

SOUTH AFRICA / JUDGMENT

Etraction (Pty) Ltd v Tyrecor (Pty) Ltd (28/5/2015) [2015] ZASCA 78; 2015 BIP 253 (SCA) (28 May 2015)

[2015] ZASCA 78

COURT

Supreme Court of Appeal

BEFORE

Mpati, Brand, Wallis, Saldulker, Mayat

CASE / FILE NUMBER

20185/2014

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THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

JUDGMENT

Reportable

Case no: 20185/2014

In the matter between:

ETRACTION (PTY) LTD.....APPELLANT

and

TYRECOR (PTY) LTD.....RESPONDENT

Neutral Citation: Etraction (Pty) Ltd v Tyrecor (Pty) Ltd (20185/2014) 2015 ZASCA 78 (28 May 2015)

Coram: MPATI P, BRAND, WALLIS and SALDULKER JJA and MAYAT AJA

Heard: 20 May 2015

Delivered: 28 May 2015

Summary: Trade mark – infringement by use of identical mark – defence of prior bona fide use – s 36(1) of the Trade Marks Act 194 of 1993 – requirement of continuous and bona fide use – requirements for – partial expungement of registered mark in terms of s 27(1) of the Act – purpose of registration to damage existing user's trade not to trade oneself – no bona fide intention to use as a mark in respect of the goods in question.

ORDER

On appeal from: Western Cape Division of the High Court (Salie-Samuels AJ, sitting as court of first instance):

1 Save for paragraph 2 of this order the appeal is dismissed with costs, such costs to include those consequent upon the employment of two counsel where two counsel were employed.

2 The order granted in respect of the counter-application is amended to read as follows:

‘The counter application succeeds with costs and the Registrar is directed in terms of section 24(1) of the Trade Marks Act, to expunge the word ‘tires’ from the Applicant’s trade mark registration and to amend the registration to read ‘ Vehicle components and Accessories: wheels and rims, but not including tyres’.

Wallis JA (Mpati P, Brand and Saldulker JJA and Mayat AJA concurring)

[1] The Appellant, Etraction (Pty) Ltd (Etraction), conducts business as a trader in wheels, tyres and related products. It is the registered

proprietor under the Trade Marks Act 194 of 1993 (the Act) of the trade mark INFINITY, registration number 2008/08612, in class 12 in respect of ‘vehicle components and accessories; wheels, tires,[1] rims’, dated 15 April 2008. The respondent, Tyrecor (Pty) Ltd is one of its competitors. It imports into South Africa and sells tyres under the name ‘Infinity’. The present appeal arises out of proceedings brought by Etraction to interdict Tyrecor from doing so. The application for an interdict before Salie-Samuels AJ was unsuccessful and a counter-application by Tyrecor for the expungement from the registered mark of the reference to ‘tires’ succeeded. This appeal is with her leave.

[2] Tyrecor has been importing and selling tyres in South Africa under the brand name Infinity since at least

2009. The evidence in regard to the precise date when it commenced this business in its own right is inconclusive. It was registered with SARS as an importer of tyres on 26 March 2008, but the earliest invoice reflecting the importation of tyres by Tyrecor was dated 22 February

2009. Prior to that date another entity, Falck Trading (Pty) Ltd (formerly known as Tyrecor Holdings (Pty) Ltd, and referred to hereafter as Falck), had, since 2006, imported and sold in South Africa tyres bearing the Infinity mark. It made significant purchases of tyres in October 2008, which suggests that Tyrecor had not by that stage commenced importing and selling tyres. For present purposes therefore it is safer and favourable to the appellant to accept early 2009 as the date from which Tyrecor commenced business

operations. I proceed on the basis that prior to that date Falck was the party importing and selling tyres in South Africa under the mark Infinity.

[3] Section 34(1)(a) of the Act provides that a registered mark is infringed by the unauthorised use of an identical mark in the course of trade in

relation to goods or services in respect of which the mark is registered. Etraction's trade mark, INFINITY, was registered with effect from 15 April 2008. Having accepted that Tyrecor's business activities commenced in early 2009, it follows that those activities have always infringed the registered mark, because they involved the use, in the course of trade and without authorisation, of an identical mark[2] in relation to tyres, which were goods in respect of which the mark was registered. The outcome of the litigation therefore depended

primarily upon the validity of the registration of the mark in respect of tyres, which was attacked under s 27(1) of the Act,

and a defence of continuous and bona fide prior usage by Falck, as Tyrecor's predecessor in title, that Tyrecor invoked in terms of s 36(1) of the Act. These two defences were inextricably linked and dependent upon the particular facts of the case. It is therefore appropriate at the outset to deal with the facts.

