

Valentino Globe BV v Phillips and another
[1998] 4 All SA 1 (A)

Division: Supreme Court of Appeal
Date: 27 May 1998
Case No: 6/96
Before: Harms, Hefer, Nienaber, Howie and Plewman JJA
Sourced by: Adv JJF Hefer and Adv I Potgieter
Summarised by: L Bejai

[. Editor's Summary .](#) [Cases Referred to .](#) [Judgment .](#)

Trade Marks - Removal on the grounds of non-use - The onus rests upon the Applicant for removal to establish that he is a person aggrieved - A wide and liberal interpretation is given to the term "person aggrieved" - The Applicant must have a substantial interest in the mark or must substantially be damaged by it remaining on the register - The fact that the registered mark constitutes an obstacle to the registration of a mark applied for by the Applicant is prima facie evidence of an interest, but if the application for registration was in bad faith, vexatious or without any substance, the prima facie inference is negated.

Editor's Summary

[Section 36\(1\)\(b\)](#) of the Trade Marks Act [62 of 1963](#) ("the Act") and [section 27\(1\)\(b\)](#) of the Trade Marks Act [194 of 1993](#) provide that if registered trade marks are not used for a continuous period of five years, they may be removed from the register. In the Court *a quo* the trade mark under consideration, "Valentino" was removed from the register on the ground of non-use. The instant case was an appeal against this removal. As the proceedings were initiated during 1980 the matter had to be decided in terms of the 1963 Act.

The Appellant had registered the trade mark "Valentino" on 28 November 1973 in relation to certain items of clothing. The Appellant licensed certain continental concerns to manufacture ready-to-wear Valentino clothing. No user agreement had been registered under [section 48](#) of the Act before the proceedings were launched, nor did the Appellant itself conduct any business under the mark in South Africa.

The First Respondent dealt in men's clothing in Johannesburg. On 5 November 1979 he lodged in his own name an application for the registration of the trade mark "Valentino" in respect of clothing. As the Appellant's registered trade mark prevented the First Respondent's application being granted he launched an application in the court *a quo* for the removal of the trade mark on the ground of non-use.

In the court *a quo* the Appellant had argued two points *in limine*, viz (i) relating to the *locus standi* of the First Respondent and (ii) the lack of proof of non-use in the founding affidavit. The parties had agreed that if the Appellant was unsuccessful on these points, the outcome of the application would be determined in accordance with the full bench decision in *Adcock-Ingram Laboratories Ltd v SA Druggists Ltd and another* [1983 \(2\) SA 350](#) (T). This judgment held, *inter alia*, that use of a trade mark by someone other than its proprietor or a registered user is not "use" for the purposes of [section 36\(1\)\(b\)](#) and cannot protect a trade mark from removal on the ground of non-use. The Appellant's points *in limine* were dismissed and the trade mark was removed.

On appeal the Appellant raised two issues viz: (i) whether the First Respondent was a "person aggrieved" by the registration of the mark as provided in [section 36\(1\)\(b\)](#) of the Act, and, consequently whether he had *locus standi* to

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apply for the removal of the Appellant's trade mark, and (ii) the correctness of the *Adcock-Ingram* decision.

Held - The Court considered whether the First Respondent was a person aggrieved by the registration of the Appellant's trade mark. The Court held that the onus rests upon the Applicant for removal to establish, as a reasonable possibility, that he is a person aggrieved. A wide and liberal interpretation was given to the term "person aggrieved". The Applicant had to have a substantial interest in the mark or must substantially be damaged by it remaining on the register. The fact that the registered mark constituted an obstacle to the registration of a mark applied for by the Applicant was *prima facie* evidence of an interest, but if that application for registration was in bad faith, vexatious or without any substance, the *prima facie* inference would be negated.

On the evidence in the instant case the court *a quo* should have found that there was no prospect that First Respondent could succeed in his application for the registration of the trademark "Valentino". The First Respondent was not an "aggrieved" person and his application for the removal of the Appellant's trade mark should have failed.

