

The interpretation of "the relevant sector of the public" in terms of section 35(1A) of the Trade Marks Act 194 of 1993: Well-known trade marks

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Declaration

I, Dieter Leicher with student number 26466503, declare that the mini-dissertation titled **The interpretation of the "relevant sector of the public" in terms of section 35(1A) of the Trade Marks Act 194 of 1993: Well-known trade marks** is my original work and has not been submitted for examination anywhere before. This mini-dissertation is submitted for examination to the NWU in partial fulfilment of the requirements for the degree LLM in International Trade Law.



Dieter Leicher

9 December 2021

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To Ms Visagie: thank you for being an excellent supervisor and a teacher. I am a better researcher and writer after this worthwhile process.

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List of Abbreviations and Keywords:

CILJSA	Comparative and International Law Journal of Southern Africa
GATT	General Agreement on Tariffs and Trade 1947
IP	Intellectual property
IPRs	Intellectual property rights
Joint Recommendation	The Joint Recommendation Concerning Provisions on the Protection of Well-known Marks of the World Intellectual Property Organization, 1999
Nice Classification	Nice Classification established by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, 1957
Paris Convention	The Paris Convention for the Protection of Industrial Property, 1883
SAMLJ	South African Mercantile Law Journal
SCA	Supreme Court of Appeal
The Act	Trade Marks Act 194 of 1993
The previous Act	Trade Marks Act 62 of 1963
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights, 1994

Keywords: Relevant sector of the public; section 35(1A) of the Trade Marks Act; trade marks; well-known trade marks.

CHAPTER 1: INTRODUCTION

1.1 Problem statement

South African trade marks are protected under the country's common law and statutes and also in terms of the *Constitution of the Republic of South Africa, 1996* (hereafter the *Constitution*).

Because intellectual property rights (hereafter IPRs) are usually territorial in nature, the rights conferred on a trade mark proprietor will be determined by the national laws of the country in which the trade mark is registered (hereafter the territoriality principle).¹ For example, if a trade mark is registered in South Africa, the rights conferred on a trade mark proprietor will be limited to apply only within the borders of the Republic.² From a trade mark perspective, exporters of goods must ensure that (i) any trade mark that appears on their goods does not infringe on other trade mark rights of third parties in the country or countries that they intend to export to,³ (ii) they apply to register the trade mark in each country they wish to export to, and (iii) their application for registration of their trade marks has complied with the laws of the country that they intend to export to.

Many trade mark proprietors may be unable to protect their trade marks in foreign countries due to their inability to comply with the national laws for registration.⁴ In those circumstances, local producers of similar products in foreign countries may attempt to ride on the coat tails of those trade mark proprietors and benefit from these trade marks by way of adopting them in their countries.⁵ The result of such registration by the local producer will restrict the original proprietor from exporting his/her products under his/her trade mark to that country. Such restriction may cause significant barriers to the free flow of goods, and result in unfairness as well

¹ Beier *Territoriality of trade mark law and international trade* 48; Abelman 1970 *Territoriality principles in trade mark law*; Van der Merwe *et al Law of Intellectual Property in South Africa* 104.

² *Tie Rack plc v Tie Rack Stores* 1989 (4) SA 427 (T) 446-447.

³ Van der Merwe *et al Law of Intellectual Property in South Africa* 141.

⁴ For example, in terms of the law of the United States of America (*Trademark Act* of 1946, known as the "*Lanham Act*"), a trade mark will only be registered if the mark is used in commerce in that country.

⁵ Mostert 1996 *Well-Known and Famous Marks* 103, 105.

as the prohibition of a legitimate owner of a trade mark to sell his/her product bearing his/her brand name in that country.⁶ It is further possible that consumers who may have seen the "original" product in other countries, will be affected by the uncertainty of the origin of the product.⁷

Traditionally, South African courts have rigorously applied the territoriality principle to trade marks, resulting in the inability of trade mark proprietors to protect their marks, if they have neither carried on business nor acquired any goodwill in the goods or services to which their trade marks apply in the Republic.⁸ However, due to the increase in global trade of goods and services as well as the increased number of multinational corporations, nations started focusing on the removal of these obstacles to free trade, giving rise to simpler structures for protecting trade marks beyond the national borders of countries. These structures include international conventions that provide exceptions to the rigid application of the territoriality principle to trade marks. For example, article 17 of the *Paris Convention for the Protection of Industrial Property* of 1883 (hereafter the *Paris Convention*) permits the limitation of the rights conferred on a registered trade mark proprietor, provided that these limitations take account of the legitimate interest of the proprietor and third parties. An example of such a limitation is article 6*bis*, which provides protection to unregistered, well-known trade marks. As a result of the obligations placed on South Africa (as a party to the *Paris Convention*) in terms of article 6*bis*, the *Trade Marks Act* 194 of 1993 (hereafter the *Act*) was amended to include similar protection to well-known trade marks.⁹ Over the years, litigation has ensued before the South African courts regarding the interpretation of the "well-known" provision in the *Act*. As recently as 2019, the Supreme Court of Appeal (hereafter the SCA) issued a ruling¹⁰ providing further guidance on the interpretation of this provision and, more specifically, the meaning of the phrase "the relevant sector of the public" as set out in section 35(1A) of the *Act*.

⁶ Mostert 1996 *Well-Known and Famous Marks* 104-105.

⁷ McCarthy *McCarthy on Trade marks and Unfair Competition* 2:33.

⁸ *Victoria's Secret Inc v Edgars Stores Ltd* 1994 (3) SA 739 (A) (hereafter the *Victoria's secret-matter*).

⁹ *Intellectual Property Laws Amendment Act* 38 of 1997.

¹⁰ *Truworhs Ltd v Primark Holdings* 2019 (1) SA 179 (SCA) (hereafter the *Truworhs-matter*).

The protection of well-known trade marks is a relatively recent concept because the now-repealed *Trade Marks Act* 62 of 1963 (hereafter the previous *Act*) made no mention of well-known trade marks. After the inclusion of article 6 *bis* to the *Paris Convention*, an obligation was placed on South Africa, as a convention country, to extend protection to well-known trade marks, even if such well-known trade marks are not registered.¹¹ This led to the inclusion of the protection to well-known trade marks in terms of section 35 of the *Act*. The *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks* adopted by the World Intellectual Property Organization in 1999 (hereafter the *Joint Recommendation*), although not binding, provides a persuasive guide to the interpretation and application of the *Paris Convention* by courts in South Africa.¹² After the inclusion of the protection of well-known trade marks in the *Act*, the case of *McDonald's Corporation v Johannesburg Drive-Inn Restaurant Ltd* 1997 (1) SA 1 (A), (hereafter the *McDonald's-matter*), was one of the first to determine the scope of the said protection.

In terms of section 35(1) and 35(3) of the *Act*, well-known trade marks that are entitled to protection in terms of the *Paris Convention* shall be afforded protection in the Republic.¹³ A well-known trade mark will be protected even if the proprietor thereof may not carry on business or possess any goodwill¹⁴ in the Republic, provided that he/she is a national of a country that is a party to the *Paris Convention* or is domiciled in, or has a real and effective industrial or commercial establishment in such a country.¹⁵ In other words, a trade mark which qualifies as a well-known

¹¹ This is because South Africa joined the *Paris Convention* in 1947 and article 6 *bis*(1) of the convention obliges countries of the Union to 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."

¹² The *Joint Recommendation* sets out examples of relevant sectors of society and factors relevant to the determination of whether a mark is well-known or not.

¹³ *McDonald's-matter. AM Moolla Group v The Gap* 2005 (6) SA 568 (SCA) 15 (hereafter *The Gap-matter*).

¹⁴ As discussed in part 5.4.1

¹⁵ Section 35 (1)(a)-(b) of the *Act*.

trade mark in the Republic will be protected in terms of section 35 of the *Act*, even though the mark may not be used in the Republic. The protection of foreign well-known trade marks has already been considered in, *inter alia*, the *McDonald's*, *-The Gap-*, and *Truworths*-matters.

For a mark to be protected in terms of section 35 it must be well-known in the relevant sector of the public in terms of section 35(1A) of the *Act*. Our courts have already determined the interpretation of the relevant sector of the public with reference to the *Joint Recommendation*. The aim of this study is to analyse cases that interpreted the relevant sector of the public.

This issue was recently considered before the SCA in the matter of *Truworths Ltd v Primark Holdings*. *In casu*, the appellant, the local fashion retailer, Truworths, intended to register the trade mark, Primark, in relation to clothing, shoes and similar goods. However, the respondent, a discount fashion retailer based outside South Africa, had already registered the trade mark that Truworths intended to register in terms of the same classification of goods. Because Primark had never opened a store in South Africa, Truworths brought an application for the removal of Primark Holdings's trade marks from the register on the grounds of non-use in terms of section 27(1)(a) and (b) of the *Act*.

Although the respondent did not use the mark or intended to use the mark within the Republic, it argued that the mark should be protected as a well-known trade mark in terms of section 35(1) of the *Act*. Even though the court confirmed that a well-known trade mark should serve as a valid defence to an action for expungement from the register, it held that the respondent's defence should fail because the trade mark was not well-known amongst any relevant sector of the Republic as required by section 35(1A) of the *Act*. Because the mark was not known by the relevant sector of the public, the defence of the respondent failed, leading to the mark being expunged from the register. This study considers the reasoning of the SCA in this matter, and preceding matters, in interpreting the term "the relevant sector of the public" in section 35(1A) of the *Act*, for the purpose of

establishing whether or not a trade mark qualifies as a well-known trade mark in South Africa.

1.2 Research question

How do South African courts interpret the phrase "the relevant sector of the public" for the purposes of establishing whether or not a trade mark qualifies as a well-known trade mark in terms of section 35(1A) of the *Trade Marks Act* 194 of 1993?

1.3 Research aim and objectives

The aim of this research study is to determine how the South African courts interpret and apply the phrase "the relevant sectors of the public" in terms of section 35(1A) of the *Trade Marks Act*, for the purpose of establishing whether or not a trade mark qualifies as a well-known trade mark in South Africa.

The objectives of the research are set out below:

Chapter 2: Setting out the current legal framework for the protection of trade marks in South Africa.

Chapter 3: Setting out the international framework for the protection of well-known trade marks.

Chapter 4: Determining the extent of the influence of the territoriality principle on the protection of trade marks.

Chapter 5: Analysing the provisions for the protection of well-known trade marks in terms of the *Act*.

1.4 Scope and limitations

This study focusses on trade marks that are owned by foreign trade mark proprietors who do not trade or have an established goodwill in South Africa, but who may possess the requisite reputation in their foreign trade marks locally in order for those marks to qualify as well-known trade marks in South Africa. In this context, the study considers how our courts interpret the phrase "the relevant sector

of the public" for the purposes of establishing whether or not a trade mark qualifies as a well-known trade mark in terms of section 35(1A) of the *Trade Marks Act* 194 of 1993.

While the main focus of the study is section 35 of the *Act*, which relates specifically to well-known trade marks in South Africa, other relevant provisions of the *Act* are discussed. This includes section 27 of the *Act*, which deals with non-use of a registered trade mark, and the infringement provisions contained in section 34(1) of the *Act*.

The study is limited to the relevant provisions of the current *Trade Marks Act* 194 of 1993 and, where relevant, the *Trade Marks Act* 62 of 1963.¹⁶ South African trade mark legislation that pre-dates the previous *Act* does not form part of the study.

The study includes common law user rights acquired in an unregistered trade mark as a result of extensive use of a mark. The reason for including these rights is that the test for passing-off is relevant for establishing whether or not a trade mark is well-known in South Africa.

