

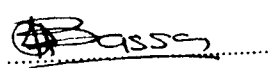
REPUBLIC OF SOUTH AFRICA



IN THE HIGH COURT OF SOUTH AFRICA
GAUTENG DIVISION, PRETORIA

14/11/2014

CASE NO: 2852/2014
28524/14

(1)	REPORTABLE: NO
(2)	OF INTEREST TO OTHER JUDGES: NO
(3)	REVISED.
 SIGNATURE	
14/11/2014 DATE	

In the matter between:

CK3 LLC

Applicant

and

SUN MARK LTD

First Respondent

THE REGISTRAR OF TRADE MARKS

Second Respondent

JUDGMENT

BASSON, J

[1] This is an application to expunge trade mark registration no 1977/05373 BULLDOG from the official trademarks register. This trade mark is registered in class 33 in respect of "Spirits and liqueurs included in this class". The present application was launched on 2 October 2013.

[2] The application was prompted by an application made by the applicant (CL3 LLC) on 9 January 2013 for registration of the trademark "BULLDOG" that was registered in class 33. The application for registration was provisionally refused by the second respondent (the Registrar of Trade Marks – "the Registrar") on the grounds that the mark is identical to the first respondent's (SUN Mark Ltd – hereinafter referred to as "the respondent") "BULLDOG" trade mark which was registered as far back as 1978.

[3] In order to overcome this obstacle, the applicant filed an application in terms of section 27(1)(b) of the Trade Marks Act¹ ("the Act") for an order removing the first respondent's trade mark from the trade mark register on the ground of non-use.

[4] The facts are not in dispute. The legal principles applicable are also not in dispute. What is in dispute is the interpretation of these facts in light of the legal principles.

[5] It is common cause that the trade mark "BULLDOG" was registered 36 years ago on 13 October 1978 in respect of class 33. The applicant commissioned

¹ Act 194 of 1993.

Norlands Forensics to conduct a commercial use investigation report to establish whether the respondent has used its trade mark. The investigation revealed that the respondent has not made any commercial use of the BULLDOG trade mark since the registration of the trade mark on 13 October 1978.

[6] In answer to the allegation by the respondent that it has in fact since February 2013 been selling a vodka-containing energy drink under the BULLDOG trademark through Shoprite Checkers (Pty) Ltd ("Checkers"), the applicant submitted that the use of the trade mark did not constitute *bona fide* use. More in particular, in the replying affidavit the applicant referred to certain events that took place immediately before the respondent commenced using the BULLDOG trade mark after a period of 36 years of non-use. The parties in this matter have been engaged in opposition proceedings both in the United Kingdom and the European Union where the applicant was successful in opposition proceedings. The parties commenced settlement negotiations in December 2012. The applicant filed its founding affidavit in this matter on 2 October 2013. The discussions broke down in November 2013.

[7] It is not disputed that the respondent commenced trading in February 2013 using the BULLDOG trade mark. The respondent essentially relies on five invoices issued to Checkers dated 28 February 2013, 18 June 2013, 18 June 2013,² 5 November 2013 and 12 December 2013. The respondent contended that if these invoices are taken into account the respondent has since February 2013 sold over 300 000.00 units to the value of 60 000.00 GBP to Checkers. The applicant disputed the number of sales as well as the value of the sales relied on by the respondent

² Two invoices were issued on the same day.

with reference to section 27(1)(b) which clearly states that any use *after* the date three months before the date of lodging an expungement application cannot be taken into account in proving use of a trade mark. If the Act is therefore followed, any invoice after 2 July 2013 (being the date three months prior to the date the proceedings were launched), the invoices of 5 November 2013 and 12 December 2013 cannot be taken into account. On behalf of the respondent it was submitted that the Court may, for purposes of exercising its discretion as to whether there is *bona fide* use, take into account all the invoices. In this regard Mr Iles for the respondent referred the Court to *Oude Meester Groep Bpk and Another v SA Breweries Ltd; SA Breweries Ltd and Another v Distillers Corporation (SA) Ltd and Another* as authority for this proposition.³ I have considered this decision and I am not persuaded that this decision is authority for the proposition that the Court may include use which extends beyond the three month limitation clearly set out in section 27(1)(b) of the Act. Consequently, if the first three invoices are taken into account it would appear that the respondent has sold 6282 units to the value of just over 31 000.00 GBP.