The appeal was upheld with costs.

Notes

For Trade marks, see *LAWSA* (Vol 29, paragraphs 1-276)

Cases referred to in judgment

("C" means confirmed; "D" means distinguished; "F" means followed and "R" means reversed.)

South Africa

Adcock-Ingram Laboratories Ltd v SA Druggists Ltd and another [1983 \(2\) SA 350](#) (T)

Bader and another v Weston and another [1967 \(1\) SA 134](#) (C)

Berman Brothers (Pty) Ltd v Sodastream Ltd and another [1986 \(3\) SA 209](#) (A)

Danco Clothing (Pty) Ltd v Nu-Care Marketing Sales and Promotions (Pty) Ltd and another [1991 \(4\) SA 850](#) (A)

Francis George Hill Family Trust v South African Reserve Bank and others [1992 \(3\) SA 91](#) (A)

Hart v Pinetown Drive-in Cinema (Pty) Ltd [1972 \(1\) SA 464](#) (D)

Hubby's Investments (Pty) Ltd v Lifetime Properties (Pty) Ltd [1998 \(1\) SA 295](#) (W)

Jeeva and another v Tuck NO and others [1998 \(1\) SA 785](#) (SE)

Mars Incorporated v Candy World (Pty) Ltd [1991 \(1\) SA 567](#) (A)

Pearson v Magrep Investments (Pty) Ltd and others [1975 \(1\) SA 186](#) (D)

Ritz Hotel Ltd v Charles of the Ritz Ltd and another [1988 \(3\) SA 290](#) (A)

Sodastream Ltd and another v Berman Brothers (Pty) Ltd [1984 \(4\) SA 425](#) (T)

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

United Kingdom

Consort Trade Mark [1980] RPC 160 (HL)

Holly Hobbie Trade Mark [1984] RPC 329 (HL)

Kaiser Aluminium & Chemical Corporation v The Reynolds Metal Company 120 CLR 136

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Judgment

HARMS JA

Registered trade marks are intended to be used and, if not used for a continuous period of five years, may be removed from the register. This was provided for under [section 36\(1\)\(b\)](#) of the Trade Marks Act [62 of 1963](#) and according to [section 27\(1\)\(b\)](#) of the Trade Marks Act [194 of 1993](#) is still the law, albeit in slightly different terms. In the Court below the trade mark under consideration, *Valentino*, suffered the fate of removal on the ground of non-use (per Smit J in the Transvaal Provincial Division) and the present appeal against that order is with its leave. Since the proceedings were initiated during 1980 - and that is not a typographical error - the matter has to be decided in terms of the 1963 Act and all further statutory references are to it.

The trade mark *Valentino* was registered on 28 November 1973 under registration number B73/6127 in class 25 in relation to certain items of clothing. The proprietor of the mark was and is the appellant, a Dutch body corporate, whose original name was Globelegance BV. Of importance to this case is that the trade mark is used on clothing designed by a leading Italian couturier, Valentino Garavani. These articles of fashion are intended for the very wealthy and not for the mass market. The appellant licensed certain continental concerns to manufacture ready-to-wear Valentino clothing, and certain local fashion retailers imported and sold reasonable quantities since 1976. No user agreement was registered under [section 48](#) before the proceedings were launched, nor did the appellant itself conduct any business under the mark in South Africa.

The first respondent, to whom I shall refer by name, "dealt" in men's clothing in Johannesburg. On 5 November 1979 he lodged in his own name an application for the registration of the trade mark *Valentino*, also in class 25 and in respect of clothing. The registered trade mark was an obvious impediment to the success of Phillips's application and in consequence the present proceedings for its removal on the ground of non-use were launched at the beginning of 1980. There the matter more or less rested until it was enrolled towards the end of 1995.

