

McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and another; McDonald's Corporation v Dax Prop CC and another; McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and another
[1996] 4 All SA 1 (A)

Division: Appellate Division
Date: 27 August 1996
Case No: 547/95
Before: Corbett CJ, EM Grosskopf, Nestadt, Schutz JJA and Plewman AJA
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Appeals - Admissibility of evidence - Decision on admissibility of evidence is generally one of law and not discretion - Appeal court entitled to overrule such decision on appeal if it considered it to be incorrect.

Appeals - Application to adduce further evidence on appeal - Circumstances which arose after decision of lower court - General principle is that appeal court determines whether judgment appealed from is right or wrong according to the facts in existence at the time the judgment was given - Evidence of subsequent events only admitted if adequate reason existed for exception to the general rule.

Evidence - Admissibility of - Appeal against refusal to admit evidence - Decision on admissibility of evidence is generally one of law and not discretion - Appeal court entitled to overrule such decision on appeal if it considered it to be incorrect.

Evidence - Admissibility of - Market surveys - Even if such evidence is hearsay, may be admitted under one of the exceptions provided in [section 3\(1\)\(c\)](#) of the Law of Evidence Amendment Act [45 of 1988](#) - In casu, no substantial disadvantage or prejudice to other parties and reliability of results of survey not disputed - Court holding that such evidence was admissible.

Evidence - Application to adduce further evidence on appeal - Circumstances which arose after decision of lower court - General principle is that appeal court determines whether judgment appealed from is right or wrong according to the facts in existence at the time the judgment was given - Evidence of subsequent events only admitted if adequate reason existed for exception to the general rule.

Evidence - Circumstantial - Court must weigh up the cumulative effect of all the evidence - Analysing individual items of evidence and showing that each, by itself, has little or no probative value is wrong approach to circumstantial evidence.

Trade marks - Trade Marks Act [194 of 1993](#) - [Section 35](#) - Meaning of "well-known trade mark" and "well known in the Republic" - A trade mark is "well known in the Republic" if it is known to a substantial portion of the persons who are interested in the goods or services to which it relate.

Trade marks - Trade Marks Act [194 of 1993](#) - [Section 36\(2\)](#) - Meaning of "bona fide use" - Trade mark must be used for the purpose of distinguishing the goods or services provided thereunder from the same kind of goods and services connected in the course of trade with any other person - In casu, predecessor in title had not used the trade mark bona fide and [section 36\(2\)](#) could not be used as a defence.

Trade marks - Trade Marks Act [62 of 1963](#) - [Section 36\(1\)](#) - Removal of trade mark from trade marks register - Discretion of court - Court retains general discretion even where [section 36\(1\)](#) is applicable - Party showing that it is entitled to relief under [section 36\(1\)](#)

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will not be deprived of such relief by the exercise of this general discretion unless there are exceptional circumstances.

Trade marks - Trade Marks Act [62 of 1963](#) - [Section 36\(1\)](#) - Removal of trade mark from trade marks register - Discretion of court - Court retains general discretion even where [section 36\(1\)](#) is applicable - In deciding whether or not to exercise this discretion, a court must have regard to all relevant facts and circumstances - The fact that it would serve no purpose to allow the application because the applicant would not be entitled to use the trade mark by reason of some other legislation is a relevant circumstance.

Editor's Summary

The Appellant ("McDonald's"), a franchiser of fast food restaurants, was registered in the United States of America and operated internationally. It had registered 52 trade marks in South Africa but had not traded in or used any of its trade marks in the country.

The Joburgers application: In 1993, a South African company, Joburgers Drive-In Restaurant ("Joburgers"), applied for the registration of some of the trade marks used by McDonald's and also for the expungement of the trade marks of McDonald's from the trade marks register. The managing director of Joburgers indicated in the media that he intended opening a national McDonald's hamburger chain. In response thereto, McDonald's wrote to Joburgers demanding that it undertake not to use the trade marks of McDonald's. Joburgers failed to provide such an undertaking and McDonald's launched an urgent application on the basis of infringement of its trade marks, passing

off and unlawful competition. An order was granted by agreement on 28 September 1993 that Joburgers would not infringe the trade marks of McDonald's pending the determination of the application. Joburgers filed a counter-application for the expungement of the McDonald's trade marks on the basis that they were registered without any *bona fide* intention that they be used and that they had in fact not been used for the periods required by [section 36\(1\)](#) of the Trade Marks Act [62 of 1963](#) ("the old Act"). In the meantime, Joburgers had purchased a business in Durban trading under the name MacDonalds. McDonald's became aware of this early in 1994 and launched proceedings for relief on the grounds that Joburgers was in contempt of the court order of 28 September 1993. On 15 March 1994, Nugent J declared that Joburgers was in contempt and ordered that all proceedings in respect of its counter-application to expunge the McDonald's trade marks be stayed until it had purged its contempt. The next day, Joburgers informed McDonald's that it had disposed of MacDonalds.

The Dax application: In May 1994, McDonald's became aware that MacDonalds in Durban was being conducted by Dax Prop CC ("Dax") and wrote to Dax requesting an undertaking that it cease to use the name MacDonalds or any other trade mark which was deceptively or confusingly similar to McDonald's. No such undertaking was given. Dax then applied to register the name MacDonalds as a trade mark and launched an application against McDonald's seeking the expungement of the McDonald's trade marks. McDonald's brought a counter-application for an interdict preventing Dax from infringing its trade marks.

The well-known marks application: On 1 May 1995, the Trade Marks Act [194 of 1993](#) ("the new Act") came into force and repealed the old Act. [Section 35](#) of the new Act provided for the protection of "well-known" trade marks emanating from certain foreign countries. On 20 June 1995, McDonald's brought an application against Joburgers and Dax under [section 35](#), claiming that all 52 of

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its trade marks were well-known marks in terms of the section and that an order should be granted interdicting and restraining Joburgers and Dax from imitating, reproducing or transmitting those trade marks in South Africa.

[Section 3\(2\)](#) of the new Act provided that all applications and proceedings commenced under the old Act should be dealt with in accordance with the provisions of that Act as if it had not been repealed. The Joburgers and Dax applications were therefore dealt with under the old Act and the well-known marks application under the new Act.

The applications were heard together by Southwood J who found against McDonald's in all three matters.

On appeal, McDonald's applied to adduce further evidence relating to two matters which had arisen after the decision of the court *a quo*: the first related to recent business activities of Dax and McDonald's and resultant litigation between them; and the second concerned the assignment to Dax by Joburgers of its rights in or to the McDonald's trade marks.

Held - The Court held that the general principle was that an appeal court determined whether the judgment appealed from was right or wrong according to the facts in existence at the time the judgment was given and not according to new circumstances which came into existence afterwards. In principle, evidence of events subsequent to the judgment under appeal should not be admitted in order to decide the appeal although there might be exceptions to this rule. In this case, no adequate reason was given why such an exception should be made with regard to the evidence relating to the litigation between Dax and McDonald's. Regarding Joburgers' assignment, the Court found that the new evidence did not suggest that a judgment in favour of McDonald's would have no practical effect or result; at most the evidence tended to show that one of the respondents no longer had an interest in the appeal, a situation for which section 21A of the Supreme Court Act 59 of 1959 provided no remedy. Moreover, the new evidence was controverted by further evidence tendered by Joburgers and Dax. The application to adduce further evidence was accordingly dismissed with costs.

On the merits, the Court first considered the well-known marks application. The essential dispute between the parties in this application was what level of awareness in the public mind was required for a mark to qualify as "well-known" in terms of section 35 of the new Act. In interpreting the expressions "well-known trade mark" and "well known in the Republic", the Court looked at the background to section 35 and noted that it had its origins in article 6*bis*(1) of the Paris Convention on the Protection of Industrial Property of 20 March 1883, as amended. Prior to the enactment of the new Act, it was necessary for a foreign company to show the existence of a goodwill within South Africa to found a claim in respect of passing off; this was also the situation in the United Kingdom prior to the enactment of the British Trade Marks Act of 1994. Section 35(1) of the new Act pertinently extended protection to the owner of a foreign mark whether or not such person carried on business or had any goodwill in South Africa; the protection granted was a prohibition on the use of the mark in relation to goods or services in respect of which the mark was well known and where such use was likely to cause deception or confusion. The Court held that a mark was "well known in the Republic" if it was well known to persons interested in the goods or services to which it related. In the context of the present case, the important question was whether sufficient

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persons knew the mark well enough to entitle it to protection against deception or confusion. In deciding how many people were sufficient, the concept of a substantial number of persons in the existing law of passing off provided a practical and flexible criterion which was consistent with the terms of the new Act.

The Court then considered the evidence concerning the extent to which the McDonald's trade marks were known in South Africa. McDonald's allegation that, in view of the vast scale of its operations, its trade marks were some of the best known in the world had not been denied by the Respondents. The Court found that the spill over of advertising into South Africa through printed publications and television must, in all probability, be quite extensive

and the trade marks would also be known to many South Africans who had travelled abroad. The general level of knowledge in South Africa about the operations of McDonald's was also demonstrated by the fact that McDonald's had received 242 requests from South Africans between 1975 and 1993 to conclude franchising agreements with it. The fact that Joburgers and Dax had gone to considerable trouble and expense to obtain control over the McDonald's trade marks confirmed the reputation attaching thereto. There was also the evidence of the managing director of a South African company which gave advice on franchises that he had received numerous enquiries regarding McDonald's. The activities of McDonald's in other countries also received coverage in the South African press.

