

SOUTH AFRICA / JUDGMENT

**Cadbury (Pty) Ltd v Beacon Sweets &
Chocolates (Pty) Ltd and Another (573/97)
[2000] ZASCA 2; 2000 (2) SA 771 (SCA);
[2000] 2 All SA 1 (A) (16 March 2000)
[2000] ZASCA 2**

COURT

Supreme Court of Appeal

BEFORE

Vivier, Harms, Marais, Streicher, Farlam

CASE / FILE NUMBER

573/97

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THE SUPREME COURT OF APPEAL

OF SOUTH AFRICA

Case No. 573/97

In the matter between: CADBURY (PTY) LIMITED Appellant and BEACON SWEETS &
CHOCOLATES (PTY) LIMITED 1st Respondent THE REGISTRAR OF TRADE MARKS 2nd
Respondent

Coram: VIVIER, HARMS, MARAIS, STREICHER JJA AND FARLAM AJA

Heard: 25 FEBRUARY 2000 Delivered: 16 MARCH 2000 Trade marks - rectification by entry of
disclaimer

JUDGMENT

HARMS JA

HARMS JA: [1] This appeal relates to an application by the appellant (“Cadbury”) to rectify the trade marks register by having a disclaimer entered against a trade mark registered in the name of the respondent (“Beacon”). The court a quo (Maritz AJ) refused the application for a number of reasons but granted the necessary leave to appeal to this Court. Its judgment was reported: 1998 (1) SA 59 (T). [2] Both Cadbury and Beacon are manufacturers and distributors of sweets and confectionery. The present dispute relates to trade mark 86/3570, registered in class 30 in respect of confectionery, sweets, chocolates, candy, sweetmeats, ices and ice-cream. The mark is a composite mark. It was amended and in its present form consists in the main of a plate of sweets of the kind that have been marketed extensively by Beacon since 1952 under the name Liquorice

Allsorts, a little man made of these sweets, a blank space and a prominent display of the name Liquorice Allsorts: The mark is registered subject to the following disclaimer: "Registration of this trade mark shall give no right to the exclusive use of the sweet device [the plate], separately and apart from the mark. The applicant undertakes that, in use, the blank space shall be occupied only by matter of a wholly descriptive or non-distinctive character, or by a trade mark registered in the name of the applicant in respect of the same goods, or by a trade mark of which the applicant is a registered user in respect of the same goods, or by a trade mark of a registered user with the consent of the proprietor of such a mark or the blank space will be left vacant. The applicant undertakes that in use the trade mark will only be used in respect of goods containing or including liquorice or liquorice flavour." [3] Contending that the name Liquorice Allsorts is descriptive of the product and therefore not capable of distinguishing in the trade mark law sense, Cadbury applied, without attacking the validity of the original registration of the trade mark, for an additional disclaimer, namely that the registration "shall also give no right to the exclusive use of the name Liquorice Allsorts, separately and apart from the mark." (The relief sought in the notice of motion was arguably more extensive, but nothing turns on it.) For this Cadbury relied upon s 15 of the Trade Marks Act 194 of 1993 which, simply put for present purposes, provides that if a trade mark contains matter which is not capable of distinguishing within the meaning of s 9, a court may require that the proprietor disclaim any right to the exclusive use of such matter. [1] Provided that no disclaimer or memorandum on the register shall affect any rights of the proprietor of a trade mark except such as arise out of the registration of the trade mark in respect of which the disclaimer is made." [4] Section 15 is not concerned with the question whether a trade mark itself is incapable of distinguishing, but whether matter contained in a trade mark lacks this capability. This is illustrated by the existing disclaimer concerning the sweets device which was entered under a somewhat similar provision in the repealed Trade Marks Act 62 of 1963 (s 18). That the term Liquorice Allsorts is "matter" within the meaning of that word in s 15 of the current Act, is not an issue. The issue is rather whether or not it is capable of distinguishing within the meaning of s 9. Section 9 provides: "(1) In order to be registrable, a trade mark shall be capable of distinguishing the goods or services of a person in respect of which it is registered or proposed to be registered from the goods or services of another person either generally or, where the trade mark is registered or proposed to be registered subject to limitations, in relation to use within those limitations. (2) A mark shall be considered to be capable of distinguishing within the meaning of subsection (1) if, at the date of application for registration, it is inherently capable of so distinguishing or it is capable of distinguishing by reason of prior use thereof." [5] Since s 9(2) refers to the date of application for registration (in this case, 1986) Beacon argues that a court, after registration, may only rectify the registration by means of a disclaimer under s 15 if, at the date of application for registration, Liquorice Allsorts was not capable of distinguishing. Beacon points out that the original registration is not under attack and that, although some reference to dictionaries predating that year was made, there is no evidence concerning the position in 1986. Cadbury, on the other hand, submits that the reference to s 9 does not include a reference to the date of application for registration; the court should be concerned with the capability of the matter to distinguish at the date of Cadbury's application for rectification, namely 1997. [6] Although superficially attractive,

