117/91

CASE NO 675/89

IN THE SUPREME COURT OF SOUTH AFRICA

APPELLATE DIVISION

In the matter between:

DANCO CLOTHING (PTY) LTD — APPELLANT

and

NU-CARE MARKETING SALES AND

PROMOTIONS (PTY) LTD — FIRST RESPONDENT

THE REGISTRAR OF TRADE MARKS — SECOND RESPONDENT

CORAM: CORBETT CJ, BOTHA, F H GROSSKOPF, NIENABER JJA

et NICHOLAS AJA

DATE HEARD: 29 AUGUST 1991

DATE DELIVERED: 26 SEPTEMBER 1991

JUDGMENT

NIENABER JA:

The appellant and the first respondent are the registered proprietors of the identical trade mark, "French Connection" - the appellant in class 25 in respect of, broadly speaking, clothing, the first respondent in class 3 in respect of, broadly speaking, cosmetics. The disagreement between them commenced when the appellant decided to extend its trading operations from clothing to cosmetics. At first it tried to acquire the first respondent's mark in class 3 for a nominal consideration. When that failed the appellant did two things: it applied to the Registrar of Trade Marks for registration of the mark "French Connection" in class 3 and it initiated proceedings in the Transvaal Provincial Division, citing the Registrar as the second respondent, to have the trade mark register rectified by the expungement of the first respondent's mark in that class. The application for expungement failed. A subsequent application for leave to appeal to this court succeeded. Hence this appeal.

The Registrar of Trade Marks chose not to participate in the proceedings, then or now, and I propose, therefore, to refer to the first respondent hereinafter simply as the respondent.

The relevant trade mark registration particulars are as follows:

The appellant is the registered proprietor of the following trade marks:

No. 80/2779 "French Connection" in class 25 dated 5 May 1980 in respect of "articles of clothing for women and girls".

No. 83/2435 "French Connection" in class 25 dated 21 April 1983 in respect of "articles of clothing of all kinds".

The appellant, furthermore, is the applicant for registration of trade mark No 88/4511 "French Connection" in class 3 dated 7 June 1988 in respect of

> "soaps, perfumery, essential oils, toiletries, deodorants, cosmetics, hair lotions and hair care products of all kind; sun-tan preparations; dentifrices".

The respondent is the registered proprietor of trade mark No 85/7734 "French Connection" in class 3 dated 29 October 1985 in respect of "cosmetics, toiletries, sun-tan preparations".

In the rectification proceedings the appellant, as applicant, asked for an order:

1. authorising and directing the second respondent to rectify the register of trade marks by expunging therefrom the entry relating to trade mark No 85/7734 "French Connection" in the name of the first respondent;

2. ordering the first respondent to pay the costs of the application.

This relief was sought in terms of section 33(1) of the Trade Marks Act No 62 of 1963 ("the Act") which provides as follows:

> "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."

The appellant maintained that the entry of the respondent's trade mark in class 3 of the register was an entry "made without sufficient cause" and was an entry "wrongly remaining" on the register because it offended against the provisions of both sections 17(1) and 16(1) of the Act: section 17(1) in that the use of the two identical trade marks (the one by the respondent in relation to the goods in respect of which it was sought by the respondent, as at October 1985, to be registered (essentially cosmetics), the other by the appellant in relation to the goods in respect of which it was then already registered (clothing)), would be likely to deceive or cause confusion; and section 16(1) in that the use by the respondent of its trade mark would be likely to deceive or cause confusion.

Section 17(1) of the Act provides as follows:

> "Subject to the provisions of sub-section (2), no trade mark shall be registered if it so resembles a trade mark belonging to a different proprietor and already on the register that the use of both such trade marks in relation to goods or services in respect of which they are sought to be

> registered, and registered, would be likely to deceive or cause confusion."