At the hearing the parties presented Smit J with an agreement. It, in essence, provided that the appellant intended to argue two points *in limine*, one relating to *locus standi* and the other to the lack of proof in the founding affidavit of non-use. The parties further agreed that if the appellant were to be unsuccessful on these points, the outcome of the application was predetermined by the full court decision in *Adcock-Ingram Laboratories Ltd v SA Druggists Ltd and another* [1983 \(2\) SA 350](#) (T) which was binding upon the court below. This judgment held, *inter alia*, that use of a trade mark by someone other than its proprietor or a registered user is not "use" for the purposes of [section 36\(1\)\(b\)](#) and cannot protect a trade mark from removal on the ground of non-use. In the event the points *in limine* were dismissed and, because of *Adcock-Ingram*, the application was granted and the removal of the trade mark ordered.

The appellant raised two issues on appeal, namely -

- (1) whether Phillips was, in the words of [section 36\(1\)\(b\)](#), a "person aggrieved" by the registration of the mark and whether, consequently, he had no *locus standi* to apply for the removal of the appellant's trade mark, and
- (2) the correctness of *Adcock-Ingram*.

Phillips, on the other hand, contended in the argument filed (there was no appearance on his behalf) that this Court

was precluded from deciding the second point because the court below had not made any findings on the issue.

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Initially the appellant wished to argue the first point with reference to the allegations contained in the founding affidavit only as was done in the court below. There are a number of cases which recognise the right of a respondent, in spite of having filed an answering affidavit, to argue at the outset that the founding affidavit does not make out a *prima facie* case for the relief claimed. They for two reasons suggest that the procedure is akin to an exception based on the ground that a summons or similar initiating process does not disclose a cause of action: The founding affidavit alone falls to be considered, and the averments contained therein must be accepted as true. An important difference with an exception is, however, that the application contains evidence and not only allegations of fact, and what might be sufficient in a summons may be insufficient in a founding affidavit (see eg *Hart v Pinetown Drive-in Cinema (Pty) Ltd* [1972 \(1\) SA 464](#) (D), *Pearson v Magrep Investments (Pty) Ltd and others* [1975 \(1\) SA 186](#) (D), and latterly, *Hubby's Investments (Pty) Ltd v Lifetime Properties (Pty) Ltd* [1998 \(1\) SA 295](#) (W) 297A-E). The usual object of the procedure is to enable a respondent to meet an application for referral to evidence or the like and relieve the court of considering the conflicting allegations of fact (cf. *Bader and another v Weston and another* [1967 \(1\) SA 134](#) (C) 136F-G).

It seems to me to be wrong to permit the use of this procedure in a court of first instance where there is no real conflict of fact on the papers, as is the case here. But having used the procedure unsuccessfully at that level, does not mean that an appellant is entitled to use it again on appeal. In any event, it seems to me that the analogy with the exception procedure may be inappropriate and that the comparison should rather be with an application for absolution from the instance in a trial action. Having lost an application for absolution, a defendant cannot thereafter lead evidence and on appeal argue that absolution should have been granted at the end of the plaintiff's case. A court of appeal no doubt will consider all the evidence on record. Likewise, having lost an exception, it can hardly be reargued after completion of the trial. What is on appeal is the substantive order made, in this case the removal of the trade mark from the register and not the rulings leading up to the result. This also answers the point raised by Phillips to which I have referred. Before this Court is the question whether the order below was correctly made, and that includes, should the first point fail, the question whether *Adcock-Ingram* was correct in the respect referred to.

I then proceed to consider whether Phillips was a person aggrieved by the registration of the appellant's trade mark. First the facts. It is common cause that Phillips in his own name lodged an application for the registration of the trade mark *Valentino*. The application for the removal of the appellant's trade mark was lodged in the name of Phillips "trading as Valentino for Men" and it was alleged that the applicant (ie Phillips) "is the owner of the trade mark 'Valentino' and claims to be the proprietor thereof in the Republic" because of the lodging of the said application for registration of the trade mark and, because he is engaged in the sale of clothing under the trade mark, that he has used the trade mark in advertising "his products" and that he has the intention of continuing to use the mark.

