

SOUTH AFRICA / JUDGMENT

## Morris Material Handling Limited v Morris Material Handling SA (Pty) Ltd (829/2017) [2018] ZASCA 67; 2018 BIP 278 (SCA) (25 May 2018) [2018] ZASCA 67

COURT

Supreme Court of Appeal

BEFORE

Maya, Majiedt, Wallis, Dambuza, Van der Merwe

CASE / FILE NUMBER

829/2017

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### THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

#### JUDGMENT

Not Reportable

Case no: 829/2017

In the matter between:

MORRIS MATERIAL HANDLING LIMITED

APPELLANT

and

MORRIS MATERIAL HANDLING

SA (PTY) LTD

FIRST RESPONDENT

Neutral citation: Morris Material Handling Ltd v Morris Material Handling (Pty) Ltd (829/2017)

[2018] ZASCA 67 (25 May 2018)

Coram:

MAYA P, MAJIEDT, WALLIS, DAMBUZA AND VAN DER MERWE JJA

Heard: 9 MAY 2018

Delivered: 25 MAY 2018

Summary: Trade mark – expungement from the register for non-use – s 27(1)(b) of Trade Marks Act 194 of 1993 – whether mark used by proprietor thereof.

## ORDER

On appeal from: Gauteng Division of the High Court, Pretoria (Tuchten J, sitting as court of first instance):

The appeal is dismissed with costs, such costs to include those consequent upon the employment of two counsel.

Wallis JA (Maya P, Majiedt, Dambuza and Van der Merwe JJA concurring)

- [1] The only issue in this appeal is whether the appellant's registered trade mark MORRIS registered in classes 7 and 11 under registration number 1935/00289/2-3 should be expunged from the register for non-use in terms of s 27(1)(b) of the Trade Marks Act 194 of 1993 (the Act). The mark was originally registered in the name of a United States corporation, MHE Technologies Inc (MHE), but in 2001 it was assigned to a British company, GW 103 Ltd (GW), as part of a broader transaction in which MHE sold identified parts of its international business to GW. GW subsequently changed its name to Morris Material Handling Limited. In order to avoid confusion between two entities with similar names I will refer to it as the appellant.
- [2] The respondent, Morris Material Handling SA (Pty) Ltd, is a South African company that manufactures cranes and claims a reputation in this country for cranes bearing the mark MORRIS. Its endeavour in 2014 to register MORRIS as a trade mark was blocked by the existence of the appellant's existing mark. It accordingly brought the present proceedings with a view to having the appellant's mark expunged from the register, thus clearing the path for the registration of its own mark. It obtained an order for the rectification of the register from Tuchten J, sitting in the Gauteng Division of the High Court, Pretoria. The appeal is with his leave.
- [3] A trade mark falls to be removed from the register for non-use in terms of s 27(1)(b) of the Act when:
- ‘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.’

An application under this section potentially raises the following five questions,[1] namely:

- (a) Were the marks used during this period?
- (b) Were they used by the proprietor?
- (c) Was any other use permitted use?
- (d) Was the permitted use controlled?
- (e) Was the use bona fide?

The argument addressed to us on behalf of the respondent was that until a late change of counsel the case was brought and conducted in the high court as a case of permitted use. However, Mr Michau for the appellant, expressly eschewed any reliance on permitted use and it is therefore unnecessary for us to address it.

- [4] The heads of argument foreshadowed a debate whether there had been any use of the mark in South Africa during the relevant period and if so whether that was bona fide. The issue was purely factual as the parties were at one that the enquiry in terms of s 27(1)(b) was summarised in the following terms in Westminster Tobacco:[2]

‘... bona fide use is use of the trade mark in relation to goods of the type in respect of which the mark is registered. The use must be use as a trade mark, for the commercial purposes that trade mark registration exists to protect. It must be use in the course of trade and for the purpose of establishing, creating or promoting trade in the goods to which the mark is attached. The use does not have to be extensive, but it must be genuine. Genuineness is to be contrasted with use that is merely token, but the line is a fine one, because the use may be minimal. It may in part be prompted by the fear of removal from the register and be directed at protecting the proprietor’s trade generally or preventing the mark from falling into the hands of a competitor. Provided, however, the use is bona fide and genuine and principally directed at promoting trade in goods bearing the mark, these further purposes however important, are irrelevant. What is impermissible is:

*“ . . . user 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 . . . ”.*

Whether use of the mark was bona fide is a question to be determined on the facts of the particular case.’

- [5] The founding affidavit claimed that the respondent was the only entity in South Africa making use of the MORRIS mark in respect of cranes and related goods and services and claimed that the appellant had made no use of the trade mark during the five years and three months prior to 31 July 2014. Initially this was understood to convey that there had been no other use of the mark at all during this period, but it transpired that this was not correct as the following paragraphs demonstrate.