The

facts

[4] Etraction claimed that it had used the mark INFINITY consistently since 1995. In considering this claim it is necessary to draw a distinction between tyres, and the rims to which they are fitted to constitute the wheels of motor vehicles.[3] In the context of motor vehicles, wheels, consisting of both rims and tyres, are necessary for the vehicle to operate, but the rims and tyres may be sold either separately or together. Vehicles come equipped with both, but there is a market for people to replace those originally attached to their vehicles with different rims, or different tyres, or both, either for the sake of appearance or because they are perceived to enhance the vehicle's performance. People who purchase new rims for their vehicles will

usually, but not inevitably, also purchase new tyres. When they purchase both together as a single unit this is referred to, in the jargon of the trade, as purchasing a 'combo'.

[5] Etraction says that it started to use the mark INFINITY on rims in 1995. Annexed to the founding affidavit were extracts from catalogues for 1996/7, 2000, 2001 and 2005/6, all showing various rims bearing the mark either alone or in combination with something else, for example, INFINITY II, INFINITY COBRA and INFINITY BRAVA. The form that the mark took in each instance was a central decal on which was printed the word INFINITY placed in the hub of the rim.

[6] In none of these examples was the mark INFINITY affixed to tyres, nor did Etraction claim that it had ever used the mark on tyres as opposed to rims. Instead it highlighted the fact that in one of the advertisements for a 'combo' the rim bore the mark INFINITY on which basis it alleged that the mark had been used in relation to 'combos'. It said that this had been a common feature of its trade over the years and this trade had been very successful. Insofar as that was intended to suggest use of the mark INFINITY in relation to tyres the claim was

negated by the fact that in the same advertisement for the 'combo' the tyre bore a separate mark of MRW (an acronym for Malas Racing Wheels[4]), another registered mark of which Etraction is the registered owner.

- [7] Apart from the brochures annexed to the founding affidavit Tyrecor annexed to its answering affidavit extracts from a trade magazine for the tyre industry, entitled Southern Africa Treads, which contained advertisements by Etraction. These were primarily advertisements for tyres, not rims, and in none of them was the mark INFINITY used in relation to tyres or mentioned at all, although the MRW mark appears on depictions of tyres and is referred to in the text of the advertisements. Various other marks not apparently owned by Etraction were used on other tyres appearing in these advertisements.
- [8] In summary therefore there was no evidence at all that Etraction had ever made use of the mark INFINITY in relation to tyres although there was some limited evidence of its use in relation to rims. Even there it is unclear to what extent it was used. Other marks such as MRW and JAZZ featured in the brochures and advertisements. There was no evidence of the extent of sales of rims bearing the INFINITY mark or of the amount spent on advertising or the share of the market claimed for such rims.
- [9] Against this, the mark Infinity has been in use in relation to tyres in South Africa since at least 2006, initially by Falck and latterly by Tyrecor. Falck obtained an import permit for a first shipment of 5000 tyres branded with the Infinity mark in 2006. In September 2006 it obtained four further permits for the importation for exhibition purposes of various types of tyres. In 2006 it exhibited tyres under this mark at two different exhibitions. The one was the Electra Mining Expo and the other the Tyre Expo Africa. In relation to the former there is a photograph of the stand bearing on all four sides a very large board with the single word 'Infinity' and the symbol ® which is customarily used to indicate that the word or words is a registered trade mark.[5] In relation to the latter there is an exhibitors' show guide that identifies the stand as being that of 'INFINITY

TYRES' and refers to the brand Infinity. Again the symbol ® was included whenever the mark was used and this has been a feature of the use that Falck and Tyrecor have made of the Infinity mark. The show guide refers to Infinity tyres having recently been launched at a German trade show. That is consistent with the claim by Tyrecor that the mark is an international one used on tyres by the Al Dobowi Group with which it is engaged in this business in South Africa, that group being an indirect shareholder in Tyrecor.