The founding affidavit presents a different picture. It was sworn to by Phillips but he purported to file the affidavit on the behalf of a company, Fran & Antonio (Pty) Ltd, of which he was the managing director. This company - which he defined for purposes of his affidavit as "my business" - he said, was incorporated in 1977, began trading in that year under the name "Valentino" and specialised in men's clothing. The company used the mark in its advertising. He

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annexed a number of affidavits by clients who "have always associated the mark 'Valentino' exclusively with my company and the goods which are sold therefrom". He concluded by stating that, apart from his "business which trades under the name 'Valentino' and which sells clothing and accessories under the mark 'Valentino' I have never encountered or heard of any goods sold in the Republic of South Africa which did not emanate from my business". In his replying affidavit, sworn to some twelve years later, he stated that since the founding affidavit the trade mark had been used by Valentino (Pty) Ltd and by Valentino Clothing CC, both entities seemingly controlled by Phillips. Since 16 November 1989 the trading was again carried on through Fran & Anthony (Pty) Ltd, renamed, with the permission of Valentino (Pty) Ltd, Valentino Corporation (Pty) Ltd. His intention was to list Valentino Corporation (Pty) Ltd on the Johannesburg Stock Exchange. The turnover figures of these concerns were given.

The concept of a "party aggrieved" in the context of [section 36](#) has been the subject of judgments of this court: *Ritz Hotel Ltd v Charles of the Ritz Ltd and another* [1988 \(3\) SA 290](#) (A), *Mars Incorporated v Candy World (Pty) Ltd* [1991 \(1\) SA 567](#) (A) and *Danco Clothing (Pty) Ltd v Nu-Care Marketing Sales and Promotions (Pty) Ltd and another* [1991 \(4\) SA 850](#) (A). In addition, the concept arose in other statutory contexts in *Francis George Hill Family Trust v South African Reserve Bank and others* [1992 \(3\) SA 91](#) (A) and *Jeeva and another v Tuck NO and others* [1998 \(1\) SA 785](#) (SE). It would therefore amount to a supererogation to attempt a restatement or reformulation of the principles and approach involved. For present purposes the following may, however, be extracted from the first three cases. The onus rests upon the applicant for removal to establish, as a reasonable possibility, that he is a person aggrieved. For this purpose it is assumed that the trade mark is wrongly on the register. A wide and liberal interpretation is given to the term "person aggrieved". The applicant must have a substantial interest in the mark or must substantially be damaged by it remaining on the register. The fact that the registered mark constitutes an obstacle to the registration of a mark applied for by the applicant is *prima facie* evidence of an interest, but if that application for registration was in bad faith, vexatious or without any substance, the *prima facie* inference is negated. (On the last point see also *Consort Trade Mark* [1980] RPC 160 166 lines 19-31.)

Of particular relevance to this appeal is the reasoning in *Ritz* at 309C-311E. Dealing with class 25 and 26 marks,

Ritz held that since the applicant for removal neither traded nor had any genuine intention to trade in goods in those classes, it meant that it was not a person aggrieved. (This reasoning does not necessarily apply to an application for a defensive registration as was indicated in *Mars*.) On the evidence in the present case it is clear that Phillips has never traded or had any intention to trade under the mark *Valentino*. Phillips simply failed to distinguish between himself and companies and a close corporation in which he had some undisclosed interest and with which he had some undefined relationship. The question then arises whether Phillips as controller, shareholder or member (sole or otherwise) of these entities can be a person aggrieved within the meaning of the term in [s 36](#). *Francis George Hill Family Trust*, dealing with Treasury regulations, answered a similar question in the negative as did *Jeeva* in regard to insolvency. The crux of these cases is that the notion of a company as a distinct legal personality is no mere technicality (*Francis George Hill Family Trust* 102G). On the other hand, *Ritz* (314H-316B) with reference to recent trends in English courts (to which can be added the 1969 Australian patent

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decision in *Kaiser Aluminium & Chemical Corporation v The Reynolds Metal Company* 120 CLR 136) opened the possibility of a more relaxed approach which can be considered when dealing with companies bound together in a group. The question then arises whether a relaxation can be justified in terms of the Act. Put differently, is it possible that Phillips's application for the registration of the mark can succeed?

