any information on containers and packaging which might be misleading.

In the replying affidavit Klein admitted that he had drawn a wrong inference, and that his statements, which were "based on the apparent position in the market place" were not correct.

The appellant addressed no argument to the

Court a quo relating to non-use of the Class 3 trade marks.

It did, however, make submissions in this regard in the heads of argument and orally at the hearing in this Court.

In the heads of argument it was said that -

"We submit that the facts hereinafter set out establish that substantial use has been made of the trade marks in issue not by the Respondent or its registered user but by the USA COMPANY " and

" ... in relation to the goods marketed in South Africa and packaged in the packages of the USA Company, the use of the mark is that of the latter and not that of the Respondent or its registered user."

In oral argument, however, the appellant's counsel were content to take as the basis of their submissions the fact that the use had been by African Sales, and they relied on the wording on the packaging quoted above only in support of the application based on s. 33 of the Act.

The argument in this Court was that the use by African Sales was not "permitted use" in terms of ss. (1)(b) of s. 48 of the Act and hence was not deemed to be use by the proprietor of the marks in terms of ss. (2).

The relevant provisions of s. 48 are as follows:

- "(1)(a) Subject to the provisions of this section, a person other than the proprietor of a trade mark may be registered as a registered user thereof in respect of all or any of the goods or services in respect of which it is registered (otherwise than as a defensive trade mark), and either with or without conditions or restrictions.
- (b) The use of a trade mark by a registered user thereof in relation to goods or services with which he is connected in the course of trade and in respect of which for the time being the trade mark remains registered and he is registered as a registered user, being use such as to comply with any conditions or restrictions to which his registration is subject, is in

this Act referred to as the 'permitted use' thereof.

- (2) The permitted use of a trade mark shall be deemed to be use by the proprietor thereof, and shall not be deemed to be use by a person other than the proprietor for the purposes of section thirty-six or for any other purpose for which such use is material under this Act or at common law:
- (3)
- (4) Where it is proposed that a person should be registered as a registered user of a trade mark, the proprietor and the proposed registered user shall apply in writing to the registrar in the prescribed manner and the application shall be accompanied by the prescribed fee and shall furnish him with a sworn declaration made by the proprietor, or by some person authorized to act on his behalf and approved by the registrar -
- (a) giving particulars of the relationship, existing or proposed, between the proprietor and the proposed registered user, including particulars showing the degree of control by the proprietor over the permitted use which their relationship will confer

and whether it is a term of their relationship that the proposed registered user shall be the sole registered user or that there shall be any other restriction as to persons for whose registration as registered users application may be made;

- (b) stating the goods or services in respect of which registration is proposed;
- (c) stating any conditions or restrictions proposed with respect to the characteristics of the goods or services, to the mode or place of permitted use, or to any other matter; and
- (d) stating whether the permitted use is to be for a period or without limit of period, and, if for a period, the duration thereof,

and with such further documents, information or evidence as may be required under the regulations or by the registrar.

- (5) When the requirements of subsection (4) have been complied with, and if the registrar after

considering the information furnished to him under that subsection, is satisfied that in the circumstances the use of the trade mark in relation to the proposed goods or services or any of them by the proposed registered user, subject to any conditions or restrictions which the registrar thinks proper, would not be contrary to the public interest, the registrar may register the proposed registered user as a registered user in respect of the goods or services as to which he is so satisfied.

(6)

(7) The registrar shall, if so required by an applicant, take steps to ensure that information furnished for the purposes of an application under the provisions of this section (other than matters entered in the register), is not disclosed to rivals in trade

....."

The basis for the argument was set out

by Klein in the replying affidavit. He said that in terms

of ss. (4) of s. 48, it was required that the proprietor and

and proposed registered user of the mark should apply in writing to the registrar giving particulars inter alia, "showing the degree of control by the proprietor over the permitted use which their relationship will confer"; and that the registration of African Sales as a registered user must therefore have been based upon an agreement between the respondent and African Sales. The appellant did not have access to this agreement because of the non-disclosure provision in ss. (7) of s. 48. Klein challenged the respondent to produce the relevant registered user documents, but to this challenge there was no response. Klein said that the respondent could not have complied with the provisions of s. 48 of the Act, "because all formulations and control of the manufacture of products in South Africa have been done by a company (sc. the US company) not a party

to / 40

to the arrangement between the proprietor of the marks and the registered user."