- [10] Tyrecor furnished sales and advertising figures in respect of Infinity tyres for the period from 2006 to 2011 showing a considerable growth in sales and advertising expenditure during this period. Taking the figures for 2006 and 2007 alone, on the basis that they were clearly prior to the date of registration of Etraction's mark, these show sales of over 15000 units for nearly R10 million and advertising expenditure of about R140 000. That is by no means insignificant. From 2008 onwards, sales volumes have increased substantially and revenues in excess of R100 million have been generated. That there was awareness in the

market from 2006 onwards of the existence of Infinity tyres emanating from Falck was acknowledged in the founding affidavit and could not be gainsaid bearing in mind that Etraction was also an exhibitor at the Tyre Expo Africa in 2006 with a stand relatively close to that of Infinity Tyres.

Vested rights

[11] Section 36(1) of the Act protects continuous and bona fide prior use of what would otherwise be an infringing mark. It provides that:

‘Nothing in this Act shall allow the proprietor of a registered trade mark to interfere with or restrain the use by any person of a trade mark identical with or nearly resembling it in respect of goods or services in relation to which that person or a predecessor in title of his has made continuous and bona fide use of that trade mark from a date anterior –

- (a) to the use of the first mentioned trade mark in relation to those goods or services by the proprietor or a predecessor in title ...; or
- (b) to the registration of the first mentioned trade mark in respect of those goods or services in the name of the proprietor or a predecessor in title of his;

whichever is the earlier ...’

The underlying purpose of this section is to prevent a proprietor of a trade mark from exercising rights merely on the basis of priority of registration and it preserves whatever common-law rights there may be antecedent to the rights of the registered proprietor.[6] A party relying on this defence must establish bona fide and continuous use of the mark, either by itself or by its predecessor in title, at a time prior to the use or registration of the registered mark by the proprietor thereof, whichever is earlier. In this case registration was the earlier date.

[12] It follows that Tyrecor had to show that it, or its predecessor in title, had made continuous and bona fide use of the trademark ‘Infinity’ from a date prior to 15 April 2008, being the date of registration of Etraction’s trademark. On the facts as summarised in para 10 above there can be no question but that the trademark Infinity was being used from 2006 on a continuous basis in relation to the sale of tyres in South Africa. Nor can there be any question that the use was bona fide. In

view of my assumption that Tyrecor only commenced trading in tyres bearing the ‘Infinity’ mark at a date in early 2009 we are concerned with the use of the mark by Falck.

[13] Falck used the trade mark Infinity in relation to tyres prior to Tyrecor and prior to Etraction’s registration of the mark. Two questions must be addressed. The first is whether that use was of the character specified in s 36(1). That requires some explanation in the light of what I have said above about that use being in practical terms both continuous from 2006 and bona fide. The argument on behalf of Etraction was that mere use of this character does not suffice to entitle someone to claim the protection of s 36(1). It submitted that the use had to be use as the proprietor of the mark.[7] As matters transpired that proposition lay at the

heart of the argument addressed to us albeit formulated in various guises. The second question was whether Falck was Tyrecor's predecessor in title. I will deal with each in turn.

[14] Conceptually there was an immediate difficulty with the submission that a party seeking the protection of s 36(1) must be the proprietor of the disputed mark. As explained in Webster and Page:[8]

'Under the common law a trade mark cannot as such be the subject of proprietary rights. One can only become the proprietor of the

goodwill of the business in relation to which the mark is used in consequence of the use which has been made of the mark.'

Unlike a registered trade mark, an unregistered mark is not itself an incorporeal asset capable of being owned. It contributes to the goodwill of a business by identifying a business, goods or services in the market place with a particular source and, unlike a registered mark, it is incapable of being alienated separately from the goodwill of that business.[9] Where someone else adopts the same or a confusingly similar mark they seek thereby to represent that their business, goods or services are from the same or a connected source. The action for passing-off is the means that the law affords to protect against that type of misrepresentation. In summary:

'A passing-off action is a remedy for the invasion of a right of property not in the mark, name or get-up improperly used, but in the business or goodwill likely to be injured by the misrepresentation made by passing-off one person's goods as the goods of another.

Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached.'

