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**THE SUPREME COURT OF APPEAL
OF SOUTH AFRICA**

Case No 6/96

In the matter between:

VALENTINO GLOBE B.V.

Appellant

and

ANTHONY HOWARD PHILLIPS

First Respondent

THE REGISTRAR OF TRADE MARKS

Second Respondent

Coram: HEFER, NIENABER, HOWIE, HARMS and PLEWMAN JJA
Heard: 12 MAY 1998
Delivered: 27 MAY 1998

JUDGMENT

HARMS JA/

1 HARMS JA:

3 Registered trade marks are intended to be used and, if not used for
a continuous period of five years, may be removed from the register. This was
provided for under s 36 (1) (b) of the Trade Marks Act 62 of 1963 and according
5 to s 27 (1) (b) of the Trade Marks Act 194 of 1993 is still the law, albeit in
slightly different terms. In the court below the trade mark under consideration,
7 *Valentino*, suffered the fate of removal on the ground of non-use (per Smit J in
the Transvaal Provincial Division) and the present appeal against that order is
9 with its leave. Since the proceedings were initiated during 1980 - and that is not
a typographical error - the matter has to be decided in terms of the 1963 Act and
11 all further statutory references are to it.

The trade mark *Valentino* was registered on 28 November 1973
13 under registration number B73/6127 in class 25 in relation to certain items of
clothing. The proprietor of the mark was and is the appellant, a Dutch body
15 corporate, whose original name was Globelegance B.V. Of importance to this
case is that the trade mark is used on clothing designed by a leading Italian

1 couturier, Valentino Garavani. These articles of fashion are intended for the very
wealthy and not for the mass market. The appellant licensed certain continental
3 concerns to manufacture ready to wear Valentino clothing, and certain local
fashion retailers imported and sold reasonable quantities since 1976. No user
5 agreement was registered under s 48 before the proceedings were launched, nor
did the appellant itself conduct any business under the mark in South Africa.

7 The first respondent, to whom I shall refer by name, "dealt" in
men's clothing in Johannesburg. On 5 November 1979 he lodged in his own
9 name an application for the registration of the trade mark *Valentino*, also in class
25 and in respect of clothing. The registered trade mark was an obvious
11 impediment to the success of Phillips's application and in consequence the present
proceedings for its removal on the ground of non-use were launched at the
13 beginning of 1980. There the matter more or less rested until it was enrolled
towards the end of 1995.

15 At the hearing the parties presented Smit J with an agreement. It,
in essence, provided that the appellant intended to argue two points *in limine*, one

1 relating to *locus standi* and the other to the lack of proof in the founding affidavit
of non-use. The parties further agreed that if the appellant were to be
3 unsuccessful on these points, the outcome of the application was predetermined
by the full court decision in *Adcock-Ingram Laboratories Ltd v SA Druggists Ltd*
5 *and Another* 1983 (2) SA 350 (T) which was binding upon the court below. This
judgment held, inter alia, that use of a trade mark by someone other than its
7 proprietor or a registered user is not "use" for the purposes of s 36 (1) (b) and
cannot protect a trade mark from removal on the ground of non-use. In the event
9 the points *in limine* were dismissed and, because of *Adcock-Ingram*, the
application was granted and the removal of the trade mark ordered.

11 The appellant raised two issues on appeal, namely -

- 13 (1) whether Phillips was, in the words of s 36 (1) (b), a
"person aggrieved" by the registration of the mark and
whether, consequently, he had no *locus standi* to apply for
15 the removal of the appellant's trade mark, and
(2) the correctness of *Adcock-Ingram*.

1 Phillips, on the other hand, contended in the argument filed (there
was no appearance on his behalf) that this Court was precluded from deciding the
3 second point because the court below had not made any findings on the issue.

Initially the appellant wished to argue the first point with reference
5 to the allegations contained in the founding affidavit only as was done in the
court below. There are a number of cases which recognise the right of a
7 respondent, in spite of having filed an answering affidavit, to argue at the outset
that the founding affidavit does not make out a prima facie case for the relief
9 claimed. They for two reasons suggest that the procedure is akin to an exception
based on the ground that a summons or similar initiating process does not
11 disclose a cause of action: The founding affidavit alone falls to be considered,
and the averments contained therein must be accepted as true. An important
13 difference with an exception is, however, that the application contains evidence
and not only allegations of fact, and what might be sufficient in a summons may
15 be insufficient in a founding affidavit. See, e g, *Hart v Pinetown Drive-in*

Cinema (Pty) Ltd 1972 (1) SA 464 (D), *Pearson v Magrep Investments (Pty) Ltd*

1 *and Others* 1975 (1) SA 186 (D), and latterly, *Hubby's Investments (Pty) Ltd v*
2 *Lifetime Properties (Pty)Ltd* 1998 (1) SA 295 (W) 297A-E. The usual object of
3 the procedure is to enable a respondent to meet an application for referral to
4 evidence or the like and relieve the court of considering the conflicting
5 allegations of fact. Cf *Bader and Another v Weston and Another* 1967 (1) SA
6 134 (C) 136F-G.