There was also evidence of two market surveys regarding the awareness of the public of the name and trade marks of McDonald's. Regarding the admissibility of this evidence, the Court held that even if such evidence was hearsay, it should be admitted under one of the exceptions provided in [section 3\(1\)\(c\)](#) of the Law of Evidence Amendment Act [45 of 1988](#). No substantial disadvantage flowed from admitting the market surveys and there was no prejudice to the other parties. In any event, Joburgers and Dax had not seriously contended that the results of the surveys were unreliable; their main contention was that the results had no probative value as being limited to too small a universe (i.e. the class of persons tested). As the Court disagreed with this view, it held that the evidence should have been admitted. The Court rejected the argument that the court *a quo* had exercised a discretion in refusing to allow the evidence and that its decision in that regard could only be set aside if the Court considered that such discretion was not judicially exercised; the Court held that a decision on the admissibility of evidence was generally one of law, not discretion, and that it was entitled to overrule such a decision by a lower court if it considered it to be wrong.

On the effect to be given to the evidence, the Court held that the approach of the court *a quo* to analyse each item of evidence and to show that it, by itself, had little or no probative value was the wrong approach. The Court held that it was dealing with circumstantial evidence and that it had to weigh the cumulative effect of all the evidence.

The Court found that at least a substantial portion of persons who would be interested in the goods or services provided by McDonald's knew its name which was also its principal trade mark; this mark was well known for the purposes of section 35 of the new Act. The Court held that if the McDonald's mark was used as contemplated by Joburgers and Dax in relation to the same type of fast food business as that conducted by McDonald's, it would cause deception or confusion within the meaning of section 35(2) of the new Act.

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The Court dismissed the argument of Dax that its use of the mark MacDonalds in respect of its Durban business was permitted by section 36(2) of the new Act in that Dax or its predecessor in title had made continuous and *bona fide* use of the mark from the relevant date in the subsection. The Court held that *bona fide* use of a trade mark within the meaning of section 36(2) was use for the purpose of distinguishing the goods or services provided under that mark from the same kind of goods and services connected in the course of trade with any other person. *In casu*, the Court found on the facts that Dax's predecessor in title, Joburgers, did not use the mark MacDonalds *bona fide* and section 36(2) therefore did not provide any defence to McDonald's claim under section 35(3).

The Court concluded that the well-known marks application should have succeeded in the court *a quo*, at least in respect of the mark "McDonald's".

The Court held that it was not necessary to consider the applications for removal of the trade marks from the register under section 36(1) of the old Act in view of the fact that the well-known marks application had succeeded in respect of the mark "McDonald's". Even if the applications succeeded, they would not benefit Joburgers or Dax as they would still be interdicted from using the mark "McDonald's".

The Court held that it retained a general or residual discretion to refuse to remove a trade mark from the register even where section 36(1)(a) or (b) was applicable. A party showing that it was entitled to relief under the section would not be deprived of such relief by the exercise of a general discretion unless there were exceptional circumstances. The Court found that the present circumstances were exceptional.

The Court held that while the Joburgers and the Dax applications had to be decided under the old Act, that Act empowered the Court to refuse applications in the exercise of a general discretion; in deciding whether to exercise that discretion, the Court had to have regard to all relevant facts and circumstances. In this case, it was a relevant circumstance that it would serve no purpose to allow the applications because Joburgers and Dax were in any event not entitled to use the relevant trade marks by reason of legislation other than the old Act (i.e. the new Act). In making use of these circumstances, the Court was not deciding the removal applications according to any other statute than the old Act, it was merely applying the principles of the old Act to the facts and circumstances relevant to the exercise of its discretion.

The conclusion of the Court that the well-known marks application ought to have succeeded in the court *a quo* mean that the lower court had exercised its discretion in respect of the other applications on a basis that was fundamentally wrong; the Court could therefore express its own views on whether those applications ought to have been granted.

The appeals in all three matters were accordingly allowed with costs.

Notes

For Appeals, see *LAWSA* (Vol 3, paragraphs 396-432)

For Evidence, see *LAWSA* Re-issues (Vol 9)

For Trade Marks, see *LAWSA* (Vol 29)

For the Law of Evidence Amendment Act [45 of 1988](#), see *Butterworths Statutes of South Africa* 1996 (Vol 4)

For the Trade Marks Act [194 of 1993](#), see *Butterworths Statutes of South Africa* 1996 (Vol 1)

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Cases referred to in judgment

Die Bergkelder v Delheim Wines (Pty) Ltd [1980 \(3\) SA 1171](#) (C)

Distillers Corporation (SA) Ltd v SA Breweries Ltd and Another; Oude Meester Groep Bpk and Another v SA Breweries Ltd [1976 \(3\) SA 514](#) (A)

Gulf Oil Corporation v Rembrandt Fabrikante en Handelaars (Edms) Bpk [1963 \(2\) SA 10](#) (T)

Hoechst Pharmaceuticals (Pty) Ltd v The Beauty Box (Pty) Ltd (In Liquidation) and Another [1987 \(2\) SA 600](#) (A)

Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd (1) [1989 \(1\) SA 236](#) (A)

John Craigh (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd [1977 \(3\) SA 144](#) (T)

Lorimar Productions Inc and Others v Sterling Clothing Manufacturers (Pty) Ltd [1981 \(3\) SA 1129](#) (T)

Oude Meester Groep Bpk and Another v SA Breweries Ltd; SA Breweries Ltd and Another v Distillers Corporation (SA) Ltd and Another [1973 \(4\) SA 145](#) (W)

R v De Villiers 1944 AD 493

Rembrandt Fabrikante en Handelaars (Edms) Bpk v Gulf Oil Corporation [1963 \(3\) SA 341](#) (A)

Slenderella Systems Inc of America v Hawkins and Another [1959 \(1\) SA 519](#) (W)

Tie Rack plc v Tie Rack Stores (Pty) Ltd and Another [1989 \(4\) SA 427](#) (T)

Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd and Others [1992 \(2\) SA 489](#) (A)

Australia

Conagra Inc v McCain Foods (Aust) (Pty) Ltd 23 IPR 193

Canada

Robert C Wian Enterprises, Inc v Mady (1065) 49 DLR (2d) 65

Valle's Steak House v Tessier et al. (1974) 49 CPR (2d) 218

United Kingdom

Alain Bernardin et Compagnie v Pavilion Properties Ltd [1967] RPC 581

Anheuser-Busch Inc v Budejovicky Budvar NP (trading as Budweiser Budvar Brewery) and Others [1984] FSR 413 (CA)

Commissioners of Inland Revenue v Muller & Co's Margarine Ltd [1901] AC 217 (HL)

The Athletes Foot Marketing Associates Inc v Cobra Sports Ltd and Another [1980] RPC 343 (Ch)

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Judgment

EM GROSSKOPF JA

This is a dispute about the use and continued registration of the appellant's trade marks. The appellant, to which I shall refer as McDonald's, is a corporation incorporated in the state of Delaware in the United States of America. It is one of the largest franchisers of fast food restaurants in the world, if not the largest. It first

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commenced business in the United States of America in 1955 and has carried on business internationally since 1971. It operates its own restaurants and also franchises others to do so. It sells hamburgers and other fast foods. The McDonald's trade mark is widely used in relation to restaurants owned by McDonald's as well as those that are franchised.

McDonald's obtained registration of its trade marks in South Africa in 1968, 1974, 1979, 1980, 1984 and 1985. It is now the registered proprietor of fifty-two marks. Of these, twenty-seven consist of or incorporate the word McDonald or

McDonald's. Also used is the letter M in the form of so-called golden arches, with or without the word McDonald's. Others consist of the words Big Mac, Egg McMuffin and McMuffin. There are also two clown devices. The trade marks are registered in respect of goods, mainly in classes 29 and 30, and for services in class 42.

When the present proceedings commenced, McDonald's had not traded in South Africa nor, we may assume for present purposes, had it used any of its trade marks here.

Joburgers Drive-Inn Restaurant (Pty) Limited ("Joburgers") is a South African company with its principal place of business in Johannesburg. Its managing director is Mr George Sombonos. Mr Sombonos has been engaged in the fast food industry since 1968. In 1979 he registered a company called Golden Fried Chicken (Pty) Limited ("Chicken Licken"). He holds 90% of the shares in the company and is its managing director. In 1979 Chicken Licken applied for the registration of a number of trade marks, including Chicken Licken. Since then it has franchised the Chicken Licken business so that to-day there are more than 177 stores throughout South Africa. Mr Sombonos says that Chicken Licken is the biggest fried chicken fast food franchise chain in the world not having its origins in the United States of America.

During 1992 Mr Sombonos on behalf of Joburgers decided to establish fast food outlets and restaurants using the trade marks McDonald's, Big Mac and the golden arches design. In 1993 Mr Sombonos applied for the registration of these and some other McDonald's marks. At the same time he applied to the Registrar of Trade Marks in terms of [section 36\(1\)\(a\)](#) and [\(b\)](#) of the Trade Marks Act, no [62 of 1963](#) ("the old act") for the expungement of the trade marks which are held by McDonald's. McDonald's opposed these applications and filed its counter-statements in the expungement applications during August 1993. During the same period McDonald's applied again for the registration of all the trade marks in its name.

On 29 August 1993 there appeared an article in the Sunday Times newspaper reading *inter alia* as follows:

"Big Macs may soon be eaten all over South Africa, but not because American hamburger giant McDonald's is entering the market. Nor will they be on sale before judgment in which could be SA's biggest trade mark battle.

Chicken Licken franchise owner George Sombonos plans to start his own national McDonald's hamburger chain. Sites have been chosen and an advertising campaign is being prepared.

Mr Sombonos's lawyer Shaun Ryan of Ryans Attorneys, says the first restaurant will open in Johannesburg 'as soon as physically possible'.