Section 16(1) of the Act provides as follows:

> "It shall not be lawful to register as a trade mark or part of a trade mark any matter the use of which would be likely to deceive or cause confusion or would be contrary to law or morality or would be likely to give offence or cause annoyance to any person or class of persons or would otherwise be disentitled to protection in a court of law."

The appellant's application was refused with costs. The court **a quo (Van Wyk AJ)** upheld a point **in limine** that the appellant was not "a person aggrieved" within the meaning of section 33(1), and accordingly lacked **locus standi**, because it failed to establish, on a balance of probabilities, that it had a definite, genuine and present intention of becoming a trade rival of the respondent. In the result, after the court had heard argument on all the issues, it made no findings on the merits. The judgment of the Court **a quo** is reported. (**Danco Clothing (Pty) Ltd v Nu-Care Marketing Sales and Promotions (Pty) Ltd. and Another** 1990(2) SA 619(T).)

An applicant for relief in terms of section

33(1) of the Act must first show, the **onus** being on him, that he is a "person aggrieved". (**Mars Incorporated v Candy World (Pty) Ltd** 1991(1) SA 567(A) at 575H-I.) It is a prerequisite designed to prevent vexatious, mischievous or merely meddlesome applications - where the applicant concerned does not for instance have a genuine and legitimate competitive interest in the trade to which the allegedly offending mark relates, and hence in the outcome of the proceedings. (The authorities are reviewed in **Webster and Page, South African Law of Trade Marks**, 3rd ed. 330ff.) Notwithstanding the importance of the public interest in matters concerning the rectification of the register (**Webster and Page op. cit** 335, 337), a mere general interest in the accuracy and integrity of the register will not do. An applicant must prove that on some or other ground he has a particular interest in the removal of the targeted mark from the register. (**Ritz Hotel Ltd v Charles of the Ritz Ltd and Another** 1988(3) SA 290 (A) at 308A.) An obvious case in point is where the applicant is a trade rival of the registered proprietor of the subject mark; so, too, where he is a potential trade rival in the sense of

> "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."

(J **Batt and Company** [1898] 15 RPC 534 (CA) at 538, quoted with approval in the **Ritz Hotel** case **supra** at 310C.) This the applicant must establish not on a preponderance of probabilities but as a reasonable possibility. (**In the matter of Powell's Trade Mark** [1893] 10 RPC 195 (CA) at 201, 202; **Webster and Page op cit** 332.) In **In re Apollinaris Company's Trade Marks** [1891] 2 Ch. 186 (CA) at 225, **FRY LJ**, it is true, speaks of a "reasonable probability" of excluding a rival trader, but in **American Chewing Products Corporation v American Chicle Company** 1948 (2) SA 736 (A) (a matter not dealing with "person aggrieved" or indeed with the **Appollinaris Company** case) **Greenberg JA**, at 741-3, expressed reservations about that concept. As a matter of logic it should, he said, read "reasonable possibility". If the correct test is "reasonable possibility", as I believe it is, the **onus** to prove **locus standi** will be less of a burden to an applicant than the **onus** to prove his case on the merits. (Cf. **Webster and Page op cit** 262.) The approach of a court at this stage of the proceedings is flexible rather than rigid (cf. the **Ritz Hotel** case **supra** at 307I-J), for it is better to hear a man with a bad case than to silence someone with a good case. And since the issue is **locus standi** to make the application and not entitlement to the order sought, and the supposedly offending mark is assumed to be wrongly on the register (the **Ritz Hotel** case **supra** at 307H; the **Mars** case **supra** at 575D), an applicant's prospects of success on the merits are material only in the sense that it remains open to a respondent in rebuttal to seize upon the futility of the applicant's case on the merits in order to show that he lacks any real interest (the **Mars** case **supra** at 575G-576A).

The court **a quo** in effect found that the appellant failed to discharge the **onus** of proving its **locus standi** because it failed on a balance of probabilities to show that it was an actual or potential trade rival of the respondent.

