

UGANDA / JUDGMENT

Mandella Millers Limited v Dembe Enterprises Limited & Another (Trademark Registration 29770 of 2021) [2024] UGRSB 16 (17 July 2024)

[2024] UGRSB 16**COURT**

Uganda Registration Services Bureau

BEFORE

Birungi Denis - Senior Registration Officer

CASE / FILE NUMBER

Trademark Registration 29770 of 2021

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**THE REPUBLIC OF UGANDA UGANDA REGISTRATION SERVICES BUREAU THE
TRADEMARKS ACT, 2010**

**IN THE MATTER OF TRADEMARK NO. 029770 "SUPREME" IN CLASS 30 IN THE
NAME OF DEMBE ENTERPRISES LTD AND IN THE MATTER OF AN APPLICATION
FOR REMOVAL/CANCELLATION THEREOF MADE BY MANDELLA MILLERS
LIMITED**

MANDELLA MILLERS LIMITED:.....APPLICANT

VERSUS

**DEMBE ENTERPRISES LIMITED:.....RESPONDENT J. H AGRO
MORE AFRICA LIMITED (FORMERLY PALLETS MASTERS U
LTD):..... THIRD PARTY**

RULING

Before: Birungi Denis: Asst. Registrar Trademarks

A. Background.

1. On 4th July 2007, the Respondent registered trademark number 029770 in class 30 of the Nice International Classification of Goods and Services, in respect of coffee, tea, cocoa and artificial coffee; rice; tapioca and sago; flour and preparations made from cereals; bread, pastry and confectionery; ices; sugar, honey, treacle; yeast, baking-powder; salt; mustard; vinegar, sauces (condiments); spices; ice. The Respondent's trademark is indicated below;

2. On 13 October 2020, the Applicant filed application Nos.69216, 69215 and 69214 for registration of the word "SUPREME" in class 30 of the Nice Classification of goods and services in respect of flour milling products, bread, pastries and bran mash for animal consumption. The Applicant's trademarks as presented in the 3 applications is indicated below;

| Trademark No. | Trademark | Goods | |

|-----|-----|-----|-----|

| 69216 | | Flour | Milling |

| | | Products, Bread, | |

| | | Pastries, | Bran |

| | | Mash for animal | |

| | | consumption. | |

| 69215 | | Flour | Milling |

| | | Products. | |

| | | |

| 69214 | | Flour | Milling |

| | | Products. | |

| | | |

3. Each of the above trademark applications was rejected vide exam reports dated 14th October 2010 on grounds of similarity with the Respondent's mark. It is because of these rejections, that on 22 February 2021, the Applicant filed this application seeking cancellation and removal of the Respondent's trademark on grounds of non-use pursuant to the provisions of section 46 of the Trademarks Act, Cap 225.

- 4. Upon filing of the application and the grounds for removal of the Respondent's trademark, as required by the Trademark Regulations, the Office, vide a letter dated 1st March 2021, transmitted the application to the Respondent. As normal practice, the letter together with the application and statement of grounds was dispatched to the Applicant's agents—MMAKs advocates to effect service onto the Respondent. The Applicant's agents filed an affidavit of service dated 11 March 2021, affirming that service had been effected onto the Respondent.
- 5. Upon transmission of the application, regulation 30 of the Trademark Regulations 2012 (then in force) requires a Respondent to file a counterstatement within 42 days from the date of service of the application. According to the affidavit of service, service was effected on 16 March 2021. The 42 days expired on 28 April 2021. During this period, the Respondent filed neither a counterstatement nor an application for extension of time. By letter dated 11 May 2021, the Applicant's advocates wrote to the Office regarding the non-filing of the counterstatement by the Respondent and sought permission to proceed **ex parte** and to file evidence.
- 6. By letter dated 14 October 2021, the Office responded granting the Applicant permission to file evidence with a directive to serve the same on the Respondent. On the 24 November 2021, the Applicant duly filed its evidence vide a statutory declaration dated 17 November 2021. By letter dated 23 December 2021, the Applicant's advocates notified the Office of the service onto the Respondent and annexed an affidavit of service. The affidavit of service annexes a copy of the statutory declaration stamped by the Respondent, acknowledging receipt of service on 24 November 2021. The Respondent still never took action.
- 7. In a twist turn of events however, on 23 August 2023, the Respondent filed an application for registration of Pallet Masters Uganda ltd (the Third party) as a transferee of the mark, pursuant to a deed of assignment executed between the Respondent and the Third party, dated 14 August 2023. The recordal of change of proprietor was duly effected and the Office issued a certificate of assignment dated 28 August 2023 transferring the rights of the Respondent in the mark to the Third

party. From that date, the Respondent ceased to be reflected as proprietor of the disputed mark on the register.