Although this point was not argued in the Court a quo, nor raised in the appellant's heads of argument in this Court, counsel placed it in the forefront of their argument, submitting that the case was governed by the decision in McGregor Trade Mark, 1979 RPC 36 (Ch). In that case a registered user "S" sought to rectify the trade marks register on the ground of non-use of a trade mark for articles of clothing including dressing gowns. It was admitted that "S" itself had applied the mark to dressing gowns throughout the alleged period of non-use. One of the conditions and restrictions to which the registration was subject, was to

manufacture in accordance with directions as to materials and methods of manufacture given from time to time by the registered proprietors. It was held that, as there were never any directions given by the registered proprietors as to materials and methods of manufacture, the use by "S" did not comply with the conditions and restrictions to which the registrations were subject, and consequently was not "permitted use" within the meaning of the section in the English Act corresponding to ss. 48. It was accordingly ordered that the trade mark be removed from the register.

Counsel submitted that in the present case the respondent had abdicated its function to exercise quality control, which it had left to a third party, i.e. the US company. Consequently in this case too the use by the registered user

was not permitted use within the meaning of s. 48(2).

The respondent, admittedly, did not itself exercise quality control over the manufacture of Charles of the Ritz products by African Sales. Such control was exercised by the US company through its Technical Services Division. It appears from affidavits filed on behalf of the respondent that Charles of the Ritz and Ritz products are manufactured and/or sold by the US company or its subsidiaries and their licensees and distributors in various countries in the world. The US company endeavours to ensure that all

products / 43

products to which the trade marks Charles of the Ritz and Ritz are applied, wherever manufactured, are consistently and reliably of the highest quality. To this end, the Technical Services Division of the US company ensures strict centralised control of the formulae according to which products are made, the raw materials used, their method of manufacture and the containers and packages in which they are sold.

It is clear that the acts of a holding company are not per se the acts of its wholly owned subsidiary, or vice versa, since the holding company is a separate legal entity from its subsidiary, but in recent years, there has become evident in the English cases a more relaxed approach to the application of this basic principle.

In Gower's Principles of Modern Company Law,

4th ed. (1979), it is stated (pp. 128-129) that. -

"The courts are still apt to affirm that it is a fundamental principle of English law

'long established and now unchallengeable by judicial decision that each company in a group of companies (a relatively modern concept) is a separate legal entity possessed of separate legal rights and liabilities so that the rights of one company in a group cannot be exercised by another company in that group even though the ultimate benefit of the exercise of those rights would accrue beneficially to the same person or corporate body ... '

Nevertheless while doing so they may admit that: 'It is perhaps permissible under modern conditions to regret the existence' of this principle, and that:

'Modern commerce is hampered and not helped by too rigid an adherence to the basic principle ... Where the group is in truth the party interested and injured, the law should not be too astute not to recognise the realities of the position ... '

In the light of this attitude it is not surprising that cases can be found where the courts have been willing to treat a subsidiary company as an agent of the holding company and as conducting the latter's business for it."

(The passages quoted by Gower are from the judgment of

ROSKILL LJ in The Albazero (1975) 3 W.L.R. 491 (CA) at 521

A-D.) After quoting cases showing such willingness,

Professor Gower goes on to say:

"The trouble is that the attitude of the courts is unpredictable. Each case where they have regarded the subsidiary as agent of the parent can be matched with another in which they have refused to do so. Indeed, in one case it was said in the Court of Appeal that -

'Under the ordinary rules of law, a parent company and a subsidiary company, even a 100 per cent subsidiary company, are distinct legal entities, and in the absence of an agency contract between the two companies one cannot be said to be the agent of the other.'

In so far as this suggests that an express agency contract is needed it clearly goes too far. But exactly what else will suffice?"

(The Court of Appeal case referred to was Ebbw Vale U.D.C. v

Wales Traffic Area (1951) 2 KB 366 (C.A.).) The learned

author's conclusion (at 130) is that, in truth, it seems to be impossible to deduce from the decisions any one set of criteria which will be decisive in all circumstances.

In D.H.N. Food Distributors Ltd. v Tower

Hamlets London Borough Council (1976) 1 WLR 852 (C.A.) at

860 B; 1976 (3) All E.R. 462 (C.A.) at 467 b-c) LORD

DENNING M.R. quoted with approval a statement in the 3rd

edition of Gower that

"there is evidence of a general tendency to ignore the separate legal entities of various companies within a group, and to look instead at the economic entity of the whole group."

and added

"This is especially the case when a parent company owns all the shares of the subsidiaries, so much so that it can control every movement of the subsidiaries. These subsidiaries are bound hand and foot to the parent company and must do just what the parent company says."

