

SOUTH AFRICA / JUDGMENT

Firststrand Bank Ltd v First Central Insurance Ltd and Another (21241/2012) [2014] ZAGPPHC 69; 2014 BIP 137 (GP) (7 February 2014)

[2014] ZAGPPHC 69

COURT

North Gauteng High Court, Pretoria

BEFORE

D S Fourie

CASE / FILE NUMBER

21241/2012

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IN

THE HIGH COURT OF SOUTH AFRICA

(GAUTENG

DIVISION, PRETORIA)

Case No: 21241/2012

Date: 7 February

2014

Not Reportable

Not of Interest to

other Judges

In the matter

between:

FIRSTRAND

BANK LTD.....Applicant

and

FIRST

CENTRAL INSURANCE LTD.....1st

Respondent

REGISTRAR OF TRADE

MARKS.....2nd

Respondent

JUDGMENT

FOURIE, J:

- [1] The applicant seeks an order in terms of sections 24(1) and/or 27(1)(a) of the Trade Marks Act 194 of 1993 for the removal of trade mark registration 1998/03956 “FIRST CENTRAL INSURANCE” and device in Class 36, registered in the name of the first respondent. The application is opposed by the first respondent.

BACKGROUND

- [2] The applicant is the proprietor of a series of trademarks incorporating “FIRST” as a prefix and has registered these trade marks in Class 36 in South Africa. It is, in particular, the proprietor of, inter alia, trade marks such as FIRST NATIONAL, FIRST LEASING and FIRST LINK. The first-mentioned trade mark relates to banking, financial and credit card services whereas the other two are associated with insurance and financial services.
- [3] The first respondent’s trade mark registration, FIRST CENTRAL INSURANCE and device, wholly incorporates “FIRST” as a prefix. It is contended by the applicant that the inclusion of the word “FIRST” as a prefix in the first respondent’s trade mark registration is likely to lead the public to assume that the first respondent’s trade mark is part of the applicant’s series of “FIRST” trade marks or that the first respondent’s services are connected or associated with the applicant.
- [4] These allegations are denied by the first respondent and more particularly it is denied that the applicant has locus standi to bring this application. It is also pointed out by the first respondent that the applicant has no exclusivity to the word “FIRST” and it is unclear why the applicant insists that it is entitled to the sole use of this word, despite the applicant disclaiming

exclusive use to this word in the Trade Marks Register. I shall first consider the issue with regard to locus standi and thereafter the merits of the application.

LOCUS STANDI

- [5] It was submitted on behalf of the first respondent that the applicant’s alleged locus standi is premised on the prefix “FIRST” and based on the misconception that the applicant has some form of monopoly of the word “FIRST”. It was also submitted that the applicant has not presented any evidence or proof to show that it enjoys a substantial reputation and goodwill in South Africa with regard to the name “FIRST” and neither has it presented any proof to show that the general public would assume that the first respondent’s trade mark is part of the applicant’s business. Therefore, it was argued, the applicant has failed to prove it has locus standi.

[6] Both section 24(1) and section 27(1) of the Act provide that the applicant for expungement or cancellation of a mark or rectification of the Register should be an “interested person”. In *South African Football Association v Sandton Woodrush (Pty) Ltd* 2002

(2) SA 236 (T) at 239 Spoelstra J ruled that the principles relating to the requirement under the previous Trade Marks Act, 1963, that the

person applying for expungement or rectification should be an “aggrieved person” are still applicable for the Interested person” test. The learned Judge also pointed out that it was clear from the cases in which the term “person aggrieved” had been considered that it referred to persons who were “in some way or other substantially interested in having the mark removed from the register” or who had a “genuine and legitimate competitive interest in the trade to which the offending mark relates”

[7] These principles related, in substance, to whether or not the person applying for the rectification of the Trade Marks Register or cancellation of the trade mark, had a trading interest in having the mark removed from the Register. If so, the locus standi of that applicant was recognised (*Danco Clothing v Nu-care Marketing Sales and Promotions*

[1991] ZASCA 121; 1991 (4) SA 850 (AD) at 858 and 859 F-G). Having regard to these guidelines, I am satisfied that in this matter, the applicant has a trading interest in the FIRST CENTRAL trade mark. Furthermore, the applicant has a trading interest in trade mark registrations which include the word "FIRST" and which are to be used in relation to the identical services which the applicant provides. For these reasons I am satisfied that the applicant has the necessary locus standi to bring this application.

DEFECTIVE ENTRY?