- 8. By letter dated 27 February 2024, the Respondent's advocates—Kian Associated advocates, wrote to the Office contending that the application for removal has been drawn to their attention. They also raised a complaint to the effect that the assignment to the Third party contained a material error. While they allude to the Respondent executing the deed of assignment with the Third party, they contend that the transfer was only in respect to rice, and not a total transfer of rights in respect to all goods. That due to this, their client, the Respondent herein is unable to file a response to the application. The letter made two requests to the Registrar; first, that the assignment to Pallet Masters (u) ltd (now the Third party) be restricted to rice. Secondly, that the register be rectified to reflect the Respondent as the proprietor of the trademark with respect to the remainder of the goods in class 30.

- 9. Considering that the issues raised by the Respondent's advocates arose during these pendency of cancellation proceedings, the Office determined that for purposes of transparency, the same be addressed quasi-judicially in these proceedings. It consequently issued directions to the parties vide a letter dated 24th April 2024, inviting the Respondent to file its claims and evidence in support, directing the Applicant to file a response to such claims and directing the Third party to file its representations and setting the matter for hearing. The Office determined that Pallet Masters (u) Ltd (the 3rd party) be added to these proceedings as a necessary party. The Third party has since changed name from Pallet Masters (u) Ltd to J H Agro More Africa limited vide a certificate of name change dated 7 May 2024.
- 10. In these proceedings, the term "thirty party" should not be strictly interpreted as envisaged under the Civil Procedure Act and regulations where a Defendant in an action has a claim for indemnity or contribution from a Third party. In this case, while principally the Third party could have a claim for indemnity from the Respondent in the event its rights are affected by these proceedings, the Registrar has no jurisdiction to determine and grant remedies to that effect. Hence, the adding of the Third party is only aimed at according a fair hearing considering

that these proceedings have an impact on the subsequent rights acquired by the Third party.

- 11. Following the Office letter, the Respondent filed a counterstatement dated 6 May 2024. The Third party also filed a counterstatement dated 21 May 2024.

B. Preliminary objections/issues.

- 12. The matter came up for hearing on 27 May and 5 June 2024. Counsel Kajubi Brian of MMAKs Advocates appeared for the Applicant. Counsel Isiko Arthur of Kian Associated Advocates appeared for the Respondent while Counsel Komuhangi Rachael of Ivory Advocates appeared for the Third party. At the onset, the Registrar raised a preliminary question relating to the alleged errors in the transfer of the trademark to the Third party and directed parties to make representations on the same. The question for determination is whether there were errors in the transfer and if so, what are the remedies. Counsel for the Applicant raised an objection against the admissibility of the counterstatement filed by the Respondent and contended that the same is not legally filed. From the preliminary points raised I frame the following issues for determination;
- (i) Whether there were errors in the alleged transfer to the Third party and if so, what are the remedies available to the aggrieved parties?
- (ii) Whether the Respondent's counterstatement should be admitted?

Determination of the preliminary questions.

- 13. Before I venture into resolution of the preliminary questions, let me give a detailed ruling on the oral application by Counsel for the Respondent during the hearing. Counsel for the Respondent made an oral application to the Registrar to first resolve the second preliminary issue and deliver a ruling on the same, before determining the application. I directed all advocates to address me after which I dismissed the application and proceeded to schedule the main application for the reasons I recorded. I now proceed to give a detailed reasoning;
- 14. The Trademarks Act and regulations do not contain provisions on the order of disposing of preliminary questions. I resorted to seeking guidance in the procedures of Court contained under Order 6 rule 28 of the Civil Procedure Rules, which provides as follows;

"Any party is entitled to raise a point of law in his or her pleadings and any point may be disposed of at or after the hearing except by consent of the parties, or by order of court on application of either party, a point of law may be set down for hearing and disposed of any time before ruling"

- 15. Counsel for the Respondent submitted that disposing the second preliminary objection, regarding the admissibility of the counterstatement, is important because the Trademarks Act provides for timelines for filing a counterstatement and procedures for requesting extension of time to file a counterstatement, in essence implying that should the Registrar resolve that preliminary objection in the negative, he would proceed to apply for extension of time to file a counterstatement. Secondly, Counsel submitted, without authority, that it is a position of the law binding courts to first dispose of preliminary points before venturing into the merits of the case. On his part, Counsel for the Applicant submitted that the manner and order of dealing with preliminary objections is within the exclusive discretion of the Registrar. Counsel for the Third party did not make any submissions on this issue.
- 16. I agree with Counsel for the Applicant and I rejected Counsel for Respondent's submissions, as the law does not back them. Although there are no express provisions on the order of resolving preliminary issues in the Trademarks Act and regulations, the practice and procedure of Court as set out in Order 6 rule 28 of the Civil Procedure Rules clearly stipulate that such are within the discretion of Court. Case law supports the same view. The Supreme Court of Uganda in **Telecom ltd v ZTE Cooperation SCA No. 3 of 2017** while dealing with the same question held that a trial court has discretion to dispose of a preliminary objection either at or after the hearing. Further, in **Kamugisha Anatoli and Another v H & L Exporters (u) Ltd Misc. Application No.2034 of 2023**, Court held that it is trite law that where there is a preliminary objection capable of disposing of the matter, it is judicious to first determine the said objection before embarking on the merits of the case.