Collective and certification marks, honest concurrent user rights, fall outside the scope of the study. Furthermore, the procedure for filing a trade mark application and the processing of the trade mark application from the date of filing up to the issue of the certification of registration (including any oppositions to the trade mark application that may be filed subsequent to the publication of the mark) fall outside the scope of the study.

1.5 Research method

This dissertation is a desktop study concluded by means of a literature review of legislation, textbooks, journal articles, international instruments and applicable electronic resources. In addition, local case law relevant to well-known trade marks are discussed.

¹⁶ Although registered trade marks receive extensive protection, unregistered trade marks are merely protected by common law, specifically in terms of actions for passing-off as a sub-category of unlawful competition.

1.6 Framework

The first chapter serves as an introduction to the paper.

Chapter two sets out the South African framework for trade mark protection. In this chapter, I define a trade mark and consider its function. I also discuss the scope of protection in terms of the *Constitution* (with reference to relevant case law), the *Act*, and international conventions, including the *Paris Convention* and the *Agreement on Trade-Related Aspects of Intellectual Property Rights, 1994* (hereafter *TRIPS Agreement/TRIPS*).

In the third chapter, I discuss the effects of the territoriality principle on trade mark protection as well as the tendency to move away from a strict application of this principle. Relevant case law includes the matter of *Victoria's Secret Inc v Edgars Stores Ltd 1994 (3) SA 739 (A)*.

Chapter four discusses the implementation of measures in the *Act* to afford protection of well-known trade marks in South Africa in compliance with the *Paris Convention* and the *TRIPS Agreement*. Relevant local case law, including the *McDonald's*-matter, are discussed.

Chapter five provides a discussion of the courts' interpretation and application of the phrase "the relevant sector of the public" as set out in section 35(1A) of the *Act*. Relevant case law includes the *Truworths*-matter. In this case, the SCA also considered the relevant provisions of the *Joint Recommendation*, as discussed and analysed in this chapter.

In chapter six, the concluding chapter, I reflect on everything stated above, formulate a personal opinion and recommend aspects worthy of further research.

CHAPTER 2: TRADE MARK PROTECTION

2.1 Introduction

Trade marks are used for the marketing of products and the provision of services.¹⁷ In essence, the purpose of a trade mark is for a trader to identify and distinguish his/her goods or services from similar goods or services of other traders.¹⁸ As a starting point, the discussion below deals with the definition of a trade mark in terms of the *Act*. This is followed by a discussion on the functions of a trade mark in part 2.3 as well as trade mark protection in part 2.4.

2.2 What is a trade mark?

Section 2(1) of the *Act* defines a trade mark 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.

The discussion below sets out the various components of the definition of a trade mark as set out in the definition, namely the meaning of a "mark", "used or proposed to be used ... in relation to goods or services", "for the purpose of distinguishing" and "in the course of trade", respectively.

It must be noted that this dissertation is merely concerned with registered trade marks and not with certification- and collective marks.¹⁹

2.2.1 "Mark"

When considering the definition of a mark, it is defined in the *Act* as

any sign capable of being represented graphically, including a device, name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour or container for goods or any combination of the aforementioned.¹⁹

¹⁷ Van der Merwe *et al Law of Intellectual Property in South Africa* 103.

¹⁸ Van der Merwe *et al Law of Intellectual Property in South Africa* 103.

¹⁹ Section 2 of the *Act*.

These marks will only qualify for registration as a trade mark if they comply with the requirements of section 9, which stipulates

(1) In order to be registrable, a trade mark shall be capable of distinguishing the goods or services of a person in respect of which it is registered or proposed to be registered from the goods or services of another person either generally or, where the trade mark is registered or proposed to be registered subject to limitations, in relation to use within those limitations.

(2) A mark shall be considered to be capable of distinguishing within the meaning of subsection (1) if, at the date of application for registration, it is inherently capable of so distinguishing or it is capable of distinguishing by reason of prior use thereof.

Furthermore, the registration of a mark as a trade mark is further subject to the exclusions mentioned in section 10 of the *Act*. Marks that fall in either of these categories and that are registered may be removed from the register subject to the provisions of sections 3 and 70.

The phrase "represented graphically" requires that the sign must be capable of being presented in a form that is capable of being recorded and reproduced.²⁰ The representation of the mark must also be clear and precise.²¹ This restriction on the protection of trade mark law prevents the abuse of trade mark law to obtain an unfair competitive advantage.²²

Although colour may be classified as a mark, it must be used in a particular context.²³

The *Heidelberger Bauchemie GmbH's-matter*²⁴ requires colours to be capable of

graphic representation consisting of two or more colours, designated in the abstract and without contours, must be systematically arranged by associating the colours concerned in a predetermined and uniform way. The mere juxtaposition of two or more colours, without shape or contours, or a reference to two or more colours 'in every conceivable form', as is the case with the trade mark which is the subject of the main proceedings, does not exhibit the qualities of precision and uniformity required...Such representations would allow numerous different combinations, which would not permit the consumer to perceive and recall a particular combination, thereby enabling him to repeat with certainty the experience of a purchase, any more than they would allow the competent

²⁰ Regulation 13 in GN R578 in GG 16373 of 21 April 1995.

²¹ *Triomed (Pty) Ltd v Beecham Group plc* 2001 (2) SA 522 (T) 539.

²² Van der Merwe *LAWSA: Trade Marks: Nature of a Trade Mark* 21.

²³ *Cadbury v Beacon Sweets & Chocolates-matter*.

²⁴ (C-49/02) 2004 ECR I-6129, 23, 33-35.

authorities and economic operators to know the scope of the protection afforded to the proprietor of the trade mark.

In the United Kingdom (hereafter UK) *Cadbury v Beacon Sweets & Chocolates*-matter²⁵, the court held that a shade of purple applied to the visible surface of chocolate wrappers could be registered as a trade mark. Thus, a colour is capable of being registered as a trade mark in the UK.

There is a general interest in not unreasonably restricting competitors' access to colours and there must be a critical assessment as to whether the colour put forward for registration has acquired a distinctive character (i.e. is capable of distinguishing in South African terms) in relation to each and every item covered by the specification.²⁶

On the one hand, an uncommon combination of colours can inherently distinguish 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.²⁷ On the other hand, a single colour in relation to goods or services will not be capable of inherently distinguishing as stipulated above.²⁸ This is because

Consumers are not accustomed to making an assumption about the origin of goods on the basis of their colour or the colour of their packaging in the absence of a graphic or textual element, because a colour per se is not normally used as a means of identification in practice.²⁹

[However] this might not apply in the case of very specific goods for a very specific clientele and in the case where a colour exhibits a shade which is extremely unusual and peculiar in the particular trade.³⁰

A mark which is not limited to a particular and limited shade of colour but which purports to cover a whole spectrum of colour is unlikely to have the necessary distinctive character to qualify for registration.³¹

Because the definition of a mark is not exhaustive, it could include sounds, tastes, and smells. Thus, in Europe, the smell of roses has been registered as a mark for tyres, the smell of fresh cut grass has been registered for tennis balls and the smell

²⁵ 2004 BIP 74 (RTM) 8183.

²⁶ *Société Des Produits Nestlé SA v Cadbury* 2014 RPC 7 202 (CA).

²⁷ Webster *et al* *South African Law of Trade marks* 3.47.

²⁸ *John Wyeth & Bro Ltd's Coloured Tablet Trade Mark* 1988 RPC 233 247.

²⁹ *Libertel Groep BV v Benelux-Merkenbureau* 2004 FSR 65 (ECJ) 77-78.

³⁰ *Wm Wrigley Jr Company's Appn* 1999 ETMR 214 (OHIM BA) 20-21

³¹ Re *ORANGE LTD'S Application* 1998 ETMR 337

of bitter beer has been registered for darts.³² The inclusion of a smell as an trade mark is, however, debatable because the *Act* defines the use of a trade mark in terms of visual and audible reproduction.³³

A gesture could also qualify as a mark, because of its capability of being reproduced visually. In Britain, a nose tapping gesture has been registered in relation to financial services.³⁴

Although olfactory marks and gestures have been recognised in foreign jurisdictions as trade marks, it can be argued that they possibly comply with the requirements of a mark in terms of the *Act* because they are capable of graphical representation, which requires that the representation of the mark must be clear, precise, intelligible and objective.³⁵

2.2.2 "used or proposed to be used in relation to goods or services"

References in the *Act* to the use of a mark shall be construed as references to:

the use of a visual representation of the mark; in the case of a container, the use of such container; and in the case of a mark which is capable of being audibly reproduced, the use of an audible reproduction of the mark.³⁶

Because the *Act* does not define the word "use", the word bears its dictionary meaning, namely

the act of using a thing for any purpose; utilisation or employment for or with some aim or purpose.³⁷

Examples of the use of trade marks include, *inter alia*, the following: usually a juristic person applies a trade mark to his/her goods to distinguish them from similar goods of other traders;³⁸ when a person uses a trade mark which is already applied to

³² Job 1998 *De Rebus*.

³³ Job 1998 *De Rebus*.

³⁴ Job 1998 *De Rebus*.

³⁵ *LAWSA Trade Marks: Nature of a Trade Mark* 21.

³⁶ Section 2(2) of the *Act*.

³⁷ *Abdulhay Mayet v Renasa Insurance* 1999 (4) SA 1039 (T) 1045.

³⁸ Van der Merwe *et al Law of Intellectual Property in South Africa* 113.

goods for trading purposes;³⁹ when a trade mark is applied to goods for export purposes in terms of section 64 of the *Act*.

The definition of a trade mark further requires that the use of trade marks be in relation to goods or services, which means that the trade marks must be used upon or in physical or other relation to goods or the performance of services.⁴⁰ The use of trade marks in relation to goods or services include, *inter alia*: if it is applied to the goods or wrappers or tags attached to the goods;⁴¹ if it is used upon the packaging or containers in which the goods are sold;⁴² if it is used in an advertisement, or an invoice, or on other documents relating to the goods or services.⁴³

The *Act*, together with the Regulation 4(3) of General Notice 211 in Government Gazette 23116 of 15 February 2002, regulates the registration of trade marks in a system of classification of goods and services. The rights derived from registration of the trade mark must be determined by the prescribed classification applicable at the date of registration thereof. Although South Africa is not a party to the *Nice Agreement Concerning the International Classification of Goods and Services*, our legislation regarding the classification of trade marks adheres to the 11th edition of the Nice Agreement.

2.2.3 "for the purpose of distinguishing"

In order for a mark to qualify as a trade mark the mark must be used

"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"⁴⁴

³⁹ *Berman Brothers v Sodastream* 1986 (3) SA 209 (A) 235-236.

⁴⁰ Section 2(3) of the *Act*.

⁴¹ *Van der Merwe et al Law of Intellectual Property in South Africa* 113.

⁴² *Metal Box South Africa v Midpak Blow-Moulders* 1988 (2) SA 466 (T).

⁴³ *Esquire Electronics v Executive Video* 1986 (2) SA 576 (A).

⁴⁴ Section 2(1) of the *Act*.

Thus, the purpose for the employment of a mark must be to distinguish it from other marks. Therefore, the degree of the distinguishing capability of a mark is of no concern.

As discussed in part 2.3.2 below, the legislature is moving away from this requirement of a trade mark. Because of this low threshold requirement of the distinguishing function of a trade marks, it will be proved with ease, that a mark is used for the purpose of distinguishing its products or service from other. However, if it can be proved that the mark was employed for the sole purpose of riding on the coattails of another mark, it should be concluded that the purpose of the mark was not to distinguishing its products from another.

Unlike in the case of well-known trade marks, the effectiveness of the distinguishing function of a mark is considered important if a proprietor intends to register its mark in terms of section 9 of the *Act*. The discussion in part 2.3.2 below sets out further comments on the distinguishing function of a trade mark.