Brief exposition of the legal principles

[8] Section 27(1)(b) of the Act deals with the removal of a trade mark from the register on the grounds of non-use. The relevant section reads as follows:

"(1) Subject to the provisions of section 70 (2), a registered trade mark may, on application to the court, or, at the option of the applicant and subject to the provisions of section 59 and in the prescribed manner, to the registrar by

³ 1973 (4) SA 145 (W)

any interested person, be removed from the register in respect of any of the goods or services in respect of which it is registered, on the ground either-

(a)

(b) that up to the date three months before the date of the application, a continuous period of five years or longer has elapsed from the date of issue of the certificate of registration during which the trade mark was registered and during which there was no bona fide use thereof in relation to those goods or services by any proprietor thereof or any person permitted to use the trade mark as contemplated in section 38 during the period concerned; or ..."

[9] Section 27(3) of the Trade Mark Act further provides as follows:

"27 Removal from register on ground of non-use -

(3) In the case of an application in terms of paragraph (a) or (b) of subsection (1) the onus of proving, if alleged, that there has been relevant use of the trade mark shall rest upon the proprietor thereof."

[10] The onus rests on the respondent to prove that there has in fact been use of the BULLDOG trade mark in respect of the goods registered in class 33 and that the use was *bona fide*. There should therefore be a *bona fide* use and not merely a use.⁴ The onus is not merely a shifting of the evidentiary burden but a true onus.⁵

⁴ *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd and Another* 2005 (1) SA 346 (T): "I am reminded of the requirements of the use by a proprietor which should be a bona fide use not just a use. I believe that such bona fide use must be accompanied by an intention on the part of the proprietor to continue or to re-launch the product seriously. The measured sales of R27 is, in my considered view, de minimis which was accomplished by accident because the said sales are attributed to stock in small retail outlets despite the expiry of 'sell-by' dates. It was not a concerted effort with the primary object of protecting, facilitating and furthering the first respondent's trade in such goods; nor was it the first respondent's intention to continue or relaunch the product; hence after March/April 1997 no sales were recorded up to date."

⁵ See *Scientific Chemicals (Pty) Ltd v Liqui-Seal (Pty) Ltd and Others* 2002 JDR 0162 (T) at page 6. See also *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd and Another* (Supra) at paragraph [9].

[11] The court has a general discretion in matters relating to expungement. See in this regard: *Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd and Another*⁶.

"[8] It is trite that s 27(1) confers a general discretion upon this Court to refuse expungement notwithstanding non-use. In *Distillers Corporation (SA) Ltd v SA Breweries Ltd and Another*; *Oude Meester Groep Bpk and Another v SA Breweries Ltd* 1976 (3) SA 514 (A), a case referred to by both parties, certain guiding principles were laid down relating to the exercise of the Court's discretion in matters relating to expungement, for instance Trollip JA (as he then was) expressed the view that

'the Court has also to ask itself the question whether the refusal of the application would unfairly or unjustly deny the applicant's statutory right under the section to have the offending registration removed for non-use'.

The exercise of the discretion requires a judicial weighing up between, on the one side, the applicant's entitlement under the Act to expungement and his interest and equities in having the offending registration expunged, and, on the other side, the proprietor's present statutory monopoly under his registered trademark and his interests and equities in retaining it; and unless in the result there is a balance in favour of its retention, the registration ought to be expunged. The effect is that *prima facie*, the applicant is entitled to expungement for non-use."

[12] "Genuine use" is described in *Ansul BV v Ajax Branbeveiliging BV*⁷ as follows:

"[36] 'Genuine use' must therefore be understood to denote use that is not merely token, serving solely to preserve the rights conferred by the mark. Such use must be consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of goods or services to the

⁶ *Supra*

⁷ (2003) RPC 40 at paragraph s [36] - [39].

consumer or end user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin.

