

SOUTH AFRICA / JUDGMENT

Strydom v Bader and Others

(9830/2010) [2010] ZAWCHC 223; 2010 BIP 192 (WCC) (26 October 2010)

[2010] ZAWCHC 223

COURT

Western Cape High Court, Cape Town

BEFORE

Blignault

CASE / FILE NUMBER

9830/2010

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IN THE HIGH COURT OF SOUTH AFRICA

(WESTERN CAPE HIGH COURT, CAPE TOWN)

CASE NO: 9830/2010

In the application of:

ANDRÉ DE VOS STRYDOMApplicant

and

WALTER KARL BADERFirst respondent

VIVA AFRICA WINES CC t/a W K WINESSecond respondent

SALEMAX 18 CC t/a RAILWAY BAR

AND LIQUOR STOREThird respondent

JUDGMENT DELIVERED ON 26 OCTOBER 2010

BLIGNAULT J:

- [1] This judgment deals with two related trade mark applications. In the first application applicant applies for an order restraining respondents from infringing his rights in the trade mark, registration no 2004/13744, Late Harvest Sunrise/Sonstraal (“the infringement application”). In a counter-application second and third respondents apply for the expungement of the trade mark from the register (“the expungement application”).

- [2] To avoid confusion I shall refer to the parties herein as they are named in the infringement application. Applicant is Mr André de Vos Strydom. He is the owner of a liquor store situated in Malmesbury. First respondent is Mr Walter Karl Bader. He is a member of second and third respondents and acts on their behalf. Second respondent is Viva Africa Wines CC, a close corporation trading as W K Wines at the corner of Swartland Street and Industria Crescent, Moorreesburg. Third respondent is Salesmax 18 CC, a close corporation trading as Railway Bar and Liquor Store at 6 Bokomo Road, Malmesbury.
- [3] Applicant is the registered proprietor of the trademark known as Late Harvest Sunrise/Sonstraal and the sun device, which is registered in terms of section 27 of the Trade Marks Act 194 of 1993 (“the Act”) under number 2004/13744 class 33 in respect of alcoholic beverages except beer. On 11 November 2008 he bought the registered trade mark from Solocorp 149 CC (“Solocorp”). Registration in his name took place on 25 January 2010, effective as from 11 November 2008.
- [4] Applicant annexed colour photographs to his affidavit of a label with the registered trade mark and a label of the mark used by respondents. The two marks are virtually identical. Applicant accordingly contended that respondents’ use of the offending mark is an infringement of his rights in respect of the registered trade mark.
- [5] In order to explain the history of the trade mark applicant referred to a supporting affidavit deposed to by Mr Eben von Waltsleben. He used to be the sole member of Solocorp. Mr Von Waltsleben said, inter alia:

“4.2 During 2003 the former holder of the rights in the Late Harvest Sunrise/Sonstraal label, Darling Kelders, gave the rights to use the label to Druiwetros Kelders (“Druiwetros”) and Nemesia Hotel. Darling Kelders indicated that they would not use the label any longer.

4.3 Druiwetros and Nemesia Hotel approached me to package the Late Harvest Sunrise/Sonstraal label for them. Mr Loubscher, who was the owner of Druiwetros at that stage, informed me that he was the owner of the label.

4.4 I proceeded to produce and package the label as agreed with Druiwetros.

It came to my knowledge that the First Respondent, trading as the Second and/or Third Respondent were also using the trade mark on the labels of his wine. The First Respondent’s father, Walther Bader senior, alleged that he had a written agreement with Darling Kelders to use the label. Neither the First Respondent nor his father were at any time able to produce such an agreement, not even during subsequent correspondence and steps towards litigation.

As a result I was confused regarding the ownership of the label and approached Mr Shephard of Darling Kelders, the original owners of the label. He informed me that Darling Kelders no longer wanted anything to do with the label, and that the rights were open for anyone to use. He denied that any written agreement was ever entered into by Darling Kelders regarding the ownership of the label.