- 17. The above judicial authorities recognize the discretion of court to determine whether to deal with the objection and dispose it first or later and secondly, that it is prudent to dispose the preliminary point first if it is of such a nature as to dispose of the whole matter. Therefore, the guiding principle is whether determining the preliminary objection will dispose of the whole matter and not whether it might

give time to a party to undertake steps to rectify procedural missteps occasioned on its part as Counsel for the Respondent suggests. It is not the place of a Registrar to exercise discretion in a manner that gives an "offside pass" to any party so that it can rely on the same to rectify past misses. The Registrar exercises discretion judiciously taking into account the interest of all parties and ensuring fairness and justice.

- 18. I find that preliminary objection 2 is not of the nature that would dispose of the whole of this application. Whether the objection is upheld or rejected, the Registrar would proceed to determinate the matter on its merits. Unlike opposition proceedings where failure to file a counterstatement within stipulated time leads to automatic abandonment of the application (see section 12 (3) of the Trademarks Act), in cancellation proceedings, omission to file a counterstatement does not lead to the discontinuation of proceedings. On the contrary regulation 71 (3) of the Trademark Regulations bars the Registrar from rectifying or removing a trademark from the register merely because the proprietor has not filed a counterstatement. The Registrar is expected to proceed with hearing and determination of the matter albeit without considering the registered owner's counterstatement. For those reasons, the oral application by Counsel for the Respondent to first dispose of preliminary objection is dismissed.

(a) Whether there were errors in the alleged transfer to the Third party and if so, what are the remedies available to the aggrieved party?

- 19. As stated in the background, the Respondent through its advocates raised an important issue of the partial transfer of rights to the Third party, and a complaint that the Office transferred all rights in error contrary to the terms of the assignment deed between the Respondent and the Third party, which only transferred the right with respect to rice. I have perused the record. Indeed, it is true that the Office issued a certificate of assignment transferring all rights in the trademark, and replacing the Respondent with the Third party as the owner of the trademark.
- 20. The Respondent seeks rectification of this error and its restoration as the owner of the trademark. Counsel for the Applicant contends that there was no valid transfer to Third party and that the Third party never acquired good title because the transfer transpired during the pendency of cancellation proceedings. Counsel

submits that the Third party had notice of the ongoing dispute and hence the transfer was illegal. Relying on the authority of the principle that an illegality cannot be validated or amended by consent of the parties (*Babubhai Dhanji Pathak v Zainab Mrekwe 1964 EA 24*), Counsel submits the assignment and registration of the assignment was irregular and cannot be amended to rectify an illegality.

- 21. I do not agree with Counsel for the Applicant's submissions on this issue. There is a distinction between an illegality and an irregularity. An illegality is a breach of law or doing something contrary or forbidden by law. The Black's law Dictionary *2nd Ed* defines the term illegality to mean "not authorized by law", "illicit", "unlawful" or "contrary to law". The online Cambridge dictionary on the other hand defines an irregularity to mean "something that is not according to usual rules or what is expected and often not acceptable". Counsel for the Applicant has not submitted on any legal provision that prevents the transfer of trademark rights when a trademark is subject of cancellation proceedings. It is therefore not correct to allege that the Respondent and the Third party committed an illegality when they executed a deed of transfer. Nevertheless, I note that it is not appropriate to effect a transfer on a property that is subject of a dispute pending determination, whose outcome is likely to affect the rights of the purchaser. Although the Respondent did not breach any legal provision, it was prudent to first await the outcome of these proceedings before executing a transfer.
- 22. Returning to the gist of this preliminary issue, section 33 (2) of the Trademarks Act provides that " *a registered trademark relating to goods or services shall be assignable and transmissible in respect of all goods in respect of which it is registered or some of those goods or services* ". This provision makes it clear that assignment can be in respect of *all* or *some* of the goods. Clause 1.1 of the deed of assignment executed between the Respondent states;

"in *consideration of the sum of Ugx.13, 500,000 (Uganda shillings thirteen million, five hundred only) now paid by the assignee (the receipt whereof is hereby acknowledged), the Assignor hereby assigns , and the assignee, hereby accepts the assignment of, all the Assignor's rights, titles and interest in and to the trademark ONLY for RICE and trademark registration*".

- 23. The assignment was strictly in respect of rice, however, the certificate of assignment issued by the Office dated 28th August 2023 transferred rights with respect to all goods. The wording of the certificate states as follows;

"THIS is to Certify that the proprietor of Trademark No: UG/T/2007/29770 has changed from DEMBE TRADING ENTERPRISES LTD. to PALLET MASTERS (U) LTD (whose legal address is Plot 4-5 Clarke Close, P. O. Box 1657, Jinja, Uganda) by virtue of a Deed of Assignment dated 14th August, 2023 effective this day of 14th August, 2023 ."