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The chain will serve McMuffins and Big Mac burgers. Restaurants will also be decorated with a large M device similar to two joined arches."

In response to this article McDonald's wrote through its attorneys to Joburgers's attorney *inter alia* as follows:

"We are instructed that the intended use of McDonald's trade marks [which were listed in an annexure to the letter] constitutes an infringement of our client's trade mark rights. Your client has unequivocally expressed a clear intention to use such trade marks.

We have been instructed to demand as we hereby do that your client unequivocally undertake that it will not use our client's registered trade marks or

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any other marks which are deceptively or confusingly similar to our client's registered trade marks."

Failing an undertaking as demanded in this letter McDonald's threatened legal proceedings.

Joburgers's reply was uncompromising. It read, *inter alia*,

"We are aware that your client is the Registrant for the trade marks listed in the Annexure to your letter. Your client is not the Proprietor of these trade marks. The true proprietor of the subject matter of these registrations is Joburgers Drive-Inn Restaurant (Pty) Limited. You may take it that it is our client's intention to both use and register its trade marks in the Republic of South Africa ... Your client is invited to take legal proceedings as threatened."

On 23 September 1993 McDonald's launched an urgent application against Joburgers in the Transvaal Provincial Division for relief on the grounds of infringement of its trade marks, passing off and unlawful competition. I shall refer to this application as the Joburgers application. On 28 September 1993 Swart J granted an order by agreement, the relevant part of which read as follows:

"The respondent undertakes pending the determination of this application and the proposed counter-application, not to infringe the applicant's registered trade marks ... which undertaking is made an order of court."

It came to Joburgers's notice that there was a fast food outlet in Durban trading under the name (or names) Asian Dawn and MacDonalds. MacDonalds, it is pointed out in passing, is spelt differently from McDonald's. On 15 October 1993 Mrs AT Pead, a director of Joburgers, and Mr SF Ryan, Joburgers's attorney, travelled to Durban from Johannesburg to buy the outlet. It is not quite clear from the papers who exactly owned the business but the interested parties were a close corporation called Asian Dawn Investments CC, its sole member Miss Sajee Bibi Farid Khan and her brother, Mr Rafique Khan. According to an affidavit by Mrs Pead she approached Mr Rafique Khan in the shop and offered to buy it as a going concern. She said she wanted it for her son to encourage him not to leave the country. (In fact she was acting for Joburgers and wanted to secure the trade mark for use in the present proceedings.) Mr Khan was prepared to sell if the price was right, but first wanted to speak to his sister as, he said, they were joint owners. Later he informed Mrs Pead that he had spoken to his sister and that they were willing to sell the business as a going concern for R250 000. The Joburgers contingent were not happy with the price, but

asked for an option to give them time to think about it. The parties then executed and signed a written option at a price of R250 000. Some days later, after

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further negotiations, the parties agreed telephonically on a price of R225 000. The Khans' attorney was to draw up a written contract.

The contract was not forthcoming. Mrs Pead phoned Mr Khan to find out what was happening. He told her that he had been approached by attorneys acting for McDonald's and that the price he had agreed with Mrs Pead was made to look "not only like peanuts but dried peanuts". He now wanted offers that were "telephone figures". No amount of persuasion could change his attitude, and Joburgers brought an urgent application to restrain Mr and Miss Khan and her close corporation from selling, alienating or otherwise disposing of the business. An order to this effect was granted. Ultimately, on 22 November 1993, the parties entered into a new contract of sale at a price of R350 000.

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In the meantime the proceedings between McDonald's and Joburgers were continuing. On 15 November 1993 Joburgers served answering affidavits and a counter application. The main relief sought in the counter application was the expungement of the McDonald's trade marks in terms of [section 36\(1\)\(a\)](#) and [\(b\)](#) of the old act, i.e., on the grounds, broadly stated, that the marks were registered without any *bona fide* intention on the part of McDonald's that they should be used and that they had in fact not been used for the periods required by the section.

Early in 1994 McDonald's became aware that Joburgers was conducting the business in Durban under the name MacDonald's. McDonald's immediately launched proceedings for relief on the grounds that Joburgers was in contempt of court - it was contravening the order granted by consent on 28 September 1993 in terms of which Joburgers undertook (and was ordered) not to infringe the registered McDonald's trade marks. The matter came before Nugent J. On 15 March 1994 he declared that Joburgers was in contempt of the earlier order and that all proceedings in respect of its counter-application to expunge the McDonald's trade marks be stayed until it had purged its contempt.

On the very next day Joburgers' attorney wrote to the attorneys for McDonald's to say that Joburgers had disposed of the business. Requests by McDonald's for further information about the disposal proved fruitless.

In May 1994 it came to the notice of McDonald's that the MacDonald's business in Durban was being conducted by Dax Prop CC ("Dax"). The sole member of Dax is Mr George Charalambous. He has worked as a baker and hotelier. In 1988 he gave up his employment to commence his own business as a franchisee of Chicken Licken. He is now the sole director and shareholder of a company which has six Chicken Licken franchises and a member of a close corporation which also has several franchises. These are all in KwaZulu Natal. Mr Charalambous is responsible for the management of all these businesses.

On 17 May 1994 McDonald's wrote through its attorneys to Dax asking, *inter alia*, for an undertaking that Dax cease forthwith to use the trade mark MacDonald's or any other trade mark which is deceptively or confusingly similar to McDonald's, failing which proceedings would be instituted.

No such undertaking was given.

On 25 May 1994 Dax applied to register the mark MacDonald's in

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classes 29, 30 and 42. On 9 August 1994 Dax launched an application, also in the Transvaal Provincial Division, against McDonald's seeking expungement from the register of the trade marks relied upon by McDonald's in its letter of 17 May 1994. Dax also sought some additional relief which need not be set out. McDonald's bought a counter-application for an interdict preventing Dax from infringing its trade marks.

At this stage the position then was that, in the Joburgers application, McDonald's applied against Joburgers for an interdict to restrain trade mark infringement and Joburgers sought, in a counter-application, expungement of the marks, whereas in the Dax application, Dax asked for expungement and McDonald's, in the counter-application, asked for an interdict.

On 1 May 1995 the Trade Marks Act, no [194 of 1993](#) ("the new act") came into force. [Section 35](#) of the new act provides for the protection of "well-known" trade marks emanating from certain foreign countries. On 20 June 1995 McDonald's brought an application against Joburgers and

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Dax under [section 35](#) of the new act. It claimed that all 52 of its trade marks are well-known marks in terms of the section, and sought an order that Joburgers and Dax be interdicted and restrained from imitating, reproducing or transmitting those marks in the Republic of South Africa. I shall call this the "well-known marks application".

[Section 71](#) of the new act repealed the old act. However, [section 3\(2\)](#) of the new act provides that all applications and proceedings commenced under the repealed act shall be dealt with in accordance with the

provisions of that act as if it had not been repealed. The Joburgers and Dax applications must therefore be dealt with in accordance with the old act. The well-known marks application, on the other hand, must be decided according to the new act.

The three applications were heard together by Southwood J. He found in favour of Joburgers and Dax. Accordingly, in the Joburgers application, the application by McDonald's for an interdict was dismissed and Joburgers's counter-application for expungement granted; in the Dax application, Dax's application for expungement was granted and the counter-application by McDonald's for an interdict refused; and the well-known marks application by McDonald's was refused. In all cases appropriate costs orders were made.

With the leave of the court *a quo* McDonald's now appeals against these orders.

At the outset I should deal with an application by McDonald's to adduce further evidence. This application related to two matters which arose after the decision of the court *a quo*. The first was that both McDonald's and Dax were trading under the name McDonald's or MacDonalds, and were using similar or identical trade marks. This led to litigation between them in which an order was given by consent. The second was that Joburgers had assigned to Dax all its rights in and to the McDonald's trade marks in respect of which Joburgers had originally applied for registration. The application to adduce further evidence was opposed, and in any event Joburgers and Dax tendered evidence to explain the new facts relied upon by McDonald's.

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The general principle is that, in deciding an appeal, this Court determines whether the judgment appealed from is right or wrong according to the facts in existence at the time it was given and not according to new circumstances which came into existence afterwards. In principle, therefore, evidence of events subsequent to the judgment under appeal should not be admitted in order to decide the appeal, although there may possibly be exceptions to this rule (see *Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd and Others* [1992 \(2\) SA 489](#) (A) at 507C-E and earlier authorities there quoted). Even assuming that an exception may be possible, I consider that no adequate reason was given why such an exception should be made in respect of the evidence relating to the recent business activities of Dax and McDonald's and the resultant litigation between them. Concerning Joburgers's assignment of its rights in or to the McDonald's trade marks, it was contended that the evidence was relevant to the purposes of section 21A of the Supreme Court Act 59 of 1959. This section empowers a court of appeal to strike an appeal off the roll if it is of the opinion that, in the circumstances, a judgment in favour of the appellant will have no practical effect or result. This argument is misconceived. The new evidence does not suggest that a judgment in favour of McDonald's would have no practical effect or result, and the last thing that McDonalds would want is that the appeal be struck off the roll. At most the evidence tends to show that one of the respondents no longer has an interest in the appeal. Section 21A of the Supreme Court Act provides no remedy for such a situation. Moreover the new evidence is controverted by further evidence tendered by Joburgers and Dax.

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The evidence relating to the assignment should accordingly also be refused. It follows that the application to adduce further evidence should be dismissed with costs.