7 It seems to me to be wrong to permit the use of this procedure in a
8 court of first instance where there is no real conflict of fact on the papers, as is
9 the case here. But having used the procedure unsuccessfully at that level, does
10 not mean that an appellant is entitled to use it again on appeal. In any event, it
11 seems to me that the analogy with the exception procedure may be inappropriate
12 and that the comparison should rather be with an application for absolution from
13 the instance in a trial action. Having lost an application for absolution, a
14 defendant cannot thereafter lead evidence and on appeal argue that absolution
15 should have been granted at the end of the plaintiff's case. A court of appeal no
16 doubt will consider all the evidence on record. Likewise, having lost an

1 exception, it can hardly be reargued after completion of the trial. What is on
2 appeal is the substantive order made, in this case the removal of the trade mark
3 from the register and not the rulings leading up to the result. This also answers
4 the point raised by Phillips to which I have referred. Before this Court is the
5 question whether the order below was correctly made, and that includes, should
6 the first point fail, the question whether *Adcock-Ingram* was correct in the
7 respect referred to.

I then proceed to consider whether Phillips was a person aggrieved
8 by the registration of the appellant's trade mark. First the facts. It is common
9 cause that Phillips in his own name lodged an application for the registration of
10 the trade mark *Valentino*. The application for the removal of the appellant's trade
11 mark was lodged in the name of Phillips "trading as Valentino for Men" and it
12 was alleged that the applicant (i e Phillips) "is the owner of the trade mark
13 'Valentino' and claims to be the proprietor thereof in the Republic" because of the
14 lodging of the said application for registration of the trade mark and, because he
15 is engaged in the sale of clothing under the trade mark, that he has used the trade

1 mark in advertising "his products" and that he has the intention of continuing to
use the mark.

3 The founding affidavit presents a different picture. It was sworn
to by Phillips but he purported to file the affidavit on the behalf of a company,
5 Fran & Antonio (Pty) Ltd, of which he was the managing director. This
company - which he defined for purposes of his affidavit as "my business" - he
7 said, was incorporated in 1977, began trading in that year under the name
"Valentino" and specialised in men's clothing. The company used the mark in
9 its advertising. He annexed a number of affidavits by clients who "have always
associated the mark 'Valentino' exclusively with my company and the goods
11 which are sold therefrom." He concluded by stating that, apart from his "business
which trades under the name 'Valentino' and which sells clothing and accessories
13 under the mark 'Valentino' I have never encountered or heard of any goods sold
in the Republic of South Africa which did not emanate from my business." In his
15 replying affidavit, sworn to some twelve years later, he stated that since the
founding affidavit the trade mark had been used by Valentino (Pty) Ltd and by

Valentino Clothing CC, both entities seemingly controlled by Phillips. Since 16 November 1989 the trading was again carried on through Fran & Anthony (Pty) Ltd, renamed, with the permission of Valentino (Pty) Ltd, Valentino Corporation (Pty) Ltd. His intention was to list Valentino Corporation (Pty) Ltd on the Johannesburg Stock Exchange. The turnover figures of these concerns were given.

The concept of a "party aggrieved" in the context of s 36 has been the subject of judgments of this Court: *Ritz Hotel Ltd v Charles of the Ritz Ltd and Another* 1988 (3) SA 290 (A), *Mars Incorporated v Candy World (Pty) Ltd* 1991 (1) SA 567 (A) and *Danco Clothing (Pty) Ltd v Nu-Care Marketing Sales and Promotions (Pty) Ltd and Another* 1991 (4) SA 850 (A). In addition, the concept arose in other statutory contexts in *Francis George Hill Family Trust v South African Reserve Bank and Others* 1992 (3) SA 91 (A) and *Jeeva and Another v Tuck NO and Others* 1998 (1) SA 785 (SE). It would therefore amount to a supererogation to attempt a restatement or reformulation of the principles and approach involved. For present purposes the following may, however, be

1 extracted from the first three cases. The onus rests upon the applicant for
removal to establish, as a reasonable possibility, that he is a person aggrieved.

3 For this purpose it is assumed that the trade mark is wrongly on the register. A
wide and liberal interpretation is given to the term "person aggrieved". The
5 applicant must have a substantial interest in the mark or must substantially be
damaged by it remaining on the register. The fact that the registered mark
7 constitutes an obstacle to the registration of a mark applied for by the applicant
is prima facie evidence of an interest, but if that application for registration was
9 in bad faith, vexatious or without any substance, the prima facie inference is
negated. (On the last point see also *Consort Trade Mark* [1980] RPC 160 166
11 lines 19 - 31.)

Of particular relevance to this appeal is the reasoning in *Ritz* at
13 309C-311E. Dealing with class 25 and 26 marks, *Ritz* held that since the
applicant for removal neither traded nor had any genuine intention to trade in
15 goods in those classes, it meant that it was not a person aggrieved. (This
reasoning does not necessarily apply to an application for a defensive registration

1 as was indicated in *Mars*.) On the evidence in the present case it is clear that

Phillips has never traded or had any intention to trade under the mark *Valentino*.