[Section 20\(1\)](#) lays down that an applicant for a trade mark must be a person claiming to be the proprietor of a mark "used or proposed to be used by him" (emphasis added). (See in general on the meaning of this provision: *Victoria's Secret Inc v Edgars Stores Ltd* [1994 \(3\) SA 739](#) (A) 744-745.) The reason for this requirement is to be found in the definition of a "trade mark" in [section 2](#), namely that it means a mark "used or proposed to be used" for the purpose of indicating a connection between, on the one hand, the trademarked goods or services and, on the other, "some person having the right, either as proprietor or as a registered user". (I have omitted important parts of the definition simply because they are not of consequence in the present context.) [Section 24\(1\)](#) permits of two exceptions to the requirement of [section 20\(1\)](#) that the proprietor himself must use or intend to use the trade mark. The first is if the registrar is satisfied that a body corporate is about to be constituted and that the applicant intends to assign the trade mark to it with the view to its use by the body corporate. The second is if the application is accompanied by an application for the registration of a person as registered user of the trade mark and the registrar can be satisfied that the proprietor intends it to be used by such a person. Neither applies to this case. These provisions are incompatible with a relaxation of the rule in *Francis George Hill Family Trust*. The first explicitly applies only if the body corporate is not yet in existence at the stage when the application is made. It therefore presupposes that an application for a trade mark may be made "on the behalf of" a body corporate, but only under carefully specified circumstances. The second presupposes that someone other than the proprietor personally may intend to use the trade mark, but then he has to be a registered user and not merely a licensee or someone under the control of the proprietor. Of more than mere historic interest are [sections 23](#) and [24\(1\)\(c\)](#) which were both repealed during 1971. They provided that where a holding company or its nominee owned all the issued shares in one or more subsidiary companies, use of a trade mark by the latter, for trade mark application purposes, was deemed to be use also by the holding company and that the holding company in such circumstances could apply for registration of the trade mark in its own name even if it had not used or intended to use the trade mark. What this establishes is that the statute initially did pierce the corporate veil, but only in one defined situation. The repeal of this exception indicates a clear intention not to allow the piercing of the corporate veil.

My approach may seem technical and to turn on too close a reading of the Act. It should, however, be borne in mind that we are concerned with a 1963 statute and that it has to be interpreted as at its date. It was based upon the 1938 British Trade Marks Act which in turn saw the light of day because of the report of the Goschen Committee and the frame of mind concerning trade marks then existing (cf. "*Holly Hobbie*" *Trade Mark* [1984] RPC 329 (HL) at 350 lines 36-43 and at 355 lines 10-36; *Chowles & Webster South African Law of Trade Marks* 2 ed p 168 and follows). Since then there have been major strides in trade techniques and technology and concepts and perceptions have undergone material changes. The function of a trade mark as a badge of origin has changed and this change is reflected in the 1993 Act (cf. *Webster* in 29 *LAWSA* par 18;

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Sodastream Ltd and another v Berman Brothers (Pty) Ltd [1984 \(4\) SA 425](#) (T) 429F-H; *Berman Brothers (Pty) Ltd v Sodastream Ltd and another* [1986 \(3\) SA 209](#) (A) 236G-I). The position of an unregistered licensee has also changed but all these factors do not permit us to ignore the expressed intention of the legislature in its proper context.

I therefore conclude that the court below should have found that there was no prospect that Phillips could succeed in his application for the registration of *Valentino*, either in his own name or in that of another. This means that Phillips was not a person "aggrieved" and that his application for the removal of the appellant's trade mark should have failed at the first hurdle. A consideration of the second issue becomes academic.

The following order is made:

1. The appeal is upheld with costs.
2. The order of the court below is set aside and replaced with an order dismissing the application with costs.
3. All costs orders include the costs consequent upon the employment of two counsel.

(Hefer, Nienaber, Howie and Plewman JJA concurred in the judgment of Harms JA.)

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