I turn now to the arguments on the merits. For convenience I start with the well-known marks application. Section 35 of the new act reads as follows:

- "(1) References in this Act to a trade mark which is entitled to protection under the Paris Convention as a well-known trade mark, are to a mark which is well known in the Republic as being the mark of-
- (a) a person who is a national of a convention country; or
 - (b) a person who is domiciled in, or has a real and effective industrial or commercial establishment in, a convention country,
- whether or not such person carries on business, or has any goodwill, in the Republic.
- (2) A reference in this Act to the proprietor of such a mark shall be construed accordingly.
- (3) The proprietor of a trade mark which is entitled to protection under the Paris Convention as a well-known trade mark is entitled to restrain the use in the Republic of a trade mark which constitutes, or the essential part of which constitutes, a reproduction, imitation or translation of the well-known trade mark in relation to goods or services which are identical or similar to the goods or services in respect of which the trade mark is well known and where the use is likely to cause deception or confusion."

There was a large area of agreement between the parties about the meaning and application of this section. Thus it was common cause that McDonald's in fact is a person such as is described in paragraphs (a) and (b)

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of subsection (1). The parties were also agreed on what it is that has to be "well known" in the Republic. In this regard the court *a quo* had said:

"... it is not sufficient that the mark simply be well-known in the Republic. It must be established that the mark is well-known as the mark of a person who is (a) a national of, or (b) is domiciled in, or (c) has a real and effective industrial or commercial establishment in, a convention country: i.e. it must also be well-known that there is a connection between the mark and some person falling in categories (a), (b) or (c)."

This seems to suggest that the section only applies if what is well known is not only the mark itself but also the

nationality, domicile or place of business of the mark's owner, and moreover the fact that the relevant country is a convention country. Before us counsel were *ad idem* that such an interpretation could not be supported. If it were correct the section would be a dead letter. It is difficult to imagine any mark, however well known, in respect of which such further facts would be common knowledge. The parties accordingly accepted (I think correctly) that it would be enough for a plaintiff to prove that the mark is well known as a mark which has its origin in some foreign country, provided that as a fact the proprietor of the mark is a person falling within subsection (1)(a) or (b).

The essential dispute between the parties was what level of awareness in the public mind is required for a mark to qualify as "well-known" in terms of section 35. In this regard it is useful to look at the background to the section.

The Paris Convention, to which reference is made in section 35, is the Paris Convention on the Protection of Industrial Property of 20 March 1883 as

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revised or amended from time to time (section 2 of the Act). For present purposes article 6bis(1) of the Convention is apposite. Its relevant portion reads as follows:

"The countries of the Union undertake, *ex officio* if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use of a trade mark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods."

Although article 6bis was inserted into the convention as far back as 1925, neither Britain nor South Africa gave legislative effect to it until recently - South Africa in section 35 of the new act, and Britain in section 56 of the Trade Marks Act 1994 (42 & 43 Elizabeth 2 C. 26). The two sections are very similar. Section 35(1) and (2) of the new act, in particular, is, for practical purposes, identical to section 56(1) of the British Act, save for the substitution of "the Republic" for "the United Kingdom" wherever it appears. The reason why Britain did not legislate earlier was that previously it claimed to be honouring the article by means of its common law of passing off. See Richard C Abnett, *AIPPI: Famous Trade Marks Require A New Legal Weapon*, *Trademark World*, Dec 1990/Jan 1991, p 23.

The protection granted to foreign marks by the law of passing off was limited, however, by the requirement that a plaintiff had to establish a

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goodwill in the country. In a well known passage from *The Commissioners of Inland Revenue v Muller & Co's Margarine Ltd* [1901] AC 217 (HL) at 223-224 Lord Macnaghten defined goodwill as follows:

"It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates ... *For my part, I think that if there is one attribute common to all cases of goodwill it is the attribute of locality. For goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business. Destroy the business, and the goodwill perishes with it, though elements remain which may perhaps be gathered up and be revived again.*" (Emphasis added)

The "attribute of locality" mentioned in this passage led to a result described as follows in *Kerly's Law of Trade Marks and Trade Names* 12th ed (1986) 358 para 16-18:

"... since an essential ingredient of passing-off is damage ... to goodwill, he [i.e., the plaintiff in an action founded on passing-off in the United Kingdom] must show that he had ... in this country not merely a reputation but also a goodwill capable of being damaged. Goodwill, however, is local: it is situated where the business is. Thus a foreign plaintiff may have a reputation in this country - from travellers on the one hand, or periodicals of international

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circulation, for instance, on the other - yet still fail in an action for passing-off because he has here no business and so no goodwill. Such cases have been not uncommon in recent years, and have caused considerable difficulty."

Examples of such cases are *Alain Bernardin et Compagnie v Pavilion Properties Ltd* [1967] RPC 581 (the "Crazy Horse" case), *The Athletes Foot Marketing Associates Inc v Cobra Sports Ltd and Another* [1980] RPC 343 (Ch) and *Anheuser-Busch Inc v Budejovicky Budvar NP (trading as Budweiser Budvar Brewery) and Others* [1984] FSR 413 (CA).

In the *Alain Bernardin* case the plaintiff was the proprietor and operator of a bar and cabaret in Paris known as the "Crazy Horse Saloon". The bar had been continuously and extensively publicised in the United Kingdom for sixteen years. The defendant commenced a place of entertainment in London under the name of "Crazy Horse Saloon" and issued an advertisement stating "Crazy Horse Saloon comes to London". The plaintiff applied for an interlocutory injunction against the defendant on the grounds of passing off. The application was refused. The court referred *inter alia* to the *Muller* case (*supra*) and stated (at 584 lines 30-47)

"... that a trader cannot acquire goodwill in this country without some sort of user in this country. ... I do not think that the mere sending into this country by a foreign trader of advertisements advertising his establishment abroad could fairly be treated as user in this country. ... If that were so, the range of the action of passing off would be extended far beyond anything which has hitherto been treated as its proper scope. That observation applies I think particularly to such establishments as hotels and even more to restaurants. It may well be that the owner of a foreign hotel or restaurant acquires in this country a reputation for the

name of his hotel or restaurant in a wide sense, that the travel agents or other persons to whom he sends advertisements know of his establishment. Again he may acquire a reputation in a wide sense in the sense of returning travellers speaking highly of that establishment, but it seems to me that those matters, although they may represent reputation in some wide sense, fall far short of user in this country and are not sufficient to establish reputation in the sense of material for the purpose of a passing off action. It is very clear that in such circumstances the foreign trader has not acquired anything which in law could be described as goodwill in this country."

In the *Athletes Foot* case the plaintiffs carried on in the United States of America and elsewhere, but not in Great Britain, an extensive business in which they granted franchises to independent stores to sell footwear for athletes under the name "The Athlete's Foot". During 1978 and 1979 they had taken steps to secure a franchise agreement for the United Kingdom and a prospective franchisee had gone so far as to order goods and stationery with a view to establishing a chain of stores under the name "The Athlete's Foot". However, no franchise contract had been concluded and no sales had in fact been made under that name. There was nevertheless an awareness of the plaintiffs' trade name and trading activities in a substantial section of the public in England as a result of over-spill publicity through American journals circulating there.

An application for injunctive relief against a trader who sought to use the name in England was refused. After a full review of the earlier cases, the court (Walton J) held as follows at 350, lines 13-20:

"... as a matter of principle, no trader can complain of passing off against him in any territory ... in which he has no customers, nobody who is in a trade relation with him. This will normally shortly be expressed by saying that he

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does not carry on any trade in that particular country ... but the inwardness of it will be that he has no customers in that country: no people who buy his goods or make use of his services (as the case may be) there."

In the *Anheuser-Busch* case the plaintiffs and their predecessors were brewers of beer in the United States of America. Their beer had been sold since 1875 under the "Budweiser" trade mark. The first defendants were from 1895 brewers of beer in Ceske Budejovice, a town in Czechoslovakia formerly known by its German name of Budweis. In sales in Europe the first defendants used the word "Budweiser" in relation to their beer.

Before 1973, when the first defendants first sold a significant quantity of beer in the United Kingdom, the plaintiffs exported no beer to the United Kingdom for normal commercial sale and domestic consumption. Between 1974 and 1979, when action was taken against the first defendants, the plaintiffs' sales in the United Kingdom were minimal, failing to exceed 240 000 cans a year, the principal outlets for which were American-style restaurants and clubs. However, from the years 1962 to 1973, an annual average of more than 5 million cans of their beer were imported for use and sale in United States military and diplomatic establishments in England. These cans were available for purchase, duty free, by serving Americans and by British employees of American service establishments, but were not available for general purchase.

In 1973 the first defendants actively entered the United Kingdom market, and by 1980 their sales amounted to some 300 000 bottles per annum.

In 1979 the plaintiffs issued a writ by which they sought, *inter alia*, by injunction to prevent the first defendants from selling or dealing in any beer by the name of "Budweiser" except for the plaintiffs' own beer. By counterclaim the defendants sought by injunction to prevent the plaintiffs from selling or dealing in any "Budweiser" beer unless it was brewed by the first defendants or otherwise originated from the town of Budweis. Whitford J in the Chancery Division refused both the claim and the counterclaim. He held that neither brewery could be disentitled to use the word "Budweiser" since neither was employing it improperly and neither was making a misrepresentation, notwithstanding the fact that some degree of public confusion was apparent. The plaintiffs appealed.

On appeal it was accepted that the plaintiffs' Budweiser beer enjoyed a significant reputation among members

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of the public in the United Kingdom as a result of visits to the United States and spill-over advertising. Such reputation was, however, not enough. What was required was a goodwill in the United Kingdom, which could not exist without a business there. This was expressed by Oliver LJ as follows (at 470):

"Mr Kentridge argues that once a goodwill exists it is for the owner of the goodwill to choose when and how he will go into the market with his product. But this, with respect, begs the question, because it assumes the existence of the goodwill apart from the market, and that, as it seems to me, is to confuse goodwill, which cannot exist in a vacuum, with mere reputation which may, no doubt, and frequently does, exist without any supporting local business, but which does not by itself constitute a property which the law protects."