As I was eager to obtain legal certainty regarding the rights to the label, I registered the trade mark in my name during 2004. I informed the First Respondent of such registration during 2007. During this time correspondence took place between my attorneys and the First Respondent's attorneys regarding the First Respondent's intention to challenge the registration in my name.

The First Respondent, trading as the Second and/or Third Respondent continued to use my trade mark despite being informed about the registration in Solocorp's name. I was very unhappy with this and we had quite a dispute, consisting of correspondence and threats of legal action. I briefed counsel to draft papers, but was not able to continue with the litigation due to a lack of funds.

... ..

Despite the above correspondence and threats, the Respondents never challenged the registration of the trade mark in Solocorp's

name with the Registrar or in court. The Respondents also never applied to be registered as honest concurrent users in terms of the Act. I submit that the Respondents at this stage abandoned such remedies."

- [6] Applicant said that after purchasing the trade mark from Solocorp he was under the impression that he would only become the owner of the registered trade mark upon registration of the assignment to him. While waiting for the registration to take place he had to find another supplier to produce the wine carrying his label. As second respondent was already producing the wine with the label he approached second respondent for that purpose. During the period January 2009 to December 2009 he bought wine bearing the trade mark from second respondent. On 13 October 2009 he was informed by the attorneys attending to the registration that full and beneficial ownership of the trade mark had been assigned to him on 21 November 2008 and that he had been able to use and enforce it from that date.
- [7] Applicant said that he went to see first respondent personally on 15 December 2009. He informed first respondent that he was the proprietor of the registered trade mark and that he should stop using the mark. First respondent did this for a while and then started to use the mark again and continued to use it.
- [8] First, second and third respondents opposed the infringement application. First respondent deposed to the answering affidavit on behalf of all three respondents. He is a member of second and third respondents. Second respondent produces, markets and sells wine under the name of "Late Harvest Sunrise Sonstraal". Third respondent owns a liquor store which carries on business in Malmesbury in direct competition with applicant.
- [9] First respondent raised a defence in limine namely that no relief should be sought against him personally as the impugned conduct was carried out by second and third respondents.

- [10] First respondent provided his version of the history of the trade mark. Darling Cellars (then known as Groenkloof Drankhandelaars) designed and used the trade mark, then unregistered, since the late 1990's. In the beginning of 2003 Darling Cellars decided to cease the distribution of the product bearing the trade mark. Towards the end of February or early March 2003 he concluded an oral agreement with Mr Sheppard, the general manager of Darling Cellars, in terms of which he acquired the user rights in respect of the trade mark from Darling Cellars. Since the beginning of 2003 he used the trade mark on products packed, marketed and sold by him.
- [11] As he did not possess a liquor licence to market and sell his own products he entered into an arrangement with Solocorp in November 2003 in terms of which he would sell his products, including the Late Harvest Sonstraal product, under Solocorp's licence. Prior to that date he had sold his own product with the trade mark for about eight months. Before he started to sell the Late Harvest Sonstraal product under Solocorp's licence, first respondent said, Solocorp was not aware of the existence of the trade mark.
- [12] Solocorp, he said, started to sell wine with the trade mark in March 2004, inter alia, to first respondent's main customers, Druiwetros Drankwinkel and Nemesia Hotel, and managed to coax them away from first respondent. He said that he took no action against Solocorp at the time as he did not have the financial means to do so.
- [13] First respondent said that as a result of Solocorp's conduct their business relationship deteriorated and he acquired his own licence to market and sell his wine products. Second respondent had since March 2004 packed, marketed and sold wine products, including the product with the Late Harvest Sonstraal mark, under its own licence. In August 2006 his attorney wrote a letter to Solocorp calling upon it to cease using the trade mark. Solocorp, however, continued using the trade mark.
- [14] In December 2007, first respondent said, he received a letter from attorneys acting for Solocorp informing him that Solocorp had registered the trade mark and that second respondent should cease using the mark. This was the first time that he learnt that Solocorp had registered the trade mark. His attorneys replied that Darling Cellars had been using the trade mark continuously and bona fide since the late 1990's and that Solocorp knew that he had acquired the trade mark in March 2003 from Darling Cellars and used it since. Second respondent continued to use the trade mark without any further threats from Solocorp.
- [15] Solocorp was liquidated in January 2009 and thereafter, until January 2010, second respondent was the only supplier of the product with the trade mark. During the period January 2009 to December 2009 applicant purchased the product with the trade mark from second respondent. It was only on 3 February 2010, on receipt of a letter from applicant's attorneys, that he learnt that applicant had purchased the trade mark from Solocorp.

