

Levi Strauss & Co v Coconut Trouser Manufacturers (Pty) Ltd
[2001] 4 All SA 1 (A)

Division: Supreme Court of Appeal
Date: 17 May 2001
Case No: 274/99
Before: Harms, Schutz, Farlam, Mthiyane JJA and Chetty AJA
Sourced by: PR Cronje
Summarised by: D Harris
Parallel Citation: [2001 \(3\) SA 1285](#) (SCA)
. [Editor's Summary](#) . [Cases Referred to](#) . [Judgment](#) .

[1] Trade marks - Competing applications for registration - First application would take precedence - Intention to use trade mark constituting the jurisdictional fact in such application - Absence of such intention by one applicant resulting in other application taking precedence.

Editor's Summary

In the present appeal, the issue for determination was that of the competing rights of the Appellant and Respondent, for the registration of trademarks under [section 17\(3\)](#) of the Trade Marks Act [62 of 1963](#). The Appellant had been marketing clothing under a certain trademark overseas for some time. Before it reached the South African market, a local businessman, aware of the use of the mark by Appellant, applied for the registration of the mark in a certain class in relation to clothing. Subsequently, the Appellant applied for registration of its mark in the same class. The Registrar of Trade Marks had to determine the rights of the two parties in terms of the Act, and ruled in favour of the Appellant. By that time, the businessman mentioned above had been replaced by the Respondent. The latter successfully appealed against the Registrar's decision, leading to the present appeal.

Held - The businessman who had initially applied for the registration of the trademark before being substituted by the Respondent had alleged that he had intended to use the mark in respect of clothing. This turned out to be false. Without an intention on the part of Respondent to use the trademark, the Appellant's applications for registration were entitled to precedence. When the Respondent's predecessor in the application became aware of this problem, he applied to the Registrar for the substitution of himself with the Respondent, without notice to the Appellant.

The granting of the substitution was held by the court *a quo* and by the present Court to be irregular. As a result, the substitution could not have any retrospective effect, and the question remained as to whether the respondent's predecessor intended to use the trademark at the date of his application for registration. As he had conceded that he had no such intention, his argument that his application was first in line and that the first filing date would determine the outcome of the case, fell away. According to the Court, even if the substitution of the Respondent for its predecessor in the application could be equated with the amendment of a pleading as sought to do by the Respondent, it could not confer on the Respondent rights which the original applicant lacked.

The Registrar was thus required to decide the competing applications for registration without regard to the substitution. Intention was the jurisdictional fact in this regard. As the Respondent's predecessor lacked the required intention at

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the relevant time, the Appellant was held to be entitled to precedence in its application.

Notes

For Trade Marks see *LAWSA* (Vol 29, paras 1 - 266)

Cases referred to in judgment

("C" means confirmed; "D" means distinguished; "F" means followed and "R" means reversed. **HN** refers to corresponding headnote number.)

South Africa

Associated Paint & Chemical Industries (Pty) Ltd t/a Albestra Paint and Lacquers v Smit [\[2000\] 2 All SA 115](#) (A); [2000 \(2\) SA 789](#) (A)

Cowbell AG v ICS Holdings Ltd Case number 250/99, unreported (A)

Du Toit v Highway Carriers and another [1999 \(4\) SA 564](#) (W)

Valentino Globe BV v Phillips and another [\[1998\] 4 All SA 1](#) (A); [1998 \(3\) SA 775](#) (A)

Victoria's Secret Inc v Edgars Stores Ltd [1994 \(3\) SA 739](#) (A)

Venda

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Judgment

HARMS JA:

- [1] This appeal concerns a determination of the rights of competing applicants for the registration of trade marks under [section 17\(3\)](#) of the Trade Marks Act [62 of 1963](#). During 1986, the appellant ("Levi Strauss"), a well-known clothing manufacturer based in the United States of America, began marketing men's clothing under the trade marks Dockers (as a word mark) and Dockers with a wings device. Starting in 1987 it began registering them worldwide. Before reaching the South African market and prior to the filing of registration applications in this country, Mr Chaiman Nathoo, a local businessman who was aware of the use of these marks by Levi Strauss overseas, filed an application on 12 September 1988 for the registration (88/8163) of the mark Dockers *simpliciter* in class 25 in relation to articles of clothing excluding footwear. Nearly a year later, on 9 August 1989, Levi Strauss filed two applications (89/7138 and 89/7139), also in class 25 and relating to, *inter alia*, clothing, for its said marks.
- [2] The Registrar of Trade Marks was subsequently called upon to determine the rights of these two parties under [section 17\(3\)](#) which read as follows:

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"Where separate applications are made by different persons to be registered as proprietors respectively of trade marks that so resemble each other that the use of such trade marks in relation to goods or services in respect of which they are respectively sought to be registered would be likely to deceive or cause confusion, the registrar may refuse to register any of them until the rights of those persons have, upon application in the prescribed manner, been determined by him, or have been settled by agreement in a manner approved by him."