[37] It follows that 'genuine use' of the mark entails use of the mark on the market for the goods or services protected by that mark and not just internal use by the undertaking concerned. The protection the mark confers and the consequences of registering it in terms of enforceability vis-à-vis third parties cannot continue to operate if the mark loses its commercial raison d'être, which is to create or preserve an outlet for the goods or services that bear the sign of which it is composed, as distinct from the goods or services of to maintain or create a share in the market for the goods or services protected by the mark.

[39] Assessing the circumstances of the case may thus include giving consideration, *inter alia*, to the nature of the goods or service at issue, the characteristics of the market concerned and the scale and frequency of use of the mark. Use of the mark need not, therefore, always be quantitatively significant for it to be deemed genuine, as that depends on the characteristics of the goods or service concerned on the corresponding market."

[13] In *Gulf Oil Corporation v Rembrandt Fabrikante en Handelaars (Edms) Bpk* 1963 (2) SA 10 (T) "bona fide" use is described as follows:

"Thirdly, 'bona fide' must be given some effective meaning. In my view it cannot be confined to meaning merely real or genuine as opposed to fictitious or simulated, or honest as contrasted with dishonest, because it is difficult to conceive how a user, in the sense of the exercise of a right, can be said to be fictitious, simulated or dishonest, and in any event, a fictitious, simulated or dishonest user would not in law be a user at all, and the addition of the qualification 'bona fide' would therefore have been totally unnecessary. The words were obviously inserted to give a particular quality to the user which it was intended should defeat an aggrieved person's application. (See the judgment of the T.P.D. in *Mahomed & Son Ltd v Estate*

Horvitch, 1928 AD 1 at pp. 2 - 9, and the authorities referred to therein). The expression obviously relates to the proprietor's state of mind in using his trade mark and therefore his object or intention in using it. Kerly on Trade Marks, 8th ed. at p. 218, says that in the corresponding section in the U.K. Act

'the expression 'bona fide' is also used where the contrast seems to be, not between honesty and dishonesty, but rather between what is genuine and what is a mere device to secure some ulterior object'.

GREENBERG, J. (as he then was), in Mahomed's case at p. 8 said the same in effect in regard to a 'bona fide loan', under sec. 2 of Act 37 of 1919, which prohibited the mortgaging of fixed property in favour of an Asiatic otherwise than as security for a 'bona fide loan'. He said:

'It seems to me that in order that a transaction shall be a bona fide loan, it must first of all be a genuine loan, and not a simulated one. Moreover, even although it is a genuine loan, it must be a loan entered into with the object primarily of lending on the one side and borrowing on the other. The primary object of the transaction must not be to get the benefits of the exemption.'

Now the system of registering trademarks is designed to protect, facilitate and further the trading in the particular goods in respect of which the trade mark is registered. The very name, 'trade mark', connotes that, and the definition thereof in sec. 96 of the Act confirms it. I would therefore say that 'bona fide user' in sec. 136 means a user by the proprietor of his registered trade mark in connection with the particular goods in respect of which it is registered with the object or intention primarily of protecting, facilitating, and furthering his trading in such goods, and not for some other, ulterior object."

See also *A M Moolla Group Ltd and Others v The Gap Inc And Others*⁸ where the Supreme Court of Appeals endorsed the view held in *Ansul (supra)* as follows:

⁸ 2005 (6) SA 568 (SCA).

"[42] That brings me to the last question relating to this issue: did such use as there was amount to bona fide use? The concept of bona fide use has been the subject of a number of judgments, also of this Court, and the area need not be traversed again. For present purposes, it suffices to say that 'bona fide user' 'means a user by the proprietor of his registered trade mark in connection with the particular goods in respect of which it is registered with the object or intention primarily of protecting, facilitating, and furthering his trading in such goods, and not for some other, ulterior object'. This test is similar to that proposed in an opinion by the Advocate General in the European Court of Justice in the *Ansul* case:

*'When assessing whether use of the trade mark is genuine, regard must be had to all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, particularly whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark, the nature of those goods or services, the characteristics of the market and the scale and frequency of use of the mark.'*⁹

Was there a bona fide use of the trade mark BULLDOG?