- 24. The certificate of assignment transferred all rights contrary to the deed of assignment. A certificate of assignment is an Office action recognizing the contractual agreement of the parties and effecting the transfer on the register in accordance with the terms of the deed of

assignment. It cannot exceed or vary the rights transferred in the deed of assignment. As rightly stated by Counsel for the Third party in her submissions, transferring the rights with respect to all the goods, instead of rice, was an error that ought to be rectified under section 90 (i) (d) of the Trademarks Act. The register is accordingly corrected by revising the certificate of assignment to reflect that the assignment to the Third party is with respect to rice only. Further, the register is amended by reflecting the Respondent as the owner of the trademark with respect to the rest of the goods in which it is registered.

(b) Whether the Respondent's counterstatement should be admitted?

25. In proceedings under the Trademarks Act, a counterstatement is a defense to an action filed against a trademark—either opposition to registration or application for cancellation of an already registered mark. When an application for removal of a registered mark is filed, regulations 72(3) of the Trademark Regulations, 2012 (as amended) provided for the application of regulations 30—39 with necessary modification. Regulation 30 required the Respondent to file a counterstatement within 42 days from the date of receipt of the notice of an application for cancellation. According to the affidavit of service, the Applicant's advocate effected service on 16 March 2021. The 42 days expired on 28 April 2021. During this period, the Respondent filed neither a counterstatement nor an application for extension of time to file one. By letter dated 11 May 2021, the Applicant's advocates wrote to the Office regarding the omission to file a counterstatement by

Respondent, sought permission to proceed **ex parte** and to file evidence in support of the application.

- 26. By letter dated 14 October 2021, the Office responded granting the Applicant permission to file evidence, with a directive to serve the same onto the Respondent. On the 24 November 2021, the Applicant duly filed its evidence vide a statutory declaration. By letter dated 23 December 2021, the Applicant's advocates notified the Office of the service onto the Respondent and annexed an affidavit of service. The affidavit of service annexed a copy of the statutory declaration stamped by the Respondent, acknowledging receipt of service on 24 November 2021. The Respondent still never took action.
- 27. Counsel for the Respondent submits that the counterstatement should be admitted for reasons, which I summarize here. First that regulation 81 (1) of the Trademark Regulations 2012 required the Registrar to hear a person before exercising discretion that is likely to affect that person and that the Registrar has discretion to grant reasonable extension of time. Counsel submits that the Office letter dated 24th April 2024 granted extension of time. Counsel adds that regulation 80 permits the Registrar to extend time. Counsel prays that the counterstatement is admitted and the objection be dismissed.

- 28. While I agree with Counsel's arguments on the right to fair hearing and the discretion of the Office to extend time, I do not agree with the argument based on regulation 81 of the Trademark Regulations as it is misconceived. I reproduce the whole provision for better context;

"Exercise of discretionary power by the Registrar: hearing."*

(1) Before exercising adversely to any person any discretionary power given to the Registrar by the Act or these Regulations, the Registrar shall, if so required, hear the person.

(2) An application for a hearing shall be made within one month from the date of notification by the Registrar of any objection to an application or the date of any other indication that the Registrar proposes to exercise a discretionary power.

(3) Upon receiving the application made under sub regulation (2) the Registrar shall give the person applying fourteen days' notice of a time when he or she may be heard.

*(4) Within seven days from the date when the notice would be delivered in the ordinary course of post, the person applying shall notify the Registrar whether or not he or she intends to be heard on the matter. (5) The decision of the Registrar in the exercise of a discretionary power under this regulation shall be notified to the person affected"

29. First, regulation 81 is a general provision relating to any other administrative action the Office might take and does not replace express provisions setting out the framework for handling cancellation applications. The procedure for handling cancellation proceedings is set out in regulation 30—39 as stated in regulation 72 (3) of the Trademark Regulations 2012 as amended by the Trademark Amendment Regulations 2021. Regulation 30 provides for filing of a counterstatement within 42 days. I reproduce it;

Counterstatement.

*(1) Within forty-two days from the receipt of the duplicate, the Applicant shall send a duplicate to the Registrar a counterstatement in Form TM 7 setting out the grounds on which the Applicant relies as supporting the application for registration of a trademark. (2) The Applicant shall also set out what facts, if any, alleged in the notice of opposition he or she admits. (3) The counterstatement shall be accompanied by a copy of the duplicate"

- 30. The provision uses the words "shall" as opposed to "may" creating a mandatory obligation to file a counterstatement. It also sets a time limit—42 days from the date of receipt of the notice. Where a person is unable to file within the said 42 days, the regulations provide a framework for filing outside that time. Usually, a party that is out of time makes an application to the Registrar seeking extension of time under regulation 80 of the Trademark Regulations, 2012 as amended by regulations 23 of the Trademark (Amendment) Regulations, 2021 (both now repealed). This however, does not mean the Office cannot on its own motion grant extension of time.