- [16] Applicant filed a replying affidavit. He responded to the defence in limine that first respondent should not have been joined as a party. He contended that first respondent in his personal capacity was assisting the two other respondents to infringe his trade mark.
- [17] Applicant denied that respondents' use of the trade mark had been bona fide. He also contended that as first respondent claimed to have obtained the trade mark from Darling Cellars, the parties shared a common predecessor. Respondents could therefore not show that their predecessor used the trade mark from a date anterior to that of applicant's predecessor.
- [18] Applicant denied that first respondent concluded an agreement during February/March 2003 with Mr Sheppard, the general manager of Darling Cellars, in terms of which he acquired the user rights to the trade mark. He filed a supporting affidavit made by Mr John Sheppard. He said that as from 2001 he was the chief executive officer of Darling Cellars. During 2004 Von Waltsleben approached him to buy the trade mark which Darling Cellars had discontinued to use in approximately 2000 as they went onto the export market. He told Von Waltsleben that he could utilise the label as he distanced himself from the label. Some time later first respondent contacted him and said that there was a dispute between him and Von Waltsleben concerning the label. First respondent asked him whether he could use the label and he said yes. He said that he did not give exclusive rights concerning the label to first respondent. Sheppard's allegations regarding Von Waltsleben's approach to Darling Cellars in 2004, were confirmed in an affidavit made by Mr Marius Botha, the production manager of Darling Cellars.
- [19] On 20 July 2010 second and third respondents brought the counter-application for an order directing the Registrar of Trade Marks to remove trade mark no 2004/13744 from the register on the ground that it was a non-registrable trade mark. In the alternative second and third respondents sought an order that applicant's application for an interdict be suspended pending the determination of an application by them in terms of section 14 of the Act to be registered as honest concurrent users of the trade mark.
- [20] First respondent deposed to the founding affidavit in the expungement application on behalf of second and third respondents. He said that Von Waltsleben was aware of the following facts when he caused the trade mark to be registered in the name of Solocorp:

That Darling Cellars had used the trade mark continuously and bona fide since the late 1990's until about March 2003.

That he in his personal capacity had used the trade mark continuously and bona fide from about March 2003 to about March 2004.

That second respondent used the trade mark continuously and bona fide from March 2004.

- [21] Despite his knowledge of these facts, first respondent contended, Von Waltsleben applied for the registration of the trade mark in the name of Solocorp. He did not have a bona fide claim with respect to the trade mark and it was therefore not registrable. Solocorp's application for registration was for the same reason not brought bona fide.
- [22] Applicant opposed the expungement application on the basis of the facts set forth in his affidavits in the infringement application. He also opposed respondents' alternative relief, namely that the interdict be suspended pending their application to be registered as honest concurrent users. In his answering affidavit in the expungement application applicant referred expressly to the contents of the affidavits of Sheppard and Botha, which, he said, show that he did not act mala fide when he applied for the registration of the mark.
- [23] In his replying affidavit in the expungement application first respondent said the following in response to applicant's reference to the contents of the affidavits of Sheppard and Botha:

"11. Ad paragrafe 22, 22.1, 22.2, 22.3 en 22.4 daarvan:

11.1 Ek ontken dat Von Waltsleben toestemming gehad het om die handelsmerk te gebruik voor ek toestemming verkry het om die handelsmerk te gebruik.

11.2 Dit is nie moontlik om uit Eerste Respondent, Sheppard, Botha of Von Waltsleben se verklarings, waarna Eerste Respondent in hierdie paragrafe verwys, te bepaal wanneer Von Waltsleben toestemming verkry het om die handelsmerk te gebruik nie. Op die tydstip wat Von Waltsleben egter die handelsmerk gedurende Maart 2004 vir die eerste maal begin gebruik het, het ek reeds vir ongeveer 12 maande die handelsmerk gebruik.