2.2.4 "in the course of trade"

... this phrase must be understood as having reference to a trade in goods falling into the classes for which the trade mark is registered or to goods which are so closely associated therewith that the use by the alleged infringer of the trade mark, in a manner otherwise than as a trade mark, will enable the alleged infringer to prey upon or take advantage of the reputation and goodwill of the proprietor of the mark.⁴⁵

For a mark to be considered a trade mark, it must be used or proposed to be used for commercial trade in the goods or services for which it is registered or for which it is intended to be registered.⁴⁶ Use of a trade mark on promotional products will not be considered to be used in the commercial trade in goods.⁴⁷

Commercial trade must be understood in the context of commercial activity with the view of economic advantage rather than for a private matter. The qualification that a mark must be used in the course of trade was contained in section 44(1)(b) of

⁴⁵ *Beecham Group plc v Southern Transvaal Pharmaceutical Pricing Bureau* 1992 (2) SA 213 (W) 218, 559 C-D.

⁴⁶ *Arjo Wiggins v Idem* 2002 (1) SA 591 (SCA) 600.

⁴⁷ *Arjo Wiggins v Idem* 2002 (1) SA 591 (SCA) 600 C-F.

the now repealed Act. The mark was for certain to have been used in the course of trade where the parties to an infringement action were in direct competition with one another.⁴⁸ An example where the marks are not used in the course of trade is in the English case, *M Ravok (Weatherware) v National Trade Press*.⁴⁹ The defendant in this matter published a list that included the plaintiff's trade mark, but gave the wrong proprietor's information.⁵⁰ The court in this matter held that the trade mark was used in relation to a publisher of a trade directory rather than used in the course of trade.

2.3 The functions of a trade mark

2.3.1 The origin function

As the nature of trading activities has evolved over time, the functions of a trade mark have also evolved. Traditionally, the primary function of trade marks was to indicate the origin of the goods, by identifying the manufacturer or physical source from which the goods or services emanate.

The *Trade Marks Act* 62 of 1963, which was repealed by the current *Act* in 1995, specifically included reference to the origin function of a trade mark. The origin function lives on to a certain extent through the application of the distinguishing function, which is included in section 2(1) of the *Act*.⁵¹

2.3.2 The distinguishing function

To keep up with the commercial realities,⁵² the modern law of trade marks determines that trade marks may indicate unknown or anonymous commercial sources, whereby the consumer may not know the manufacturer or actual origin from which the product or service emanates.⁵³ This approach, called the abstract

⁴⁸ *Klep Valves v Saunders Valve Co* 1987 2 SA 1 (A).

⁴⁹ *M Ravok (Weatherware) Ltd v National Trade Press* 1955 72 RPC 110.

⁵⁰ *M Ravok (Weatherware) Ltd v National Trade Press* 1955 72 RPC 110, 557 F-I.

⁵¹ *South African Football Association v Stanton Woodrush Ltd Stan Smidt & Sons* 2003 (3) SA 313 (SCA) 322.

⁵² *Inter alia*, the need to allow for the licensing and franchising of trade marks.

⁵³ Schechter 1927 *The rational basis of trademark protection* 816.

origin theory, is deemed the true basis for trade mark protection in current times.⁵⁴ The exclusion of reference to the origin function in the *Act*,⁵⁵ suggests that the legislature deemed it necessary to move away from the origin function as the sole basis for trade mark protection when the previous *Act* was repealed.⁵⁶

As discussed in part 2.2.3 above, in order for a mark to be registrable in terms of the *Act*, it must be capable of distinguishing. The *Act*, therefore, defines a trade mark primarily in terms of its purpose to distinguish. In the matter of *Abbott Laboratories v UAP Crop Care (Pty) Ltd*,⁵⁷ it was held that the distinguishing capacity of a mark is now the primary function of a trade mark as opposed to the "badge of origin element".

2.3.3 The advertising function

The advertising function serves to facilitate sales of the goods bearing the mark, by alluding to its particular attributes to potential clients. In other words, the advertising function aims to increase the sales of the goods or services bearing the trade mark.

The advertising function of a trade mark is evident from section 34(1)(c) of the *Act*, which deals with infringement of a registered well-known trade mark. This provision states:

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

(c) the unauthorized use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trade mark registered, if such trade mark is well known in the Republic and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of confusion or deception...

⁵⁴ *Shalom Investments Ltd v Dan River Mills Incorporated* 1971 (1) SA 689 (A).

⁵⁵ The 1963 Act made reference to such a function, however the reference thereto was not included in the *Act*.

⁵⁶ *Abbott Laboratories v UAP Crop Care* 1999 (3) SA 624 (C) 631.

⁵⁷ *Abbott Laboratories v UAP Crop Care* 1999 (3) SA 624 (C) 631 F-G.

The above provision in the Act is referred to as the dilution provision. The inclusion of this provision is aimed at preventing the erosion of the repute and advertising value or selling power of a well-known registered trade mark.⁵⁸

The advertising function has received a wide range of judicial support.⁵⁹ In the case of *Laugh it Off Promotions CC v SAB International BV t/a Sabmark International*,⁶⁰ the Constitutional Court held that section 34(1)(c) of the Act serves an essential purpose to protect the trade and commercial interests of trade mark proprietors who have acquired a reputation in their trade mark to the extent that it qualifies as a well-known trade mark in South Africa.⁶¹ In essence, the case dealt with the use of a mark on t-shirts incorporating a parody of the trade mark, BLACK LABEL, which was well-known in relation to beer, and whether or not such parody constituted infringement of the proprietor's rights in terms of the anti-dilution provision. Section 34(1)(c) of the Act prohibits the use of a trade mark that is either identical or similar to the well-known registered trade mark, in relation to any goods or services, even though the use of that mark may not confuse or deceive, if the use of the alleged infringing mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered well-known trade mark. The protection afforded to well-known registered trade marks is, therefore, wider than the protection afforded to registered marks that are not well-known in terms of the Act.⁶²

The aim of section 34(1)(c) of the Act is to preserve a product's badge of origin or its source, denoting function. In other words, this section aims to protect the unique identity and reputation of a registered well-known trade mark, which justifies the

⁵⁸ Sections 10(17) and 34(1)(c) of the Act; Van der Merwe *et al Law of Intellectual Property in South Africa* 117.

⁵⁹ *Inter alia*: *National Brands Ltd v Blue Lion Manufacturing* 2001 (3) SA 563 (SCA) 568; *Laugh it Off Promotions CC v SAB International BV t/a Sabmark International* 2005 (2) SA 46 (SCA) 54.

⁶⁰ *Laugh it Off Promotions CC v SAB International BV t/a Sabmark International* 2006 (1) SA 144 (SCA) 163.

⁶¹ See discussion in part 5 below for the meaning of a well-known trade mark.

⁶² In order to prove trade mark infringement in terms of ss 34(1)(a) and (b) of the Act, the proprietor is required to prove, *inter alia*, that there exists a likelihood of deception or confusion, and that the alleged infringing mark is used in relation to the same (in the case of s 34(1)(a)) or similar (in the case of s 34(1)(b)) goods or services as those to which the proprietor's trade mark registration extends.

revenue potential inherent in the mark's selling power or advertising prowess.⁶³ As such, the advertising function also links with the origin function of a trade mark.

In the *Laugh it Off*-matter, the court also noted that the mark sells the goods and therefore its reputation or consumer appeal must not be tarnished.⁶⁴

2.3.4 The quality guarantee function

The quality guarantee function of trade marks has not been expressly recognised in South African law. In the matter of *AM Moolla Group Ltd v The Gap Inc*,⁶⁵ it was held that a trade mark does not provide a legal guarantee of quality, it merely:

creates an expectation, based on the economic interests of the trade-mark proprietor in maintaining the value of his or her trade mark, that the goods bearing the mark will be of good quality.

It appears, therefore, that registered trade marks in South Africa are deemed to have three functions, notably an origin function, a distinguishing function, and an advertising function (particularly in relation to well-known registered trade marks). It also appears that these functions are closely connected and are, to a great extent, inter-related.

2.4 Trade mark protection in terms of the Constitution, legislation and the common law in South Africa

The discussion below sets out the protection afforded to trade marks in terms of the *Constitution* and the *Act*.

2.4.1 Constitutional protection

The *Constitution* is the supreme law of South Africa, and all law that is inconsistent with it, is invalid. Although a trade mark is considered as either incorporeal- or

⁶³ *Laugh it Off Promotions CC v SAB International BV t/a Sabmark International* 2006 (1) SA 144 (SCA) 163.

⁶⁴ *Laugh it Off Promotions CC v SAB International BV t/a Sabmark International* 2006 (1) SA 144 (SCA) 163.

⁶⁵ *The Gap*-matter (6) SA 568 (SCA) 587. Also see Phillips *Trade Mark Law* 2.34-2.36.

intangible-property, the SCA has confirmed that trade marks are considered property. In the *Laugh it Off*-case, the SCA noted:

... in spite of some judicial resistance in certain quarters, trademarks are property, albeit intangible or incorporeal. The fact that property is intangible does not make it of a lower order. Our law has always recognised incorporeals as a class of things in spite of theoretical objections thereto. Also, simply because, as the appellant has it, trademark protection and branding are the result and part of a 'capitalistic' economy does not mean that trade marks may be disregarded by those who do not believe in such an economy. But then again, intellectual property rights have no special status. The Constitution of the Republic of South Africa Act 108 of 1996 (the Constitution) does not accord them special protection and they are not immune to constitutional challenge. Even if constitutional, their enforcement must be constitutionally justifiable.⁶⁶

When considering whether or not trade mark rights are considered to be property rights in terms of section 25 of the *Constitution*, it would appear that the fundamental nature of trade marks is confirmed by a number of court cases and arguments. As a first consideration, section 25 of the *Constitution* does not limit its application to immovable or movable corporeal property, or specifically exclude from its application IPRs.⁶⁷ Furthermore, in the *First National Bank of SA Westbank v Commissioner of South African Revenue Service*-matter, the Constitutional Court implied in one of its decisions that it is possible that intellectual property (hereafter IP) could constitute constitutional property.⁶⁸ In the subsequent *Phumelela Gaming and Leisure v Grundlingh, Schuler*-matter, the Constitutional Court dealt with goodwill in the context of unlawful competition, and appeared to consider that IP would qualify as constitutional property in South Africa.⁶⁹

Following the above, it would appear that trade marks are protected as fundamental rights in the *Bill of Rights*.⁷⁰ As such, these rights may only be limited in terms of section 36 of the *Constitution*, which allows for the limitation of fundamental rights by any law of general application and to the extent that is "reasonable and justifiable

⁶⁶ *Laugh it Off Promotions CC v SAB International BV t/a Sabmark International* 2006 (1) SA 144 (SCA) paras 10-11.

⁶⁷ Van der Merwe *et al Law of Intellectual Property in South Africa* 8.

⁶⁸ *First National Bank of SA Westbank v Commissioner of South African Revenue Service* 2001 (4) SA 768 (CC) 46-60; Van der Merwe *et al Law of Intellectual Property in South Africa* 9.

⁶⁹ *Phumelela Gaming and Leisure v Grundlingh, Schuler* 2007 (6) SA 350 (CC) 34-42.

⁷⁰ See chapter 2 of the *Constitution* for the exposition of the *Bill of Rights*.

in an open and democratic society". Since fundamental rights are capable of being restricted or limited, any interpretation of the *Act* presupposes a balancing of the proprietor's property rights in the trade mark (and the right to freedom of trade, occupation, and profession) against the fundamental rights of others.⁷¹ For example, the *Laugh it Off*-case dealt with the balancing of the proprietor's property rights in its well-known registered trade mark, with the right to freedom of expression.