Beacon's argument does not bear scrutiny. The object of s 9 is to provide a test for the registrability of a trade mark upon application. For that reason the date upon which the question has to be determined was set as the application date. Section 15 is concerned with two situations. The one is where the registrar or the court has to determine whether the trade mark shall be registered with or without a disclaimer. In this event they will likewise be concerned with the date of application for registration. But if the question is (as in this case) whether the trade mark should remain registered in its present form, the date of registration can no longer be relevant. This is apparent from the wording of s 15 itself. It is phrased in the present tense and concerns itself with matter which is not capable of distinguishing at the time when the court has to decide in what form the mark shall be entered or remain on the register. A restricted reading of the phrase 'within the meaning of section 9' is also not compatible with the proviso to sec 10[2] where the same phrase is used and where it is quite clear that it does not have the alleged time related limitation. A further consideration is this. Under the repealed Act, the fact that a trade mark may have lost its ability to distinguish was - subject to a qualification which is not apposite to the present case - a ground for removing the mark from the register (*Luster Products Inc v Magic Style Sales CC* 1997 (3) SA 13 (A)). Section 10 (2)(a) of the new Act deals with the removal of a trade mark which 'is not capable of distinguishing within the meaning of section 9'. If Beacon's argument were correct and by parity of reasoning, the law as laid down in *Luster* would no longer apply. There is no reason why the position should have changed. It cannot be in the public interest to have trade marks on the register that cannot perform the basic trade mark function of distinguishing as set out in s 9 (1). A similar argument should be valid for s

15. Kerly's *Law of Trade Marks and Trade Names* (12th ed) par 9-02 in the context of s 14 of the Trade Marks Act 1938 (1 & 2 Geo 6, c 22), stated that the section gives the power "to give weight to circumstances which may have arisen since the date of the original registration." The same would have been true of s 18 of the repealed 1963 Act and although differently worded, a change of legislative intent in this regard is difficult to discern. [7] Another ground advanced by Beacon why s 15 does not apply to the facts in the present instance is the submission that in a post registration situation the section is restricted to a case where the court is called upon to decide whether the trade mark "shall remain on the register". Since the court below was not called upon to decide whether the trade mark should remain on the register, but only whether or not to enter a disclaimer, it had no jurisdiction to consider Cadbury's application. In other words, if an applicant has no objection to the trade mark as a whole but only to matter therein contained, the applicant would be obliged to launch an attack against the whole of the trade mark in order to obtain relief under s 15. A similar, but not identical, argument was rejected in the court below because of the perceived absurdity of the result (at 68A-C). One would expect some or other motivation for such a purely procedural limitation to be apparent. None springs to mind. The phrase "in deciding whether the trade mark . . . shall remain on the register" has a venerable ancestry, going back to at least s 15 of the Trade Marks Act 1905 (5 Edw. 7, c 15). We have not been referred to any authority which has interpreted the phrase in the manner submitted. It seems to me that it is a necessary implication that the provision is not only concerned with the question