In Revlon Inc. and Others v Cripps and Lee

Ltd. and Others, 1980 F.S.R. 85 (Ch) DILLON J, in dealing with an argument based on the fact that companies in the Revlon cosmetics group were separate companies, said at 95:

"That argument is, I apprehend, unanswerable if it is correct to place such emphasis on the fact that the individual group companies, which are co-plaintiffs in this action, are in law separate entities. In my judgment, however, this narrow emphasis on the individuality of companies in a group is not in accordance with recent authorities: see D.H.N. Food Distributors Ltd. v Tower Hamlets London Borough Council (1976) 1 W.L.R. 852.)

This approach was approved by the Court of Appeal (ibid. pp. 99 ff.).

(I should observe here that in the light of the judgments in Revlon, it may become necessary to reconsider Adcock-Ingram Laboratories Ltd. v S.A. Druggists Ltd. and

Another (1983) SA 350 (T) where I held that use of a trade mark by a wholly owned subsidiary of the registered proprietor was not use by the proprietor.)

I return to the facts of the present case.

It was, rightly, not contended on behalf of appellant that it was requisite that quality control should have been exercised by the respondent itself. It was sufficient if this was done by somebody else on the respondent's behalf: qui facit per alium facit per se.

The respondent filed an affidavit by Hartin, its technical operations manager, in which he said that in controlling the quality of the respondent's products and the containers and packages in which they are marketed, the US company, through its Technical Services Division, acts as

the agent of the respondent.

Mortelman, the chairman of the board of directors of the respondent, stated in his affidavit that "the facts clearly establish that control is exercised by the Technical Services Division as the Respondent's agent".

The facts referred to were the following. The US company exercises control over all the companies in the Charles of the Ritz group of companies with regard inter alia to product development, quality control and marketing policies, as well as overall control of the licensing of products and trade marks of the companies in the group. There is a constant endeavour to ensure that all products to which the trade marks are applied, wherever they are manufactured, are consistently and reliably of the highest quality. With this

end in view the Technical Services Division of the US company ensures strict centralised control of the formulae from which the products are made, the raw materials used, their method of manufacture and the containers and packages in which they are sold. There is in force a technical services agreement dated 11 August 1966 between the respondent and the US company, in terms of which the US company will make available to the respondent the benefit of its knowledge and experience in regard to the manufacture and sale of cosmetics and toilet preparations, and in particular to furnish to the respondent information and services to enable the respondent to operate in accordance with the best or most up to date methods known to the American company.

Priebatsch said in his affidavit that the

Technical Services Division of the US company, acting "on behalf of" the respondent, ensured the quality of all products manufactured and sold by African Sales in South Africa.

The statements by Hartin, Mortelman and Priebatsch were challenged by Klein in the appellant's replying affidavit. He said that the allegations were "bald and unsupported by any evidence". The respondent had not produced any letters or agreements to support this bald allegation of agency. Had there been a relationship of agency between the respondent and the US company, it would have been embodied in some such document.

The respondent does not rely on an express agreement of agency, and this is not required. The real question is whether in performing the function of quality

control, the Technical Services Division is a third party acting independently of the respondent, or whether it is the respondent's agent, using the word not in a precise legal sense but loosely, in the sense that it is acting on behalf of the respondent. The facts show that the US company provides technical services to its subsidiary, the respondent. The respondent stands toward African Sales in the relation of proprietor of the trade marks to registered user. There is no legal relation between African Sales and the US company. It is the respondent alone which can require compliance by its registered user with any conditions or restrictions to which the registration is subject. Any services provided by the US company to African Sales, and any control exercised, could only be as a result of a request,

either express or tacit, by the respondent to the US company.

It follows that the services and control must have been performed by the Technical Services Division at the behest of the respondent and on its behalf.

In my opinion, therefore, the use of the marks by the registered user, African Sales, was use which complied with ss. (2) of s. 48, and hence was "permitted use". It is deemed to be use by the respondent, and it follows that the Court a quo was right in not granting relief to the appellant under s. 36.

Application based on s. 33(1).

S. 33(1) provides

"33(1) Any person aggrieved by the non-insertion in or omission from the register of any entry or by any entry made in the register without

sufficient cause or by any entry wrongly remaining on the register, or by any error or defect in any entry in the register, may apply to the court or, at the option of the applicant and subject to the provisions of section sixty-nine, on payment of the fees prescribed in the prescribed manner, to the registrar, for the desired relief and thereupon the court or the registrar, as the case may be, may make such order for making, expunging or varying the entry as to it or him may seem fit."

It was contended on behalf of the appellant that the entries of the Class 3 marks were entries wrongly remaining on the register. S. 42 provides that in all legal proceedings relating to a trade mark registered in part A of the register (including applications under s. 33), the original registration of the trade mark shall, after the expiration of seven years from the date of that registration be taken to be valid in all respects unless, inter alia, the

trade mark offends against the provisions of s. 16. The Class 3 marks, it was contended, offend against s. 16(1), because the use of them "would be likely to deceive or cause confusion", (a) because of the use by African Sales; and (b) because of the use of containers and packaging identifying the trade marks with the US company.