[6] Documents attached to the answering affidavit showed that in 2013 an entity called Konecranes (Pty) Ltd (Konecranes SA) had established a parts distribution centre in Johannesburg for the supply of parts for a variety of cranes including cranes bearing the MORRIS mark and said to emanate from the respondent. An email dated 27 February 2014 addressed to a client on behalf of Konecranes SA said that they were expecting a consignment of spare parts for 'Morris P360 Series, P410, P420, P430 and P450 Series' cranes and a later email dated 8 April 2014 reflected that these had arrived. In addition fliers were distributed to clients in early 2014 showing the brands of cranes for which parts would be available from the Parts Centre. In the centre of the flier

and its most prominent item was the mark 'MORRIS®'. At the same time media releases published in various outlets contained the same depiction of the mark or referred to the

respondent's name, without its corporate identifiers, as a brand.

[7] In the face of this evidence counsel for the respondent accepted that there had been sufficient use of the mark for the purpose of establishing bona fide use in accordance with section 27(2)(b). The dispute therefore came down to the question whether this was use by the proprietor of the mark. To that question the appellant

answered 'Yes' and the respondent 'No'.

[8] Nothing was said in the founding affidavit in this regard, which is not surprising given that the deponent adopted the stance that there had been no use of the mark at all in South Africa. It was dealt with in the answering affidavit deposed to by Mr Patrick Campbell, who had been employed by the appellant since 2002 and in 2006 had become its General Manager for Services and Parts.

[9] Mr Campbell explained that in March 2001 MHE sold its business operations in the United States, United Kingdom, Saudi Arabia, Thailand and Singapore to GW. At the same time it assigned the trade mark MORRIS registered in Australia, France and South Africa, to GW. He attached a schedule to his affidavit showing that apart from these the trade mark MORRIS has been registered in China, the European Community and Mexico, while MORRIS CRANE SYSTEMS has been registered or is pending in a number of countries.

[10] Mr Campbell said that in 2006 Konecranes Plc acquired the appellant. This does not appear to be a separate United Kingdom company, but an English transliteration of the name of the Finnish company Konecranes Oyj,[3] which is the holding company of an international business described in some of the press releases as a global crane giant. There is a separate UK company called Konecranes UK Ltd. This operates from the same registered office as the appellant as does an entity or business division – whether it is a separate juristic person is unclear – called Konecranes (UK Parts Centre). A later affidavit by Mr Knut Stewen, who described himself as a director of both the appellant and Konecranes SA, reveals that the international business operates in regions, as in addition to his other two roles, Mr Stewen said that he was the Vice-President, Head of Region Africa.

- [11] No attempt was made to place before the court information showing the relationship between these various aspects of the overall group or to explain how they now conduct business. There was a considerable measure of ambiguity about this. An invoice was attached to Mr Campbell's affidavit showing the importation of a range of parts the price being over £43 000 of which five items totalling some £560 were said to be spares for the appellant's MORRIS cranes. The other 74 items presumably related to other types of cranes but which ones was not said. The invoice did not identify who was supplying the parts beyond saying that payment was to be made to a UK subsidiary of a Finnish bank and the remittance was to be sent to Konecranes UK Ltd. Printed at the top of each page of the invoice, one above the other, were 'KONECRANES' with some indecipherable lettering below;
- 'MORRIS' and below that in smaller block capitals 'Material Handling'; and lastly 'KONECRANES (UK Parts Centre).
- [12] The emails, fliers and press releases relied on by the appellant to prove use of the mark were equally ambiguous in identifying the entity that was making use of the mark. The first, dated 24 June 2013, said that Konecranes Southern Africa had established a parts distribution centre to supply Konecranes parts and parts for 'the "Alpha Brands" owned by Konecranes, Morris Material Handling, Stahl, SWF and Verlinde among them' as well as competitor parts 'such as Abus and Demag'. The words 'among them' indicated that the Alpha Brands included Morris Material Handling, Stahl, SWF and Verlinde. That was reinforced by the reference to competitor brands. Although it was said that Konecranes SA had established the parts centre, it also said that this was supported by the Konecranes Central Distribution Centre based in Finland.
- [13] The later emails did not clarify this. They all came from Konecranes SA as did the fliers. These referred to the international operation, saying that 'more than 100 Crane and Hoist brands' were owned by Konecranes. Both "MORRIS" and 'MORRIS MATERIAL HANDLING' appear on the flier as brands owned by Konecranes. The press releases also concentrated on the international giant, Konecranes, which in context could only be a reference to the international company, not the appellant, which was categorised simply as a brand owned by the international company.
- [14] All in all the picture as it emerged from the documents was murky. It was wholly unclear who was making use of the MORRIS mark in South Africa. Bearing in mind that this mark was referred to in all the documents, together with a number of other 'brands', collectively as Konecrane brands, it is difficult to see how any of this material can be said to have involved use of the particular mark MORRIS by the appellant. After all the balance of the material in the fliers and press releases did not relate to that mark or the appellant. It is therefore impossible to say that any of this constituted use of the mark by the appellant. The picture that the documents paint is of a number of brands and marks falling within the overall Konecranes stable being advertised collectively by or on behalf of one or more of the Konecranes entities, rather than a specific use of the MORRIS mark by the appellant for its