11.3 Ek doen aan die hand dat Von Waltsleben se oneerlike gedrag deur aansoek vir die registrasie van die handelsmerk te doen, ongeag

daarvan dat hy deeglik bewus was van die feit dat Applikante die handelsmerk op daardie tydstip reeds vir 'n geruime tyd bona fide gebruik het, 'n duidelik aanduiding is dat die handelsmerk nie registreerbaar was ten tyde van die aansoek vir registrasie nie.

11.4 Von Waltsleben was deeglik bewus daarvan dat hy geen bona fide aanspraak op besitreg ten opsigte van die merk gehad het ten tyde van die aansoek om registrasie van die handelsmerk nie."

- [24] The infringement and expungement applications were heard by me on 11 August 2010. Ms Lise Smit appeared on behalf of applicant. Ms Minette Treurnicht appeared on behalf of respondents.

- [25] The infringement application is brought in terms of section 34(1)(a) of the Trade Marks Act 194 of 1993 ("the Act"). It reads as follows:

"34 Infringement of registered trade mark

- (1) The rights acquired by registration of a trade mark shall be infringed by-

- (a) the unauthorized use in the course of trade in relation to goods or services in respect of which the trade mark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion;”

[26] It is not disputed by respondents that their use of the trade mark falls within the ambit of section 34(1)(a) of the Act. It is identical to applicant’s registered trade mark. Respondents’ defence, however, is that in terms of section 36(1) of the Act they or their predecessors in title made continuous and bona fide use of the trade mark from a date anterior to the use of the trade mark by applicant or his predecessors in title.

[27] Section 36(1) of the Act reads as follows:

“36 Saving of vested rights

- (1) 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 of his; 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, or to object (on such use being proved) to the trade mark of that person being registered in respect of those goods or services under section 14.”

[28] Ms Smit (for applicant) submitted that respondents were not able to rely on the provisions of section 36(1)(a) of the Act as Darling Cellars was the predecessor in title of both applicant and respondents. The use of the trade mark by respondents’ predecessor in title was therefore not from a date anterior to that of applicant’s predecessor in title. Ms Smit submitted further that respondents’ use of the trade mark was in any event not bona fide.

[29] Ms Treurnicht (for respondents) argued with reference to the facts set out in first respondent’s affidavit that his continuous and bona fide use of the trade mark predated that of applicant’s predecessor. According to first respondent’s version he sold a wine product with the Sonstraal trade mark since February/March 2003 whilst Solocorp did so for the first time in March 2004.

[30] Respondents’ expungement application, in turn, is based on the provisions of sub-sections 10(3) and 10(7) of the Act which read as follows:

“10 Unregistrable trade marks

The following marks shall not be registered as trade marks or, if registered, shall, subject to the provisions of sections 3 and 70, be liable to be removed from the register:

- (3) a mark in relation to which the applicant for registration has no bona fide claim to proprietorship;

.....

- (7) a mark the application for registration of which was made mala fide”;

[31] The provisions of sections 10(3) and 10(7) of the Act overlap to a considerable extent. For purposes of the application of both sub-sections to the facts of the present case the single issue is whether Von Waltsleben had “a bona fide claim to proprietorship” of the trade mark at the time when he applied for the registration thereof in the name of Solocorp. If he did not, his application would have been made mala fide.

[32] The resolution of the issues in this matter thus depends upon the interpretation and application of two key statutory criteria. The first is “bona fide use” within the meaning of section 36(1) of the Act and the second is “bona fide claim to proprietorship” within the meaning of section 10(3) of the Act.