whether the trade mark should remain at all on the register but also whether it should remain in its present form.[8] Having cleared the undergrowth, I can turn to the last jurisdictional requirement for the exercise of the discretion to enter a disclaimer in terms of s 15. It is whether the term Liquorice Allsorts is incapable of distinguishing the liquorice confectionery of Beacon from the same product of any other person. One can simplify the inquiry for present purposes by posing the question whether Liquorice Allsorts is the name of the product (a type of confectionery) or whether it is the name of Beacon's product. The relevant facts are refreshingly simple and not really in dispute. The term is given in some dictionaries as the name of a product. For instance, the Oxford English Dictionary (2nd ed 1989) s v "all" defines the word "all-sorts" as a species -"of confectionary (in full liquorice allsorts), a mixture of black-and-white or brightly coloured sweets containing liquorice." Contrary to the apparent view of the court below (at 71D-F), the hyphen neither adds to nor subtracts from anything, especially since the use of hyphens is usually optional and they are not pronounced. Confectionery manufacturing books give methods and recipes for the manufacture of liquorice allsorts or allsort liquorice and, says Cadbury, Liquorice Allsorts is a well established and recognised product type, manufactured and produced in a substantially uniform configuration, notwithstanding many individual variations. During argument, counsel were unable to suggest an alternative name for the product. If one considers that a trade mark performs an adjectival function in relation to goods or services, the fact that another noun for the product is not readily apparent is a fair indication that the term does not perform any function. [9] Beacon sought to meet these facts by pointing out that it is the only manufacturer and supplier of Liquorice Allsorts in this country since about 1952. Its annual sales, for example during 1996, amounted to some R 33 million. It expends large amounts in advertising, about R 1 million in 1996 alone. One knows that facts such as these are often used to convince the registrar or a court of the fact that a mark has become distinctive. But evidence of this nature must be approached with some degree of circumspection. The sole producer or distributor of a product, whether new or old, cannot by means of advertising and selling the product under its generic name, render that name capable of distinguishing in terms of s 9. [10] The evidence is further that Beacon manufactures and packages Liquorice Allsorts for a number of large supermarket chains in this country which sell, with Beacon's consent, Liquorice Allsorts under that name. For example, Pick 'n Pay sells the same kind of sweets under its name and trade mark and the name Liquorice Allsorts appears in a manner and script which bears no resemblance to the registered trade mark. It is also true of the rest of the packaging: The same applies to Woolworths and to OK Bazaars. [11] Beacon relied upon s 38 to justify its trading practice. This section deals with permitted use and registered users of trade marks. The question of a registered user does not arise on the facts of this case. As far as permitted use is concerned, ss (1) and (2) have a bearing on the defence: "(1) Where a registered trade mark is used by a person other than the proprietor thereof with the licence of the proprietor, such use shall be deemed to be permitted use for the purposes of subsection (2). (2) The permitted use of a trade mark referred to in subsection (1) shall be deemed to be use by the proprietor and shall not be deemed to be use by a person other than the proprietor for the purposes of

section 27 or for any other purpose for which such use is material under this Act or at common law.” Unless the supermarkets have used the trade mark as registered with Beacon's consent, their use cannot be permitted use within the meaning of these provisions. From the facts set out, it ought to be immediately apparent that the use of the name Liquorice Allsorts was not use of the trade mark as registered, but only of “matter” contained therein. This counsel had to concede. But it goes even further. A condition of registration of the trade mark requires in essence that only a trade mark registered in the name of Beacon, or in respect of which it is a registered user, or a trade mark of its registered user may be used in the blank space on its trade mark. The marks of the supermarkets do not fall in any of these categories and the breach of this condition cannot give Beacon any rights or otherwise protect it. These considerations, in my view, are destructive of Beacon's defence.[12] Having concluded that Beacon is not entitled to the exclusive use of Liquorice Allsorts because it is used by Beacon and others in the trade to describe the product and not to distinguish Beacon's product from that of others, the question of the exercise of the court's discretion arises. The court a quo purported to exercise its discretion against Cadbury, but it appears to me that the court failed to distinguish between jurisdictional facts and its discretion (especially at 68C-D and 77D-E)