- 31. In this case, the Applicant was duly served but did not file a counterstatement nor apply for extension of time for permission to file one out of time. It was until the Respondent effected a transfer to the Third party, and the challenges it brought

that the Respondent's advocates picked interest in the application, wrote to the Registrar notifying the Office of the errors in the transfer and communicating the difficulty in filing a counterstatement. The error in the transfer brought in third party rights, which prompted the Office to write to all parties vide a letter dated 24th April 2024, giving directions to; (a) the Respondent to file its claim in the form of a counterstatement and evidence. (b) the Applicant to file a response and any evidence; (c) the Third party to file its representations. The letter cites regulations 80 as the basis for the Office action. It is therefore correct to conclude that the Registrar exercised discretion, on his own motion, to permit the filing of the counterstatement, evidence and representations from the Third party to address all the issues. The objection on admission of the counterstatement therefore fails.

C. The main application

- 32. The issues for determination are;
- *1) Whether the Respondent's trademark No.29770 should be cancelled on grounds of non-use"
- *2) Remedies*

Determination

33. Removal of trademarks on grounds of non-use is provided under section 46 of the Trademarks Act. It provides;

(1) Subject to sections (1) and [48\](https://ulii.org/akn/ug/act/2010/17/eng%402010-09-03#part_Vsec_48)1), a registered trademark may be removed from the register in respect of goods in respect of which it is registered, on application to the court by an aggrieved person and subject to [section 67](https://ulii.org/akn/ug/act/2010/17/eng%402010-09-03#part_VIsec_67) on an application to the Registrar, on the grounds that—

(*a) the [trademark](<https://ulii.org/akn/ug/act/2010/17/eng%402010-09-03#defn-term-trademark>) was registered without a 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 her or, if it was registered under [section 54\](https://ulii.org/akn/ug/act/2010/17/eng%402010-09-03#part_V__sec_54)1), by a body corporate or registered user concerned and that there has in fact been no bona-fide* *use of the trademark in relation to those goods or services by any owner up to the date one month before the date of the application; or*

(b) at least one month prior to the date of the application a continuous period of three years or more elapsed during which the [trademark](<https://ulii.org/akn/ug/act/2010/17/eng%402010-09-03#defn-term-trademark>) was a [registered](https://ulii.org/akn/ug/act/2010/17/eng%402010-09-03#defn-term-registered_trademark) [trademark](https://ulii.org/akn/ug/act/2010/17/eng%402010-09-03#defn-term-registered_trademark) and during which there was no bona-fide use in relation to those goods or services by any owner"

- 34. Justice Engonda Ntende (as he then was) in **Potomac Tobacco Company Ltd v. British American Tobacco Co. Ltd & British American Tobacco (Brands) Ltd (Miscellaneous Application No. 436 of 2006)** noted that in applications for cancellation, the Applicant must show that;
 - (a) it is an aggrieved person in the circumstances of that particular case;
 - (b) there is a registered trademark;
- (c) that trademark was registered without a bona fide intention to use the same and there has been no use of the same up to one month before the application is brought to court, or that for a continuous period of 5 years (3 years in the current Act) up to one month before the bringing of the application there was no bona fide use of the trademark in relation to the goods for which it was registered. While the learned Judge was applying section 28 of the now repealed Trademarks Act, (Chap 217), the same principles have been retained under section 46 of the current Trademarks Act, save for the reduction of the period for non-use from 5 to 3 years. Hence, the principles are still good law and are applicable to this application.

35. This application was filed to pave way for the registration of the Applicant's trademark application numbers 69216, 69215 and 69214 that were rejected due to the existence of the Respondent's identical trademark on the register. Counsel for the Applicant submitted that the Applicant is an aggrieved person with *locus standi*

to file this application because it has been using the disputed mark, yet it was prevented from registering its three applications, which were rejected because of the existence of the Respondent's trademark. In a statutory declaration in support of the application, the deponent Mr. Ahmed Omar, the chairperson of the Applicant, states that the Applicant is the leading company in wheat and maize milling business, supplying wheat and maize floor in supermarkets and shops across Uganda. That the Applicant's applications for registration of the trademark were rejected due to the existence of the Respondent's trademark. The Applicant has invested in the business of selling "Supreme" branded products, including establishing a state of the art factory producing "Supreme" branded products. That the Applicant has obtained certification from Uganda National Bureau of Standards with respect to its "supreme" branded products. The statutory declaration annexes certificates of certification and several pictures of its products sold in various trade outlets. Mr Omar also states that the Applicant has acquired substantial good will and reputation for its "supreme" branded products.