[15] Etraction's argument was therefore based on an incorrect premise. While, for the purposes of registration of a mark, the Act makes use of the concept of proprietorship in respect of an unregistered mark[11] it is clear that the word has a special meaning in that context.[12] It is only on registration that the applicant for registration becomes the proprietor of the registered mark. It cannot therefore be the case that in order to enjoy the protection afforded by s 36(1) it is necessary to show that the party claiming protection owned the mark in issue. The endeavour by counsel to bolster his argument in this regard by reference to s 27(1), to which I will revert in due course when dealing with the expungement application, and the cases that have said that bona fide use under s 36 bears the same meaning as bona fide use under s 27(1), was likewise misplaced. The reference in s 27(1)(a) to the proprietor of a mark is a reference to a registered proprietor who is seeking to resist expungement, and does not refer to an unregistered mark.

[16] The clear purpose of s 36(1) is to protect common law rights arising from continuous and bona fide use of an unregistered trade mark prior to either the use[13] or registration[14] of the mark in issue. Consistent with that purpose, any person entitled to bring a passing off action based on the reputation they had acquired from the use of the unregistered mark would be entitled to invoke s 36(1) against a claim for infringement by the proprietor of a registered mark.

[17] Perhaps anticipating this approach counsel for Etraction drew our attention to the passage in Webster and Page[15]that reads:

‘An agent or distributor who merely sells, or imports and sells, goods manufactured by another without adding anything to the mark or get-up under which they are produced, does not thereby acquire any goodwill in the name or get-up; for those symbols thereby acquire a reputation as indicating that the goods emanate from the particular manufacturing provenance and not that they were imported and/or distributed by that particular agent.’

Seizing on a statement that the mark Infinity was owned by a British Virgin Islands registered company in the Al Dobowi group of companies counsel submitted that Falck could not have acquired in its own right any reputation or goodwill in Infinity tyres. Accordingly he submitted that it would not have been open to Falck, prior to April 2008, to bring proceedings to prevent another party from marketing tyres in South Africa under the name Infinity. The argument was advanced notwithstanding that such registration of a trade mark in a foreign jurisdiction by a foreign company could not give rise to any rights as a trade mark in South Africa in view of the principle of territoriality that applies in respect of trade marks. [16]

[18] In my view that argument must fail because it ignores the word ‘merely’ and the phrase ‘without adding anything to the mark’ in the quoted passage. It also ignores the passage that follows immediately thereafter, which reads:

‘On the other hand, it is possible for a distributor so to market the goods which he distributes that the name or get-up under which they are sold acquires a reputation as indicating that they emanate from him: in which case the goodwill adhering to that name or get-up will vest in him. The enquiry as to which trade source the symbol has come to indicate in the territory in question is in every case one of fact.’

[19] If Tyrecor could show that Falck had acquired a sufficient reputation for tyres sold under the mark Infinity[17] among a substantial number of actual or prospective purchasers, that would have entitled it to bring passing off proceedings against

anyone marketing tyres under that or a confusingly similar name. For this purpose I assume that it would have been possible for such marketing to take place, notwithstanding the requirement that before any tyres can be marketed in this country they must be homologated by the South African Bureau of Standards, which would presumably avoid confusing similarities in tyre brand names.