- the latter could only have arisen once the jurisdictional facts were found to be present. Since it found the jurisdictional facts lacking, the exercise of its discretion did not arise. There is in any event authority to the effect that a court on appeal has an original discretion whether or not to require a disclaimer and that it is not bound by that of the registrar or, in this instance, of the court a quo (*Distillers Corporation (SA) Ltd v Stellenbosch Farmers Winery Ltd* 1979 (1) SA 532 (T) 539B-C quoted with approval in *Estee Lauder Cosmetics Ltd v Registrar of Trade Marks* 1993
- (3) SA 43 (T) 45F-G); cf *Media Workers Association of SA v Press Corporation of SA Ltd* [1992] ZASCA 149; 1992 (4) SA 791 (A) 800C-J).[13] As was pointed out by the hearing officer in *Philip Morris Inc's Trade Mark Application*

[1980] RPC 527 at 532 - 533, a disclaimer is, theoretically, never necessary since registration of a trade mark cannot give rise to any rights except those arising from the mark as a whole. It has nonetheless a function. Primarily, it is to prevent the registration of a composite mark from operating so as to inhibit the use of the disclaimed element by others. Beacon, relying upon the fact that the name Liquorice Allsorts is the dominant part of the trade mark, is asserting trade mark rights in Liquorice Allsorts per se against others based upon this registration. It also has a pending application for the registration of Liquorice Allsorts simpliciter. This is therefore a textbook case for a disclaimer. (Cf *Estee Lauder Cosmetics* at 46D-J.) Statutory monopolies are the exception, not the rule and they need to be justified (*Wagamama Ltd v City Centre Restaurants Plc and Another* [1995] FSR 713 (Ch D) 728 -729). [14] The court below (at 77B-D) accepted Beacon's argument that Cadbury was sufficiently protected by the provisions of s 34(2)(c) of the Act which provide inter alia that a registered trade mark is not infringed by the use of any bona fide description or indication

of the kind of the goods concerned. Cadbury, if its allegations are to be accepted, is thus without a disclaimer possessed of a perfect defence. I find the attitude unrealistic because I cannot see why Cadbury should be put to the trouble and expense of first manufacturing and selling and then be subjected to the risk of infringement litigation where the Legislature has given it a simple remedy akin to a declaration of rights to obtain certainty. I do realise that due to the proviso to s 15, Beacon may nevertheless attempt to assert rights to Liquorice Allsorts by means of a common law action based upon passing-off (cf *Antec International Ltd v South Western Chicks (Warren) Ltd* [1997] FSR 278), but that is not a sufficient reason to refuse the relief sought since the nature of the protection provided by that action differs from trade mark protection.[15] In the result the appeal has to succeed and the following order is made:

The appeal is upheld with costs, including the costs of two counsel; for the order of the court below is substituted an order -

Rectifying the registration of trade mark 86/3570 by the insertion of the following additional disclaimer: "The registration of this mark shall also give no right to the exclusive use of the name Liquorice Allsorts , separately and apart from the mark"; That the first respondent pay the costs of the application, including the costs of two counsel.

L T C HARMS JUDGE OF APPEAL AGREE: VIVIER JAMARAIS JASTREICHER JAFARLAM AJA

[1]1 The full text of s 15 is the following: "If a trade mark contains matter which is not capable of distinguishing within the meaning of section 9, the registrar or the court, in deciding whether the trade mark shall be entered in or shall remain on the register, may require, as a condition of its being entered in or remaining on the register- (a) that the proprietor shall disclaim any right to the exclusive use of all or any portion of any such matter to the exclusive use of which the registrar or the court holds him not to be entitled; or (b) that the proprietor shall make such other disclaimer or memorandum as the registrar or the court may consider necessary for the purpose of defining his rights under the registration:[2]2 It reads: "Provided that a mark shall not be refused registration by virtue of the provisions of paragraph (2) or, if registered, shall not be liable to be removed from the register by virtue of the said provisions if at the date of the application for registration or at the date of an application for removal from the register, as the case may be, it has in fact become capable of distinguishing within the meaning of section 9 as a result of use made of the mark."

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