2.4.2 Trade mark protection in terms of the Act

Protection of registered trade marks in South Africa is currently governed by the *Act*.⁷² The *Act* applies to all applications filed in terms of the *Act*, and in respect of opposition, cancellation (also referred to as removal or expungement proceedings), and infringement proceedings commenced on or after 1 May 1995, which is the date on which the *Act* came into force.⁷³ All administrative matters regarding the *Act* are governed by the *Trade Mark Regulations*.⁷⁴

Once a mark is registered in terms of the *Act*, the registration of that mark is valid for a period of ten years, calculated from the date of filing the trade mark application.⁷⁵ That being said, the proprietor may renew the registration of the mark for consecutive periods of ten-year intervals.⁷⁶

Despite these seemingly perpetual rights in a registered trade mark, the *Act* contains a number of provisions for the removal of a trade mark from the trade marks register.⁷⁷ Of specific relevance is sections 27(1)(a) and (b) of the *Act*, which deal

⁷¹ *Laugh it Off Promotions CC v SAB International BV t/a Sabmark International* 2005 (2) SA 46 (SCA) 58; Thus, s 36 of the *Constitution* may be invoked to protect trade marks. It may also be invoked to extend protection to trade marks to the detriment of other fundamental rights.

⁷² Which repealed the *Trade Marks Act* 62 of 1963.

⁷³ Van der Merwe *et al Law of Intellectual Property in South Africa* 107; The Act also has limited retrospective effects, because in terms of s 3(1) of the *Act*, it applies to all trade marks registered or deemed to be registered under the previous *Act*. In terms of s 70 of the *Act*, the previous *Act* will continue to govern all applications lodged and proceeding instituted before the enforcement date of the *Act*.

⁷⁴ GN R578 in GG 16373 of 21 April 1995 as amended by GN R51 GG 16930 1996.

⁷⁵ Section 37(1) of the *Act*.

⁷⁶ Section 37(2) of the *Act*.

⁷⁷ These provisions include s 24, which deals with the removal of a trade mark on the basis that the mark was either wrongly made and/or is wrongly remaining on the trade marks register.

with the removal (or expungement) of a trade mark from the register on the ground of non-use. The relevant portion of these provisions states as follows:

...a registered trade mark may, on application to the court, or, at the option of the applicant [for cancellation] to the registrar by any interested person, be removed from 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 or any person permitted to use the trade mark as contemplated by section 38, and that there has in fact been no *bona fide* use of the trade mark in relation to those goods or services by any proprietor thereof or any person so permitted for the time being up to the date three months before the date of the application;
- (b) that up to the date three months before the date of the application, a continuous period of five years or longer has elapsed from the date of issue of the certificate of registration during which the trade mark was registered and during which there was no *bona fide* use thereof in relation to those goods or services by any proprietor thereof or any person permitted to use the trade mark as contemplated in section 38 during the period concerned.

Section 27(5) protects well-known trade marks under the *Paris Convention* from expungement from the trade marks register even though the trade mark proprietor does not intend to use the mark or has not used the mark as stipulated by sections 27(1)(a) and/or (b) of the *Act*.

Trade mark registration provides numerous benefits to their proprietors, *inter alia*: the register of trade marks serves as *prima facie* proof that the person in whose name the mark is registered is its proprietor;⁷⁸ the mark is capable of registration without actual use by its proprietor, all that is required is that the trade mark applicant has a *bona fide* intention to use the mark as a trade mark;⁷⁹ and there is a statutory infringement action available to the registered trade mark proprietor in terms of section 34 of the *Act*.⁸⁰

⁷⁸ Section 49 of the *Act*; Van der Merwe *et al Law of Intellectual Property in South Africa* 107.

⁷⁹ Section 10(4) of the *Act*; *Arjo Wiggins v Idem* 2002 (1) SA 591 (SCA) 11.

⁸⁰ The statutory infringement action is divided in three categories, notably primary infringement in terms of s 34(1)(a) of the *Act*, extended infringement in terms of s 34(1)(b) of the *Act*, and the anti-dilution provision as set out in s 34(1)(c) of the *Act*.

As mentioned in chapter 1.4 the focus of this study is limited to the infringement provisions that relate, specifically, to well-known trade marks. On this basis, section 34(1)(c), as discussed in part 2.3.3 above and elaborated upon further in this dissertation, forms part of the study.

At this stage, it is noteworthy to mention that the rights to a well-known mark in terms of the *Act*, are an exception to the so-called territoriality principle. Chapter three sets out a discussion of this principle, followed by a discussion on well-known trade marks in chapter four.

CHAPTER 3: THE TERRITORIALITY PRINCIPLE AND ITS EFFECTS ON THE PROTECTION OF TRADE MARKS

3.1 Introduction

The restricted protection of trade marks is traditionally underpinned by the territoriality principle.⁸¹ The territoriality principle provides that a trade mark will only be protected within its country of registration.⁸² Thus, a trade mark used or registered in a foreign country does not *per se* justify a prohibition to its adoption by a local manufacturer, because no one in the territory has asserted a similar right.⁸³ Under the territoriality principle, a South African manufacturer is allowed to profit off of the success and reputation of a foreign trade mark by adopting that mark in South Africa for its goods or services. In the matter of *Tie Rack plc v Tie Rack Stores*,⁸⁴ a case which was decided in terms of the previous *Act*, it was held that:

... a trade mark is purely a territorial concept; it is legally operative or effective only within the territory in which it is used and for which it is to be registered or is registered.

⁸¹ Also applicable to trade marks is the speciality principle, which stipulates that a trade mark is only protected against use of the goods in respect of which it is registered. This principle, under the latest *Act*, is irrelevant because s 34(1)(b) of the *Act*, for example, stipulates that infringement would occur when the infringed trade mark is used with reference to identical or similar goods. For more information on the speciality principle, see Kelbrick 2007 SAMLJ 1.

⁸² Kelbrick 2005 *CILSA* 436.

⁸³ Van der Merwe *LAWSA: Trade Marks*: Section 10(3) of the Trade Marks Act.

⁸⁴ *Tie Rack plc v Tie Rack Stores (Pty) Ltd* 1989 (4) SA 427 (T).

...an applicant can be regarded as the author of a trade mark in the RSA even if he has copied or selected (i.e. adopted) it in respect of certain goods from a trade mark registered and used (even extensively used) in respect of the same goods in a foreign country.⁸⁵

The effect of the territoriality principle on trade marks is that use or adoption of a foreign trade mark of a third party by someone in South Africa, even though potentially morally reprehensible, it is not necessarily unlawful.⁸⁶

The courts have at least agreed on the moral reprehensibility of these so-called borrowing practices of trade marks, either because the borrower aims to "piggyback" on the success of the foreign proprietor, or because of the borrower's disregard for the confidential relationship with the foreign proprietor.⁸⁷ However, these borrowing practices are not considered unlawful merely because they are immoral.⁸⁸ Thus, it is possible that a local proprietor may be allowed to utilise confidential information shared by another foreign proprietor, in order to imitate the foreign proprietor's mark and business model in relation to similar goods or services. These borrowing practices or disregard for confidential relationships in imitating foreign trade marks will be considered legitimate if attended by something more as discussed in chapter 3.2 below.

Therefore, as a general rule under trade mark law, even though a trade mark is registered or used in a foreign country, it may be adopted by another person in South Africa in terms of the territoriality principle.⁸⁹ The local "borrower" will be deemed to be the proprietor of the mark in South Africa if it has appropriated the mark for use in relation to goods or services in this country.⁹⁰ Appropriate in this context includes to originate, or to acquire or to adopt the trade mark in the country

⁸⁵ *Tie Rack plc v Tie Rack Stores (Pty) Ltd* 1989 (4) SA 427 (T) 446 – 447. Also see *Victoria's Secret*-matter 745H.

⁸⁶ *Moorgate Tobacco v Philip Morris* 1994 (3) SA 740.

⁸⁷ *Greaterman's Stores v Marks and Spencer* 1963 (2) SA 58 (FC) 67 E-F.

⁸⁸ *Greaterman's Stores v Marks and Spencer* 1963 (2) SA 58 (FC) 746.

⁸⁹ However, only subject to the well-known provisions and s 10(12) of the *Act*.

⁹⁰ Webster *et al South African Law of Trade marks* 3.52.

in which it is intended to be used.⁹¹ Thus, to be considered a proprietor of a trade mark in South Africa, it is not necessary to have originated the mark.⁹²

Following the above, it is also important to note that these borrowing practices are not unlawful by the applicant's knowledge of the foreign proprietor's use of the same or similar mark in the foreign country.⁹³ This argument is supported by the application of the territoriality principle, and the absence of any rule prohibiting the assertion of a proprietary right in a trade mark in relation to which no one else has asserted the same or similar right in the same territory.⁹⁴

However, the extent of the imitation as a result of these borrowing practices could result in unlawful proprietorship, in which event there would be a limitation on the application of the territoriality principle. The discussion below deals with the origin of and rationale underlying the territoriality principle, which is followed by a discussion on the limitations of this principle in modern times and the need to move away from a strict application of this principle in a globalised world.

3.2 The origin of and rationale for the territoriality principle in trade mark law

Dinwoodie⁹⁵ points out that the rationale for the territoriality of laws (not only trade mark laws) is based on two contentions. Firstly, the territorial regulation of conduct is based on the prescriptive rules of sovereignty of countries. In other words, the scope and extent of protection of trade marks in a specific geography are pre-determined by the laws in force in that area. This saying that go's 'when in Rome, do as the Romans do' perfectly embodies this concept.

Secondly, the practical resolution and enforcement of domestic judgments and comity-grounded concerns of reciprocal overreaching also underlie this principle.

⁹¹ Victoria's Secret-matter 739.

⁹² Victoria's Secret-matter 744 I–J.

⁹³ *P Lorillard v Rembrandt Tobacco (Overseas)* 1967 (4) SA 353 (T) 356 D-F.

⁹⁴ *P Lorillard v Rembrandt Tobacco (Overseas)* 1967 (4) SA 353 (T) 356 D-F.

⁹⁵ Dinwoodie 2004 *Trademarks and Territory: Detaching Trademark Law from the Nation-State* 892.

Due to the increase of international trade over time, states started to conclude bilateral treaties to protect the IPRs of their citizens abroad.⁹⁶ The prevalence of these bilateral treaties eventually gave rise to the adoption of two important multilateral treaties which protect IPRs, namely the *Paris Convention* and the *Berne Convention*. As the *Berne Convention* does not apply to trade marks, this legal instrument will not be discussed further. The *Paris Convention*, which applies to trade marks, amongst other forms of industrial property, incorporates the territoriality principle by enabling member states to regulate their national IP laws as independent rights in their respective geographical territories.⁹⁷ In this regard, article 6(3) of the *Paris Convention* provides:

A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin.

South Africa acceded to the *Paris Convention* in 1975. Trade mark laws are territorial largely due to the fact that the *Paris Convention* was drafted to incorporate the principle of national treatment. As a general rule, national treatment requires a member state to offer trade mark protection to nationals of other member states which matches the protection afforded to its own nationals.⁹⁸ As part of the Uruguay round of trade negotiations under the General Agreement on Tariffs and Trade of 1947 (hereafter the GATT), the *TRIPS* was drafted to supplement the protection afforded in terms of the *Paris Convention*. The *TRIPS* introduced IPRs into an international trade law system.

However, Dinwoodie⁹⁹ argues that the territoriality principle, as it relates to the law of trade marks, would have probably prevailed even if it had not been adopted in the *Paris Convention* or *TRIPS*, because, as explained above, laws are generally deemed territorial.

⁹⁶ Lundstedt *Territoriality in Intellectual Property Law* 85.

⁹⁷ Oke 2018 *A Journal of Law, Technology & Society*.

⁹⁸ See article 2 of the *Paris Convention*. Also see article 5 of the *Berne Convention* and Article III of the *GATT*.