- [20] The usual way in which to discharge the onus of proving such a reputation is by way of proof of actual sales and advertising to establish the requisite reputation. The evidence reflects sales in the period from 2006 to April 2008 of over 15000 units for nearly R10 million and advertising expenditure of about R140 000. The sales trajectory was upwards. The product was being actively marketed at industry shows and by approaches to potential customers, as demonstrated by an approach in March 2008 by Mr de Villiers, who deposed to the opposing affidavit on behalf of Tyrecor, to Mr Akram of Etraction with a view to supplying Etraction with Infinity tyres. This evidence is uncontroverted. It sufficed to establish that Infinity tyres had acquired a reputation in this country capable of being protected by way of passing-off proceedings.
- [21] The only remaining question is whether that reputation vested in Falck. In my view it did and the characterisation of Falck as a mere importer and distributor of tyres from another source was incorrect. Falck was originally known as Tyrecor Holdings (Pty) Ltd and it was always clearly associated with the Tyrecor group of companies in which Mr de Villiers and his brother were the moving spirits. It was not an importer and distributor in the sense of a retail outlet that imports and sells goods bearing marks indicating that the goods have an origin other than that of the retailer. Falck was the commercial vehicle through which the Al Dobowi group, which markets tyres under the name Infinity on an international basis, and the Tyrecor group undertook a joint venture to market Infinity tyres in South Africa. Thus, the public presence of 'Infinity' tyres in this country at all times manifested itself solely through the corporate vehicles associated with the Tyrecor group.
- [22] Bearing in mind that any injury underpinning a passing-off action would arise from a misrepresentation damaging the reputation (and consequent goodwill) in South Africa, as the place where the misrepresentation was made,[18] it seems logical that the joint venture partners would have wished the reputation they were intent on building for their brand of tyres to vest in the entity through which they were carrying on the joint venture. There would be little point in trying to separate that reputation from the broader goodwill attaching to Falck as a business trading in tyres, a goodwill that would arise from the service rendered by the staff of the business, the quality of its product, the advertising and marketing that it undertook and the like. Lastly there is the fact that the marketing of Infinity tyres, as is apparent from the materials in the papers, always occurred in conjunction with the Tyrecor name and the Tyrecor group. No doubt that was to take advantage of any reputation that the De Villiers brothers had built up in South Africa in the tyre business.
- [23] Counsel did submit, albeit faintly, that Tyrecor was not the successor in title of Falck. In the face of the undisputed evidence that a decision was taken by the joint venture partners no longer to use Falck as the commercial vehicle for their operations in South Africa, and henceforth to conduct that business through Tyrecor, as indeed happened, that was an optimistic submission. Such a rearrangement of business affairs within a trading group or as between joint venture partners, without the business itself changing, is by no means

uncommon.[19] I can see no reason to doubt the correctness of Mr de Villiers' statement that Tyrecor took over Falck's business in about March 2009. As already pointed out that is consistent with the records in regard to the importation of tyres and sales by Tyrecor. Counsel complained that there was no proof that there had been compliance with the requirements of s 228 of the Companies Act 61 of 1973, but I fail to see on what footing it would be open to Etraction as a stranger to the relationship between Falck and Tyrecor to complain of any such non-compliance. So long as the parties to the transaction are content with what they have done and no-one affected thereby and having a direct and substantial interest in the transaction, such as a shareholder, creditor or the revenue authorities, wishes to challenge its validity, it seems to me that it must stand on the terms arranged by the parties to it.[20]

[24] I therefore hold that Tyrecor was the successor in title to Falck's business of selling Infinity tyres in South Africa and was entitled to rely on the latter's bona fide and continuous use of the mark Infinity to resist Etraction's infringement claim. That relieves me of the necessity to consider whether the use contemplated by s 36(1) is limited to such use as would entitle the user to bring a passing-off action. I do not, however, wish to foreclose the possibility that the section may have a broader reach than that and may extend to any bona fide and continuous use irrespective of whether it would give rise to a legal right capable of founding a claim.[21] There seems to me to be much to be said for the proposition that any lawful use having the characteristics of being both continuous and bona fide may found the defence. That is, after all, precisely what the section says and I am not persuaded that the niceties of trade mark law require a different construction. It seems to have been the approach in the only case to which we were referred that dealt directly with a defence under this section namely the case of Bosch.[22] There, a firm of engineers, named eponymously after its founder, had established a subsidiary company undertaking work in regard to computer systems. In turn a further subsidiary was established advising on information systems. All the companies in the group used the name 'Bosch' and a similar logo. That use by the information services subsidiary was held to be sufficient to justify the invocation of the s 36(1) defence, without there being any finding that it was vested with a reputation for purposes of passing-off in the mark 'Bosch'.

[25] The appeal against the dismissal of Etraction's infringement claim must therefore be dismissed. I turn then to consider the appeal against the partial expungement order.

Expungement

[26] The high court ordered a partial expungement of Etraction's trade mark by the exclusion from the scope of the registered trade mark of the word 'tires'. In terms of s 27(1)(a) of the Act a registered trade mark may be expunged if:

‘... the trade mark was registered without any bona fide intention on the part of the applicant for registration that it should be used in relation to those goods or services by him or any person permitted to use the trade mark as contemplated by section 38, and that there has in fact been no bona fide use of the trade mark in relation to those goods or services by any proprietor thereof or any person so permitted for the time being up to the date three months before the date of the application’.