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The parties duly filed their statements of case and supporting affidavits and after argument the Registrar ruled in favour of Levi Strauss by accepting its applications and directing that they be advertised in the Patent Journal. By the time of the hearing Mr Nathoo had been replaced by the present respondent ("Coconut") as the applicant for the registration of the first-mentioned trade mark under circumstances to which I shall return. In any event, there was an appeal by Coconut and a cross-appeal by Levi Strauss to the Full Court of the Transvaal Provincial Division. The appeal was upheld and the cross-appeal dismissed (by Du Plessis, Southwood and Van der Westhuizen JJ). The net effect of the order was that the Coconut application was accepted. Hence the present appeal by Levi Strauss.

- [3] A number of matters need not detain us. First, the application has to be decided under the 1963 Act and not under the current Trade Marks Act [194 of 1993](#) (see its [section 3\(2\)](#)). Second, Levi Strauss has a right of appeal to this Court without any leave (*Cowbell AG v ICS Holdings Ltd*, an as yet unreported judgment of this Court). Third, all things being equal, the first application for a trade mark in South Africa has in these circumstances priority (at least under the 1963 Act) and the fact that Mr Nathoo intentionally copied a foreign trade mark is *per se* of no consequence (*Victoria's Secret Inc v Edgars Stores Ltd* [1994 \(3\) SA 739](#) (A) at 746F-H). Fourth, the Registrar's ratio in upholding Levi Strauss's claim to preference was patently wrong and based upon an incorrect understanding of the evidence relating to use.
- [5] In spite of the fact that Mr Nathoo "trading as Milord Clothing Industries" alleged in his application form that he proposed to use the Dockers trade mark in respect of clothing, it transpired during the exchange of evidence that this claim was false. His explanation was that he was a director of Coconut and it was this company which traded as Milord Clothing Industries; because he was a principal shareholder, he wrongly equated himself with the company; and he was under the bona fide impression that he could give instructions to file the application in his name. Because Mr Nathoo never had the intention to use the trade mark, he could not have claimed to be its proprietor and, once again, all things being equal, Levi Strauss's applications were then entitled to precedence (*Valentino Globe BV v Phillips and another* [1998 \(3\) SA 775](#) (A)).
- [6] Aware of his Achilles heel and conscious of the fact that Levi Strauss had raised the issue pertinently and had stated that in its view the matter could not be rectified, Mr Nathoo surreptitiously and without notice to Levi Strauss, applied to the Registrar for a substitution of Coconut for himself as applicant for the trade mark and the Registrar, without notice

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to Levi Strauss, granted the substitution. Apart from the unprofessional conduct in approaching the Registrar in this manner, the application to substitute Mr Nathoo was, as the Full Court noted, irregular in almost every possible respect.

- [7] How did the Registrar substitute the one for the other as applicant? Reliance was placed by counsel upon sections 49(7) and [56\(2\)](#) which permitted the substitution of an applicant for the registration of a trade mark. Assuming that the substitution was in terms of these provisions, it could only have been effected *ex nunc* and not *ex tunc*. Since, generally speaking, a claim to proprietorship in a registered trade mark arises by way

of an application for registration provided the applicant used or has an intention to use the mark ([section 20\(1\)](#)), the date of application for registration determines the date of the vesting of the right. Prior or existing use is only relevant in the event of competing claims of proprietorship. Mr Nathoo never had the intention to use the mark and never used it. Coconut, likewise, had not used and had no intention of using the mark, at least not at the time of Mr Nathoo's application. In other words, the substitution could not have had any retrospective effect and Coconut could not have been in a better position or possessed of greater rights than Mr Nathoo. This much was conceded during argument. Any other conclusion would make nonsense of the registration system and the requirement of proprietorship. The question thus still remained whether Mr Nathoo as first claimant to proprietorship had the intention to use the trade mark at the date of his application, a question not affected by the substitution. In view of his concession that he did not have that intention, the only issue raised by him, namely that his application was first in line and that the first filing date determined the outcome of the case, became a non-issue.

- [8] The Full Court came to a different conclusion. It assumed that the Registrar had acted under section 20(9) which provided that the Registrar may permit an applicant to amend his application upon such terms as the Registrar may think fit. It proceeded to hold that this would include a substitution of the applicant because substitution is a form of amendment; amendments are effective retrospectively; therefore, this change of applicant operated retrospectively; and since Coconut was now the first applicant to file an application, its application had to be accepted in preference to those of Levi Strauss. The underlying assumptions and the reasoning are, in my view, flawed.
- [9] In order to read the right to substitute into section 20(9), the Full Court relied upon regulation 56 of the Trade Marks Regulations 1971, without having regard to the principle that a statute may not be interpreted by reference to subordinate legislation. By reading into section 20(9) a right to substitute different from those explicitly mentioned in section 49(7) and [56\(2\)](#), the Full Court overlooked the principle that general provisions do not override specific provisions.
- [10] Assuming that section 20(9) was nevertheless applicable, I turn to the statement that substitution is a form of amendment, in reliance upon Herbstein & Van Winsen *The Civil Practice of the Supreme Court of South*

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Africa 4ed 418. That may be so in the context of pleadings in litigation (although vital distinctions remain between a so-called substitution which is no more than the correction of a misnomer, and a true substitution of parties: cf *Du Toit v Highway Carriers and another* [1999 \(4\) SA 564](#) (W) and compare Uniform Rule 15 with Rule 28). An application for the registration of a trade mark, however, is not a pleading but a formal act which creates rights effective against the public.