⁹⁹ Dinwoodie 2004 *Trademarks and Territory: Detaching Trademark Law from the Nation-State* 892.

The territorial nature of laws can especially be understood with reference to political considerations.¹⁰⁰ The determination of laws based on political consideration could, however, result in unfairness as the politicians' decision on regulations will ultimately be determined by the majority needs or opinions of the population rather than expert opinions. The needs of the population could also be detrimental to other countries as explained immediately below.

On the one hand, an economy which is heavily reliant on the international trade of counterfeit goods,¹⁰¹ i.e., China's economy, would be greatly disadvantaged if the principle of territoriality would be applied in a more relaxed form because its government allows and greatly benefits from the distribution of counterfeit goods.¹⁰² On the other hand, those economies that benefit from their local manufacturers with well-established brands could benefit from the relaxed application of the territoriality principle.¹⁰³ Thus, the manner in which each economy benefits from locally manufactured products will determine whether their government would have sufficient political incentives to either adopt or eliminate the territoriality principle. However, this contention could be considered irrelevant because the *Paris*

¹⁰⁰ Oke 2018 *A Journal of Law, Technology & Society* 318.

¹⁰¹ In terms of the *Counterfeit Goods Act* 37 of 1997, "counterfeit goods" means goods that are the result of counterfeiting, and includes any means used for purposes of "counterfeiting". In terms of s 1(1)(iv) of *Counterfeit Goods Act* 37 of 1997, "counterfeiting":

- (a) means, without the authority of the owner of any intellectual property right subsisting in the Republic in respect of protected goods, the manufacturing, producing or making, whether in the Republic or elsewhere, of any goods whereby those protected goods are imitated in such a manner and to such a degree that those other goods are substantially identical copies of the protected goods;
- (b) means, without the authority of the owner of any intellectual property right subsisting in the Republic in respect of protected goods, manufacturing, producing or making, or applying to goods, whether in the Republic or elsewhere, the subject matter of that intellectual property right, or a colourable imitation thereof so that the other goods are calculated to be confused with or to be taken as being the protected goods of the said owner or any goods manufactured, produced or made under his or her licence; or
- (c) where, by a notice under section 15 of the Merchandise Marks Act, 1941 (Act No. 17 of 1941), the use of a particular mark in relation to goods, except such use by a person specified in the notice, has been prohibited, means, without the authority of the specified person, making or applying that mark to goods, whether in the Republic or elsewhere.

Counterfeit goods were the subject of debate inter alia, *AM Moolla Group v GAP Inc* 2004 JOL 13268 (SCA); *Beyond Platinum v Ellies Electronics* 2020 JOL 49056 (SCA).

¹⁰² For example, rules requiring universal minimum standards for trade mark protection, i.e., prohibiting the registration of foreign well-known trade marks.

¹⁰³ For example, global protection of well-known brands.

Convention and *TRIPS* have been ratified by the vast majority of countries around the world.

International uniformity could also be compromised by regulations based on political considerations (although not that important in general, uniformity will be an issue in terms of the protection of well-known trade marks) because of the vast differences in the needs of

industrialised, newly industrialised or threshold countries and developing countries, between net exporters and net importers of intellectual property-related goods and services.¹⁰⁴

3.3 Limitations on the application of the territoriality principle prior to the amendment of the Act

While the territoriality principle would generally permit a manufacturer in South Africa to adopt a trade mark which is used in another country, the courts held more than a century ago that such manufacturer must take steps to eliminate any likelihood of deception or confusion which may be created in the minds of the local public.¹⁰⁵ If the goods or services bearing the foreign trade mark are known in South Africa, the borrower must make it clear that the products which he/she is selling are his/her products and not that of the foreign manufacturer.¹⁰⁶ If there is deception of confusion created in the minds of the relevant members or sector of the public, then the foreign manufacturer may be able to institute the common law action of passing off against the borrower in South Africa. Thus, the creation of deception in the minds of the public by imitating another foreign manufacturer's trade mark that is known to consumers in South Africa, is considered an exception to the strict application of the territoriality principle. This issue then begs the question: Who is the relevant sector of the public? As will be discussed in chapters 4 and 5, the term "relevant sector of the public" now features in the *Act*, and the SCA has recently considered exactly what this term means in terms of the current relevant legal framework.

¹⁰⁴ Kur and Dreier *European Intellectual Property Law: Text, Cases and Materials* 13.

¹⁰⁵ *Pasquali Cigarette Co Ltd v Diaconicolas & Capsopolus* 1905 TS 472, 479.

¹⁰⁶ *Pasquali Cigarette Co Ltd v Diaconicolas & Capsopolus* 1905 TS 472, 479.

In the case of *Victoria's Secret Inc v Edgars Stores Ltd*,¹⁰⁷ the Appellate Division, as it was known at the time, held:

in the case of a foreign trade mark there is no legal bar to its adoption in South Africa unless it is attended by something more.

Thus, under the previous *Act*, the copying of another's ideas by adopting the foreign trade mark of another, would only have been considered unlawful if it was attended by "something more."¹⁰⁸ The concept of what constitutes "something more" was considered in the *Victoria's Secret*-case, where reference was made to the *Moorgate Tobacco v Philip Morris*-matter. In that case, it was held that the concept of "something more" was dependent on the factors that might have "vitiating or tainted" the borrower's right or title to the proprietorship of that mark. Relevant factors in determining whether or not there is "something more" that may have negated the application of the territoriality principle, would include aspects such as dishonesty, breach of confidence, sharp practice, or the like.¹⁰⁹

It follows, therefore, that if the borrowing practices of a foreign mark would cause deception or confusion which is attended by "something more", it is possible that the original proprietor will be entitled to protection that would cause the territoriality principle to be relaxed.¹¹⁰ The facts and circumstances of a matter will, of course, have to be considered by the courts.

However, it must be noted that prior to the amendment, protection of foreign trade marks in South Africa were not permitted. Thus, a foreign proprietor whose mark has been copied in South Africa could merely rely on the action of unlawful competition. A foreign proprietor could have relied on protection in terms of unlawful competition if the local proprietor has wilfully misrepresented his products to customers or potential customers, in order to create a dishonest perception in these people's minds, that they are dealing with the foreign trade mark proprietor.¹¹¹ Although these actions are still accessible to foreign proprietors the amendment of

¹⁰⁷ *Victoria's Secret*-matter 746 F.

¹⁰⁸ *Moorgate Tobacco v Philip Morris* 1994 (3) SA 740.

¹⁰⁹ *Moorgate Tobacco v Philip Morris* 1994 (3) SA 747.

¹¹⁰ *Victoria's Secret*-matter 746.

¹¹¹ Van der Merwe *LAWSA: Unlawful competition in general* 15.1.

the *Act* now allows for the protection of well-known trade marks in the absence of dishonesty.

The *Truworths*-matter illustrates an example of the local application of the territorial principle. In this matter, Truworths intended to adopt and use the trade mark, Primark, in relation to clothing in South Africa, although this mark was owned but had not been used, by the foreign company, Primark Holdings, locally. On this basis, Truworths pursued the registration of the foreign mark in its own name in South Africa, and filed an application for the expungement of the foreign proprietor's Primark trade mark registration in South Africa on the basis of the non-use provisions of the *Act*.¹¹² The court held that, even though these borrowing practices of another's brand or label may be disconcerting to the ordinary intelligent reader,¹¹³ it is not necessarily considered unlawful, even if on the verge of causing deception.¹¹⁴ Thus, in the absence of "something more", the principle of territoriality prevails even though deception or confusion remains a possibility.¹¹⁵ The reason for the court's reasoning to allow such practice was to avoid the needless restraint of trade in goods or service in one country, the get-up of which happened to resemble or be similar to that in another country.¹¹⁶ The court's reasoning was in addition supported by the fact that there is no legitimate reason why a customer should be deprived of access to lawful goods or service, which imitate goods and services of another foreign mark.¹¹⁷ Thus, consumers access to goods is an important consideration in the relaxation of the strict application of the territoriality principle.

3.4 The need to move away from a strict application of the territoriality principle in modern times: the amendment of the Act

The strict application of the territorial principle is considered a vanishing phenomenon.¹¹⁸ It has been argued that the strict application of the principle is

¹¹² *Truworths*-matter 202.

¹¹³ *Truworths*-matter 202.

¹¹⁴ *Truworths*-matter 70; it is however important to note that the foreign proprietor's trade mark was not deemed to be well-known in any relevant sector of the public.

¹¹⁵ *Truworths*-matter 70.

¹¹⁶ *Truworths*-matter 71

¹¹⁷ *Truworths*-matter 71

¹¹⁸ *Truworths*-matter 203.

outdated and that the slavish misappropriation of a well-known trade mark should be stopped.¹¹⁹ This is because the development of technology enabled ideas and images (including trade marks) to permeate beyond national borders.¹²⁰ These technologies include, *inter alia*, television, the internet and social media.¹²¹ With the introduction of communications media and the increase in global marketing techniques, some marks are considered to have become so widely known that their reputation has transcended national borders.¹²²

Social media, for example, enables users to advertise their products and services to people around the world, even though these goods and services may not generally be available for sale in the country in which those people who view the advertisements are located. Thus, it is easy for a foreign brand to "become embedded in the consciousness of ordinary people living" in South Africa especially with the ease of worldwide access to sporting events on television, where foreign advertisements that incorporate foreign trade marks are prevalent.¹²³

With a strict application of the territoriality principle, manufacturers who utilise these technologies for global advertisement will only benefit if their trade mark is registered in each country where they wish to sell their products or offer their services. That being said, the costly nature of protecting and maintaining trade marks in various countries (particularly countries in which the proprietor does not trade or may not intend to trade in the foreseeable future) is often a major disincentive for proprietors to attain worldwide trade mark protection.¹²⁴ The problem of the expensive nature of registering a trade mark in various countries could be resolved by the ratification, in due course, of the *Madrid Agreement*

¹¹⁹ *P Lorillard v Rembrandt Tobacco (Overseas)* 1967 (4) SA 353 (T) 356 G-H.

¹²⁰ *P Lorillard v Rembrandt Tobacco (Overseas)* 1967 (4) SA 353 (T) 203.

¹²¹ *P Lorillard v Rembrandt Tobacco (Overseas)* 1967 (4) SA 353 (T) 203.

¹²² Kelbrick 2005 *CILSA* 436.

¹²³ *Truworths-matter* 203.

¹²⁴ Kelbrick 2008 *CILSA* 28. In addition, the vulnerability of a trade mark on the basis of non-use in jurisdictions in which the proprietor does not trade or intend to trade, would be an additional factor against obtaining registered rights in certain countries.

Concerning the International Registration of Marks of 1891. At this stage, however, South Africa is not a party to this system.¹²⁵

In terms of a strict application of the territoriality principle, countries where a mark is not registered may provide an opportunity for local manufactures to copy the trade mark and to benefit from the business success and the advertising activities of the foreign trade mark proprietor. Because of the expensive nature of advertisements and the limited area of distribution of its products (and maybe to restrict others from taking advantage of his/her mark if the original manufacturer intends to widen his/her sales network to those countries) the original proprietor will benefit from advertising in areas where his/her mark is registered and where he/she is selling his products or services.

Due to the critique raised against the strict application of the territoriality principle, it may be inferred that the principle is no longer deemed in touch with the modern commercial practices. This contention is supported by the *Victoria's Secret*-matter in which the court acknowledged that the strict application of the territorial principle has outlived its usefulness and that it should be relaxed to allow for the protection of well-known trade marks.¹²⁶ Although the court accepted this argument as legally sound, it refused to accept it in the matter under discussion because it saw the issue as *de lege lata*, and not *de lege ferenda*.¹²⁷ However, this concern is currently irrelevant because of the enactment of the well-known exception to the territoriality principle in terms of section 35(1A) of the *Act*, which is further discussed in chapter 5.