The section has two elements. A person invoking the section must prove that the registration occurred without any bona fide intention to use the mark and that there has in fact been no bona fide use of the registered mark. For present purposes, only the first is relevant, because it is common cause that Etraction has not made any use of the registered mark INFINITY in respect of tyres.

- [27] Whether Etraction had a bona fide intention to use the mark INFINITY in relation to tyres is a question of fact. The background to its registration of the mark is accordingly important. I have already outlined the use it made from 1995 of that mark in relation to rims and the fact that it has never used the mark in relation to tyres. On its own admission it became aware in 2006 that tyres were being sold under the mark Infinity. During the next two years it must have seen the advertisements for Infinity tyres in trade magazines in which it also placed advertisements, yet it was only in 2008 that it did anything about it. The circumstances in which it did so are highly relevant to its bona fides.
- [28] Etraction lodged its application for registration of the INFINITY mark on 15 April 2008. Although it claimed in its affidavits to be a neophyte in respect of trade mark applications, that was untruthful. It had applied for two trade marks in August 1998 – interestingly enough not for INFINITY – and these had been registered on 8 October 2002. On 12 March 2008, one month before it lodged the application in dispute, it lodged ten other applications for registration of the trade marks Malas and MRW. On 18 March 2008 it lodged further applications for the marks Lexani and Asanti. The claim of ignorance can hardly be sustained in the

light of those facts.

- [29] On 17 and 18 March 2008 Mr de Villiers and Mr Pelser addressed emails to Etraction offering to supply it with INFINITY tyres. The emails enclosed photographs of the tyres that Tyrecor was offering to supply and set out the prices at which it was offering the tyres. On 26 March 2008 Mr de Villiers sent an e-mail recording a meeting he had had with Mr Tayob and Mr Akram. It read:

‘I would once again like to thank you for affording me the time to meet with both of you today to introduce our products. We are very proud of the INFINITY brand and believe that we will be able to add value to your organization.

I sincerely hope that we can establish a beneficial relationship in the near future. Please do not hesitate to contact me should you require any additional information.’

[30] Within three weeks after that meeting Etraction applied for registration of the mark INFINITY in relation to tyres. It did not, however, convey to Tyrecor that it objected to it using the mark nor did it give any notice of its application to Tyrecor until it had secured registration of the mark, which occurred on 19 May 2011. During the three years between the date of its application and registration Tyrecor continued to trade and built up its business in the sale of Infinity tyres without any inkling that Etraction objected thereto or that it intended itself to enter the market for tyres under that brand name. In 2011 its turnover from this trade exceeded R100 million.

[31] It is impossible in those circumstances to come to any conclusion other than that Etraction's purpose in seeking the registration of the INFINITY mark in respect of tyres was to stultify Tyrecor's business. There is not a jot or tittle of evidence to suggest that it genuinely intended at any stage to trade in tyres under the Infinity mark. Nor can it be said that the mark was registered in these broad terms as a defensive mark. The coincidence in timing between Mr de Villiers' sales visit and the application for registration of the INFINITY mark is indicative of an attempt to harm the business of a successful competitor. No

other plausible explanation for this conduct has been proffered and the one that was advanced, that Etraction was unfamiliar with trade marks, was simply untrue.

[32] There have been a number of judgments of this court on what constitutes bona fide use of a trade mark and I need quote only two. In Rembrandt[23] Steyn CJ said that use:

'...for an ulterior purpose, unassociated with a genuine intention of pursuing the object for which the Act allows the registration of a trade mark and protects its use, cannot pass as bona fide user.'

Then Harms JA in The Gap,[24] said:

'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."

[33] In considering whether the proprietor of the mark bona fide intended to use it in relation to the goods in respect of which it is registered one examines the facts, as they appear from the course of events leading up to the application for registration, to determine whether there was a genuine intention to use the mark in the course of trade in respect of those goods or whether the registration was intended for an ulterior purpose. Etraction had used the mark Infinity to some degree in respect of rims from 1995, but made no attempt to register a trade mark or to assert any rights in respect of its use especially in respect of tyres. From when Falck entered the market in 2006, until Mr de Villiers' fateful attempt to sell Infinity tyres to Etraction in March 2008, it made no complaint about the branding, nor did it ever suggest that this was an infringement of its existing rights or would interfere with any planned expansion of its commercial activities. Nothing in its conduct showed a genuine intention to use the mark in relation to the sale of tyres. Its registration of other house marks pointed in the opposite direction.