And O'Connor LJ said (at 471)

"As a result of the plaintiffs' enormous business in the U.S.A. expanded by ever increasing advertising, I am in no doubt that the evidence showed that ... the plaintiffs' Budweiser beer enjoyed a significant reputation among members of the public in this country. That is not sufficient to found an action for passing off. It is the goodwill of a business carried on in this country that can be protected, not the reputation - goodwill if you like - of a business carried on in another country."

On the facts the Court of Appeal held that the activities of the plaintiffs in the United Kingdom did not amount to the carrying on of a business there.

Also in South Africa it has been held that a goodwill existing within the country is necessary to found a claim in respect of passing off. See, for instance, *Slenderella Systems Inc of America v Hawkins and Another* [1959 \(1\) SA 519](#) (W) at 521A-522B, *Lorimar Productions Inc and Others v Sterling Clothing Manufacturers (Pty) Ltd* [1981 \(3\) SA 1129](#) (T) at 1138H-1140A and *Tie Rack plc v Tie Rack Stores (Pty) Ltd and Another* [1989 \(4\) SA 427](#) (T) at 442G-445D. In the last mentioned case the applicant conducted in the United Kingdom and elsewhere, but not in South Africa, either by itself or through franchisees, a number of shops under the name "Tie

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Rack". It sought to interdict the respondents from doing likewise in this country. This attempt failed. The basic reason was stated by Kriegler J as follows (at 445C-D):

"The simple truth is that the applicant has no goodwill, no attractive force in this country. The fact that people in this country - and accepting that there may be many - know of applicant's business abroad and may be misled into believing first respondent's shops are in some way associated therewith, does not afford applicant a proprietary right in this country. Put differently, applicant has no business of any kind in South Africa and nothing first respondent has done can or is likely to do any harm to applicant in the patrimonial sense in this country."

For present purposes it is not necessary to determine whether these cases were correctly decided either in the United Kingdom or in South Africa. In Australia, for instance, the Federal Court went the other way. See *Conagra Inc v McCain Foods (Aust) (Pty) Ltd* 23 IPR 193. However, whether the above cases were right or wrong, they demonstrate that the courts in this country and the United Kingdom have in fact not protected the owners of foreign trade marks who did not have a goodwill within the country. To that extent the common law of passing off has not been sufficient to constitute compliance with article 6bis of the Paris Convention.

It seems clear that section 35 of the new act and the corresponding provision in the United Kingdom were intended to remedy this lack. Thus section 35(1) pertinently extends protection to the owner of a foreign mark "whether or not such person carries on business, or has any goodwill, in the Republic". And the type of protection which is granted by subsection (3) is typical of that which is available under the common law of passing off: a prohibition on the use of the mark in relation to goods or services in respect of which the mark is well known and where the use is likely to cause deception or confusion.

It is against this background that the expressions "well-known trade mark" and "well-known in the Republic" must be interpreted. Counsel for McDonald's contended that the legislature intended to impose no more than the ordinary requirement for passing off actions, namely that the reputation must extend to a substantial number of members of the public or persons in the trade in question. See Webster and Page, *South African Law of Trade Marks* 3ed, 417; Kerly's *Law of Trade Marks and Trade Names*, *supra*, para 16-10; *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd* [1977 \(3\) SA 144](#) (T) at 150 *in fin* and the *Conagra* case, *supra*, at 237 lines 14 to 37.

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Of course, the mere fact that the legislature intended to provide some protection for a foreign trader who does not have a goodwill or a business inside the country does not necessarily mean that such protection must be coterminous with that afforded to local businessmen. It is accordingly conceivable that, in order to receive protection, the foreigner might have to prove a greater public awareness of his mark than is required of a local businessman claiming a remedy against passing off. And, indeed, the respondents argued that the legislature in giving protection only to well-known marks, did impose a higher standard. On the ordinary meaning of language, so the argument went, a mark is well-known in the Republic only when known to a large part of the population as a whole.

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This argument raises two questions, namely

- (a) must the mark be well-known to all sectors of the population; and
- (b) whatever the relevant sector of the population may be, what degree of awareness within that sector is required before a mark can properly be described as well-known.

The answer to question (a) is, I think, clear. Section 35 of the new act was intended to provide a practical solution to the problems of foreign businessmen whose marks were known in South Africa but who did not have a business here. The South African population is a diverse one in many respects. There are wide differences in income, education, cultural values, interests, tastes, personal life styles, recreational activities, etc. This was obviously known to the legislature when it passed the new act. If protection is granted only to marks which are known (not to say well-known) to every segment of the population (or even to most segments of the population) there must be very few marks, if any, which could pass the test. The legislation would therefore not achieve its desired purpose. Moreover, there would not appear to be any point in imposing such a rigorous requirement. In argument we were referred as an example to a mark which might be very well known to all persons interested in golf. Why should it be relevant, when deciding whether or not to protect such a mark, that non-golfers might never have heard of it? I consider therefore that a mark is well-known in the Republic if it is well-known to persons interested in the goods or services to which the mark relates.

The next question then is: how well should it be known to such persons? (question (b) above). On behalf of McDonald's it was argued that the test in this regard is a qualitative and not a quantitative one. The question is not, it was argued, how many of the relevant persons know the mark, but how profound the knowledge of the mark is among those who do know it. In my view this argument is untenable. I suppose that knowledge of a mark could be so vague or superficial as hardly to count as knowledge at all, but apart from that I would not have thought that there would normally be great differences in the degree of knowledge of the mark by members of the public, or that such differences, if they existed, would be of any relevance. In the present context the important practical question is not whether a few people know the mark well but rather whether sufficient persons know it well enough to entitle it to protection against deception or confusion.

How many people are sufficient? The only guideline provided by the legislature lies in the expression "well-known". This is in itself so vague as hardly to provide any assistance at all. It is certainly capable of bearing the meaning urged upon us by counsel for McDonald's, namely a substantial number as used in the law of passing off generally. In this regard the judge *a quo* commented that if it was the object of the subsection to require knowledge only of a substantial

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number of persons, "it is strange that this was not simply stated to be the requirement instead of merely adopting the terminology of section (*sic*) 6*bis*(1) of the Paris

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Convention". With respect, I do not agree. The purpose of the legislature clearly was to give legislative force to article 6*bis* of the Paris Convention. To this end it was natural to repeat the language of the Convention, leaving it to the courts to give practical effect to the vague expressions used.

On behalf of the respondents it was contended that a greater extent of public knowledge is required. The difficulty here is one of definition and practical application. If a substantial number is not sufficient, what is? To require one hundred percent would clearly be excessive, but how much less would suffice? Seventy-five percent, fifty percent? What logical basis is there for laying down any such requirement? And how does one prove any such arbitrary percentage?

It seems to me that McDonald's's contention must be sustained. The legislature intended to extend the protection of a passing off action to foreign businessmen who did not have a business or enjoy a goodwill inside the country provided their marks were well-known in the Republic. It seems logical to accept that the degree of knowledge of the marks that is required would be similar to that protected in the existing law of passing off. The concept of a substantial number of persons is well established. It provides a practical and flexible criterion which is consistent with the terms of the statute. No feasible alternative has been suggested.

In coming to a different conclusion the court *a quo* relied heavily on the Canadian case of *Robert C Wian Enterprises, Inc v Mady* (1965) 49 DLR (2d) 65. Section 16 of the Canadian Trade Marks Act provided *inter alia*:

"Any applicant ... for registration of a trade mark that is registrable and that he or his predecessor in title has used in Canada or made known in Canada in association with wares or services is entitled ... to secure its registration in respect of such wares and services, unless at the date on which he or his predecessor in title first so used it or made it known it was confusing with

(a) a trade mark that had been previously used in Canada or made known in Canada by any other person;"

The expression "made known in Canada" was defined in section 5, which, in so far as relevant, read as follows:

"A trade mark is deemed to be made known in Canada by a person only if it is used by such person in a country of the Union, other than Canada, in association with wares or services, and

...

(b) such wares or services are advertised in association with it in

- (i) any printed publication circulated in Canada in the ordinary course of commerce among potential dealers in or users of such wares or services, or
- (ii) radio broadcasts, as defined in the *Radio Act* ..., ordinarily received in Canada by potential dealers in or users of such wares or services,

and it has become well known in Canada by reason of such ... advertising."

The court had to decide *inter alia* whether the plaintiff's trade mark had become "well-known in Canada" by reason of radio advertising. For the purpose of establishing this, the plaintiff tendered affidavits of 54 persons residing in

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Windsor, Ontario. The court analysed these affidavits and found them to be of insufficient weight. It therefore held (at 81) that the plaintiff had failed to establish that its trade marks were "well known in Canada" by reason of radio advertising.

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Despite having decided the matter in issue, the court proceeded to state the following in a passage (at 81) relied

upon by the court *a quo*:

"Furthermore, I think I should say that there was really no attempt, in my view, to show that the plaintiff's trade marks were 'well known in Canada'. All that was attempted was to show that they were well known in Windsor, Ontario and surrounding territory. It was argued that, if they were well known in any part of Canada, they were 'well known in Canada' within section 5 of the *Trade Marks Act*. I cannot accept this view. A thing may be regarded as known in Canada if it is known only in some part of Canada but, in my view, it is not 'well known' in Canada unless knowledge of it pervades the country to a substantial extent ... I do not think a trade mark can be regarded as 'well known in Canada' when knowledge of it is restricted to a local area in Canada. In my view it must be 'well known' across Canada 'among potential dealers in or users of' the wares or services with which it is associated."