- [11] The further finding, namely that amendments of pleadings are retrospective, may as a matter of procedural law be generally true, but that does not mean that it is true as a matter of substantive law. Amendments of pleadings cannot create rights. They cannot, for instance, resuscitate a prescribed claim or defeat a statutory limitation as to time (*Dumasi v Commissioner, Venda Police* [1990 \(1\) SA 1068](#) (V) at 1071C-D). In this regard the judgment in

Associated Paint & Chemical Industries (Pty) Ltd t/a Albestra Paint and Lacquers v Smit [2000 \(2\) SA 789](#) (A) is instructive. Company A issued a summons claiming payment. Later notice of intention to amend the name of the plaintiff from company A to company B was given. Both A and B were registered companies. Prescription had in the meantime run and the amendment was refused, an order confirmed on appeal. The ratio of the judgment was this (paragraph 18 of the judgment):

"In the present case a summons was served on the defendant whereby the plaintiff [A] claimed payment of the debt. It subsequently transpired that the plaintiff [A] was not the defendant's creditor . . . It is common cause therefore that a debtor-creditor relationship between the defendant and the plaintiff [A] never existed. Consequently the summons did not constitute a process whereby *the creditor* [B] claimed payment of the debt. The running of prescription in respect of the debt was accordingly not interrupted by service of the summons on the defendant."

If the proposed amendment could have had retrospective effect as a matter of substantive law, the conclusion would have been different. By parity of reasoning, the substitution of Coconut did not transform the original application into an application in which Coconut claimed proprietorship by virtue of an intention existing on 12 September 1988 to use the trade mark. An amendment cannot create jurisdictional facts (in this case an intention to apply for registration and an intention to use) which do not otherwise exist. To summarise, even if the substitution can be equated with the amendment of a pleading it did not, as a matter of substantive law, retrospectively confer upon Coconut rights which Mr Nathoo did not possess.

- [12] Having come to the conclusion that the Registrar was called upon to decide the competing claims to proprietorship without regard to the substitution, it becomes unnecessary to decide whether the substitution was void or voidable and whether the Registrar was competent to decide such issues. A further consequence is that since Mr Nathoo's intention was the jurisdictional fact and because he did not have the required intention at the relevant time, Levi Strauss is entitled to precedence. Counsel, however, raised two other matters in this regard. He submitted

that Levi Strauss could not succeed because it did not place sufficient evidence before the Registrar of its intention to use the marks at the date of its applications. In this regard he drew a comparison between the facts of this case and those of *Victoria's Secrets (supra)* at 754F-H. I do not intend to analyse the facts for the simple reason that the question of Levi Strauss's intention was never a matter in contention. As is required, its application forms contain the allegation of the necessary intention. Neither in Mr Nathoo's statement of case nor in any of his evidence was the allegation disputed, not even by implication. All that was raised was the question of Levi Strauss's *prior* use of the marks, something never relied upon by it. Levi Strauss was therefore not called upon to deal with the matter and the Full Court was not entitled to base part of its reasoning thereon.

- [13] Counsel further argued that the evidence establishes that Coconut is entitled to the mark because of its use of the mark antedating Levi Strauss's applications. For this he relied on a bald statement in Mr Nathoo's affidavit that the company caused small quantities of Dockers T-shirts to be imported

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into South Africa "from about 1988". The year 1988 is convenient because it is before 9 August 1989, the date of the Levi Strauss applications. But, "from about 1988" does not necessarily mean during 1988 or even before Levi Strauss's date in 1989. In addition, the opposition to Levi Strauss's applications was never premised upon prior use by Coconut. When asked for discovery, Mr Nathoo declined to produce any documents relating to importation or sales because they were, having regard to the issues in the case, irrelevant. The belated attempt during argument to amend the statement of case at the conclusion of argument in this Court cannot change the nature of the case and make issues out of non-issues. Lastly, Coconut never intended to use the mark as its proprietor; at best it was used as result of an implied licence from Mr Nathoo. Whether such use can found a claim to proprietorship is unclear.

- [14] It follows that the appeal has to succeed. I have not dealt with the dismissal with costs of Levi Strauss's cross-appeal by the Full Court. The object of the cross-appeal was to undo the findings of the Registrar in relation to the substitution. The cross-appeal was out of order because the Registrar was not called upon nor did he make an order in this regard. However, because of the improper manner in which the substitution had been obtained, I do not intend ordering Levi Strauss to pay these costs. In the result:

- (1) the appeal is upheld with costs, including the costs of two counsel;
- (2) the order of the court *a quo* is set aside and substituted with an order dismissing the appeal and cross-appeal and ordering the appellant (Coconut) to pay the costs.

(Schutz, Farlam, Mthiyane JJA and Chetty AJA concurred in the judgment of Harms JA.)

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