

SOUTH AFRICA / JUDGMENT

Owner of Papa Super Maize Meal (Pty) Ltd v Tau Rollemeule CC (26866/13) [2015] ZAGPPHC 690; 2015 BIP 374 (GP) (8 October 2015) [2015] ZAGPPHC 690

COURT

North Gauteng High Court, Pretoria

BEFORE

AC Basson

CASE / FILE NUMBER

26866/13

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IN

THE HIGH COURT OF SOUTH AFRICA

GAUTENG

LOCAL DIVISION, PRETORIA

Case No: 26866/13

In

the matter

between:

DATE: 8/10/2015

OWNER

OF PAPA SUPER MAIZE MEAL (PTY)

LTD Applicant

and

TAU

ROLLEMEULE CC

(Registration

no: CK

1995/022022/23) Respondent

JUDGMENT

AC BASSON J.

The parties

- [1] The deponent to the founding affidavit Mr Spencer Mabo (“Spencer”) describes the applicant as the “Owner of PAPA Super Maize Meal (Pty) Ltd” - a South African company with its principal place of business in Klerksdorp. He states that the applicant is the registered proprietor of the trademark registration number 2004/6077 PAPA SUPER MAIZE MEAL registered in class 30 in relation to “maize meal”. He further states that the applicant’s predecessor in title is the Mabo family partnership styled “PAPA Super Maize Meal” (“the partnership”). The partnership was the applicant for and the first registrant of the PAPA trademark. The partnership and the applicant have used the PAPA trademark in South Africa continuously since 2000. The respondent is Tau Rollermeule CC - a close corporation also having its registered address in Klerksdorp.

The dispute

- [2] The applicant contends that although the respondent did manufacture and package the maize meal under the PAPA trademark for and under licence by the partnership, the respondent’s licence has since been terminated. Notwithstanding the termination of the licence, it is common cause that the respondent has used and continues to use the PAPA trademark in relation to maize meal. In its defence the respondent raised the following defences: (i) Firstly, the partnership is a “fabrication”. The registration of the trademark is therefore invalid and was fraudulently obtained. (ii) Secondly, the respondent and not the applicant is the proprietor of the PAPA trademark. In this regard the respondent claims that it had obtained ownership of the trademark from Spencer (the deponent) in terms of an oral agreement concluded in March 2001. This claim has since been abandoned. (iii) Thirdly there exist disputes of fact that cannot be resolved on application. (iv) Fourthly, there is an unreasonable delay in the launching of this application.
- [3] The allegation made by Spencer in the founding affidavit that the Mabo family had been conducting business in a partnership styled as PAPA SUPER MAIZE MEAL forms the crux of the dispute between the parties. What is not in dispute is the fact that the PAPA trademark as a result of its extensive use is a so-called “well-known” trademark as contemplated in section 34 of the Trademarks Act.[1]

Relief sought

- [4] The applicant seeks an order restraining the respondent from infringing the rights of the applicant flowing from the registration

of the applicant's registered trademark in relation to maize meal by using in the course of trade, the identical mark in respect of which the applicant's trademark is registered. The applicant further seeks an order restraining the respondent from passing off its goods as those of or as being associated in trade with those of the applicant by using the PAPA trademark or any other trademark which is so similar to the PAPA trademark as to be likely to deceive or cause confusion. In the alternative, should the court find that the dispute cannot be resolved on affidavit; the applicant seeks interim relief pending the final resolution of the application or of an action to be instituted.

[5] Trademark infringements are governed by section 34 of the Act. Section 34(1) reads as follows: "the rights acquired by registration of a trademark shall be infringed by the unauthorised use in the course of trade in relation to goods or services in respect of which the trademark is registered of an identical mark...." Where an infringement is shown the court may grant an interdict and ancillary relief to the proprietor of the mark. Under the common law relating to unlawful competition, passing off consists of a representation by one person that its merchandise is that of another or that it is associated with that of another. In order to determine whether a representation amounts to a passing off, one enquires whether there is a reasonable likelihood that members of the public may be deceived or be confused into believing that the business of the one is, or is connected with that of the other.[2] The court in *Williams t/a Jenifer Williams & Associates v Life Line Southern Transvaal*[3] held as follows:

"Passing-off is a species of wrongful competition in trade or business. In its classic form it usually consists in A representing, either expressly or impliedly (but almost invariably by the latter means), that the goods or services marketed by him emanate in the course of business from B or that there is an association between such goods or services and the business conducted by B. Such conduct is treated by the law as being wrongful because it results, or is calculated to result, in the improper filching of another's trade and/or in an improper infringement of his goodwill and/or in causing injury to that other's trade reputation. Such a representation may be made impliedly by A adopting a trade name or a get-up or mark for his goods which so resembles B's name or get-up or mark as to lead the public to be confused or to be deceived into thinking that A's goods or services emanate from B or that there is the association between them referred to above. Thus, in order to succeed in a passing-off action based upon an implied representation it is generally incumbent upon the plaintiff to establish, inter alia: firstly, that the name, get-up or mark used by him has become distinctive of his goods or services, in the sense that the public associate the name, get-up or mark with the goods or services marketed by him (this is often referred to as the acquisition of reputation); and, secondly, that the name, get-up or mark used by the defendant is such or is so used as to cause the public to be confused or deceived in the manner described above. These principles are trite and require no citation of authority."

The case for the respondent

[6] The respondent does not accept that a partnership as alleged by the applicant has ever existed and accordingly contends that it is a fabrication. It further contends that no proof - documentary or otherwise - is attached to the papers to prove that such a partnership has

ever existed: No tax returns, no cheques received on behalf of the partnership, no bank accounts nor any other proof that the partnership has paid any of its alleged partners any money or that it had shared in any of its profits are attached to the papers. The respondent contends that in light of the fact that substantial profits must have been made over the years, it was to be expected that substantial amounts of money must have been repatriated to the individual partners of the alleged partnership, yet no proof of such payments are attached to the papers.

The case for the applicant

- [7] The applicant contends that members of the Mabo family have been involved in the PAPA SUPER MAIZE MEAL business from its inception and that the business conducted by Mr Joseph Mabo (“Joseph”) was in fact conducted through a partnership. Spencer explains that the members of the Mabo family are laypeople and were only advised at a later stage that the legal construct of the business that they were conducting was in fact a partnership. When the nature of a partnership was explained to the family members as it is understood in law, the members were satisfied that the manner in which they have conducted their business can be classified as a “partnership” under so-called western legal systems. Spencer confirms that the family has never concluded a written or formal partnership agreement precisely because they are family and therefore trusted each other. According to him his father (“Joseph”) started the business in 2000 and was assisted by him (“Spencer”). The business was conducted as a family partnership comprising of members of the Mabo family most notably Mr Joseph Mabo (the managing partner), his wife and sons Spencer Mabo, Vuyisile Mabo (“Vusi”) and Vusumzi Percy Mabo (“Percy”).
- [8] After the death of Joseph, Spencer assumed more responsibilities and started to channel aspects of the business under the PAPA trademark through two of his closed corporations: Dikela General Distributors CC (“Dikela”) and Unbridled Trading 137 CC (“Unbridled”). He explains that these two entities were merely used as vehicles to facilitate and advance the operations of the partnership and that no rights were transferred to these entities. The trademark was used by these two entities with the consent of the partnership.
- [9] The milling and packaging of the maize meal was never undertaken by the partnership and has always been undertaken by third parties. The product became a huge success and, as already pointed out, the PAPA trademark became “well-known”.
- [10] In 2004 the partnership was advised to register the PAPA SUPER MAIZE MEAL brand at the Trade Marks Office. The original registration of the PAPA trade mark was styled as “PAPA SUPER MAIZE MEAL”. According to Spencer the partnership thereafter acquired the use of the trademark with effect from 2004. As from that date the partnership was the registered proprietor of the trademark.