In adopting that approach the court **a quo** erred in three respects: a) by suggesting that an interest in the removal of the allegedly offending mark could be established only by means of proof of actual or potential trade rivalry between the parties concerned - that is not so (the **Ritz Hotel** case **supra** at 308C); b) by requiring the appellant to prove its aggrievedness on a balance of probabilities rather than as a reasonable possibility; c) in its assessment of the facts.

Those facts were that the appellant was the proprietor of two marks, "French Connection", in class 25 dating back to 1980 and 1983 respectively. The appellant built up a substantial reputation in respect of clothing. It spent considerable sums in promoting the "French Connection" trade mark in relation to clothing and its sales were extensive, mostly via chain stores such as Edgars, Truworths and Foschini, all of which have numerous retail outlets throughout the Republic of South Africa.

In November 1986, according to the affidavit of Mr Cohen, the appellant's chairman and joint managing director, it decided to expand its business into the field of cosmetics, toiletries and perfumery, which it proposed to sell under the mark "French Connection". This was in line with a trend, started by well-known designers and manufacturers of clothing such as Pierre Cardin, Yves St Laurent and Gucci; and according to which, so Cohen stated, it had lately become common

> "for manufacturers of well known brands of clothing to extend their range of goods to items which are related to clothing, in particular cosmetics, perfumery, toiletries and jewellery."

It is a phenomenon which, according to Cohen, had become well known amongst members of the buying public generally who had come to

> "associate a particular brand of cosmetics, perfumery, toiletries or sun-tan preparations with clothing bearing the same trade mark".

These statements (which were supported by similar views expressed by Mr Garden, a merchandise director of Edgars Stores Ltd, Mr Todd, the merchandise director of Truworths Ltd and Miss Black, the merchandise manager of the sportswear division of Foschini Stores) were not controverted by any evidence from the respondent.

The appellant considered licensing the use of the trade mark by a cosmetic house and held meetings with a number of them but eventually decided to arrange for the cosmetics to be manufactured on its behalf.

During or about May 1987 it caused a search of the register to be carried out and discovered the respondent's then pending application in class 3. Cohen states that the applicant did not wish to become embroiled in litigation. Therefore it instructed its attorneys to write to the respondent in an attempt to acquire the respondent's rights to their mark for a nominal consideration. The attorneys experienced some difficulty in communicating with the respondent - indeed the respondent's attorneys, once contact had at last been established, commented wrily,

> "I am sorry that you have had so much trouble reaching our clients but we, on occasions, have also experienced these problems with these clients!"

That was on 27 October 1987. The letter then proceeds:

> "I have discussed this matter fully with our clients who have advised that they have worked on the FRENCH CONNECTION concept since at least 1985 and in fact launched their

> product over a year ago in pharmacies and have just initiated a launch in the hypermarkets. Accordingly they regret to advise you that they do not wish to assign the application."

Unbeknown to the appellant acceptance of the respondent's trade mark No. 85/7734 was advertised in the Patent Journal on 25 November 1987. Cohen avers that the applicant was not aware that the period for opposition had expired on 25 January 1988. It did nothing until 24 May 1988 when it threatened the respondent with expungement proceedings unless it took the requisite steps to have its trade mark cancelled. The respondent's attorneys replied on 1 June 1988:

> "We have taken instructions from our client who has advised us that it has been using the trade mark on cosmetics for at least 9 months and accordingly is not prepared to cancel its trade mark registration."

On 7 June 1988 the appellant applied for registration of trade mark No. 88/4511 "French Connection" in class 3 and on 16 November 1988 it launched the expungement proceedings.

The court **a quo** viewed Cohen's averment that the appellant proposed to enter the field of cosmetics with considerable scepticism. Thus it was stated, at 623I of the reported judgment,

> "The sequence of events referred to above does not to my mind denote a serious and immediate intention on the part of the applicant to expand its business into a field where it would become the trade rival of the first respondent. Quite the contrary impression is conveyed."