36. In para 11 of the statutory declaration, the deponent states that the Applicant conducted an investigation on the Ugandan market to determine the use of the trademark "Supreme: "and established that the Respondent does not use the mark "Supreme". That this lack of bonafide use has gone on for a continuous period of three years prior to the filing of this application. The deponent attached a copy of the investigation report as annexure D.

Who is an aggrieved person?

37. The expression "aggrieved person" was explained by McLelland J in *Ritz Hotel Ltd v Charles of the Ritz Ltd* (1988) 15 NSWLR 158 as follows;

"*decisions of high authority appear to me to establish that the expression (aggrieved person) has no special or technical meaning and is to be literally construed. It is sufficient for present purposes to hold that the expression would embrace any person having a real*

interest in having the register rectified, or the trademark removed in respect of any goods, as the case may be, or in a manner claimed, and thus would include any person who would be , or in respect of who, there is reasonable possibility of his being, appreciably disadvantaged in a legal or practical sense by the Register remaining unrectified, or a by a trademark remaining unremoved in respect of any goods, as the case may be, in the manner claimed". The approach in this dictum was cited with approval in *In the matter of an application for cancellation of the trademark SUNTOP registered in the name of Hillside Dairy & Agriculture Ltd at the request of BY CO-RO Foods A/S (Uganda Trademarks Office, 2020,* a decision of the Office*.*

38. In the instant application, the Applicant has used the word "SUPREME" for branding its goods in class 30 which it has manufactured and marketed in different parts of Uganda as indicated in the statutory declaration of Mr. Ahmed. In 2020, the Applicant filed applications for the registration of the disputed mark, which were rejected, vide exam reports dated 14 December 2020 on grounds of being similar to the Respondent's registered mark. The Applicant then filed this application seeking removal of the Respondent's mark on grounds of non-use. The Applicant would therefore be disadvantaged by an unused mark remaining on the register. This therefore makes the Applicant an aggrieved person within the meaning of section 46, with locus to file this application

Non- use

39. Non-use is proved, on a balance of probability, by submission of evidence to that effect. As required by section 103 of the Evidence Act, Cap 8, the burden of proof is on the party that alleges, and in this case, it is the Applicant alleging non-use. The Applicant must prove lack of bonafide use for 3 years and up to one month prior to the filing of the application. The Applicant has submitted a report in support of its claim of non-use by the Respondent. The annexed report is authored by Intellectual Property Defenders Ltd and is dated 7 December 2020.

40. The report covered a geographical scope of 7 towns which include Kampala, Wakiso, Mukono, Mityana, Entebbe, Jinja, Masaka, Lyantonde, Mbale, Malaba, Mubende, Iganga, Tororo and Kabohe. It details a number of brands distributed by the Respondent, which is describes as a global distributor. The brands listed do not include the disputed mark. Some of the products distributed by the Respondent extracted from its website are indicated below;

- 41. The report also includes pictorial evidence of the Applicant's use of the word "Supreme" in various supermarkets and shops in the areas surveyed.
- 42. Counsel for the Respondent challenges the admissibility of the investigation report on grounds that the application was filed on 13 October 2020, yet the report is dated 7th December 2020—two months after the application was filed, secondly, that the reported is limited to 14 districts—Kampala, Wakiso, Mukono, Mityana, Entebbe, Jinja, Masaka, Lyantonde, Mbale, Malaba, Mubende, Iganga, Tororo and Kabohe out of the 135 districts. Third, that there is no formal communication from owners of trade outlets surveyed stating that they do not deal in the goods of the Respondent.
- 43. Regarding the first reason, the filing of evidence that covers two months after the application has been filed is not fatal as there is no provision that prohibits it. All that section 46 requires is that within 3 years and up to one month to the date of the application, the Respondent has not made bonafide use of the mark and since in proceedings of this nature, there is a burden on the registered proprietor to prove use of the mark, the best approach for Counsel for Respondent would have been to submit evidence to prove bonafide use within a month before the filing of this application.
- 44. The second reason relates to the small size of geographical region surveyed by the report. The report indicates 13 districts, which include Kampala, Wakiso, Mukono, Mityana, Entebbe, Jinja, Masaka, Lyantonde, Mbale, Malaba, Mubende, Iganga, Tororo and Kabohe.
- 45. While the physical geographical coverage is small, I note that an Applicant is not required to survey the whole country. The selected area should be an appropriate sample to create a presumption of non-use. While in terms of geographical size, the area seems narrow, in terms of concentration of trade and commercial activity in the country, the surveyed area is representative enough. For instance according to a World Bank Survey, Greater Kampala Metropolitan Area (GKMA) comprising of Kampala city and 8 metropolitan local government entities covers 14 percent of the national population, 40 percent of the urban population and 70 percent of manufacturing firms, accounting for nearly half of Uganda's total GDP¹. The third reason is also unfounded. A survey report does not require communication from people interviewed confirming whether they trade in the goods bearing the

¹ Greater Kampala metropolitan area urban development program report Report No: PIDA257260

disputed brand or not. The only plausible evidence to challenge the report would have been to adduce evidence of use.