[33] I propose to refer first to certain relevant legal principles before turning to the facts of this case. The word proprietorship is not defined in the Act or in the previous Trade Marks Act 62 of 1963 (“the 1963 Act”). It has been said that the use of this word is “a legacy from early English trade mark legislation”. See *Oils International (Pty) Ltd v Wm Penn Oils Ltd* 1965 (3) SA 64 (T) at 70F. The word proprietorship appeared in section 20(1) of the 1963 Act which provided, insofar relevant, that “any person claiming to be the proprietor of a trade mark used or proposed to be used by him” may apply for the registration thereof. It is apparent that the same concepts are used in section 10(3), read with the definition of trade mark, in the Act. The decisions which dealt with section 20(1) of the 1963 Act are therefore still relevant and applicable to the interpretation and application of section 10(3) of the Act.

[34] In *Victoria’s Secret Inc v Edgars Stores Ltd* [1994] ZASCA 43; 1994 (3) SA 739 (A) Nicholas AJA dealt with section 20(1) of the 1963 Act. He said the following, at 744 I – 745 A:

“In terms of s 20(1) one can claim to be the proprietor of a trade mark if one has appropriated a mark for use in relation to goods or services for the purpose stated, and so used it. (I use the verb appropriate in its meaning of 'to take for one's own'. It is a compendious expression which comprehends the words favoured by Mr Trollip in the Moorgate judgment, namely originate, acquire and adopt.)

Section 20(1) applies not only to a person claiming to be the proprietor of a trade mark used by him, but also to a person claiming to be the proprietor of a trade mark proposed to be used by him.”

[35] It appears from the passage quoted above that there are two categories of persons who may apply for registration – those who are actual users of the trade mark and those who propose to use it. In regard to the first category, ie the actual users, the requirements for the acquisition of common law proprietorship of a trade mark apply. These were formulated in a passage in a determination made by the Honourable W G Trollip in the matter of *Moorgate*

Tobacco Co Ltd v Philip Morris Incorporated, delivered on 21 May 1986. After referring to a number of decisions he said the following:

“The effect of the relevant dicta in those decisions can be summarised thus. An applicant can rightly claim to be the common-law proprietor of the trade mark if he has originated, acquired or adopted it and has used it to the extent that it has gained the reputation as indicating that the goods in relation to which it is used are his. (See Chowles and Webster, South African Law of Trade Marks, 2 ed at p61). He can then claim to be registered as the statutory proprietor of the trade mark with all the benefits and rights conferred by our Act.”

[36] It appears from this formulation, which was referred to with approval in Victoria’s Secret, at 744BC, that there are two requirements for the acquisition of common law proprietorship, which, for ease of reference, I shall call appropriation and drawing power.

[37] Appropriation is the term used in Victoria’s Secret, at 744 I, by Nicholas AJA as a compendious expression of the words “originate, acquire and adopt”. Drawing power is the English equivalent of “werfkrag” (see Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd and Another [1998] ZASCA 44; 1998 (3) SA 938 (SCA) para 15) a concept introduced into our law by Dr H J O van Heerden, later a judge of The Supreme Court of Appeal. See van

Heerden-Neethling Unlawful Competition 2nd Edition 106 footnote 58. I prefer to use the term drawing power as it is more precise than “goodwill” or “reputation”, both of which may have other connotations depending upon the context.

[38] The second category of applicants who are entitled to apply for registration comprises those who propose to use the trade mark. The meaning of propose in this context appears from the following passage in the judgment of Lord Hanworth MR in *In re Ducker's Trade Mark* [1929] 1 Ch 113 (CA) ([1928] 45 RPC 105) at 121 which was quoted with approval by Nicholas AJA in Victoria’s Secret at 744 E-G:

“... a man must have an intention to deal, and meaning by the intention to deal some definite and present intention to deal, in certain goods or descriptions of goods. I agree that the goods need not be in being at the moment, and that there is futurity indicated in the definition; but the mark is to be a mark which is to be definitely used or in respect of which there is a resolve to use it in the immediate future upon or in connection with goods. I think that the word "proposed to be used" mean a real intention to use, not a mere problematical intention, not an uncertain or indeterminate possibility, but a resolve or settled purpose which has been reached at the time when the mark is to be registered.”