[8] The applicant sets out in its founding affidavit that the first respondent’s trade mark registration is an entry wrongly made

in the Register and should, in terms of section 24(1) of the Act, be removed. The point in essence is that the first respondent’s

trade mark registration is very unclear and indistinct and does not comply with Regulation 13(4) of the Act. It was argued that upon very close inspection the words “FIRST CENTRAL INSURANCE” are just apparent, but these words are unclear and indistinct. It was also pointed out that the device and the markings below the device are obscure to the point of being unidentifiable and illegible.

[9] Section 24(1) of the Act provides as follows:

"In the event of non-insertion in or omission from the register of any entry, or of an entry wrongly made in or wrongly remaining on the register, or of any error or defect in any entry in the register, any interested person may apply to the court or, at the option of the applicant and subject to the provisions of section 59, in the prescribed manner, to the registrar, for the desired relief, and thereupon the court or the registrar, as the case may be, may make such an order for making, removing or varying the entry as it or he may deem fit."

With reference to this subsection it is alleged in the founding affidavit that the first respondent's trade mark is an entry "wrongly made" on the Register, because that entry is contrary to the provisions of Regulation 13(4).

[10] Regulation 13(4) provides as follows:

"All representations of the marks shall be of a durable nature and on one side of the paper only. Letters, figures and lines shall be clear and distinct. If in the opinion of the Registrar, the representations of the mark are not satisfactorily, he may at any time require other representations, satisfactorily to him, to be substituted before proceeding with the application."

[11] As the applicant does not contend that the trade mark has subsequent to its registration become deceptive or lost its distinctiveness, the relevant date for the purposes of proceedings under this heading should be the date when the entry was made. The applicant should therefore in my view prove, on the facts existing at that date, that the entry

was wrongly made, (cf Sportshoe (Ptv) Ltd v Pep Stores (SA) (Ptv) Ltd 1990

(1) SA 722 (AD) at 726E).

[12] Regulation 13(4) provides for letters, figures and lines which "shall be clear and distinct". Although this appears to be a peremptory provision, it still remains within the discretion of the Registrar to decide whether or not there is compliance. If not, he may require other representations, satisfactorily to him to be substituted.

[13] In terms of section 51 of the Act registration of a trade mark shall be prima facie evidence of the validity of the original registration. This section provides as follows:

"in ail legal proceedings relating to a registered trade mark (including applications under section 24) the fact that a person is registered as the proprietor of the trade mark shall be prima facie evidence of the validity of the original registration of the trade mark and of all subsequent assignments and transmissions thereof"

[14] The applicant has provided a photocopy of the trade mark registration as it appears on the Register of Trade Marks. The trade mark on the photocopy appears to be unclear. The words FIRST CENTRAL INSURANCE are just apparent and the device and markings below the device are obscured to the point of being unidentifiable. However, I am unable to compare the photocopy with the first respondent's trade mark registration as it appears on the Register of Trade Marks. Furthermore, it is possible that the photocopy is not of the same quality as the representation of the mark when considered by the Registrar. If any of the

representations was not satisfactorily he could have required other representations, satisfactorily to him, to be substituted In terms of section 29(1) of the Act a trade mark then proceeds to registration after acceptance and advertisement. It appears to be common cause that the first respondent applied to register its trade mark and device on 11 March 1998 and that the date of grant is 29 September 2009

- [15] In view of the fact that the first respondent's application for registration must have been dealt with in terms of section 29 of the Act, that the Registrar must have been satisfied that all representations complied with Regulation 13(4) and having regard to the (rebuttable) presumption in favour of validity, I am of the view that a Court should not lightly and without due consideration of all the necessary evidence, conclude that on the relevant date the Registrar made a mistake or caused an entry to be wrongly made or did not apply his mind properly. In the absence of sufficient evidence to justify such a conclusion and having regard to the provisions of section 51, I have to accept that the Registrar was satisfied with the representation of the first respondent's trade mark on the relevant date. Therefore, I am of the view that the applicant has failed to make out a case for an order in terms of section 24(1) read with Regulation 13(4) of the Act.

SECTION 27(1)(a) OF THE ACT

- [16] The applicant also relies on the provisions of section 27(1)(a) of the Act. It provides 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 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) that 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

- [17] As far as the onus of proof is concerned, subsection (3) provides as follows:

"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 "

- [18] With reference to the evidence of an investigator, the applicant sets out in its founding affidavit various reasons for contending that the first respondent does not trade and that since 11 March 1998 (application to register trade mark and device) no bona fide use of the trade mark has taken place. It is alleged that the registered address of the first respondent is

actually the address of Ismail Ayob & Partners, a firm of attorneys. It is also alleged that the first respondent has no website, signage or contact details and the only contact possible is with its director, Mr Ismail Ayob.