3 Phillips simply failed to distinguish between himself and companies and a close
corporation in which he had some undisclosed interest and with which he had

5 some undefined relationship. The question then arises whether Phillips as
controller, shareholder or member (sole or otherwise) of these entities can be a

7 person aggrieved within the meaning of the term in s 36. *Francis George Hill*

Family Trust, dealing with Treasury regulations, answered a similar question in

9 the negative as did *Jeeva* in regard to insolvency. The crux of these cases is that

the notion of a company as a distinct legal personality is no mere technicality

11 (*Francis George Hill Family Trust* 102G). On the other hand, *Ritz* (314H-316B)

with reference to recent trends in English courts (to which can be added the 1969

13 Australian patent decision in *Kaiser Aluminum & Chemical Corporation v The*

Reynolds Metal Company 120 CLR 136) opened the possibility of a more relaxed

15 approach which can be considered when dealing with companies bound together

in a group. The question then arises whether a relaxation can be justified in terms

1 of the Act. Put differently, is it possible that Phillips's application for the
registration of the mark can succeed?

3 Section 20 (1) lays down that an applicant for a trade mark must be
a person claiming to be the proprietor of a mark "used or proposed to be used by
5 him". Emphasis added. (See in general on the meaning of this provision:
Victoria's Secret Inc v Edgars Stores Ltd 1994 (3) SA 739 (A) 744 - 745.) The
7 reason for this requirement is to be found in the definition of a "trade mark" in
s 2, namely that it means a mark "used or proposed to be used" for the purpose
9 of indicating a connection between, on the one hand, the trademarked goods or
services and, on the other, "some person having the right, either as proprietor or
11 as a registered user". (I have omitted important parts of the definition simply
because they are not of consequence in the present context.) Section 24 (1)
13 permits of two exceptions to the requirement of s 20 (1) that the proprietor
himself must use or intend to use the trade mark. The first is if the registrar is
15 satisfied that a body corporate is about to be constituted and that the applicant
intends to assign the trade mark to it with the view to its use by the body

1 corporate. The second is if the application is accompanied by an application for
the registration of a person as registered user of the trade mark and the registrar
3 can be satisfied that the proprietor intends it to be used by such a person. Neither
applies to this case. These provisions are incompatible with a relaxation of the
5 rule in *Francis George Hill Family Trust*. The first explicitly applies only if the
body corporate is not yet in existence at the stage when the application is made.
7 It therefore presupposes that an application for a trade mark may be made "on the
behalf of" a body corporate, but only under carefully specified circumstances.
9 The second presupposes that someone other than the proprietor personally may
intend to use the trade mark, but then he has to be a registered user and not
11 merely a licensee or someone under the control of the proprietor. Of more than
mere historic interest are sections 23 and 24 (1)(c) which were both repealed
13 during 1971. They provided that where a holding company or its nominee owned
all the issued shares in one or more subsidiary companies, use of a trade mark by
15 the latter, for trade mark application purposes, was deemed to be use also by the
holding company and that the holding company in such circumstances could

1 apply for registration of the trade mark in its own name even if it had not used or
intended to use the trade mark. What this establishes is that the statute initially
3 did pierce the corporate veil, but only in one defined situation. The repeal of this
exception indicates a clear intention not to allow the piercing of the corporate
5 veil.

My approach may seem technical and to turn on too close a reading
7 of the Act. It should, however, be borne in mind that we are concerned with a
1963 statute and that it has to be interpreted as at its date. It was based upon the
9 1938 British Trade Marks Act which in turn saw the light of day because of the
report of the Goschen Committee and the frame of mind concerning trade marks
11 then existing (cf "*Holly Hobbie*" Trade Mark [1984] RPC 329 (HL) 350 lines
36-43 and 355 lines 10- 36; Chowles & Webster *South African Law of Trade*
13 *Marks* 2nd ed p168 and follows). Since then there have been major strides in
trade techniques and technology and concepts and perceptions have undergone
15 material changes. The function of a trade mark as a badge of origin has changed
and this change is reflected in the 1993 Act (cf Webster in 29 *LAWSA* par 18;

1 *Sodastream Ltd and Another v Berman Brothers (Pty) Ltd* 1984 (4) SA 425 (T)

429F-H; *Berman Brothers (Pty) Ltd v Sodastream Ltd and Another* 1986 (3) SA

3 209 (A) 236G-I). The position of an unregistered licensee has also changed but

all these factors do not permit us to ignore the expressed intention of the

5 Legislature in its proper context.

I therefore conclude that the court below should have found that

7 there was no prospect that Phillips could succeed in his application for the

registration of *Valentino*, either in his own name or in that of another. This

9 means that Phillips was not a person “aggrieved” and that his application for the

removal of the appellant's trade mark should have failed at the first hurdle. A

11 consideration of the second issue becomes academic.

The following order is made:

13 1. The appeal is upheld with costs.

2. The order of the court below is set aside and replaced with an order

15 dismissing the application with costs.

3. All cost orders include the costs consequent upon the employment of two
1 counsel.

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L T C HARMS
JUDGE OF APPEAL

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9 HEFER JA)
NIENABER JA) Concur
11 HOWIE JA)
PLEWMAN JA)