own business purposes.

[15] So, what did the appellant say in this regard? The answer is, very little. Mr Campbell said only that the appellant had used its mark in South Africa during the relevant period. He gave no further details in regard to the use of the mark beyond saying that:

‘The Respondent’s MORRIS branded products have been and are available for purchase in South Africa and have been so available and sold during the relevant period. Through an internal arrangement, Konecranes[4] is authorised to distribute the Respondent’s MORRIS branded products in Africa, including in South Africa.’

No details were given of any sales of MORRIS branded products in South Africa during the relevant period. A few paragraphs later Mr Campbell said, with reference to the emails, fliers and press releases, that Konecranes SA was authorised to distribute MORRIS branded products in Africa including South Africa. This highlighted the problem of determining who was distributing what for whom.

[16] The response to these allegations by Mr Chiappa, the managing director of the respondent, whose knowledge of the crane market in South Africa was not challenged, was a blunt denial of the existence of any internal arrangement between the respondent and Konecranes. Mr Chiappa then highlighted the inconsistencies in the appellant’s papers that have already been mentioned. In regard to the documents relied upon by the appellant in Mr Campbell’s affidavit, he said repeatedly that they did not show use of the MORRIS mark by the registered proprietor thereof. The challenge could not have been laid down more clearly. The respondent was putting the appellant to the proof of its allegations in regard to the existence of the ‘internal arrangement’ and that the use of the mark as evidenced in the documents was use by the registered proprietor of the mark.

[17] The appellant did not rise to this challenge. It delivered the further affidavit by Mr Stewen referred to in para 10 with a view to supplementing the evidence of Mr Campbell. But the supplementary material took the matter no further. Mr Stewens said that he confirmed:

‘... the arrangement in place between the Respondent and Konecranes in terms whereof Konecranes is authorised to distribute the Respondent’s

MORRIS branded products in South Africa.’

The problem was that this did not disclose in what way this involved the appellant making use of its mark. It did not say, much less provide proof, that the appellant was still trading, as opposed to being a dormant company within the larger Konecranes group, kept alive because it was the proprietor of various trade marks. This was an extraordinary omission bearing in mind that Mr Stewen was a director of the appellant and Konecranes SA, as well as being a very senior figure in the broader African region of the Konecranes group.

[18] Ms Celeste Viljoen, who was the author of the emails and the person responsible for the fliers and press releases, filed an affidavit at this stage of the proceedings. She was the manager of the Spare Parts Distribution Centre. She simply confirmed that Konecranes SA supplied parts bearing the appellant's MORRIS trade mark.

[19] The question is whether that evidence was sufficient to discharge the onus resting on the appellant to show that it was the appellant that had made use of the mark in the various ways described above. The evidence suffered from all the deficiencies mentioned in the judgments of this Court in *The Gap*[5] and *New Balance*. [6] In the former case, which bore some resemblance to this one, Harms JA said in relation to the evidence produced that the:

‘evidence in this regard is not only vague to such an extent that it smacks of evasiveness, but it is also contradictory. The problem lies in the loose structure of the group, which consists of companies and partnerships with an overlap of shareholders and directors. The group, it appears, tends to ignore

corporate identities and moved enterprises between companies. For instance, at times, the fourth appellant itself conducted business

and, at other times, a business under its name appeared to be an operating division of the second appellant. In line with this approach, Dr Vahed said that when the group obtained control of the proprietor it (the group) 'acquired' the 'Gap' trade marks. These were dealt with as group property, any member using them whenever it suited it. If then, in a 200 page affidavit, Dr Vahed dealt with the issue of licensing in a single phrase, saying that the use by the members of the group since 1983 was 'with the licence' of the proprietor, one has to conclude that this was no more than a mere allegation and did not amount to factual evidence. Affidavits in application proceedings must do more than make bald allegations; they must, in addition, provide the facts that support the allegations. If the licence had been in terms of a written agreement, one would have expected some particularity and perhaps even the production of a copy; if oral, one would have expected some indication of between whom, when and where; if tacit, an allegation to that effect with the facts that gave rise to the tacit agreement would not have been out of place. In any event, the grant of a licence to the group is not only improbable but also incompatible with the perception that existed within the group that the trade marks belonged to the group.’