And again, at 625F:

> "When weighed against the objective facts of the case, as emerges from the correspondence and applicant's failure to take any positive and immediate steps, this evidence degenerates into a mere **ipse dixit** and cannot, of itself or in conjunction with the evidence of the so-called 'line extension', be accepted as proof of applicant's 'serious', 'present' or 'definite' intention. (The **Ritz Hotel** decision at 311B)."

Counsel for the respondent supported this approach and contended, if I understood the argument correctly, that Cohen's evidence amounted to no more than an unsupported assertion that the appellant was exploring the possibility of expanding its operations. Moreover, the appellant's tardiness in protecting its own interests and its failure to object to the registration of the respondent's mark when, through the specialist attorneys it employed, it knew that the respondent proposed to exploit its mark, showed that the appellant no longer had the serious intention of developing its business along the lines suggested. Hence it lacked the requisite interest in the removal of the respondent's mark from the register. Alternatively, its conduct rendered such interest mischievous.

I disagree. The facts outlined above do disclose a reasonable possibility that the appellant intended to extend its business, as was stated by Cohen. The trend described by him and others in the trade made it not unlikely that the appellant would decide to diversify and broaden its market; and it did indeed take steps to implement its decision to do so. The approach it made to the respondent was one such step; another was when it applied for registration of its own mark in class 3 in the face of the respondent's mark. When it took the initial decision to enter the field of cosmetics the appellant was unaware of the respondent's pending application. At that stage the respondent had not yet commenced marketing its own product, a spray deodorant under the mark "French

Connection", which Cohen described as an inferior product. This happened, so it would appear from the papers, only in November 1987, after the appellant's attorneys' initial approach to the respondent's attorneys. It may be that the appellant was not as diligent as perhaps it should have been in pursuing and protecting its interests in the cosmetics field, but that, in my view, is a far cry from inferring, as the court **a quo** apparently did, a complete lack of interest its part.

By demonstrating its prospects of becoming a trade rival of the respondent, the appellant established **locus standi**. Consequently it is not necessary to deal with an argument, not mentioned as such by the court **a quo**, that the appellant derives its **locus standi** simply from having been on the register with the mark "French Connection", albeit in a different class, before the respondent sought to register its mark. Where the question is one of **locus standi**, it must of course be approached on the assumption, which is necessary to answer it, that the respondent's trade mark is wrongly on the register.

The appellant's case is that the entry of the respondent's mark was wrongly made and wrongly remains on the register, having regard to section 17(1) of the Act, for the reason that there was, and is, a likelihood of deception or confusion with the appellant's prior registered mark. That is what has to be assumed at this stage, and on that assumption, so it was contended, the appellant clearly has **locus standi**, for it is **ex hypothesi** a person injured by the registration of the respondent's mark. Nor is it necessary to deal with the question whether the same reasoning would apply where an applicant for expungement relies solely on section 16(1) of the Act.

A further reason why the appellant has **locus standi**, which was mentioned but rejected by the court **a quo**, relates to the appellant's application for the registration of the mark "French Connection" in class 3. As long as the respondent's identical mark in the same class remained on the register it served as a complete bar to the appellant's application. The appellant therefore had a direct interest in having it expunged. (**The Ritz Hotel** case **supra** at 308A-E.) In the **Mars** case **supra**, the applicant in question applied for the registration of a defensive mark in terms of section 53(1) of the Act, in the face of the respondent's almost identical mark in the same class of the register. In addition the applicant applied, in terms of section 36(1) of the Act, for the expungement of the respondent's mark on the basis of non-user. The matter eventually reached this Court where it was held that the applicant was a person aggrieved for the purpose of its application for expungement. **Nestadt JA** declared, at 574J-575A:

> "... I am of the view that Chapelat [the applicant] had **locus standi** in the s 36 proceedings simply on the basis that Mars' trade mark constituted an obstacle to the defensive registration of 'Chappies'. That in itself, **prima facie**, established its interest."