[14] The applicant contended that once the respondent became aware during settlement negotiations (that commenced in December 2012) of the applicant's pending application to register the BULLDOG trade mark the respondent abruptly commenced using the BULLDOG trade mark in South Africa. With reference to section 27(1)(b) of the Act it was submitted that the respondent's trade mark should therefore be expunged. The sales which commenced in February 2013 to Checkers and any subsequent sales do not, according to the applicant, constitute *bona fide* use of the trade mark as required by this section. The applicant further submitted that the "use" is negligible when compared to the size of the Checker's retail ground

⁹ Footnotes omitted.

and further submitted that the Court must consider the fact that the units were sold at a very low, un-market related price of 20p sterling per can. The sales were also confined to one retail outlet of Checkers in the Western Cape.

[15] The respondent strongly disputed these averments and submitted that there is no evidence before the Court that the respondent only commenced using the trade mark in February 2013 and argued that the applicant only draws an inference that the respondent orchestrated these sales so as to avoid the expungement of its BULLDOG mark on the grounds of non-use.

[16] It is accepted that the mere fact that the use was limited in the relevant period and that the sales may have been minimal viewed in context of a large retailer such as Checkers, do not necessarily imply that the use was not bona fide. See in this regard: *Wistyn Enterprises (Pty) Ltd v Levi Strauss & Co and Another*¹⁰:

*"From these and other authorities I gather, and accept, that the extent of the use within the relevant period is not material to the question of bona fides except in so far as the extent of the use may afford guidance on the question whether its purpose was or was not that which would make the use bona fide in the sense laid down by TROLLIP J. If the necessary 'object and intention' were present, even use to a minor extent may defeat an application for expungement. (See The Nodot Trade Mark 1962 RPC 1.) Moreover, use may be bona fide even if the decision to undertake it at a particular time was influenced by a desire to defeat threatened or feared proceedings for expungement. (See Electrolux Ltd v Electrix Ltd [1954] 71 RPC 23 at 37.)"*¹¹

¹⁰ 1986 (4) SA 796 (T).

¹¹ At 516H-J.

In fact, in certain cases a single act of user of the trade mark may be sufficient. See *Nodoz Trade Mark*:¹²

"It may well be, of course, that in a suitable case a single act of user of the trade mark may be sufficient. I am not saying for a moment that that is no so; but in a case where one single act is relied on it does seem to me that that single act ought to be established by, if not conclusive proof, at any rate overwhelmingly convincing proof. It seems to me that the fewer the acts relied on the more solidly ought they to be established."

[17] It is also accepted that the pertinent question is whether the proprietor *bona fide* uses the trade mark with the intention or object primarily of protecting facilitating and furthering its trading in such goods in respect of which the trade mark is registered. The use must not be for some ulterior object.¹³ In order to establish whether the use is genuine all relevant factors must be taken into account. The frequency of the use and the value of the products sold are but some of the factors that should be taken into account. To restate what the Court in *AM Moola* held:

*"The issue is simply whether or not the group's use amounted to real commercial exploitation of the marks in relation to the goods or services in the trade mark sense."*¹⁴

[18] I should also mention that it was submitted on behalf of the respondent that the fact that there was non-use for a period of time is irrelevant for purposes of exercising a discretion. Case law, however, suggests otherwise. See in this regard

¹² (1962) RPC 1.

¹³ *AM Moola supra* at page 588.

¹⁴ *Ibid*

*Blue Lion Manufacturing*¹⁵ where the Court clearly took into account the period of non-use:

"[10] The first respondent accepts that there has been no use of the trademark Dixi during the relevant period. The period since the first respondent ceased use of this trademark is about 17 years which is, in my view, a substantial period relevant to be taken into consideration when exercising the general discretion."