[39] The question of the application of the appropriation requirement with respect to the second category of applicants, ie those who propose to use the trade mark, is not clear. In *Oils International*, at 70H-71A, Colman J said the following:

“.....some of the authorities suggest that all that is required of the applicant for registration of a new mark is that he should claim, in good faith, the right to have it registered in his name (see e.g. Kerly on Trade Marks, 8th ed., p. 34; Rawhide Trade Mark, 1962 R.P.C. 133 at

p. 143). But other cases have said that something more is required. The applicant must be in a position, if his claim to proprietorship

is challenged, to show some sort of a title to the mark, in the sense that he either acquired it from someone, or originated it. (Vitamin Ltd.'s Application, 1956 R.P.C. 1; Broadway Pen Corporation v Wechsler & Co. (Pty.) Ltd., 1963 (4) SA 434 (T)). The concept of 'origination' within the meaning of these authorities is, I think, wider than invention; it would cover a decision to use, as a trade mark, a well-known word or phrase.”

[40] The expressions bona fide and mala fide appear in various provisions of the Act. In LAWSA 2nd edition Vol 29 Trade Marks para 30 it is submitted, with reference to section 10(7) of the Act, that an action (such as the registration of a trade mark) is mala fide if it would be regarded as contra bonos mores in the particular trade or industry concerned. I agree with this submission. It is supported by authority such as the following passage in Victoria Secrets at 747 H-I:

“In the Moorgate judgment Mr Trollop pointed out that factors relevant in the determination of an applicant's claim to proprietorship of a trade mark are

‘... any factors that may have vitiated or tainted his right or title to the proprietorship thereof. Those factors would comprehend dishonesty, breach of confidence, sharp practice, or the like.’”

The concept contra bonos mores, I may point out, is well known in the law of unlawful competition. See Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd and Others 1981(2) SA 173 (T) at 186 D – 188 H.

[41] I now turn to the application of these principles to the facts of this case. My views in this matter are based upon a number of findings of fact, some of which may be common cause whilst others are arrived at by way of inferences drawn from the facts stated or omitted in the affidavits. I propose to summarise these findings in chronological order.

[42] The first fact is that Darling Cellars had used the Sonstraal trade mark as unregistered trade mark for a number of years. As a result of such use the trade mark acquired drawing power. Darling Cellars was the proprietor of that trade mark and its concomitant drawing power. At some point in time, probably before March 2003, Darling Cellars decided to abandon the trade mark. The result thereof was that Darling Cellars' proprietorship of the trade mark with its drawing power came to an end. The asset became res derelicta, it belonged to no one.

[43] First respondent started using the trade mark. There is no evidence to contradict his statement that this was from about March 2003.

[44] Von Waltsleben also started using the trade mark. It is, however, difficult to determine the date when this commenced. His own affidavit is not helpful. First respondent says it was only in March 2004. The trade mark, however, was registered on 11 August

2004. The application for registration must have been lodged a few months before that. This occurred after his visit to Sheppard which in turn followed a period of disputes between the parties. In the circumstances one cannot be more precise than saying, at best for applicant, that it was probably towards the end of 2003 when he started to use the mark. For purposes of this

judgment

the determination of this point in time is, however, not relevant.