This critique against the strict application of the territoriality principle subsequently gave rise to the inclusion of article 6*bis* to the *Paris Convention* in 1925.¹²⁸ This type of protection is commonly called the "famous mark exception" to the territoriality

¹²⁵ An applicant who obtained registration of his trade mark in a member country is allowed to file an application for international registration at the International Bureau of World Intellectual Property Organisation. The international registration will then become effective in the designated countries unless the countries object to the registration in term of their national laws within 12 months of the date of the application.

¹²⁶ *Victoria's Secret*-matter 747 J.

¹²⁷ *Victoria's Secret*-matter 748 A.

¹²⁸ McCarthy, *McCarthy on Trade marks and Unfair Competition* 29.

principle.¹²⁹ The exception protects trade marks of foreign proprietors even though their trade marks are not registered in the country where protection is sought, provided that those marks qualify as well-known in the relevant country concerned.

Due to these developments, which include the obligation placed on South Africa by the *Paris Convention*, the *Act* was amended to enable trade mark protection that aligns with article 6*bis* of the *Paris Convention*.¹³⁰

The protection afforded to well-known trade marks is considered an exception to the territoriality principle, given that it prohibits the adoption of a foreign well-known trade mark.

Therefore, in order to establish the scope of the territoriality principle in terms of the law of trade marks as it currently stands in South Africa, it is of utmost importance to establish whether a mark could qualify as well-known in South Africa.¹³¹ This aspect is canvassed in chapter 4.

¹²⁹ Kelbrick 2005 *CILSA* 445.

¹³⁰ Kelbrick 2005 *CILSA* 437.

¹³¹ As well as whether the adoption of the foreign mark constitutes infringement in term of the common law of passing off.

CHAPTER 4 THE PROTECTION OF WELL-KNOWN TRADE MARKS IN TERMS OF INTERNATIONAL CONVENTIONS

4.1 Introduction

Due to the increase in international trading, and the ease with which information is shared, trade marks are able to acquire considerable commercial value in countries other than their country of origin. In the past, the strict application of the territoriality principle hindered the proprietors of these marks to benefit from the commercial value acquired in foreign countries. In terms of the strict application of the territoriality principle, as discussed in chapter 3, proprietors who wished to protect these trade marks in foreign jurisdictions had to register their marks in each country where they wished to acquire protection. These practices could be considered unreasonable because of the cost and time required.¹³²

Following the above, the discussion below sets out the international and national framework for the protection of well-known foreign trade marks. Two international instruments, notably the *Paris Convention* and *TRIPS*, which were introduced to deal with various IP aspects including the recognition of rights to well-known marks of foreign trade mark proprietors, are the first two topics of discussion. This is followed by a discussion on the provisions in the *Act*, more specifically, section 35 of the Act, which deals with well-known trade marks in compliance with the *Paris Convention* and *TRIPS*. The chapter concludes with a discussion on the relevant provisions of the *Joint Recommendation*.

4.2 The Paris Convention

4.2.1 Background

As mentioned in chapter 4.1, the drastic increase in international trading and the introduction of, for example, the internet and television programs with global

¹³² Bravo 2001 *From Paris Convention to TRIPS* 445; see Frayne 1973 *History and Analysis of TRT* 63.

audiences, have required that trade mark protection be extended to foreign countries.

The first attempt at international intervention took the form of the *Paris Convention*, which was the first instrument that dealt with international protection of trade marks.¹³³ The *Paris Convention's* main aim is to regulate various types of industrial property, including trade marks.¹³⁴ This convention is supported by the inclusion of the phrase "industrial property" in its title, which refers to, *inter alia*, patents, trade marks, industrial design, utility models and service marks.¹³⁵ Copyright is, however, not included in the *Paris Convention*.

Rather than providing for a system of international trade mark registration, the *Paris Convention* recognises the principle of territoriality to a certain extent.¹³⁶ The recognition of the territoriality principle is, however, limited as the *Paris Convention* provides protection to well-known trade marks by providing an infringement action to object to the unauthorised use of a well-known mark and to object to the unauthorised registration of well-known marks in member states.¹³⁷

The limited recognition of the territoriality principle in relation to trade marks is largely due to the critique raised against a strict application of this principle for the reasons set out in chapter 3. This type of protection is commonly called the "famous mark exception" to the territoriality principle.¹³⁸

Article 6*bis* of the *Paris Convention*, stipulates that:

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 trademark 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

¹³³ See Freeman 1995 *Reshaping Trademark Protection in Today's Global Village* 73-75.

¹³⁴ While it was concluded in 1883, South Africa only acceded thereto in 1947.

¹³⁵ Article 1(2) of the *Paris Convention*.

¹³⁶ In order for a trade marks to be granted protection in member countries of the *Paris Convention*, article 6(1) of the same requires that the proprietor comply with the requirements for protection in each of the member countries concerned.

¹³⁷ Article 6*bis* of the *Paris Convention*.

¹³⁸ Kelbrick 2005 *CILSA* 445.

being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods.

4.2.2 The shortcomings of the Paris Convention

The *Paris Convention* does not provide for a centralised trade mark filing system or registration system. As a result, under this convention, the proprietor of a foreign trade mark initially was necessitated to rely on the judicial system of the alleged infringer's country in an attempt to enforce his/her trade mark rights.¹³⁹ In countries that failed to recognise and afford protection to such foreign trade marks, the foreign proprietor would have no recourse. In circumstances where foreign proprietors were not able to prevent the unauthorised adoption or use of their trade marks by third parties (due to the absence of use or registration of their mark in the relevant country concerned), even despite the marks being familiar to consumers in the country concerned, such proprietors would remain unable to benefit from the full potential of their trade marks. Thus, the *Paris Convention* initially failed to provide adequate protection to trade marks in foreign countries.¹⁴⁰

Following the above, the World Intellectual Property Organization (hereafter WIPO) was established in 1967 to remedy this issue. The main objective of WIPO, which is a specialised agency of the United Nations, is to provide international protection to IP and to administer international agreements (including, *inter alia*, the *Paris Convention*) through cooperation amongst states.¹⁴¹ As part of their duties, the WIPO committees are tasked with international harmonisation of trade mark laws and procedures.¹⁴²

4.3 TRIPS

4.3.1 Background

For many years, major trading nations voiced their dissatisfaction with the lack of protection afforded to foreign trade marks under the *Paris Convention*. In 1993, the

¹³⁹ Bravo 2001 *From Paris Convention to TRIPS* 446.

¹⁴⁰ Bravo 2001 *From Paris Convention to TRIPS* 447.

¹⁴¹ Bravo 2001 *From Paris Convention to TRIPS* 447.

¹⁴² Bravo 2001 *From Paris Convention to TRIPS* 447.

world trade negotiations were rounding off the Uruguay round of trade negotiations, which established the World Trade Organization and expanded the *GATT* to cover goods, services and IP.¹⁴³ The *TRIPS* was subsequently drafted during this round of trade negotiations and introduced to the international community as an annexure to the *WTO*.

TRIPS is deemed the first multilateral trade agreement that establishes detailed obligations for the legal enforcement of rules and disciplines regarding IPRs.¹⁴⁴ *TRIPS* obliges its members to implement legislation to meet certain minimum requirements for trade mark rights and obligations, and provides for dispute resolution methods that significantly enhance trade mark protection (including foreign trade mark protection) at a national level.¹⁴⁵

Because South Africa is a signatory to the *WTO Agreement*, its standard of protection in terms of IP, which is contained in the *TRIPS*,¹⁴⁶ must be observed in our national legislation. Fortunately, the *Act* is generally deemed consistent with the provisions of both *TRIPS* and the *Paris Convention*.¹⁴⁷

TRIPS explicitly protects well-known trade marks. Article 15(2) places an obligation on member countries not to derogate from the *Paris Convention*.¹⁴⁸ Article 16(2) of *TRIPS* operates in tandem with the *Paris Convention*, by elaborating on the determination of whether a trade mark is well-known. It should firstly be noted that Article 16(2) makes article 6*bis* of the *Paris Convention*, *mutatus mutandis*, applicable to services. This accords with the protection provided in terms of article 35(3) of the *Act*, which provides protection to well-known trade marks in relation to goods and services.

Secondly, and of specific relevance, Article 16(2) also stipulates that

¹⁴³ Steytler 1999 *Law, Democracy and Development*.

¹⁴⁴ Maskus *Intellectual Property Rights in the Global Economy* 24-25.

¹⁴⁵ Bravo 2001 *From Paris Convention to TRIPS* 448.

¹⁴⁶ *TRIPS* is an integral part of *GATT*.

¹⁴⁷ Dean 1998 *SAMLJ* 97.

¹⁴⁸ Thus, convention countries, including South Africa, must provide protection to well-known trade marks in conformity with article 6*bis*.

in determining whether a trade mark is well-known members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

This portion of Article 16(2) has been incorporated in section 35(1A) of the *Act*, as discussed in part 5 below. The incorporation of this aspect in the *Act* reflects that the promotion of the mark will be relevant to the determination of whether it is well-known in South Africa.

Thirdly, article 16(3) makes article 6 *bis* of the *Paris Convention, mutatus mutandis*, applicable

to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

The effect of section 16(3) of *TRIPS* on well-known trade marks is the same as section 35(1A) of the *Act*.

There is, however, a difference between protection afforded to well-known trade marks in terms of section 35 of the *Act* and article 16(3) of *TRIPS*. While article 35 protects well-known trade marks against similar or identical trade marks, article 16(3) protects well-known trade marks against trade marks which may be dissimilar. While section 35(3) requires that the offending mark must cause confusion or deception, article 16(3) requires that the interest of the proprietor of the well-known trade mark be damaged by the use of the offending mark. Thus the *Act* is to a certain extent not in compliance with *TRIPS*.

4.3.2 The shortcomings of the Paris Convention and TRIPS regarding the interpretation of the term "well known"

Although the *Paris Convention* did not initially afford protection to foreign trade marks, it was amended to include the said protection in terms of article 6 *bis*. Although both the *Paris Convention* and *TRIPS* currently explicitly provide protection to foreign well-known trade marks, neither instrument elaborates sufficiently on the meaning of the term "well-known".

For the purpose of more legal certainty and uniformity, WIPO subsequently drafted the *Joint Recommendation*. This document sets out recommendations and guidance to relevant authorities within respective member states when confronted with matters in which they are required to make a ruling or decide on the interpretation of well-known trade marks in their country. The relevant parts are elaborated upon in the discussion to follow.

4.4 The Joint Recommendation

The *Joint Recommendation* was adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of WIPO, which includes South Africa. The SCA has held that, although the *Joint Recommendation* is not legally binding,¹⁴⁹ it provides a persuasive guide to the interpretation and application of the *Paris Convention* by courts in South Africa.¹⁵⁰

The *Joint Recommendation* specifically provides guidelines for the interpretation of whether a trade mark should be deemed well-known in terms of the *Paris Convention*. Firstly, article 2(2)(a)(i)-(ii) provides a non-exhaustive list of sectors of the public that are considered relevant in the determination of whether a trade mark is well-known,¹⁵¹ which are the

- (a) Actual and/or potential consumers of the type of goods and/or services to which the mark applies.
- (b) Persons involved in channels of distribution of the type of goods and/or services to which the mark applies.
- (c) Business circles dealing with the type of goods and/or services to which the mark applies.

The *Joint Recommendation* was first referenced in South African case law in the matter of *AM Moolla Group v The GAP Inc*,¹⁵² and subsequently in the *Truworths-*

¹⁴⁹ Even though the court is under no obligation to apply the *Joint Recommendation*, it may apply it if it deems it necessary.