[19] It is, in my view, relevant, in exercising the general discretion, to take into account the fact that there was a none-use of the trade mark for 36 years, especially in the context of this application. Also relevant in my view as part of this general discretion is at what point in time the respondent commenced using the trade mark in the sale of the product. I am of the view that an inference can certainly be drawn from the fact that the respondent has not used the trade mark for a period of 36 years only to suddenly start using the product in circumstances where it came to its (the respondent's) knowledge that the applicant was about to register a similar trade mark. I am of the view that this inference may be drawn especially in the absence of any other facts which may have been able to persuade this Court not to draw such a negative inference. (I will refer to the obvious lack of particularity of the respondent's answering affidavit hereinbelow.) A similar approach was followed in *Gulf Oil Corporation v Rembrandt Fabrikante en Handelaars (Edms) Bpk*:¹⁶

"That was after its mark had been registered for about 61/2 years. That sale took place after the applicant had applied to the Registrar on the 7th October, 1959, for registration of its mark for lubricating oils, and just prior to

¹⁵ *Supra*

¹⁶ 1963 (2) SA 10 (T) at 27A – D.

the service of the applicant's summons on the respondent on the 11th August, 1961, in the action claiming rectification. There is no explanation by the first respondent, although it is peculiarly within its own knowledge, why, after 61/2 years, it suddenly decided to sell lubricating oil under the mark 'Senator'. In the factual context of the events and in the absence of such an explanation, one is entitled to infer that the sale probably occurred because the first respondent had become aware of the applicant's application for registration of its mark for lubricating oils and its impending action for rectification, and it decided to try to safeguard its own trade mark in regard to lubricating oils. The next sales all occurred after the first respondent had become fully aware of the applicant's intention to try to have its trade mark rectified, but then only two small bottles of lubricating oil were sold for 5 cents each. Thereafter the sales of machine oil took place in January, 1962, and the advertisements in February, 1962. Those transactions were comparatively negligible, the sales amounting to about R6 over a period of six months."

[20] I must also point out that, having regard to the fact that the onus rests on the respondent to persuade this Court that the use was *bona fide*, one would have expected of the respondent to have tendered some explanation as to why, after a period of non-use of 36 years – which, on all accounts, is a substantial period of non-use - the respondent decided to suddenly start selling products using the trade mark BULLDOG. And, moreover, why did the respondent suddenly decide to commence selling a product bearing the BULLDOG trade mark soon after it must have been made aware of the fact that the applicant was intending to register a similar trade mark? In the context of the facts of this matter I am of the view that the Court is entitled to infer that the respondent probably commenced selling the product because it (the respondent) had become aware of the applicant's intention to register the trade mark. I have already referred to the fact that the answering affidavit

contains very little facts. In fact it comprises of no more than three pages. The respondent relies on five invoices in support of its contention that the respondent has been using the trade mark and that the use is *bona fide*. I have already indicated that the respondent can only rely on three of these invoices. On the basis of these invoices the respondent submitted that it is using the trade mark and therefore it is not vulnerable to removal from the trade marks register on the grounds of non-use. I have already pointed out that there is no explanation whatsoever as to why the respondent suddenly commenced using the trade mark after a dormant period of 36 years particularly in circumstances where the parties have already been lodged in opposition proceedings internationally.

[21] The Court's attention was also drawn to the fact that there is not even an allegation on the papers to the effect that the respondent is contending that, not only is there a "use" of the product, but that the use is also "*bona fide*". On behalf of the respondent it was submitted that the deponent to the answering affidavit is a layperson and therefore he cannot be expected to have made such an allegation. I have a difficulty with this submission: It is specifically stated in the Act that a trade mark may be removed on the basis of non-use in the event there has been no "*bona fide*" use of the trade mark. In an application such as this where the *bona fide* requirement in the context of the use of a trade mark is in contention and in fact central to the dispute, it is expected that a deponent to an affidavit resisting the expungement would at the very least make such an allegation. However, even if I am wrong on this point, at the very least the deponent to the affidavit resisting an application in terms of section 27(1)(a) of the Act, must have placed sufficient facts before the Court to enable the Court to come to a finding as to whether the use of

the trade mark was *bona fide* or not. In this particular matter, but for the reliance on three invoices, no other facts were placed before the Court that may have assisted the Court in making an assessment as to the *bona fide* use of the trade mark. The deponent to the answering affidavit is the Managing Director of Sun Mark Ltd and charged with the responsibility of registering and enforcing of the trade mark and other intellectual property rights of Sun Mark Ltd. As such the deponent must be in possession of facts peculiarly within his knowledge and must therefore be able to place sufficient facts before the Court from which an inference in favour of *bona fide* use can be drawn. I am, as was the Court in *Gulf Oil Corporation v Rembrandt Fabrikante en Handelaars (Edms) Bpk*¹⁷ mindful of the fact that these proceedings are dealt with by way of motion. However, I am also mindful of the fact that the onus rests on the respondent resisting expungement to persuade the Court that the use of the trade mark is *bona fide*.