- [45] After Von Waltsleben started using the trade mark there was a period of rivalry, threats and potential litigation between him and first respondent. This probably continued for a period of say three months. The exact commencement and duration of this period is also not relevant.
- [46] Von Waltsleben then visited Sheppard. He learnt from Sheppard that first respondent had not acquired the trade mark from Darling Cellars and that Darling Cellars, having abandoned the trade mark, had no objection to him (Von Waltsleben) using it. Von Waltsleben then proceeded, probably soon thereafter, to apply for registration of the trade mark.
- [47] In order to answer questions regarding the bona fides or mala fides of Von Waltsleben and first respondent, it is important to determine, on a balance of probabilities, what the knowledge and state of mind of each of these two rivals was during the period of disputes which preceded Von Waltsleben's visit to Sheppard. Both Von Waltsleben and first respondent knew that the trade mark had been used for some time by Darling Cellars. They knew that the trade mark with its drawing power was a valuable asset of Darling Cellars. Both of them also knew that Darling Cellars had stopped using the trade mark.
- [48] As far as Von Waltsleben is concerned, I find, on a balance of probabilities, that he knew that the trade mark had belonged to Darling Cellars and that it had been a valuable asset. He did not know that Darling Cellars had abandoned the trade mark. It was his understanding that he would only be able to use the trade mark lawfully if he had the consent of Darling Cellars or any other person who had acquired the trade mark lawfully from Darling Cellars. He assumed, mistakenly, that he had validly acquired such rights via Druiwetros. First respondent then challenged his entitlement to such rights and claimed that he had acquired the rights in terms of an agreement with Darling Cellars. Von Waltsleben then went to see Mr Sheppard of Darling Cellars in order to get clarity. He was informed by Mr Sheppard that First respondent had not acquired these rights and that Darling Cellars had no objection to his use of it. On the strength of this information he decided to apply for the registration of the trade mark.

- [49] As far as first respondent is concerned, I find, on a balance of probabilities, that he also knew that the trade mark had belonged to Darling Cellars and that it had been a valuable asset. He did not know that Darling Cellars had abandoned the trade mark. In order to determine what his state of mind was when he started and continued using the mark, his alleged agreement with Darling Cellars and his treatment of this subject in the affidavits, becomes important.
- [50] In first respondents' answering affidavit in the infringement application he unequivocally based his entitlement to use the trade mark during the period in question on the alleged oral agreement which he had concluded with Darling Cellars to use their trade mark. In para 4.5 of his affidavit Von Waltsleben alleged that first respondent's father, Mr Bader senior, had said that he had a written agreement with Darling Cellars to use the label but that neither first respondent nor his father was able to produce such an agreement. In his answering affidavit first respondent baldly denied these allegations but from the supporting affidavit deposed to by his father, Mr Bader senior, it appears that the denial only related to the allegation that it was a written agreement and that it was concluded by him, ie Mr Bader senior. Mr Bader senior said, in one cryptic sentence, that he had made it clear that first respondent orally acquired the right to use the trade mark.
- [51] Applicant then filed the affidavits of Sheppard and Botha as part of his replying papers from which it appears that Darling Cellars did not conclude the agreement alleged by first respondent. In first respondent's replying affidavit, which I quoted above, he responded to the contents of the affidavits of Sheppard and Botha. His response, unfortunately, is vague and evasive. He did not admit Sheppard's statement that Darling Cellars never gave exclusive rights to the trade mark to him but he did not deny it either. He made no attempt to reconcile his earlier allegations regarding the agreement with Sheppard's statements. If his version in the answering affidavit had been correct, Sheppard would have been plainly dishonest but first respondent did not even say that. In the circumstances I accept Sheppard's version of these events and find that there was no agreement between Darling Cellars and first respondent regarding the rights to the trade mark.
- [52] It appears from this analysis that when first respondent started using the trade mark in circumstances where he thought that he could only do so with the consent of Darling Cellars, he justified such use of the trade mark on the basis of the alleged agreement with Darling Cellars. This continued not only during the period of disputes with applicant but also in his answering affidavit in the present application. First respondent, however, in these proceedings failed to prove that such an agreement existed. In the circumstances it follows that his claim to use the trade mark was a false claim.
- [53] I turn then to the question whether Von Waltsleben had a bona fide claim to proprietorship of the trade mark at the time when he applied for the registration thereof. I must point out first that it was suggested in argument that applicant had shown that Darling Cellars was his predecessor in title. On my understanding of the word title, however, it connotes a right or entitlement. A person can only be a predecessor in title of another if he transferred that

right or entitlement to his successor. Transfer, in the present context, is a bilateral juristic act which requires the intention of the transferor to transfer the right and the intention transferee to receive it. On my reading of Mr Sheppard's affidavit Darling Cellars did not intend to transfer its rights to anyone. It simply abandoned the trade mark. When Mr Sheppard told Von Waltsleben and later first respondent that they could utilize the label, he was, in my view, simply indicating that Darling Cellars had no objection to such use.