- [11] On 20 March 2011 Vusi attended the Trade Marks Office and was informed that the trademark must be registered in the name of a person or a company. According to him he did explain the nature of the partnership to the official at the Trade Marks Office but was not sure whether the official understood what he was trying to convey. He nonetheless submitted an application for a name change of the trademark from PAPA SUPER MAIZE MEAL to his own name.
- [12] The partnership has since been advised that the advice that was given to Vusi by the official at the Trade Marks Office was incorrect. The applicant's current attorneys (DM Kisch Inc ("Kisch")) were instructed by the partnership to rectify the name as the original registration of the trademark was indeed correct. (I will return to the rectification application that was subsequently launched hereinbelow.)
- [13] In order to place this application in context it is important to briefly point out what the relationship between the respondent, the applicant (and the partnership) and Unbridled was. On 16 March 2003 negotiations were conducted between the respondent and Spencer (who acted on behalf of the partnership). In terms of a written memorandum of agreement it was agreed that the respondent would be the exclusive producer of maize meal in bags. The respondent was authorised to use the PAPA trade mark on the packaging. Spencer points out that the agreement made it clear that the respondent would merely act as an agent and licensee of the PAPA (and MASILO) trademarks.
- [14] I have already referred to the fact that Unbridled later assumed some of the trading functions of the partnership and contracted certain services with the respondent. In this regard and in terms of a further oral agreement, the respondent was sub-licensed by Unbridled (who was itself a sub-licensee of the PAPA trademark) to manufacture and supply maize meal for the partnership under the PAPA trademark. This oral agreement replaced the agreement concluded in 2003.
- [15] Unbridled was placed in voluntarily liquidation in October 2010. The sub-license agreement with the respondent was terminated as a result of the liquidation of Unbridled. (I will refer to the correspondence in this regard hereinbelow.) However, notwithstanding the termination of the sub-licence agreement, the respondent continued to use the PAPA SUPER MAIZE MEAL brand to its maize meal. The respondent is the major creditor of Unbridled.
- [16] Towards the middle of 2011, the Mabo family was referred to Adams & Adams Attorneys for advice on how to deal with the fact that the respondent continued to use the PAPA trademark and the PAPA brand. In a letter dated 19 July 2011 Adams & Adams wrote to the respondent informing them that the licence agreement between Unbridled and the respondent had terminated on account of Unbridled having been placed in liquidation. It further demanded that the respondent cease using the PAPA trademark. No response was received from the respondent.

[17] The applicant was thereafter informed by Adams & Adams that they can no longer act on their behalf due to a conflict of interest as they were already acting for the respondents. The applicant thereafter obtained the services of Bowman Gilfilan attorneys. Bowman Gilfilan proceeded to prepare court papers for an interdict to restrain the respondent from using the PAPA trade mark. Shortly

thereafter Bowman Gilfilan informed the applicant that they too could no longer represent the applicant as they were merging with Adams & Adams. The present attorneys DM Kisch Inc. were thereafter appointed and as already pointed out, are currently the attorneys of record acting for the applicant.

[18] On 10 January 2012 Vusi received a letter from De Kock's Attorneys ("De Kock" – the present attorneys of the respondent) recording that they were representing the liquidators of Unbridled. Vusi was informed that the liquidators of Unbridled intended to challenge Vusi's proprietorship of the PAPA trademark as they (the liquidators) were of the view that the PAPA trademark was the property of Unbridled. Vusi was also informed that the liquidators have prepared a rectification application to rectify the Trade Mark Register by deleting his (Vusi's) name as the proprietor and replacing it with the name of Unbridled Trading 137 CC t/ a Papa Super Maize Meal (in liquidation). The application seeking the rectification was served on Vusi on 6 February

2012. In the founding affidavit of the rectification it is, inter alia, contended that Vusi was incorrectly reflected as the proprietor of the PAPA trade mark.

[19] On 9 March 2012 Kisch wrote a letter to De Kock recording that they now acted for Vusi in the liquidation dispute. On 14 March 2012 Kisch informed De Kock that his clients intended bringing an application to restore the registration of the PAPA trademark to reflect PAPA SUPER MAIZE MEAL as the proprietor.

[20] The partnership thereafter applied to the High Court for an order to stay the rectification application (brought by the liquidators) and to reinstate the partnership as the proprietor of the PAPA trademark. Despite the fact that the liquidators filed a Notice of Opposition, they failed to oppose the application. The partnership was thereafter assigned the PAPA trademark. The partnership subsequently assigned the trademark to the applicant which was to serve as its trade mark holding company. (I will return to the significance of the fact that the liquidators did not oppose the partnership's rectification application hereinbelow.)

Is the partnership a fabrication as contended by the respondent?