¹⁵⁰ *Truworths*-matter 13.

¹⁵¹ Which is necessary for the determination of whether a trade mark is well-known.

¹⁵² *The Gap*-matter.

matter. In the latter case it was argued that two of these categories contemplated in the *Joint Recommendation* were applicable to the facts. These were the

actual and/or potential consumers of the type of goods and/or services to which the mark applies,¹⁵³ [and] persons involved in channels of distribution of the type of goods and/or services to which the mark applies.¹⁵⁴

Although the *Joint Recommendation*, as a whole, is not necessarily binding on South African courts, the court in the *Truworths*-matter held that if the mark is well-known in any of the relevant sectors of society that have been identified, the mark must be deemed well-known and accordingly entitled to protection in terms of section 35 of the *Act*.¹⁵⁵ The fact that the mark is not well-known in other sectors is regarded as irrelevant.¹⁵⁶

Secondly, article 2(1) of the *Joint Recommendation* provides factors for the determination of whether a trade mark is well-known. Rather than utilising these factors as the sole test for determining whether a trade mark is well-known, these factors should guide the determination.¹⁵⁷ Because these factors' purpose is merely to deploy a framework for determining whether a trade mark is well-known, these factors should be applied in a flexible manner.¹⁵⁸ Article 2(1)(a) makes it clear that the factors mentioned are non-exhaustive.

Article 2(1)(a) of the *Joint Recommendation* stipulates that:

In determining whether a mark is a well-known mark, the competent authority shall take into account any circumstances from which it may be inferred that the mark is well-known.

The competent authority is defined as:

an administrative, judicial or quasi-judicial authority of a Member State which is competent for determining whether a mark is a well-known mark, or for enforcing the protection of well-known marks.¹⁵⁹

¹⁵³ Article 2(2)(a)(i) of the *Joint Recommendation*.

¹⁵⁴ Article 2(2)(a)(ii) of the *Joint Recommendation*.

¹⁵⁵ *Truworths*-matter 179-180.

¹⁵⁶ *Truworths*-matter 188.

¹⁵⁷ *Truworths*-matter 15.

¹⁵⁸ *Truworths*-matter 15.

¹⁵⁹ Article 1(iii) of the *Joint Recommendation*.

In the South African context, the courts and the registrar of trade marks would seemingly qualify as competent authorities. The registrar is the Commissioner, appointed under section 189 of the Companies Act, 2008.¹⁶⁰

Article 2(1)(b) of the Joint Recommendation provides a non-exhaustive list of factors which might be indicative of whether a trade mark is well-known. Thus, the competent authority has a discretion to consider the relevant information and evidence submitted by the foreign proprietor in support of the well-known character of its mark in South Africa.

The factors contained in article 2(1)(b) are:

- (a) The degree of knowledge or recognition of the mark in the relevant sector of the public.
- (b) The duration, extent and geographical area of any use of the mark.
- (c) The duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies.
- (d) The duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark.
- (e) The record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognised as well known by competent authorities.
- (f) The value associated with the mark.¹⁶¹

The first factor mentioned is similar to but potentially wider than that contained in section 35(1A) of the *Act*, which stipulates that the knowledge of the trade mark in any relevant sector of the public is relevant.

The third factor is similar but more explanatory than the second factor mentioned in section 35(1A) of the *Act*, which stipulates that the knowledge that has been obtained as a result of the promotion of the trade mark is relevant.

¹⁶⁰ Section 2(1) of the *Act*.

¹⁶¹ Sub article 3(1)(b) of the *Joint Recommendation*.

The relevancy of these factors will depend on the particular circumstances of each case.¹⁶² In some cases none of these factors may be relevant and in others additional factors not listed may be relevant.¹⁶³

Such additional factors may be relevant, alone, or in combination with one or more of the factors listed [in the *Joint Recommendation*].¹⁶⁴

In the *Truworths*-matter it was held that the factors applicable to a determination of whether a trade mark is well known, are confined to objective ones.¹⁶⁵ The factors mentioned in the *Joint Recommendation* are objective.

4.5 The protection of well-known trade marks in terms of the Act

The overwhelming majority of the world's countries are member states to the *Paris Convention*, including South Africa which became a member state in 1947.¹⁶⁶

The amendment of the *Act* that enables protection of well-known trade marks is modelled on article 6 *bis* of the *Paris Convention*.¹⁶⁷ The discussion to follow focusses specifically on section 35 of the *Act*, as this section sets out the legislative provisions to be considered for the purposes of establishing whether or not a trade mark is well-known in South Africa.

Well-known trade marks in terms of the *Paris Convention* have explicit protection in terms of section 35 of the *Act*.¹⁶⁸ In terms of section 35 (1)(a)-(b) of the *Act*, a well-known trade mark will be protected even if the proprietor thereof has not carried on business or possesses any goodwill in the Republic. However, protection is subject to the fact that the proprietor is a national of a country that is a party to the *Paris Convention*, or is domiciled in, or has a real and effective industrial or

¹⁶² Sub article 3(1)(c) of the *Joint Recommendation*.

¹⁶³ *Truworths*-matter 187.

¹⁶⁴ *Truworths*-matter 187.

¹⁶⁵ *Truworths*-matter (1) SA 179 (SCA) para 15; Parties to the *Paris Convention* require its members to give effect thereto under their existing domestic law.

¹⁶⁶ Although it is beyond the scope of this study, it is important to note that South Africa was required to, and did in fact, accede to the *Paris Convention* in terms of the requirements of s 231 of the *Constitution*.

¹⁶⁷ *Intellectual Property Laws Amendment Act* 38 of 1997.

¹⁶⁸ *McDonald's*-matter; *The Gap*-matter 15; Although s 10(6), s 10(17) and s 34(1)(c) of the *Act* protect well-known trade marks, the discussion focusses on s 35 of the *Act*.

commercial establishment in such a country. A claimant must prove that the well-known mark has originated in a foreign country and that it is a person that falls within section 35(1)(a) or 35(1)(b) of the *Act*.¹⁶⁹ The protection of well-known trade marks in terms of section 35 of the *Act* does not extend to well-known trade marks of local proprietors.¹⁷⁰ This section has the effect that a foreign objector can rely on his/her well-known trade mark even though he/she has no trade mark registration or business in South Africa.¹⁷¹

However, section 14(1)-(2) of the *Act* provides a defence to an action of removing a trade mark from the registrar or prohibiting registration thereof in terms of section 10(6) of the *Act*.

Section 35(3) of the *Act* stipulates that

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.

Although section 35 of the *Act* is modelled on article 6*bis* of the *Paris Convention*, section 35 provides a more restricted form of protection as opposed to the *Paris Convention*. This is because section 35 of the *Act* contains a more in-depth discussion of how a mark qualifies as well-known.

Protection granted in terms of article 6*bis* is, however, subject to the fact that the country's legislation permits such protection or subject to the fact that an interested party requested protection of a well-known trade mark. In terms of South Africa's trade mark laws, the former prerequisite is reflected in section 35(1A) of the *Act*, that explicitly protects well-known trade marks.

It must be noted that the phrase "used for identical or similar goods" was intended to limit protection to well-known trade marks used on goods and not with reference

¹⁶⁹ *McDonald's-matter 3*.

¹⁷⁰ *Scientific Chemicals v Liqui-Seal* 2002 BIP 85 (T) 94.

¹⁷¹ Van der Merwe *LAWSA: Trade Marks* 156.

to services. This may, however, be irrelevant to the protection of well-known trade marks in South Africa as protection is extended to service marks in terms of section 35(3) of the *Act*.

The requirement of "reproduction, imitation or translation" envisages an original trade mark which has been deliberately misappropriated or copied.¹⁷² The local applicant could still register his copied trade mark if he/she can prove that the local proprietor has independently conceived the mark without reference to the foreign mark.¹⁷³ It is deemed unlikely, once the foreign proprietor has proved that his/her mark was well-known, that a local entity would subsequently succeed in persuading a court that it conceived of the copied trade mark independently.¹⁷⁴ This makes logical sense, because the local proprietor would have inevitably been influenced by a trade mark which is well-known. Thus, this proposes a higher threshold than the requirement of "likely to deceive or cause confusion" in term of section 34(1)(a) and (b) of the *Act*.

There is a degree of similarity required between the goods of the well-known trade mark and the local copied trade mark. These goods will be deemed sufficiently similar if a substantial number of persons would likely be deceived or confused as to the origin of the goods or services.¹⁷⁵ This is an objective test.¹⁷⁶ The court or registrar must compare the foreign trade mark proprietor's use with the notional use of the local borrower (who copied the foreign proprietor's trade mark). Although evidence of actual confusion or deception carries considerable weight, it is not necessary.¹⁷⁷ It is up to the court or registrar to decide this issue and not witnesses.¹⁷⁸

However, it must be noted that the protection granted to well-known trade marks from expungement¹⁷⁹ from the register will only be available to a foreign proprietor

¹⁷² Van der Merwe *LAWSA: Trade Marks* 258.

¹⁷³ Van der Merwe *LAWSA: Trade Marks* 158.

¹⁷⁴ *Tie Rack v Tie Rack Stores* 1989 4 SA 427 (T) 439.

¹⁷⁵ *Plascon-Evans Paints v Van Riebeeck Paints* 1984 (3) SA 623 (A) 640.

¹⁷⁶ *Puma AG Rudolf Dassler Sport v Global Warming* 2010 (1) ALL SA 25 (SCA) 11.

¹⁷⁷ Van der Merwe *LAWSA: Trade Marks* 388.

¹⁷⁸ *Electrolux v Electrix* 1954 71 RPC 23 31.

¹⁷⁹ Which means removal of trade marks from the registrar.

of a trade mark who does not trade locally.¹⁸⁰ Thus, to determine which trade marks qualify for the protection provided by these provisions it is of utmost importance to determine what is meant by the phrase "well-known trade marks".

CHAPTER 5 THE INTERPRETATION OF THE RELEVANT SECTOR OF THE PUBLIC IN TERMS OF SECTION 35(1A) OF THE ACT

5.1 Introduction

Although the *Act* in no way defines a well-known trade mark, section 35(1A) provides a framework for such a determination.¹⁸¹ Chapter 5 compares this framework for determination to the framework for the same determination contained in article 2(1)(b) of the *Joint Recommendation*.

Section 35(1A) of the *Act* stipulates that,

in determining for the purposes of subsection (1) whether a trade mark is well known in the Republic account shall be taken of the knowledge of the trade mark in any relevant sector of the public, including knowledge which has been obtained as a result of the promotion of the trade mark.

Article 2(1)(b) of the *Joint Recommendation* as discussed in chapter 4.4 will be compared to section 35(1A) of the *Act*.

It must also be noted that well-known trade marks will not trump vested rights of proprietors in terms of section 36(2) of the *Act*. *Section 36(2) of the Act* stipulates that protection afforded in terms of the Paris Convention does not extend to interference or restraint on

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 of his has made continuous and bona fide use of the trade mark from a date anterior to 31 August 1991 or the date on which the trade mark of the proprietor has become entitled, in the Republic, to protection under the Paris Convention, whichever is the later.

¹⁸⁰ *Scientific Chemicals (Pty) Ltd v Liqui-Seal (Pty) Ltd* 2002 BIP 85 (TPD) 94 D–F.

¹⁸¹ It must, however, be noted that the *Intellectual Property Laws Amendment Act* of 1997 merely made this test applicable to s 35 and not 34(1)(c), which may mean that the legislature's intention was to distinguish between the meaning of "well-known" in both these sections.

In addition, section 36(2) of the *Act* does not entitle a proprietor of a well-known trade mark to object to the registration of a similar mark in terms of its honest concurrent user rights under section 14 of the *Act*. However, as noted above, this dissertation is not concerned with honest concurrent user rights.