It should be noted that the court in the *Wian* case was faced with different problems from those arising in our case. In the Canadian legislation there was no uncertainty about the class of persons to whom the trade mark had to be well known. Section 5(b)(ii) of the Act in effect defined the class as being "potential dealers in or users of such wares and services" (i.e., the wares or services in association with which the trade mark was used by the plaintiff). The further question, i.e., when a mark must be regarded as well known to such a class, also did not arise in the *Wian* case. The only matter dealt with in the above passage was the geographical area within which the mark had to be well known. This is not a question which arises in the present case. Moreover, the court's views in this regard were based on the Canadian legislation which differs from ours. In all these circumstances I do not find the *Wian* case of any assistance. I may note in passing that the reasoning in the above passage has in any event not been accepted unreservedly in Canada. See *Valle's Steak House v Tessier et al.* (1974) 49 CPR (2d) 218 at 226.

I turn now to the evidence concerning the extent to which the McDonald's trade marks are known in the Republic. As I have stated earlier, McDonald's is one of the largest, if not the largest, franchiser of fast food restaurants in the world. At the end of 1993 there were 13 993 McDonald's restaurants spread over 70 countries. The annual turnover of McDonald's restaurants amounts to some \$23 587 million. McDonald's trade marks are used extensively in relation to its own restaurants as well as to those that are franchised. The level of advertising and promotion which has been carried out by McDonald's, its subsidiaries, affiliates and franchisees in relation to McDonald's restaurants exceeds the sum of \$900 million annually. Their international marketing campaigns have included sponsorship of the 1984 Los Angeles and 1992 Barcelona Olympics. McDonald's has also been a sponsor of the 1990 Soccer World Cup Tournament in Italy and the 1994 World Cup Soccer Tournament in the United States of America. Mr Paul R Duncan, the vice president and general counsel of McDonald's, stated on affidavit that, in view of the vast scale of his organisation's operations, the McDonald's trade marks are in all probability some of the

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best known trade marks in the world. This was not denied. Although there was no evidence on the extent to which the advertising outside South Africa

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spilled over into this country through printed publications and television, it must, in all probability, be quite extensive. In addition the McDonald's trade marks would be known to many South Africans who have travelled abroad. This again would not be an insignificant number.

Spontaneous acts by South Africans have confirmed that there is a general level of knowledge in this country about the operations of McDonald's. Thus McDonald's disclosed that, between 1975 and 1993 it received 242 requests from South Africans to conclude franchising agreements. Some of these applicants were prominent companies. For reasons which are not relevant at present, none of these applications were acceded to.

The conduct of Joburgers and Dax in the present case confirms the reputation attaching to the McDonald's marks. Intrinsically the word McDonald has no attractive force. It is a fairly common surname. Had it not been for the reputation it has acquired over the years nobody would wish to appropriate it. It is therefore significant that Joburgers and Dax have gone to considerable trouble and expense to obtain control over the McDonald's marks. Joburgers announced its intention of operating under the name McDonald's in a provocative manner through an article in the *Sunday Times* which was bound to stimulate legal action against it. It may be noted in passing that the article in the *Sunday Times*, which is quoted above, itself clearly presupposes that its readers would be aware of McDonald's, its business, products and marks.

After an interdict was obtained against Joburgers, it purchased the business of MacDonalds in Durban. I have already referred to the litigation between Joburgers and the Khans arising out of that purchase. In her affidavit in those proceedings Mrs Pead, who, it will be recalled, is a director of Joburgers, made it quite clear what the purpose of the transaction was. She said:

"[Joburgers] wishes to secure the goodwill built up through the eighteen years use of the MacDonalds trade mark for itself. Should [Joburgers] not be able to do so its position in regard to the proceedings with McDonald's Corporation ... will be severely prejudiced."

When the court held that Joburgers was in breach of the interdict by conducting the MacDonalds business in Durban, the business was sold to Dax, a business associate of Joburgers. Both Joburgers and Dax have applied for the registration of McDonald's marks or similar ones, and have applied for the expungement of these marks in the name of McDonald's.

Quite obviously Joburgers and Dax both consider that the McDonald's mark is a valuable asset, worth a great deal of trouble, expense and risk to secure. They have not given any explanation for this attitude. If one assumes that they intend to trade under the name McDonald's or MacDonalds, there is only one possible explanation, namely that in their view the McDonald's marks enjoy a high reputation in this country.

An affidavit was filed by Mr MJ Collins. He is the managing director of a company which *inter alia* advises franchisers and franchisees on all aspects of franchising. He served as Vice Chairman, and later as Chairman, of the South African Franchising Association from 1983 to 1992. He has addressed numerous meetings, conferences and seminars on

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various aspects of franchising. During such addresses he has on numerous occasions held up the business format adopted by McDonald's as the model for efficient franchising. During seminars

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he was questioned about McDonald's and its business system. Moreover, since become Vice Chairman of the South African Franchise Association, he says, he has received "numerous requests, too numerous even to have counted" from prospective franchisees and ordinary members of the public for advice as to how to become a McDonald's franchisee. He also notes that the South African press regards McDonald's as newsworthy. Thus coverage was for instance given when McDonald's opened its first outlets in Russia and continental China. Objection was taken to the admissibility of Mr Collins's affidavit, but at least the items of evidence mentioned above must be admissible. I discuss their weight later.

Finally there was evidence about two market surveys. A great deal of argument was addressed to us about the admissibility and weight of such evidence. Before going into such matters it is necessary first to set out the nature and content of the evidence.

Mr CK Corder is the Chairman and Managing Director of Market Research Africa (Pty) Ltd. It is not disputed that he is an expert on market researching. In his affidavit he sets out first the theoretical principles involved. The basic theory of market research is that from a given representative sample of the consumer public it is possible to project, by means of acceptable mathematical methods, results of such sampling to a general population or "universe" within certain statistical limits. In other words, the researcher first determines the class of persons (or universe) which is sought to be tested, and then questions individuals from that universe. The confidence that one has in a projection from the samples to the universe varies according to the number of persons interviewed in the survey, the sampling technique used and the level of response. Statisticians commonly use the term "inference" to denote the process of generalising sample evidence to the universe from which the sample is selected. The basis of inferential statistics is probability theory. A theorem in probability theory, namely the Central Limit Theorem, which applies in this case, states that if a large number of independent samples are drawn from a universe, the individual results will be different, but that they will have a "normal" distribution around the real value being measured in the universe. Based on this theorem, and standard and accepted statistical tables in relation to normal distribution, one can calculate the probability of the real value in the universe being within a specific interval or variation, which Mr Corder referred to as the confidence level.

During September 1993 Mr Corder was instructed to conduct a market survey on behalf of McDonald's. He was informed that the objectives of the study were to establish awareness of the name McDonald's, to measure recognition of the McDonald's trade marks, to ascertain the association of McDonald's with certain products or types of business undertakings, and to establish the awareness of McDonald's hamburgers. The method used by him was the conducting of personal interviews using a structured questionnaire and interviewing aids. The interviewing aids consisted of two text show cards and one colour picture

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show card featuring the main McDonald's trade marks. Copies of the questionnaires and show cards were before the court.

The universe for the survey was defined as white adult males and females, aged 16 years and over, living in houses in higher income suburbs of Pretoria, Verwoerdburg, Johannesburg, Bedfordview, Randburg and Sandton. A sample of 202 persons was taken. Mr Corder gave details about the manner in which the sample was selected. I need not repeat them - there is no suggestion that the sampling was not scientifically correct. The fieldwork was conducted from 7 December to 24 December 1993 by trained interviewers under the supervision

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of field supervisors. Twenty-one percent of the interviewers were back checked in order to ensure reliability. Affidavits of supervisors and interviewers were filed to confirm their actions. Mr Corder, who was in overall control, also confirmed that the survey was properly conducted.

The relevant conclusions were set out as follows:

"A large majority of respondents were aware of the name McDonald's, and/or the McDonald's logos/trademarks (77%). More than half had heard of *both* McDonald's, *and* knew the logos/trademarks too (57%).

...

Most respondents spontaneously associated McDonald's with hamburgers, or knew of 'McDonald's Hamburgers' (80%).

...

The results indicate that the majority of white adults, aged 16 and over, living in households in higher income suburbs of Johannesburg and Pretoria are aware of the McDonald's brand name, and associate McDonald's with hamburgers".

During January and February 1995 a similar survey was conducted among white male and females, aged 16 years and over, living in selected higher income suburbs of Durban. The conclusions were stated as follows:

"A large majority of respondents were aware of the name McDonald's, *and/or* the McDonald's logos/trade marks (90%). More than half had heard of *both* McDonald's, *and* also knew the logos/trade marks (52%).

Most respondents spontaneously associated McDonald's with hamburgers, or knew of McDonald's Hamburgers (87%).

The results indicate that the majority of white adults, aged 16 and over, living in the higher income Durban suburbs of Broadway, Essenwood, Morningside and Musgrave are aware of the McDonald's brand name, and associate McDonald's with hamburgers."

This survey evidence raises two questions, viz, whether it is admissible, and what weight should be attached to it. To a certain extent these questions are interrelated, as will be seen.

I deal first with admissibility. The basis upon which the admissibility of market survey evidence has been questioned in the past is that it is of a hearsay nature. See *Hoechst Pharmaceuticals (Pty) Ltd v The Beauty Box (Pty) Ltd (In Liquidation) and Another* [1987 \(2\) SA 600](#) (A) at 616I-617D, and authorities there quoted, particularly *Die Bergkelder v Delheim Wines (Pty) Ltd* [1980 \(3\) SA 1171](#) (C) at 1180A-1182E. See also A Paizes, *Public-Opinion Polls and the Borders of Hearsay* (1983) 100 SALJ 71.