- 46. The above view is supported by judicial decisions, which have held that the registered proprietor/ Respondent is better placed to prove use by adducing evidence of actual use (*see *Potomac Tobacco Company Ltd v. British American Tobacco Co. Ltd & British American Tobacco (Brands) Ltd* (Miscellaneous Application No. 436 of 2006)*. This means that upon filing of an application for removal on grounds of non-use, with supporting evidence, the burden shifts to the proprietor—in this case the Respondent to prove bonafide use by admission of evidence to the contrary. In *C-609/11 P *Centrotherm Systemtechnik GmbH v Office for Harmonization in the Internal Market** the principle was affirmed at para 62 of the judgment as follows; "It is common ground that the proprietor is the best placed – and in some cases the only party able – to furnish specific proof in support of the assertion that he has made genuine use of his mark or set out the proper reasons for non-use of the mark. This includes inter alia evidence establishing such use, of which Rule 22(4) of Regulation No 2868/95 provides a list of examples, such as packages, labels, price lists, catalogues, invoices, photographs or newspaper advertisements.*"
- 47. The Applicant has filed a report alleging non-use on the part of the Respondent, to support its application for cancellation on grounds non-use of the disputed mark by the Respondent. The burden of proof shifts to the Respondent to prove use. The Respondent must not only prove "use" but "bonafide use". Bonafide use has been defined to mean actual use by the registered proprietor or a third party with the authority of the proprietor and that such use must be consistent with the function of the trademark, relating to the goods being marketed or traded (see *Walton International Ltd v Verweij Fashion BV* (2018) R. P. C 19)
- 48. In defense of its application, the Respondent filed what appears to be a counterstatement dated 6 May 2024. The same is commissioned which is irregular as a counterstatement is akin to a defense and hence does not require commissioning. The Respondent did not file evidence by way of statutory declaration as required by regulation 71 and 32 of the Trademark Regulations despite directions by the Office to file both a counterstatement and evidence. The counterstatement however, alludes two instances of use; several pictures of biscuits containing the word "supreme" and evidence of assignment of the trademark to the Third party with respect to rice, which was effected during the pendency of these proceedings. I must emphasize that evidence of assignment does not count in these proceedings because it arose after this application had been filed. The evidence of use must be that which show instances of use before the filing of the cancellation application and such use must be within a period of 3 years and one month before the date of the application. Section 46 (1) (a) and (b) of the Trademarks Act sets the duration of consideration;

(a). the trademark was registered without a 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 her or, if it was registered under [section 54\()(https://ulii.org/akn/ug/act/2010/17/eng@2010-09-03#part_V_sec_54)1), by a body corporate or registered user concerned and that there has in fact been no bona-fide use of the trademark in relation to those goods or services by any owner up to the date one month before the date of the application; or

(b) *at least one month prior to the date of the application a continuous period of three years or more elapsed during which the trademark was a registered trademark and during which there was no bona-fide use in relation to those goods or services by any owner."*

- 49. The application for cancellation was filed on 25 February 2021 yet the assignment and transfer was filed on the 23 October 2023, a period of more than one year. I agree with submissions of Counsel for the Applicant that post-cancellation proceedings evidence does not count in determination of use.
- 50. This leaves the images of biscuits bearing the word "supreme" annexed to the counterstatement. There is no explanation as to where and when these images were taken. There is also no explanation whether the Respondent is the manufacturer or a mere distributor of the products. Para 5 (b) of the counterstatement mentions commercial invoices annexure A as proof of use of the mark, however, the alleged commercial invoice is not annexed. In his submissions, Counsel for Respondent states that "the sample commercial invoices referred to in the Respondent's counter claim are attached to the submissions for ease of reference". It is strange that Counsel seeks to admit evidence from the bar, having failed to do so by statutory declaration as required by the Trademark Regulations. I hereby expunge this piece of evidence from the record.
- 51. All the evidence ought to have been admitted by way of statutory declaration as required by law. The statutory declaration made on oath would have explained the circumstances of use with annexures clearly commissioned. Therefore, without a duly filed statutory declaration proving details of bonafide use including detailed averments that state the place and time of use, the Respondent does not discharge the burden of proof. For instance, a statutory declaration would have stated in details when and where the images were taken to guide the hearing Officer in assessing bonafide use. Unfortunately, the Respondent omitted to file evidence by way of statutory declaration and as such, the images annexed to the counterstatement do not discharge the burden of proof. I note also that commissioning a counterstatement in and of itself did not turn it into statutory declaration. Even if the same was to be treated as both as evidence and a defense,

the gaps therein make it impossible for the Respondent to discharge the evidential burden.