And at 575G the following is said:

> "It does not follow from what has been said that the merits of the application under s 53(1) were necessarily irrelevant. If it appeared that the application was not bona fide or was vexatious or without any substance, then, I would have thought, the inference of an interest in the applicant for relief under s 36 would be negated".

(See, too, 575J-576A).

It was argued on behalf of the respondent that these **dicta** must be confined to expungement proceedings on the basis of non-use, as opposed to expungement proceedings based on sections 16(1) or 17(1) of the Act. Again I cannot agree. It makes as little difference, at least for present purposes, that the blocking mark in the **Mars** case, **supra**, was attacked on the basis of non-use, as it does that the mark which was being blocked happened to be a defensive registration. What is decisive is that the one party's proposed mark is blocked by the other party's existing one, which, for good measure, is assumed to be wrongly on the register. It is true that it becomes open to anyone to establish **locus standi** in rectification proceedings in this fashion by simply filing an application for a new mark, but such a move will most likely be exposed by the respondent in rebuttal as a mere empty gesture. Whether it is necessary for an applicant for expungement, who is able to do so, to anticipate and negate such a rebuttal in his founding affidavit, is not a matter that has to be considered in this appeal.

In the instant case the appellant did apply to register the mark "French Connection" in class 3. As long as the respondent's mark remains on the register it blocks the appellant's application. The appellant accordingly **prima facie** has an interest in having the respondent's mark removed from the register. There is nothing in the papers to indicate that the appellant's application for registration of its proposed mark in class 3, even if it was launched some time after the dispute between the parties materialized, was vexatious, frivolous or patently devoid of substance. Applying the approach of this court in the **Mars** case, **supra**, it follows that the appellant, on this ground too, has shown itself to be a person aggrieved.

The court **a quo** was accordingly wrong in upholding the point **in limine** and in disregarding the merits. Both counsel were in agreement that this court is in as good a position as the court **a quo** would be to decide the merits and that no useful purpose would be served by remitting the matter to it. I turn, therefore, to the merits.

The appellant moved for the expungement of the respondent's mark in class 3 on the grounds that its use offended against the provisions of sections 17(1) and 16(1) of the Act. Dealing first with section 17(1), it is alleged that the respondent's mark should not have been registered, and thus was an entry "made in the register without sufficient cause" and is one "wrongly remaining" on the register (section 33 of the Act), because its use in relation to cosmetics was "likely to deceive or cause confusion" in view of the use by the appellant, in relation to clothing, of its earlier marks which were registered in class 25. This is a case not of different marks in the same class but of the same mark in different classes. The marks in question being identical their resemblance goes without saying; what remains to be contrasted is the use of the identical mark in relation to different classes of goods.

Such use, it is trite, does not have to be actual. For purposes of the comparison use of the trade mark by both parties concerned is postulated.

The issue is whether such a postulated normal and fair use by the respondent of the trade mark "French Connection" in relation to a range of cosmetics, would be likely to cause confusion or deception when compared with a notional use by the appellant of the trade mark "French Connection" in connection with items of clothing. **(Webster and Page op cit** 118.) It is equally trite that the deception or confusion must be in regard to the source or origin of the respective goods. The test is whether a substantial number of ordinary members of the buying public in October 1985 would either have believed that, or at any rate would have been uncertain and bewildered as to whether, the respective goods derived from or were connected in the course of trade with the same supplier.