[21] Turning now to the respondent's contention that the partnership is a recent fabrication. Despite the fact that there exist various disputes of fact on the papers I am nonetheless of the view that the applicant has made out a prima facie case for the relief sought pending the finalisation of an action to be instituted in due course. I will now turn to a brief discussion of my reasons for this

conclusion.

[22] The fact that the liquidators did not oppose the rectification application launched on behalf of the partnership for the restoration

of the partnership as the proprietor of the trademark, is significant. It must therefore, in my view, be accepted that, at least, the liquidators do not dispute the partnership's claim that it is the lawful proprietor of the trademark. If they did, they

surely would have persisted with their rectification application and would have opposed the partnership's application. The

respondent is, however, persisting with the allegation that the partnership is not the proprietor of the trademark.

[23] It is further significant to note that the liquidators and the respondent are represented by the same attorneys (De Kock) in

circumstances where the liquidators, on the one hand are claiming that the trademark is the property of Unbridled and, on the other

hand, in circumstances where the respondent (the largest creditor) is claiming that the partnership is a recent fabrication and that it is the proprietor of the trademark (although this claim has since been abandoned).

[24] As already pointed out the main defence raised on behalf of the respondent appears to be the fact that it is the proprietor of the trademark which it uses continuously and bona fide and furthermore that the applicant had obtained the registered trade mark illegally and is not entitled thereto. Only the second defence remains: In this regard the respondent contends that the partnership is a recent "fabrication" particularly in light of the fact that no documentation is attached to the papers to prove the existence of such a partnership.

[25] I am in agreement with the submission on behalf of the applicant that, although it may be so that the applicant has not attached bank statements, tax returns or copies of cheque payments, there is sufficient direct evidence to sustain, at least prima facie, the conclusion that a partnership did in fact exist as alleged by Spencer and in fact confirmed by various members of the partnership.

Spencer explains in the founding affidavit that the Mabo family members are all lay persons without any formal or legal business

qualifications and that they were unaware of the corporate niceties and legal constructs such as partnerships. The family simply joined efforts and contributed labour, capital and skill to achieve a common purpose namely to conduct a business. I am in agreement with the submission that the fact that the applicant is unable to provide formal documentation to support the claim that a partnership existed is not fatal to the applicant's case. Sufficient direct evidence of the existence of a partnership, at least de facto, has been placed before the Court by the deponent to the

founding affidavit (Spencer). As already pointed out, his evidence is further corroborated by the other members of the partnership. Moreover, despite a threat made by the respondent that it is entitled to discovery and the threat that a “formal application” would be made under rule 35(13) for a full discovery (presumably of partnership related documents), no such application was filed.

- [26] Furthermore, there is also prima facie proof of the registration of the trademark in the partnership’s name as far back as 2004. The fact that the Trade Marks Register was later rectified to reflect the partnership as the proprietor of the PAPA trademark also constitutes, in my view, prima facie proof of the existence of such a partnership. The partnership then assigned the PAPA trademark to the applicant which was to serve as its trademark holding company. On the face of it the applicant is therefore the successor in title to the partnership.
- [27] The respondent, on the other hand can hardly gainsay the direct evidence presented by Spencer (and confirmed by his family) in respect of how the family had operated its business since 2000. At best the respondent is speculating that the partnership is a “fabrication” and that the trademark registration is therefore “incorrect in law” and illegal.
- [28] In the premises I am satisfied that the applicant has established a prima facie right and that it is a right to which, if not protected by an interim interdict, irreparable harm would ensue. I will return to the requirements for an interim interdict herein below.

The respondent’s infringement of the trademark

- [29] A dispute appears to exist on the papers in respect of the circumstances under which the respondent has acquired the right to use the trademark despite the fact that Unbridled has been placed in liquidation.
- [30] The background to this dispute is briefly as follows: In a letter dated 9 March 2012 Kisch informed De Kock that it (Kisch) was now representing the partnership and noted that De Kock represented the liquidators of Unbridled. In this letter Kisch further recorded that his clients noted that the respondent continued to use the PAPA trademark and enquired from De Kock who had authorised the respondent to use the trademark subsequent to the liquidation of Unbridled.
- [31] In a further letter dated 19 June 2012 Kirsch confirmed in writing the contents of a telephone conversation that he had with De Kock during which De Kock had informed Kisch that the respondent was authorized by the liquidators to use the PAPA SUPER MAIZE MEAL trademark under a royalty-free licence given to the respondent by the liquidators.
- [32] This conversation was followed up by a letter dated 11 July 2012 wherein De Kock expressly informed Kisch that it was in the interest of the trade name and in the interest of the concursus creditorum that the respondent continued to use the trademark.