[20] In *New Balance* the Court was concerned with evidence (or the lack of it) dealing with actual use of the mark at the relevant time. No invoices or any other proof of sales were adduced in support of the appellant's case. Nugent JA said in regard to the complete absence of documentary evidence of sales during the relevant period:[7]

‘But in any event it is not necessary to find that the ambiguity, and absence of supporting evidence, was deliberate. The fact remains that there is no clear evidence that the alleged use occurred during the relevant period, and the surrounding circumstances revealed in the affidavits provide no sufficient basis for inferring that they must have occurred then. Whatever corroborating evidence might or might not be required in proceedings of this kind, what is called for, at the least, is clear and unambiguous factual evidence that brings the matter within the

terms of the section. I agree with the court below that the evidence was insufficient for that purpose.

In the absence of clear and unambiguous proof of relevant use during the relevant period, the trademarks of New Balance Inc are liable to be removed from the register ...'

[21] I would caution that in neither of these cases was the court suggesting that the onus resting on the proprietor of the trade mark was anything more than a requirement to establish bona fide use by the proprietor of the mark on a balance of probabilities. But, if clear and unambiguous proof of facts, such as sales contracts,

invoices, trading accounts and financial records, should be available to demonstrate that the proprietor used the mark, the failure to produce such proof will count heavily against the party bearing the onus. Here, apart from the single ambiguous invoice referred to in para 11, not a single document was produced that unequivocally demonstrated that the mark was being used by the appellant, even in the extended sense that indirect 'back door' trading was recognised as use in Wistyn.[8]

[22] In the present case there is no evidence at all that the appellant continues to produce cranes or trade in them or is commercially active. If it is we do not know whether it is still producing cranes under the MORRIS brand or has merged its operations with its parent, Konecranes Plc. We do not know whether Konecranes Plc is now using the MORRIS mark and, if so, on what basis. Certainly it, or its South African subsidiary or associate, seems to be using a wide variety of marks that Konecranes Plc claims are collectively owned by it and constitute its brands.

[23] The other feature of importance in my view is the complete failure to respond to the challenge raised by the respondent to the existence of the 'internal arrangement' under which Konecranes (either Plc or SA) was said to be distributing MORRIS branded products in South Africa. We are dealing with an international group of companies that is a global giant in its field of operations. When GW took over the business of MHE great care was taken to assign particular trade marks including the one in dispute. That trade mark has been in existence on the South African register since its registration in 1936. I find it difficult to believe that

if there were an arrangement under which either the international or the South African company was acting as distributor for MORRIS

branded products in this country there would be no record of it. In enterprises of that size records are kept of such matters in formal agreements, minutes of board and executive meetings and in correspondence. Yet none of these have been produced. In their

absence the position in my view is that the appellant failed to discharge the onus resting upon it of showing on a balance of probabilities bona fide use by it, as the proprietor of the mark, during the relevant period.

[24] The appeal is dismissed with costs, such costs to include those consequent upon the employment of two counsel.

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M J D WALLIS

JUDGE OF APPEAL

Appearances

For appellant: R Michau SC (with him L Harilal)

Instructed by:

Adams and Adams Inc, Pretoria

Honey Attorneys, Bloemfontein

For respondent: L Bowman SC (with him I Joubert)

Instructed by: Spoor and Fisher, Pretoria

Phatshoane Henney Attorneys, Bloemfontein.

- [1] A M Moolla Group Ltd and Others v Gap Inc and Others 2005 (6) SA 568 (SCA) (The Gap) para 28.
- [2] Westminster Tobacco (Cape Town and London) (Pty) Ltd v Philip Morris Products SA [2017] ZASCA 10; [2017] 2 All SA 389 (SCA) para 7.
- [3] Plc is an acronym for public limited company and Oyj is the Finnish equivalent.
- [4] Earlier in this affidavit Mr Campbell said that references to 'Konecranes' should be understood as references to Konecranes Plc, the parent company.
- [5] The Gap para 31.
- [6] New Balance Athletic Shoe Inc v Dajee and Others [2012] ZASCA 3; 2012 BIP 102 (SCA).
- [7] New Balance paras 22 and 23.
- [8] Wistyn Enterprises (Pty) Ltd v Levi Strauss & Co and Another 1986 (4) SA 796 (T).

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