- [19] The deponent to the first respondent's answering affidavit is Zayd Ismail Ayob, a partner in the firm of attorneys Ismail Ayob & Partners, the attorneys of record for the first respondent in the matter. His answer to the allegations made by the applicant is that the first respondent "is a company that trades under the mark and the device, the company has over 250 shareholders and is currently involved in litigation ..." It is also alleged that "there has been bona fide use of the trade mark and the device and continues to be". Reference is made to an article sourced from the Internet and published by Profiles Financial Markets, dated 20 October 2003 in

which the author of the article quotes the Financial Services Board saying that a curatorship of the first respondent will end at any time after December 2003. It is also alleged in the affidavit that the name of the first respondent is prominently displayed on the ground floor of the building in which the attorneys firm Ismail Ayob & Partners are practising.

- [20] Approximately 10 months after service of the answering affidavit the first respondent served a supplementary affidavit in which the same deponent gives the following explanation:

"I apologise profusely to the Court Upon preparation for the primary Motion, after it had been set down for hearing, I realised that on my Answering Affidavit, the honourable Court may have been placed in a position where it would not be able to decide whether indeed there had been use of the name and device of FIRST CENTRAL INSURANCE as disclosed in the Trade Marks Register, despite my reference to such use and evidence of such use tendered in my Answering Affidavit in the primary Motion"

- [21] In the supplementary affidavit reference is made to an article in the Business Times, printed from the Internet, stating inter alia that the first respondent "is gearing up for an October listing" and has written business with more than R52 million in annualised premium income to date and expects this figure to grow to R125 million in its first year of trading. When asked what the source of this information is, counsel for the first respondent was unable to provide an answer, simply because it has not been dealt with in any of the affidavits filed on behalf of the first respondent.

- [22] Also attached to the supplementary answering affidavit are copies of policy documents setting out terms and conditions with regard to, inter alia, home, fire and public liability insurance as well as copies of certain correspondence. As part of this correspondence

annexures "ZIA4", "ZIA5", "ZIA11", "ZIA13" and "ZIA14" purport to indicate that in each of those instances an insurance claim was lodged with the first respondent. However, annexure "ZIA14" appears to be the same as annexure "ZIA11" which means that in the supplementary affidavit there is reference to only four insurance claims. Annexure "ZIA4" is dated 18 June 2007 and it refers to a motor vehicle accident which took place on 7 September 1998. Annexure "ZIA5" is dated 15 June 2007 and it also refers to a motor vehicle accident which took place on the 7th of

September 1998. Annexure “ZIA11” is a letter from the claims department, dated 19 July 2003 and addressed to Ismail Ayob & Partners in terms whereof they are called upon to provide an update report. Annexure “ZIA12” is also a letter from the claims department addressed to Ismail Ayob & Partners in terms whereof they are requested to “advise present position”. This letter is not dated. Annexure “ZIA13” is an email from Ismail Ayob & Partners dated 18 June 2007 and it appears to be linked to annexure “ZIA14”, as it also refers to the accident which took place on 7 September 1998.

- [23] Copies of the other correspondence are the following: An undated letter by the first respondent to the addressee indicating that “we have no other documentation on hand” and another undated letter by the first respondent’s claims department to Ismail Ayob & Partners requesting them to “advise present position”. It should also be pointed out that in some of these correspondence there is reference to “FIRST CENTRAL INSURANCE LIMITED under curatorship”, (annexure “ZIA11”) and also in annexure “ZIA5” where it appears that the first respondent was discharged from curatorship.
- [24] It was submitted on behalf of the first respondent that use of the trade mark on a substantial scale to prevent expungement is not a requirement in our law, even if the amount of use is small, so long as such use is bona fide (*Wistvn Enterprises (Ptv) Ltd v Levi Strauss & Co* 1986 SA 796 (T) 816 H-J). It was then pointed out that the first respondent has indeed attached proof and evidence of trade under the said trade mark to its supplementary affidavit to satisfy the requirements with regard to bona fide use. Counsel for the applicant attempted to counter this argument by submitting, having regard to the documents attached to the supplementary affidavit, that it should be clear the proprietor of the trade mark had no intention of conducting trade in the product in a commercial sense. Therefore, it was argued, the first respondent failed to discharge the onus stipulated in section 27(3).
- [25] In this matter the applicant seeks final relief on notice of motion. In terms of section 27(3), in the case of an application in terms of section 27(1)(a) and (b) the onus of proving, if alleged, that there has been relevant use of the trade mark rests on the proprietor thereof. In *Salts of the Earth Creations (Ptv) Ltd v The Gap, inc* 2010 BIP 163 (GNP) Southwood J pointed out that even though the trade mark proprietor bears the onus of proving actual use, the normal approach in motion proceedings relating to disputes of fact still applies. This rule was properly formulated by the Appellate Divsion in *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Ptv) Ltd*
- [1984] ZASCA 51; 1984 (3) SA 623 (A) at 634H - 635B in terms whereof the principle was laid down that application proceedings are intended for the resolution of legal issues and that final relief may be granted only if there are no disputes of fact on material issues, subject to certain exceptions. For example, where the allegations or denials of the respondent are so far-fetched or clearly untenable that the Court