- [33] Therefore, according to De Kock (acting on behalf of the liquidators) the liquidators have granted the respondent authority to continue using the PAPA trademark despite the liquidation of Unbridled.
- [34] In a remarkable turn of events, the liquidators were then approached and in a letter dated 6 July 2012 the liquidators were directly required to confirm whether they had in fact granted a royalty-free licence to the respondent as alleged by De Kock. In a letter dated 10 July 2012 the liquidators responded by stating that they had, in no uncertain terms, no agreement with the respondent and that no authorisation was given to the respondent to use the trademark. I am in agreement with the submission on behalf of the applicant that if regard is had to the above trail of communication the irresistible conclusion is that either De Kock or the liquidators are being untruthful.

The relief

- [35] The applicant submitted that it is entitled to interim relief pending the outcome of an action to be instituted. The requirements for an interim interdict and thus for interim relief at this stage of the proceedings, are well established in our law. In an application for an interim interdictory relief the applicant must establish a prima facie right to the relief sought even if such relief may be open to some doubt; a well-grounded apprehension of irreparable harm if the interim relief is not granted, and the ultimate relief is eventually granted; that the balance of convenience favours the granting of the interim relief; and the absence of any other satisfactory remedy available to the applicant.

Conclusion

- [36] I am satisfied that the applicant has established a prima facie right to the relief sought although such relief may be open to some doubt. It is further common cause on the papers that the respondent

continues to use the PAPA trademark in circumstances where the liquidators deny that they have authorised the respondent to use the trademark. In these circumstances I am of the view that a trademark infringement has prima facie been established.

- [37] The applicant further points out in the papers that one of the implication of the alleged granting of a royalty fee licence to the respondent by the liquidators (which they have since denied), the estimated loss of the royalties would at the date of the founding affidavit have been in the vicinity of R 20 000 000.00. If the version of the liquidators is accepted that they have not granted any authority to the respondent to use the trademark, the prejudice that the applicant will suffer if an interim interdict is not granted outweighs any prejudice that the respondent might suffer if it is interdicted: In other words, if the interim order is not granted the respondent would continue to use the applicant's trademark without authority and without the obligation of having to pay royalties for such use. In my view, the applicant stands to suffer irreparable damage to its trademark should the order not be granted. I am further persuaded that there is no other satisfactory remedy save for the interim relief

sought in the Notice of Motion.

- [38] Regarding the respondent's contention that there was an unreasonable delay in bringing the application, the applicant sets out the steps it has taken to ensure that the respondent would not continue to make unauthorised use of the PAPA trademark. The applicant also experienced problems with the fact that two sets of attorneys had to withdraw due to a potential conflict of interest. Numerous consultations also took place in the process of ensuring that the Trademarks Register reflected the partnership as the proprietor of the PAPA trademark. I am not persuaded that the applicant was dilatory in approaching the Court.

Order

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

1. The respondent is interdicted and restrained in terms of section 34(1)(a) of the Trade Marks Act 194 of 1993, by itself or through its servants or agents, from infringing the rights of the applicant flowing from the registration of the applicant's registered trademark no 2004/6077 PAPA SUPER MAIZE MEAL label registered in class 30 in respect of "maize meal" by using, in the course of trade in relation to the applicant's goods the identical mark or any mark so similar thereto as to be likely to deceive or cause confusion pending the final resolution of an action to be instituted by the applicant against the respondent.
2. Costs are reserved pending the outcome of the action to be instituted by the applicant.

AC Basson

Judge of the High Court of South Africa

Appearances

For the Applicant : Advocate AJ Bester SC

Instructed by

: DM Kisch Incorporated

For the Respondent : Advocate R Michau SC

Instructed by

: De Kocks Attorneys

[1] Act 194 of 1993.

[2] Capital Estate & General Agencies (Pty) Ltd v Holiday Inn Inc & another 1977 (2) SA 916 (A) at 929C.

[3] 1996 (2) SA 916 (A) at 929C –D.

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