Submission (a) cannot prevail, having regard to the finding above that the use by African Sales was "permitted use" and hence was deemed to be use by the trade mark proprietor, and is not deemed to be use by a person other than the proprietor.

In regard to (b), the appellant's complaint on the affidavits was that the trade marks Charles of the Ritz and Ritz have been used in South Africa in containers and

packaging of products in such a way as to indicate a connection in the course of trade between the products and the US company, thus giving rise "on substantial scale to the erroneous mistaken belief that the products in question emanated from the US company." In consequence, the appellant submitted, if the respondent were "now to use its marks confusion and deception would inevitably arise. The marks are therefore no longer registrable."

I am not persuaded that the use of the trade mark by the respondent would be likely to cause deception or confusion.

When the legislature in s. 16(1) proscribed registration of a trade mark "the use of which would be likely to deceive or cause confusion", it did so for the

protection of the public, and what has to be considered is whether the public is likely to be deceived or confused by the use to which a mark is put. The question of likelihood of deception is to be treated as a practical one (see Radiation Trade Mark (1930) 47 RPC 37 at 43, line 25).

One should not be astute to take a narrow technical approach, but should regard the matter realistically from the point of view of an ordinary member of the public.

I shall assume for the present purposes that a substantial number of ordinary members of the public are likely to have read, on the container and packaging of Charles of the Ritz products purchased by them, the wording to which reference has been made.

If they were now (the emphasis was the

appellant's) to purchase products identified as emanating from Charles of the Ritz Limited, I do not think it likely that they would recognize that this was a different entity from Charles of the Ritz Group Limited - the only difference in the names is in the word "Group" - and even if they did, I do not think that they would be likely to be deceived or confused. Compare the observations of TEMPLEMAN L.J. in Revlon (supra) at 111:

"REVLON FLEX bottled and manufactured in Wales contained no hint of the country of origin but proclaimed on the bottle that the product emanated from Revlon of New York, Paris and London. The purchaser of REVLON FLEX in the United Kingdom would have been surprised to learn that the shampoo bought by him was made in a Welsh factory owned by a Venezuelan company and distributed by a New York company. The purchaser would have been surprised but not alarmed, because REVLON FLEX shampoos are all products of an international organisation which has acquired an international reputation. A purchaser of

shampoo in London or New York or elsewhere relies on the international reputation of the multi-national group responsible for the manufacture and sale of REVLON FLEX all over the world. The purchaser rightly expects, and obtains, the same REVLON FLEX shampoo wherever manufactured or purchased in any part of the world."

Similarly Charles of the Ritz and Ritz products are all products of an international organisation which has acquired an international reputation. A purchaser of such products in South Africa, or London, or New York, or elsewhere relies on the international reputation of the multi-national group responsible for the manufacture and sale of Charles of the Ritz and Ritz products in many parts of the world. The purchaser rightly expects and obtains the same Charles of the Ritz products wherever manufactured or purchased. See also the judgment of BUCKLEY L.J. in Revlon at 106.

In my view, therefore, it has not been shown that the use of the marks is likely to deceive or confuse.

CONCLUSION AND ORDER

In consequence the appellant has not established any ground for altering the order of the Court a quo in its favour. The respondent, on the other hand, is entitled to succeed in its cross-appeal against the order expunging the trade marks No. 65/2279 and No. 71/0325 from the register, because the appellant did not have locus standi to apply for rectification of the register in respect of those marks.

The following order is made:

The appeal is dismissed with costs, including the costs of two counsel.

The cross-appeal is allowed, including the costs of two counsel.

The order of the Court a quo is altered to read:

"The application is dismissed with costs, including the costs of two counsel."

H C NICHOLAS, A J A

CORBETT,	J A)	
HOEXTER,	J A)	
SMALBERGER,	J A)	concur
NESTADT,	J A)	

applicable in this case because it had been proved that the appellant had no intention of dealing in goods covered by the Class 3 registrations.

I do not agree. The appellant's argument could fairly be stated as follows:

"Whether or not I intend to trade in goods to which the respondent's trade marks relate, I am entitled, in the absence of good ground to the contrary, to registration in terms of my application No. 80/6882. The respondent, in citing his marks in opposition to that application, has raised an obstacle to its being granted. Unless the marks are removed from the register, the respondent is gaining the benefit of a registered trade mark to which he is not entitled. I am accordingly aggrieved."

To such an argument there is in my opinion no effective answer.

In my view, therefore, the appellant is a "person aggrieved" in respect of the Class 3 marks.