[22] The Court therefore has to decide, in light of the three invoices, whether the use of the trade mark constitutes *bona fide* use. I have been invited by the applicant to find that the respondent's use was orchestrated to interrupt a 36 year period of non-use. In this regard I am mindful of the fact that it does not matter that a secondary or additional purpose of the use may be to defeat an application brought on the grounds of non-use provided that this is not the primary object of the use of the trade mark. See *Oude Meester Groep Bpk and Another v SA Breweries Ltd ; SA Breweries Ltd and Another v Distillers Corporation (SA) Ltd and Another*¹⁸

¹⁷ *Supra* at page 28A - B.

¹⁸ *Supra* at 151 B - C.

"From these and other authorities I gather, and accept, that the extent of the use within the relevant period is not material to the question of bona fides except in so far as the extent of the use may afford guidance on the question whether its purpose was or was not that which would make the use bona fide in the sense laid down by TROLLIP J. If the necessary 'object and intention' were present, even use to a minor extent may defeat an application for expungement. (See The Nodoz Trade Mark 1962 RPC 1.) Moreover, use may be bona fide even if the decision to undertake it at a particular time was influenced by a desire to defeat threatened or feared proceedings for expungement. (See Electrolux Ltd v Electrix Ltd [1954] 71 RPC 23 at 37.)"

See also *Wistyn Enterprises (Pty) Ltd v Levi Strauss & Co and Another*¹⁹ where the Court quoted the above with approval and added the following to the foregoing:

"Chowles and Webster (op cit at 273) note that:

"in terms of the authorities there is nothing wrong in a proprietor, with a view to avoiding an application under s 36, placing his goods or services upon the market under the mark, provided he does so in the ordinary way and through the normal channels of trade, and with the primary object of protecting, facilitating and furthering his trade in such goods or services. Where he does so, however, not to further his own trade, but merely to frustrate that of other traders, his use is no longer bona fide. The Courts, it is suggested, must be careful to ensure that trade mark proprietors do not, through the expedient of fictitious or simulated use, procure what is, in effect, a form of defensive registration."

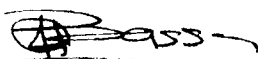
[23] In the end this Court must exercise a discretion taking into account all relevant factors and circumstances. I have already referred to some of the peculiar circumstances of this matter: The respondent's use commenced at the very time that

¹⁹ 1986 (4) SA 796 (T) at 816J – 817A.

the parties were engaged in settlement discussion. This fact, in light of the fact that there was non-use of the trade mark for a period of 36 years warrants, in my view, the inference that the "use" of the trade mark was not "bona fide" and was merely used for purposes of frustrating the registration of the trade mark by the applicant. I have also taken note of the fact that the use of the product (trade mark) is negligible when compared to the size of the Checkers retail group and the fact that the sales are concentrated at only one of Shoprite Checkers' outlets in Brackenfell in the Western Cape. I have lastly taken note of the fact that apart from the three invoices, no other facts have been placed before the Court to substantiate the *bona fide* use of the trade mark. In these circumstances, I am therefore of the view that the application should succeed. There is no reason why costs should not follow the result.

[24] In the event the following order is made:

1. The Registrar of Trade Marks (the second respondent) is ordered to rectify the Register of Trade Marks by removing trade mark registration no 1977/05373 BULLDOG in class 33 on the basis of section 27(1)(b) of the Trade Marks Act 194 of 1993.
2. The first respondent to pay the costs of this application.



AC BASSON
JUDGE OF THE HIGH COURT