52. Counsel for the Third party has drawn my attention to the provisions of section 54 of the Trademarks Act, which states that;

" where under the Act, the use of the registered trademark is required to be proved for any purpose, the court or the Registrar may, accept use of associated registered trademark or of a trademark with additions or alterations not substantially affecting its identity, as equivalent for the use required to be proved" .

- 53. Based on the above provision, Counsel for the Third party submits that because the Respondent is also the registered proprietor of the disputed mark in classes 29 and 32, this should be considered as proof of use of the disputed mark in these proceedings. I do not agree with this argument. First, the discretion is exercised with respect to use of associated marks only and not use of the same mark registered in different classes. While it is true that under section 54, the Registrar has discretion to accept use of an associated mark as proof of use of a registered mark whose use is required to be proved, the Respondent does not have trademarks associated with the disputed mark on the register. Second, in the context of these proceedings, discretion to consider associated marks under section 54 is only exercised when assessing properly filed evidence, which in this case would be by way of statutory declaration. In this case, the Respondent omitted to file evidence, and as such has not proved use of any associated marks. I therefore find that the Respondent has not proved use of the disputed trademark either directly or by use of associated trademarks.
- 54. Relatedly, Counsel for the Respondent submitted that the assignment to the Third party is permitted use of a trademark and that permitted use is deemed use by the registered owner within the meaning of section 49 of the Trademark Act. While it is true that use of a trademark by a permitted user is deemed use, and indeed

section 49 (3) provides that permitted use shall be deemed use for purposes of section 46, this argument does not hold water for reasons already stated, namely that such use must have taken place before the filing of the cancellation application for it to be considered in the assessment of evidence of use. The alleged permitted use took place in October 2023—two years after the filing of this application.

55. The general conclusion from the unrebutted evidence submitted by the Applicant is that on a balance of probability, there is no actual use by the Respondent of "SUPREME" trademark in the market for goods in class 30 of the Nice Classification of goods and services. Section 46 of the Trademarks Act is aimed at preventing persons from registration of trademarks without any intention of bona fide use at all (*the exception is defensive registration for well-known marks*). I find the dictum of Court in the case of **Blue Bell, Inc. v Farah Mfg. Co., United States Court of Appeals, Fifth Circuit, 1975 508 F.2d 1260, 185 U. S. P. Q.1.**; cited with approval in **Tecno Telecom Limited v. Kigalo Investments Ltd (Miscellaneous Cause No. 17 of 2011)** quite authoritative on this principle. In that case, the US Court of Appeal, 5th Circuit stated that; *"While goods may be identified by more than one trademark, the use of each mark must be bona-fide. Mere adoption of a mark without bona-fide use, in an attempt to reserve it for the future, will not create trademark rights. In the instant case, Bell's attachment of a secondary label to an older line of goods manifests a bad faith attempt to preserve the mark. We cannot countenance such activities as a valid use in

trade*" (emphasis mine). The evidence in the instant application shows that the Applicant has not used the trademark. A critical point to note is that section 46 requires such non-use to be at least for 3 years and one month leading to the date of the application. Does this mean that evidence should be adduced to prove non-use for the entire period of 3 years and one month? This would imply that a report of non-use covers a straight period of three years and one month, which in my view is not practical. The correct approach is therefore to presume that when

a person registers a trademark, they intend to use it. Therefore, if a challenge on grounds of non-use is filed and evidence of non-use is adduced, the onus is on the registered proprietor to prove any instance of use within the three year, one month window. The Respondent does not discharge that burden.

- 56. I note however that the Third party herein acquired partial ownership rights with respect to rice. These rights were acquired after the commencement of these proceedings. While there was no illegality with the transaction, prudence required that due diligence is done before executing the assignment. Counsel for the Third party submits at para 3.5 of the submissions, that a search was conducted, yet maintains that the Third party had no knowledge of ongoing proceedings. While purchasing rights over a trademark, it is prudent to conduct a comprehensive study, including inquiring whether there are proceedings challenging the validity of the trademark being transacted. The application for cancellation of the trademark was filed in February 2021, and the assignment executed in October 2023. How did the agent or advocate handling the transaction miss this important information on record?
- 57. A purchaser of an intellectual right or indeed any proprietary right who buys without conducting sufficient diligence or who ignores existing claims acquires the right subject to any encumbrances or claims existing on such a right because they voluntarily assumed the risk. Where such claims finally lead to loss of rights, there could be remedies against the seller either in a claim for indemnity or compensation or according to the terms of the agreement between the parties. However, these can only be sought before Courts of Judicature. In this case, the Third party acquired a right over a trademark that was subject of cancellation proceedings and therefore must bear the consequences of the outcome of these proceedings and may seek any potential remedies available to it.

REMEDIES

- 58. The Applicant having proved non-use, and the Respondent having failed to rebut that evidence, this application succeeds. Trademark No. UG/T/2007/029770 is accordingly cancelled and removed from the Register.
- 59. Each party shall bear its costs.

I so order,

> Birungi Denis Ass. Registrar of Trademarks

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