The **onus** in proceedings for the registration of a mark rests upon the applicant for registration to negate the reasonable possibility of confusion with marks already in use. **(Webster and Page op cit** 104, 119.) In subsequent proceedings for its expungement under section 33 of the Act, the **onus** rests upon the applicant for expungement, if he relies on sections

16(1) or 17(1) of the Act, to establish a likelihood of confusion or deception. (**Webster and Page op cit** 336.) That **onus** must be discharged on a balance of probabilities, in accordance with the ordinary standard of proof in civil matters. The appellant therefore had to prove that the notional use of the mark in a fair and normal manner, in the one case by the appellant in respect of clothing, in the other by the respondent in respect of cosmetics, would, more likely than not, be deceptive or at least confusing in regard to the source of the respective goods. **Webster and Page op cit** at 118 state:

> "When the goods or services are of such a nature that it is not improbable that one person would offer them to the public, the likelihood of deception or confusion will be greater than in cases where the goods or services are of so divergent a nature that it is improbable that it would emanate from the same source."

Cosmetics and clothing, being goods accommodated in different classes on the register, are indeed goods of a widely divergent nature. According to the appellant the link between these classes of goods is established by a variety of considerations.

Clothing, on the one hand, and cosmetics, toiletries, perfumery and suntan preparations, on the other, are sold, according to the undisputed evidence, in close proximity, through the same trade channels such as large departmental and clothing stores, of which Edgars and Truworths are examples. In addition several prominent and knowledgeable persons in the trade have deposed that customers in retail outlets of this sort would as a matter of course associate a mark on cosmetics with the identical mark on well known and popular brands of clothing; and that the appellant's mark was indeed well known and popular on clothing in 1985. This is a trend which began with prestige goods, and which has been adopted by a number of manufacturers of more popular brands of clothing who now market cosmetics, perfumery and the like under the same brand names as their clothing. Cohen then states:

> "It is my experience that resulting from the above trend, the public now associate a particular brand of cosmetics, perfumery, toiletries or suntan preparations with clothing bearing the same trade name."

This assertion was neither contradicted nor qualified.

It was argued on behalf of the respondent that because the mark "French Connection" contains a quasi-descriptive element ("French"), its use in relation to clothing would not deceive or confuse purchasers of cosmetic items; and that the requisite degree of association in the minds of average members of the buying public would be confined to cosmetics marketed under the brand names of internationally known designers of clothing.

In the light of the uncontradicted evidence this submission cannot succeed.

It was a matter for comment that there was no evidence of actual deception or confusion - but since there were no side by side sales of the respective commodities this is hardly surprising. According to the evidence the respondent did not market its deodorant product through the retail channels being utilised by the appellant.

Having regard to the evidence relating to the nature of the goods (the appellant's clothing and the respondent's cosmetics), their respective use, and the trade channels through which the appellant's and the respondent's goods can notionally be retailed, the likelihood of deception or confusion amongst a substantial number of persons has, in my opinion, been established on the probabilities.

In the light of the above conclusion, relating to section 17(1) of the Act, it becomes unnecessary to consider the same issue in the context of section 16(1) thereof. The exercise in that case is to contrast the notional use by the respondent of its mark in a normal and fair manner with the reputation of the appellant (encompassing its mark in relation to the goods it sells), in order to determine whether it is more likely than not that a not negligible number of ordinary members of the buying public would be deceived or confused, as a result of the use of the identical mark on the respective goods, as to their origin. (**Webster and Page op cit** 102.) The evidence which is relevant to section 17(1) applies with equal force to section 16(1). The only significant difference between the two sections, on the facts of this case, is that the existence of the appellant's two marks in class 25 of the register presupposes, for the purpose of section 17(1), the very reputation which the appellant has to establish for the purpose of section 16(1).

In the result the following order is made:

1. The appeal succeeds with costs, including the costs of two counsel.

2. The order made by the court a quo is set aside and the following order is substituted:

"(1) The second respondent is authorised and directed to rectify the register of trade marks by expunging therefrom the entry relating to trade mark No. 88/7734 "French Connection" in the name of the first respondent;

(2) The first respondent is ordered to pay the costs of the application, including the costs of two counsel."

P. M. NIENABER JA

CORBETT CJ)
BOTHA JA)
F.H. GROSSKOPF JA) CONCUR
NICHOLAS AJA,)