- [54] The question then arises whether applicant established that Von Waltsleben had acquired proprietorship of the trade mark by way of the use of it with its drawing power before he filed his application for registration. In my view this was not proved. Von Waltsleben did not acquire the right to use the trade mark from Darling Cellars and his own use was of limited duration. First respondent, moreover, was also using the trade mark at the time.
- [55] Von Waltsleben could, however, also qualify for registration of the mark if he, at the time, proposed to use the trade mark. In my view he did. He had established from Sheppard that Darling Cellars did not object to his using the trade mark and that first respondent had not acquired the rights to use the mark as had been represented to him. In these circumstances the very purpose of the registration of the trade mark was to use it.
- [56] The following question is whether Von Waltsleben also fulfilled the requirement of appropriation. As I pointed out above the application of this requirement to an applicant who proposes to use the trade mark is problematical. In the present case Von Waltsleben took a bona fide decision to apply for the registration of the trade mark when he was reliably informed that Darling Cellars did not object thereto. In my view nothing more was required of him.
- [57] There is then one remaining question, namely whether first respondent had not become the common law proprietor of the trade mark before Von Waltsleben applied for the registration of the trade mark. In that event Von Waltsleben could not have acquired proprietorship by way of a mere proposal to use it.
- [58] First respondent used the trade mark for quite some time and he was thereby exploiting its drawing power. He was under the impression that the trade mark could not be used without the consent of Darling Cellars. He knew that Von Waltsleben, and probably others, were also under that impression. He defended his use of the trade mark, however, by way of false statements to Von Waltsleben (and probably to others) that he had acquired the rights from Darling Cellars. It appears from this that he used and claimed the rights to the trade mark by way of fraudulent misrepresentations. The law will not protect a drawing power which was acquired by way of such representations. See *Caterham Car Sales & Coachworks* para [31]:

“[31] Whether a passing-off action can be used to protect a misapprehension or a false reputation appears to me to be open to serious doubt but since it was not argued it need not be decided. However, to the extent that a reputation is founded upon a conscious falsehood, public policy demands that legal protection should be withheld. Compare Scott and Leisure Research and Design (Pty) Ltd v Watermaid (Pty) Ltd 1985 (1) SA 211 (C) at 220G--221C. Caterham cannot be permitted to benefit from its own wrong.”

[59] It follows from my findings regarding first respondent's state of mind that his use of the trade mark prior to its registration was not bona fide. Respondents' defence to the infringement application which is based upon the provisions of section 36(1) of the Act therefore

fails.

[60] First respondent's point in limine, I must say finally, is without merit. First respondent is a member of second and third respondents and he is clearly participating in their unlawful conduct.

[61] That brings me to the counter-application for the removal of applicant's trade mark from the register of trade marks. This application is based upon the provisions of sections 10(3) and 10(7) of the Act. In the light of my finding that Von Waltsleben had a bona fide claim to proprietorship of the trade mark at the time when he applied for the registration of the trade mark, this application falls to be dismissed. It follows further that second and third respondents had not established any honest concurrent user within the meaning of section 14 of the Act.

[62] In the result, I make the following orders:

- (1) First, second and third respondents are restrained, in terms of section 34(1)(a) of the Trade Marks Act 194 of 1993, from infringing applicant's rights in the trade mark registration no 2004/13744 Late Harvest Sunrise/Sonstraal by using, in the course of trade in relation to alcoholic beverages, applicant's late Harvest Sunrise/Sonstraal trade mark or any mark which is confusingly or deceptively similar.
- (2) First, second and third respondents are ordered to remove the infringing mark from all material in their possession.
- (3) First, second and third respondents are ordered to pay, jointly and severally, the costs of the infringement application

Second and third respondents' counter-application for the removal of the trade mark from the register, alternatively for the suspension of applicant's application pending an application by second and third respondents for the registration of the trade mark in terms of section 14 of the Act, is dismissed.

- (5) Second and third respondents are ordered to pay, jointly and severally, applicant's costs in the counter-application.
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