[34] There is no acceptable explanation for Etraction's decision a mere three weeks after Mr de Villiers' attempt to sell it Infinity tyres to apply for registration of the INFINITY trade mark. Can one infer an ulterior motive from this? In my view one can. Surreptitiously seeking to register a trade mark when one is aware of the fact that another person is using it and with the intention of exploiting registration to disrupt their use or to procure an undue advantage justifies the inference of ulterior

motive.

[35] It seems to me that this case is similar, in regard to the conduct of Etraction, to what occurred in the context of the registration of a domain name in an arbitration involving Finter Bank[25] in Switzerland. The bank had existed for a number of years and held a registered mark 'Finter', which was the name by which it was commonly known. It had also registered a domain name 'Finter.ch'. When the system, of domain registration was altered to give priority to domain names with suffixes such as 'org' or 'com' Mr Olivieri registered two names 'finter.org' and 'finter.com', claiming to have done so because his family dog was called 'Ruby der Finter'. However, this was belied by his conduct, ten days after receiving the domain registration, of trying to sell the two domain names to the bank. The arbitrator dealt with whether he had acted in bad faith in the following way:

'Although it is difficult to define in general terms a multi-faceted notion such as bad faith, it should under Swiss law comprise two elements:

- the knowledge of given facts, in the present case the prior use by Complainant of a trade name and a trademark ...
- the awareness to act against a rule of law.'

[36] Following that approach Etraction acted with a knowledge of given facts namely the extensive trade already built up in relation to Infinity tyres. Second it acted for a purpose other than that for which trade mark registration is permitted. Its conduct when it applied for registration can only be described as underhand, I am satisfied that it did not have any bona fide intention to use the mark in respect of tyres. In common parlance its motive was to throw a spanner in the commercial works of Tyrecor's

successful trade in Infinity tyres.

[37] Accordingly the high court was correct to grant the order for the expungement from Etraction's registration of the word 'tires'. However, undaunted by this Etraction sought to argue that such a limited expungement would not assist Tyrecor, because tyres are similar goods to the goods in respect of which the registration would survive. Accordingly it submitted that for it to continue to use the mark Infinity in respect of tyres would infringe its trade mark in terms of s 34(1)(b) of the Act. For my part I doubt that such an argument would or could succeed in the face of a finding that tyres should not have been included in the registered mark in the first instance. But to put the matter beyond doubt the terms of registration of Etraction's mark should be further amended by the insertion of a clear disclaimer that the registered mark does not include tyres

[38] In the result the following order is made:

M J D WALLIS JUDGE OF APPEAL

Appearances

For appellant: Mark Seale

Instructed by:

Brian Bacon Inc, Cape Town;

Webbers, Bloemfontein

For respondent: R Michau SC (with him I Joubert)

Hahn & Hahn Inc, Pretoria

Peyper Attorneys, Bloemfontein.

[1] The registered mark uses the American spelling.

[2] It is not suggested that it makes any difference that the registered mark is in block capitals, as are the depictions of the mark relied on by Etraction, whilst Tyrecor only capitalises the initial letter 'T' in its use of the mark 'Infinity'.

- [3] In the affidavits there was a measure of confusion in that 'wheels' was sometimes used to refer to rims and tyres, and sometimes to rims alone. In this judgment I will refer to rims and tyres as the component elements of wheels, so that the latter expression will refer to a rim and a tyre in combination.
- [4] Etraction was formerly called Malas Car Sales & Spares (Pty) Ltd. The brochures and advertisements annexed to the affidavits were all published under this name but, for the sake of simplicity and convenience, I have used the current name throughout the

judgment.