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The matter of hearsay evidence is now governed by statute. [Section 3](#) of the Law of Evidence Amendment Act [45 of 1988](#) provides that hearsay evidence is inadmissible, subject to certain exceptions. [Section 3\(4\)](#) defines "hearsay evidence" as

"evidence, whether oral or in writing, the probative value of which depends upon the credibility of any person other than the person giving such evidence."

In the present case, evidence was given by Mr Corder as well as by the supervisors and interviewers. The only people involved in the survey who did not

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testify were the interviewees. The question then is: does the probative value of the evidence depend on the credibility of the interviewees? On behalf of McDonald's it was contended that it did not. The evidence should be admitted, it was argued, because it is opinion evidence of a scientific nature, or, alternatively, that it relates to a state of mind. In support of the latter proposition reliance was placed on *Hollywood Curl (Pty) Ltd and Another v Twins Products (Pty) Ltd* (1) [1989 \(1\) SA 236](#) (A) at 251J-252G.

I doubt whether either leg of this argument is correct. It is true that an expert may sometimes refer to hearsay sources in support of his views. However, if his views are entirely based on assertions which he obtained from somebody else, it is difficult to contend that the probative value of his evidence does not depend on the credibility of such other person. And in so far as the evidence is said to relate to a state of mind, this may be true in respect of some of the replies. It may be that in some cases the mere fact that an interviewee made a certain utterance may be relevant as indicating his state of knowledge (e.g. by his associating McDonald's with hamburgers). In some other cases it does seem to me, however, that it is the assumed truth of what is said by the interviewees which is ultimately reflected in the results of the survey.

It is not necessary, however, to pursue this matter any further since I consider that, even if it is hearsay, the evidence should have been admitted under one of the exceptions provided in the statute. [Section 3\(1\)\(c\)](#) allows hearsay evidence to be admitted if

"the court, having regard to-

- (i) the nature of the proceedings;
- (ii) the nature of the evidence;
- (iii) the purpose for which the evidence is tendered;
- (iv) the probative value of the evidence;
- (v) the reason why the evidence is not given by the person upon whose credibility the probative value of such evidence depends;
- (vi) any prejudice to a party which the admission of such evidence might entail; and
- (vii) any other factor which should in the opinion of the court be taken into account,

is of the opinion that such evidence should be admitted in the interests of justice."

In the present case the evidence is tendered, broadly speaking, to show the extent to which the name McDonald's and its trade marks are known amongst the public. In theory the best way of doing this would probably be by calling a representative sample of the public as witnesses. Expert evidence would explain how the sample was selected and what conclusions could be drawn from the results. This would, however, not be a

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practical course to follow. First, it would require the evidence of a large number of people. Second, the persons comprising such a sample should of course have no interest in the outcome of the proceedings. It is consequently unlikely that such persons, or most of them, would be prepared to become involved in the litigation. A properly conducted market survey places the replies of such people before the court without requiring affidavits from them. No substantial disadvantage flows from this course. It

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seems most unlikely that any interviewee would lie in a matter such as his or her knowledge of McDonald's, and in any event the theories underlying such surveys make allowances for a certain margin of error. There can be no prejudice to the other parties. They are given a full opportunity to check the results of the survey. In fact in the present case Joburgers and Dax did not seriously contend that the results of the surveys were unreliable. Their main contention was that these results had no probative value as being limited to too small a universe. This was also the view of the court *a quo*. Since, as will be seen, I disagree with this view, I consider that the evidence should have been admitted.

It was contended that the court *a quo* exercised a discretion in refusing to allow the evidence under [section 3](#) of the Act, and that its decision in this regard may be set aside only if the court of appeal considers that the discretion was not judicially exercised. I do not agree. A decision on the admissibility of evidence is, in general, one of law, not discretion, and this court is fully entitled to overrule such a decision by a lower court if this court considers it wrong. There is in my view nothing in [section 3](#) of the Act which changes this situation.

I turn now to the effect to be given to the evidence. The approach of the court *a quo* was to analyse each item of evidence and to show that, by itself, it has little or no probative value. In my view this is a wrong approach. We are dealing here with circumstantial evidence. In the well known case of *R v De Villiers* 1944 AD 493 Davis AJA, dealing with a similar argument in a criminal case, said (at 508-509):

"The Court must not take each circumstance separately and give the accused the benefit of any reasonable doubt as to the inference to be drawn from each one so taken. It must carefully weigh the cumulative effect of all of them together, and it is only after it has done so that the accused is entitled to the benefit of any reasonable doubt which it may have as to whether the inference of guilt is the only inference which can reasonably be drawn. To put the matter in another way; the Crown must satisfy the Court, not that each separate fact is inconsistent with the innocence of the accused, but that the evidence as a whole is beyond reasonable doubt inconsistent with such innocence."

Apart from the nature of the *onus*, the same rules apply of course in civil cases.

As I have said above, I consider that it would be enough for McDonald's to show that its marks are known to a substantial number of persons who are interested in the goods or services provided by it. On behalf of McDonald's it was contended, correctly in my view, that there are two categories of such persons - potential customers and potential franchisees. Potential customers would cover a wide field. It would include all persons who like fast food of this type and have the money to buy it. Since the cost is not high there would be many such people.

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Potential franchisees would be a small group, namely persons who can finance and run a McDonald's franchise, or consider that they can.

The evidence adduced by McDonald's leads, in my view, to the inference that its marks, and particularly the mark McDonald's, are well known amongst the more affluent people in the country. People who travel, watch television, and who read local and foreign publications, are likely to know about it. They would have seen McDonald's outlets in other countries, and seen or heard its advertisements there or its spillover here in foreign journals, television shows, etc. Although the extent of such spillover has not been quantified it must be

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substantial. Moreover, as has been shown, McDonald's has also received publicity in the local media. The market survey evidence specifically related to two groups of adult white persons living in relatively affluent suburbs of Gauteng and KwaZulu Natal. It is reasonable to suppose that much the same results would be achieved elsewhere among persons of all races who have a similar financial and social background. These are also the type of people who would have heard about McDonald's and its marks from Collins, or who would have discussed these matters with him, or would have written to McDonald's to solicit a franchise agreement.

By the same token, people who are poor, do not travel abroad, do not read foreign publications or, possibly, do not read at all, and are not exposed to television, are likely not to have heard of McDonald's or its marks. It is accordingly not surprising that market surveys commissioned by Joburgers and Dax showed a low awareness of McDonald's and its marks among black persons generally.

These conclusions must be applied to the relevant categories among the public. Potential franchisees, I consider, would be the type of persons who would almost without exception have heard of McDonald's and know its marks. Among potential customers the level of awareness would be lower. Many people who would be interested in buying a hamburger would not have heard of McDonald's. However, a certain degree of financial well-being is required for the purchase of prepared food. Extremely poor people are not likely to patronise McDonald's establishments. Of the persons who are likely to do so, at least a substantial portion must be of the category who would probably have heard of McDonald's and know its marks, or some of them. This inference is supported by the zeal shown by Joburgers and Dax to appropriate these marks for themselves.

I consider therefore that at least a substantial portion of persons who would be interested in the goods or services provided by McDonald's know its name, which is also its principal trade mark. At least this mark is in my view well-known for the purposes of section 35 of the new act. Since McDonald's has not in fact carried on business in South Africa, people who know its mark will also know it as a foreign (and, more particularly, American) business. It almost goes without saying that if the McDonald's mark is used as contemplated by Joburgers and Dax in relation to the same type of fast food business as that conducted by McDonald's, it would cause deception or confusion within the meaning of section 35(3) of the new act. In the result McDonald's has in my view satisfied all the requirements of this subsection.

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On behalf of Dax it was contended that its use of the mark MacDonalds in respect of its Durban business was nevertheless permitted by section 36(2) of the new act, which reads as follows:

"Nothing in this Act shall allow the proprietor of a trade mark entitled to the protection of such mark under the Paris Convention as a well-known trade mark, to interfere with or restrain the use by any person of a trade mark which constitutes, or the essential parts of which constitute, a reproduction, imitation or translation of the well-known trade mark in relation to goods or services in respect of which that person or a predecessor in title has made continuous and *bona fide* use of the trade mark [from a date which is not now relevant] ..."

The question then is whether Dax and its predecessors in title have used the mark MacDonalds continuously and *bona fide*. There is considerable evidence about the name under which the business was carried on in Durban before Joburgers bought it. Much of it is contested. I do not think it is necessary to

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traverse it. In my view this point may be decided simply on the requirements of *bona fide* use. The meaning of this concept was considered by Trollip J in *Gulf Oil Corporation v Rembrandt Fabrikante en Handelaars (Edms) Bpk* [1963 \(2\) SA 10](#) (T). He was dealing with [section 136](#) of the Patents, Designs, Trade Marks, and Copyright Act [9 of 1916](#). That section read in part:

"A registered trade mark may, on application to the court of any person aggrieved, be taken off the register in respect of any of the goods for which it is registered ... on the ground that there has been no *bona fide* user of such trade mark in connection with such goods during the five years immediately preceding the application ...".