is justified in rejecting them merely on the papers (*Plascon-Evans, supra*, at 635C).

[26] In *Dhladhla v Erasmus* 1999

- (1) SA 1065 (LCC) at 1072 Gildenhuys J added the following comment to the principle laid down in *Plascon-Evans*.

"If on the paper before the Court, the probabilities overwhelmingly favour a specific factual finding, the Court should take a robust approach and make that finding. The same applies when a denial by a respondent of a fact alleged by an applicant is insufficient to give rise to a real, genuine or bona fide dispute of fact. This approach should, however, be followed with some circumspection. The Court should not lightly settle a factual dispute solely by weighing up the probabilities emerging from the papers, without the advantage of viva voce evidence."

[27] In *New Balance Athletic Shoe Inc v Dajee N.O.*

[2012] ZASCA 3 (2 March 2012) the respondent had applied for the removal from the Register of the appellant's trade mark in terms of section 27(1)(b). In the answering affidavit it was alleged that the goods bearing this trade mark had been sold to the public during the past four years with a turnover of approximately R700 000.00. Also attached to the answering affidavit was a photograph depicting the interior of a store with the goods on display. Having regard to the onus in terms of section 27(3) and the rule in *Plascon-Evans* Nugent JA expressed himself as follows in this regard (par 17):

"But the rule in *Plascon-Evans* is not blind to the potential for abuse. As this Court said in *Fakie NO v CCl Systems (Pty) Ltd*, 'in the interests of justice, Courts have been at pains not to permit inverteous respondents to shelter behind patently implausible affidavit versions or bald denials. That seems to me to be particularly important in proceedings of this nature, in which the proprietor respondent, who bears the onus of proving relevant use, can be expected to have comprehensive and peculiar knowledge of that fact if it has occurred. In those circumstances it can be expected that a proprietor who alleges relevant use will advance clear and compelling evidence to that effect, and ought not to expect that the evidential burden will be discharged by allegations that are sparse, ambiguous, or lacking in conviction

[28] In my view, the above dictum applies with equal force to this application. Except for documents indicating four or five insurance claims, copies of the usual terms and conditions pertaining to insurance policies and a few pages of correspondence, it is remarkable that no documents were advanced to indicate actual use of the trade mark since 2007 (being the last date indicated on the annexures). There is also no evidence to explain or to corroborate the information contained in the *Business Times* article. The evidence provided in the supplementary affidavit is indeed sparse and lacking in conviction. What makes this even worse is the fact that the deponent on behalf of the first respondent is a practising attorney who realised that the answering affidavit had to be supplemented in order for this Court to decide "whether indeed there had been use of the name and device of FIRST CENTRAL INSURANCE".

[29] Furthermore, reference to only four or five insurance claims since registration and the absence of other compelling evidence (such as photographs of its business premises, whether it trades nationwide or only locally, copies of brochures and some indication that it renders a service to the public in general) create the impression that the first respondent is not commercially active. In my view it succeeded only to indicate negligible involvement in the use of its trade mark and on this evidence I have to conclude that the first respondent had no serious intention of carrying on a trade as a commercial enterprise (see in this regard Rembrandt (Edms) Bpk v Gulf Oil Corporation 1963

(3) SA 341 (AD) at 351 C-D). In my view, this is not sufficient to comply with the object of the Act and to pass, not only as a user, but a bona fide user. In the result it follows that the application must succeed in terms of section 27(1)(a) of the Act. I grant the

following order:

It is ordered that trade mark registration No. 1998/03956 FIRST CENTRAL INSURANCE and device in Class 36 registered in the name of the first respondent (FIRST CENTRAL INSURANCE LIMITED) be removed from the Register in terms of section 27(1)(a) of the Trade Marks Act 194 of 1993;

2. The first respondent is ordered to pay the costs of this application

Date: 6/2/14

D S FOURIE

JUDGE OF THE HIGH COURT

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