- [5] Such use was a contravention of s 62(1) of the Act, but Etraction makes no point of that fact. Tyrecor claims an international use of the mark, but there was no compliance with the provisions of s 62(2)(a) or (b) of the Act.
- [6] Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC & another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC 1998 (3) SA 656 (C) para 63.
- [7] 'Proprietorship of the mark is required before the claim to a prior right will be accepted.' Appellant's heads of argument para 26.
- [8] C E Webster and G E Morley Webster and Page South African Law of Trade Marks 4ed (looseleaf, Issue 9) para 5.3 at 5-3.
- [9] Butterworths Publishers (Pty) Ltd v Jacobsens Group (Pty) Ltd [2005] 2 All SA 588 (T); [2005] ZAGPHC 42; paras 10-12.
- [10] Star Industrial Co Ltd v Yap Kwee Kor (t/a New Star Industrial Co)
- [1976] FSR 256 (PC) at 269 cited with approval in Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & another 1998
- (3) SA 938 (SCA); [1998] ZASCA 44; paras 11 and 29. I have omitted the final sentence in the quotation that said that goodwill has a locality. Although Harms JA quoted the advice of Lord Diplock in Star Industrial with approval in Caterham, he rejected his view that the existence of a protectable reputation was dependent upon having customers within the jurisdiction of the court. He followed the approach of Christopher Wadlow *The Law of Passing-off: Unfair Competition by Misrepresentation* 4ed (2011) paras 3-109 to 3-130 where the author suggested that common law jurisdictions no longer take a 'hard line' in regard to the need for there to be customers within the jurisdiction in order for there to be passing-off and held that goodwill can be severed from reputation. However, it is debatable whether Wadlow was correct in his analysis in the light of the recent decision and review of the authorities on which he relied in Starbucks (HK) Ltd v British Sky Broadcasting Group PLC [2015] UKSC 31. It may be that South Africa, and probably Australia, are now the only jurisdictions that do not take a hard line.

- [11] Sections 10(3) and 18 of the Act.
- [12] Victoria's Secret Inc v Edgars Stores Ltd 1994
- (3) SA 739 (A); [1994] ZASCA 43; at 744A-745B.
- [13] Section 36(1)(a) of the Act.
- [14] Section 36(1)(b) of the Act.
- [15] Para 15.8.1 (Issue 15) at 15-47.
- [16] See Victoria's Secret Inc v Edgars Stores Ltd
- [1994] ZASCA 43; 1994 (3) SA 739 (A) at 745E-747F and AM Moolla Group Ltd & others v The Gap Inc & others 2005 (6) SA 568 (SCA); [2005] ZASCA 72; paras 9 and 10.
- [17] Hoechst Pharmaceuticals (Pty) Ltd v The Beauty Box (Pty) Ltd (in liquidation) & another 1987
- (2) SA 600 (A); [1987] ZASCA 5; at 613F-G; Caterham Car Sales supra para 16.
- [18] Caterham Car Sales supra para 20.
- [19] It is a situation specifically contemplated in s 197 of the Labour Relations Act 66 of 1995.
- [20] c/f Traub v Barclays National Bank Ltd; Kalk v Barclays National Bank Ltd 1983
- (3) SA 619 (A) at 629-630.
- [21] Such as the example given in Jeremy Phillips Trade Mark Law para 8.50 at 232 of a company Rytz Industriebau AG having used the same name for many years prior to the registration of the mark in question and had incorporated the name in its registered domain name as rytz.ch. When Rytz Cie SA was formed it registered a trademark and then claimed infringement. The court dismissed the claim on the basis of prior usage. Rytz Cie SA v Rytz Industriebau AG [2001] ETMR 363 (Federal Civil Court, Switzerland).
- [22] Robert Bosch GmbH v Bosch Information Systems (Pty) Ltd & others 2000 BIP 286 (D).
- [23] Rembrandt Fabrikante en Handelaars (Edms) Bpk v Gulf Oil Corporation 1963
- (3) SA 341 (A) at 351C-F.
- [24] AM Moolla Group Ltd v The Gap Inc supra para 42. The earlier authorities are collected in Arjo Wiggins Ltd v Idem (Pty) Ltd & another 2002 (1) SA 591 (SCA); [2002] 2 All SA 147 (SCA); [2001] ZASCA 109; in para [6]
- [25] Finter Bank Zurich v Gialuca Olivieri Case No D 2000-0091 (WIPO Arbitration and Mediation Centre).

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