At 23H-24E Trollip J said:

"... '*bona fide*' must be given some effective meaning. In my view it cannot be confined to meaning merely real or genuine as opposed to fictitious or simulated, or honest as contrasted with dishonest, because it is difficult to conceive how a user, in the sense of the exercise of a right, can be said to be fictitious, simulated or dishonest, and in any event, a fictitious, simulated or dishonest user would not in law be a user at all, and the addition of the qualification '*bona fide*' would therefore have been totally unnecessary. The words were obviously inserted to give a particular quality to the user which it was intended should defeat an aggrieved person's application ... The expression obviously relates to the proprietor's state of mind in using his trade mark and therefore his object or intention in using it. Kerly on *Trade Marks*, 8th ed. at p. 218, says that in the corresponding section in the U.K. Act

'the expression '*bona fide*' is also used where the contrast seems to be, not between honesty and dishonesty, but rather between what is genuine and what is a mere device to secure some ulterior object'.

...

Now the system of registering trade marks is designed to protect, facilitate and further the trading in the particular goods in respect of which the trade mark is registered. The very name, 'trade mark', connotes that, and the definition thereof in [sec 96](#) of the Act confirms it. I would therefore say that '*bona fide* user' in [sec 136](#) means a user by the proprietor of his registered trade mark in connection with the particular goods in respect of which it is registered with the object or intention primarily of protecting, facilitating, and furthering his trading in such goods, and not for some other, ulterior object."

The *Gulf Oil* case went on appeal (*Rembrandt Fabrikante en Handelaars (Edms) Bpk v Gulf Oil Corporation* [1963 \(3\) SA 341](#) (A). At 351E-F

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Steyn CJ, who delivered the judgment of the court, stated that he did not propose to attempt a comprehensive definition of what the expression "no *bona fide* user" meant. He then added:

"Whatever the full meaning of the phrase may be, it seems clear that user for an ulterior purpose, unassociated with a genuine intention of pursuing the object of which the Act allows the registration of a trade mark and protects its use, cannot pass as a *bona fide* user."

See also *Oude Meester Groep Bpk and Another v SA Breweries Ltd; SA Breweries Ltd and Another v Distillers Corporation (SA) Ltd and Another* [1973 \(4\) SA 145](#) (W) at 150G-151C.

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Now in the present case [section 36\(2\)](#) of the new act does not refer specifically to the *bona fide* use of a registered mark, and the context in which the expression is used is somewhat different from that considered in the above quoted cases. Nevertheless I consider the reasoning to be entirely applicable. A "trade mark" is defined in [section 2](#) of the new act as

"... a mark used or proposed to be used by a person in relation to goods or services for the purpose of distinguishing the

goods or services in relation to which the mark is used or proposed to be used from the same kind of goods or services connected in the course of trade with any other person".

Bona fide use of a trade mark within the meaning of [section 36\(2\)](#) must therefore be use for the purpose of distinguishing the goods or services provided under that mark from the same kind of goods and services connected in the course of trade with any other person. In the instant case Joburgers was the immediate predecessor in title to Dax. I have already set out the circumstances in which Joburgers acquired the MacDonalds business in Durban. Briefly, Joburgers was interdicted from using the McDonald's trade marks. It then bought the MacDonalds business and traded under that name in breach of the interdict. Its purpose in using the trade mark MacDonalds was not to distinguish its business from that of others, but rather the converse: to use a mark confusingly similar to that of McDonalds. This is clearly an ulterior purpose in the sense discussed in the above cases. Joburgers continued to trade in this way until it was declared to be in contempt of court. It then promptly disposed of the business to Dax. On behalf of McDonald's an attack was launched on Dax's good faith in acquiring the business. In my view it is not necessary to consider this argument. Once it is found that Dax's predecessor in title, Joburgers, did not use the mark MacDonalds *bona fide*, it follows that [section 36\(2\)](#) cannot provide any defence to a claim under [section 35\(3\)](#).

I consider therefore that the well-known marks application should have succeeded in the court *a quo*, at least in respect of the mark McDonald's. McDonald's applications based on passing-off and unlawful competition have therefore become moot and need not be considered further.

I now turn to the Joburgers application and the Dax application. As stated above, these applications have to be decided in accordance with the terms of the old act.

It will be recalled that each of these matters involved an application for the removal from the register of the McDonald's trade marks and an application by McDonald's for an interdict restraining the use of its

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marks. It was common cause that the decisive issue related to removal - if the applications for removal were granted, the applications for interdicts would fall away. *Per contra*, if removal was refused, the interdicts had to be granted.

The applications for removal from the register were brought under [section 36\(1\)](#) of the old act. This sub-section provides *inter alia*:

"... a registered trade mark may, on application to the court ... by any person aggrieved, be taken off the register in respect of any of the goods or services in respect of which it is registered, on the ground either-

- (a) that the trade mark was registered without any *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, and that there has in fact been no *bona fide* use of the trade mark in relation to those goods or services by any

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proprietor thereof for the time being up to the date one month before the date of the application; or

- (b) that up to the date one month before the date of the application a continuous period of five years or longer elapsed during which the trade mark was a registered trade mark and during which there was no *bona fide* use thereof in relation to those goods or services by any proprietor thereof for the time being;"

A great deal of evidence and argument was presented to us on whether Joburgers and Dax have established a case for removal under these provisions, and, if they have, whether McDonald's has succeeded in showing that, as far as the application under [section 36\(1\)\(b\)](#) was concerned, its non-use of the marks was excusable as being "due to special circumstances in the trade" for the purposes of [section 36\(2\)](#). In my view it is not necessary to consider these aspects. The position now is that the well-known marks application has succeeded, at least as far as the mark "McDonald's" is concerned. Although, as stated above, there are some McDonald's marks which do not incorporate the name McDonald's, we were assured that the marks were all in some way associated with one another. Moreover, the case was fought on a winner take all principle. It was not suggested by Joburgers or Dax that, even if the marks containing the name McDonald's were well known, they would still be entitled to use, say, the clown device. The prize at issue is the mark McDonald's. The well-known marks application has effectively awarded it to McDonald's.

In these circumstances it seems anomalous and even futile to proceed with the applications for removal from the register. Even if these applications succeeded it would not benefit Joburgers or Dax. They would still be interdicted from using the mark McDonald's.

It has been held that, because [section 36\(1\)](#) states that a registered trade mark "may" be removed from the register in the circumstances specified therein, the tribunal has a general discretion to refuse expungement in addition to the specific terms of the section. See Webster and Page, *op cit.*, at 371-372 and authorities there cited. As far as this court is concerned, the matter is, however, still open. See *Distillers Corporation (SA) Ltd v SA Breweries Ltd and Another; Oude Meester Groep Bpk and Another v SA Breweries Ltd* [1976 \(3\) SA 514](#) (A) at 540C. The parties before us, and the court *a quo*, accepted that such a discretion exists. The circumstances of the present case show, in my view, how desirable it is, from a

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practical point of view, that such a discretion should exist. The use of the word "may" in the section appears to

grant a discretion. The weight of authority, as discussed in *Webster and Page, supra*, is in favour of its existence. We should therefore now hold, I consider, that the court retains a general or residual discretion to refuse to remove a trade mark from the register even where [section 36\(1\)\(a\)](#) or [\(b\)](#) is applicable. It goes without saying that a party who has shown himself entitled to relief under the section will not be deprived of such relief by the exercise of a general discretion unless the circumstances are exceptional. In my view the present circumstances are indeed exceptional.

It was argued on behalf of Joburgers and Dax that the court was not entitled to have regard to the success of the well-known marks application when deciding the applications for removal from the register. The latter applications, it was contended, fell to be decided under the old act. Reference to the new act was accordingly not permitted.

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This argument, I consider, betrays some confusion of thought. It is true that the applications have to be decided under the old act (see [section 3\(2\)](#) of the new act). The old act empowers the court to refuse the applications in the exercise of a general discretion. In deciding whether to exercise this discretion, the court must have regard to all relevant facts and circumstances. In this case it is a relevant circumstance that it would serve no purpose to allow the applications because Joburgers and Dax are in any event not entitled to use the relevant marks by reason of legislation other than the old act. In making use of this circumstance the court is not deciding the removal applications according to my statute other than the old act. It is merely applying the principles of the old act to the facts and circumstances relevant to the exercise of its discretion.

Then it was argued that the court *a quo* declined to exercise its discretion in favour of McDonald's, and that this court should not interfere with that decision unless the discretion was not properly and judicially exercised. Although there was some argument on the merits of the court's decision, I do not consider it necessary to decide whether the court *a quo*, on the facts considered by it, should have exercised its discretion against ordering removal of the marks from the register. The position was entirely changed by the conclusion that the well-known marks application should have succeeded. This conclusion means that, in my view, the court *a quo* exercised its discretion on a basis that was fundamentally wrong. Clearly this court is at large to express its own view on the matter. And, for the reasons I have given, I consider that we should refuse the applications for removal.

In the result the following order is made.

- (A) McDonald's application to adduce further evidence is dismissed with costs, including the costs of two counsel.
- (B) The appeals in all three matters are allowed with costs, including the costs of two counsel. The orders of the court *a quo* are set aside and the following substituted:
 - (1) In the well-known marks application (case number 11700/95):

The First and Second Respondents are hereby interdicted and restrained, with costs, from imitating, reproducing

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or translating in the Republic of South Africa any of the Applicant's trade marks in which the word McDonald or McDonald's appears.
 - (2) In the Joburgers application (case number 19719/93):
 - (a) An order is granted in terms of prayers 5.1 and 6 of the Notice of Motion.
 - (b) The counter-application is dismissed with costs.
 - (3) In the Dax application (case number 16493/94):
 - (a) The application is dismissed with costs.
 - (b) An order is granted in terms of paragraphs 119.2.1 and 119.2.2 of the counter-application set out in the document headed "First Respondent's Founding Affidavit".
 - (4) All costs orders are to include the costs of two counsel.

(Corbett CJ, Nestadt and Schutz JJA and Plewman AJA concurred in the judgment of EM Grosskopf JA)

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