5.2 Relevant provisions of the Joint Recommendation

The test contained in section 35(1A) of the *Act* reflects the same in terms of the *Joint Recommendation*. The first factor (knowledge of the trade mark) mentioned in the *Joint Recommendation* is similarly worded to that of section 35(1A) with the addition of the word "recognition". Although differently worded, both factors practically have the same effect. It could, however, be argued that the first factor in terms of section 35(1A), is similar but more restrictive than the first factor of the *Joint Recommendation*.

The second factor (knowledge which has been obtained as a result of the promotion of the trade mark) mentioned in section 35(1A), which is merely an extension of the first, is similar but less restrictive than that contained in the *Joint Recommendation*, which includes as a factor to the determination the

extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies.

Although the level of restrictiveness varies between section 35(1A) of the *Act* and the *Joint Recommendation*, this is probably irrelevant because both stipulate that the factors for the determination are non-exhaustive.¹⁸²

It is important to note that the nationality, domicile or place of business of the proprietor is irrelevant to the determination in terms of section 35(1A) of the *Act*.¹⁸³

¹⁸² Article 2(1)(a) of the *Joint Recommendation*; Section 35(1A) of the *Act*.

¹⁸³ *McDonald's-matter* 3.

Although neither the *Paris Convention* nor the *Joint Recommendation* stipulates the same, such factors are not listed in either as influencing the determination.

Therefore, section 35(1A) of the *Act* raises three questions. Firstly, what sector of the public is relevant; secondly, what degree of awareness is required; and finally, how to prove the requisite level of awareness amongst the relevant sector of the public. Each of these aspects is discussed under a separate heading in the discussion that follows.

5.3 Identifying the relevant sector of the public

The applicable test is whether the mark is well-known to persons interested in the goods or service to which the mark is related.¹⁸⁴ Thus, the sector of the public interested in the goods will be considered the relevant sector of the public. The courts have had to consider and identify the relevant sector of the public in a number of cases in the past years, as discussed below.

5.3.1 The McDonald's-case

In the *McDonald's-case*,¹⁸⁵ which dealt with trade marks used in relation to hamburgers and other fast food, the relevant sector of the public included potential customers and potential franchisees of the McDonald's fast-food chain. The matter was heard in 1995. At that point in time, McDonald's, a company founded and headquartered in the United States of America, had not traded in South Africa. The court held that the trade mark, McDonald's, was well-known in both the above mentioned sectors.¹⁸⁶ The mark was well-known in the former sector because a substantial number of potential customers were aware of the McDonald's mark as a result of spill-over advertising due to watching television, reading local and foreign journals, and travelling abroad.¹⁸⁷ In considering the type of spill-over advertising, the court highlighted that the potential customers encompassed the more affluent members of the public who could afford travelling abroad or who had television sets

¹⁸⁴ *McDonald's-matter 3.*

¹⁸⁵ Although the notoriety of McDonald's would probably be unquestionable today, it is important to note that this case was decided more than 24 years ago.

¹⁸⁶ *McDonald's-matter 27.*

¹⁸⁷ *McDonald's-matter 28.*

in their households.¹⁸⁸ The court noted that the poorer sector of the public would, in all likelihood, not have heard of McDonald's or its marks, as they were unlikely to have read foreign publications or to have travelled abroad, and some may have been unable to read.¹⁸⁹

The potential franchisees of McDonald's were also deemed relevant because substantial evidence was submitted of persons wishing to enter into franchise agreements with McDonald's with the view of supplying McDonald's services and goods under the McDonald's mark to local customers.¹⁹⁰

However, the size of these relevant sectors of the public were not the same, which was relevant to the determination of whether a substantial number of people in the relevant sector were aware of the mark. Potential customers would have covered a wider field than potential franchisees. Potential customers would have included all persons who were interested in buying the fast-food products sold by McDonald's and who had sufficient money to do so.¹⁹¹ Since these types of fast-food products were relatively inexpensive, the relevant sector of the public would have been large.¹⁹² However, people in extreme poverty would not have been included in the former sector. The latter would have consisted only of those people who could have or thought that they could finance and run a McDonald's franchise.¹⁹³

5.3.2 The Gap-matter

*The Gap-matter*¹⁹⁴ dealt with clothing and retail clothing outlets of a company based in the UK, which had not traded in South Africa at the time that the proceedings were instituted. The relevant sector of the public was identified by the court to

¹⁸⁸ *McDonald's-matter* 28.

¹⁸⁹ *McDonald's-matter* 28 D-E.

¹⁹⁰ *McDonald's-matter* 23.

¹⁹¹ *McDonald's-matter* 27.

¹⁹² *McDonald's-matter* 27.

¹⁹³ *McDonald's-matter* 27.

¹⁹⁴ *The Gap-matter* 579.

include individuals aged between 16 and 50 and living in an "A plus income suburb",¹⁹⁵ and people or businesses in the trade as that of a foreign concern.¹⁹⁶

5.3.3 *The Truworths-matter*

In the *Truworths-matter*, a local fashion retailer, Truworths, intended to register the trade mark, Primark, in relation to clothing, shoes and similar goods in class 25. However, Primark Holdings, which was a discount fashion retailer headquartered in Ireland, already owned a registered trade mark for the identical mark and in the same goods class dating back to 1976.

Primark Holdings's prior trade mark registration therefore posed a bar to the registration of Truworths's Primark mark in South Africa. As Primark Holdings had never opened a store or used the trade mark, Primark, in South Africa, Truworths instituted proceedings in terms of sections 27(1)(a) and (b) of the *Act* for the expungement of Primark Holdings's trade mark registration on the basis of non-use. Primark defended the expungement application by relying on section 27(5) of the *Act*, which provides that sections 27(1)(a) and (b) do not apply to a trade mark in respect of which protection may be claimed under the *Paris Convention* as a well-known trade mark within the meaning of section 35(1) of the *Act*. On this basis, Primark Holdings essentially argued that, despite the non-use of its mark, its trade mark registration should not be expunged from the trade marks register as it should be protected as a well-known trade mark in terms of section 35(1) of the *Act*.

Truworths's argument that the relevant sector of the public was all South Africans interested in clothing was considered overbroad, because not everyone could afford clothing sold by Primark Holdings. Even though Primark Holdings is considered a discount fashion retailer, the court held that it was improbable that the poorer echelons of society or the bulk of rural towns, would be able to afford the clothes bearing the Primark Holdings trade mark.¹⁹⁷ The poorer echelons of society would

¹⁹⁵ Because these people likely would have travelled overseas and would be familiar with *The Gap* marks; *The Gap-matter* 579.

¹⁹⁶ *The Gap-matter* 580.

¹⁹⁷ *Truworths-matter* 180.

not be able to afford Primark Holdings's clothing because Primark sold its clothes in expensive and major shopping locations.¹⁹⁸ Although the poorer sector of society may have obtained knowledge of the products through their aspiration to wear fashionable clothes of Primark, the group was irrelevant due to the fact that they were unable to afford them.¹⁹⁹ Thus, Truworths's argument was rejected.

Primark submitted that the relevant sector of the public were those better educated and more affluent members of society. In considering this argument, the SCA held that this identified sector was not relevant, because people interested in Primark Holdings's clothing would be residents in urban and peri-urban areas with some disposable income after paying for life's necessities. The court held that this group was deemed irrelevant because the customers actually interested in and capable of affording Primark's goods were the middle-to-lower-income groups in the market for inexpensive fashionable clothing.²⁰⁰ Thus, the middle-to-lower-income groups of South Africa were identified relevant.²⁰¹ Primark Holdings was unable to submit evidence to show that the Primark trade mark was substantially known amongst the middle-to-lower-income groups in South Africa.

Primark Holdings also argued that potential franchisees would be a relevant group of the public akin to the *McDonald's*-matter.²⁰² The court considered this group to be irrelevant because there were not, as was the case in the *McDonald's*-matter, South African retailers or distribution channels who sought to form a relationship with Primark Holdings with the intention of selling Primark branded clothing locally.²⁰³ On this basis, the SCA held that, although this sector had substantial knowledge of Primark's mark, the potential franchisee-group was irrelevant, because their obtained knowledge was for the reason to emulate Primark Holdings's success.²⁰⁴

¹⁹⁸ *Truworths*-matter 195.

¹⁹⁹ *Truworths*-matter 196.

²⁰⁰ *Truworths*-matter 180.

²⁰¹ *Truworths*-matter 180.

²⁰² *Truworths*-matter 55.

²⁰³ *Truworths*-matter 56.

²⁰⁴ *Truworths*-matter 56.

Although there may be more than one relevant sector of the public, the court in the *Truworths*-matter held that the mark would be protected if well-known in any relevant sector.²⁰⁵ The requirement of "well-known" in the Republic does not require that the mark is well-known in every segment, or in most segments of the population.²⁰⁶ This would have been too high of a threshold for granting protection to well-known trade marks, causing few if any well-known trade marks to be protected.²⁰⁷

Even though the court confirmed that a well-known trade mark should serve as a valid defence to an action for expungement from the register, it held that the respondent's defence in terms of section 27(5) of the Act should fail because the trade mark was not well-known amongst any relevant sector of the public.

Although the court held that the mark was well-known amongst those people interested in keeping track of the success of similar business in foreign countries merely to copy or emulate their successes and learn from their mistakes, this sector was unable to constitute a relevant sector of the public.²⁰⁸ Similarly, those persons or businesses involved in the design, distribution and marketing of retail goods could also not constitute a relevant sector of the public.²⁰⁹

5.3.4 The relevant sector of the public must be interested in the goods or services for a commercial purpose

A sector will only be deemed relevant if the sector is interested in the mark for the reason trade marks are given protection, which is their attractive force in the trade in goods and services and their role as a badge of origin of those goods and

²⁰⁵ *Truworths*-matter 180.

²⁰⁶ *Truworths*-matter 179: However, from a logical point of view, it may be inferred from the fact that the mark is well-known in the Republic as a whole, that the mark is well-known in the relevant sector of the Republic.

²⁰⁷ *McDonald's*-matter 3.

²⁰⁸ *Truworths* -matter 198-199.

²⁰⁹ *Truworths*-matter 180.

services.²¹⁰ The purpose of trade mark protection is to preserve its value acquired by its proprietor and to prevent its appropriation or dilution by another proprietor.²¹¹

Trade mark protection is also aimed at protecting the reputation, selling power or advertising value of a well-known mark.²¹² Thus, only those who are attracted by the trade mark's reputation to do business with its proprietor, either as an agent, importer, channel of supply, retailer, or consumer, will be able to constitute a relevant sector of the public.²¹³

Those people/businesses whose sole purpose is to emulate the success of a foreign trade mark, is incapable of constituting a relevant sector of the public.²¹⁴ Rather than having a sufficient commercial interest in the goods of a foreign trade mark proprietor, these people/businesses acquire knowledge of the mark with the view of enhancing the performance of their own business.

The following hypothetical example serves as illustration of an irrelevant sector of the public: students studying the success or failure of a specific trade mark merely for an assignment required for a qualification, would not be deemed to have any commercial interest in the goods or services related to that trade mark.²¹⁵

The reason why the sector of the public must have a commercial interest in the goods or services is because these sectors will be vulnerable to being deceived or confused if the mark is used by a person who is not the proprietor.²¹⁶ If the group is unable to be deceived in this manner, they will not be deemed the relevant sector of the public. For example, if the McDonald's trade mark was used by a person or business other than its proprietor, those customers expecting hamburgers from the

²¹⁰ *Truworths-matter* 180.

²¹¹ *Truworths-matter* 199.

²¹² *Laugh It Off Promotions CC v SAB International (Finance) BV t/a Sabmark International* 2005 (2) SA 46 (SCA) 13.

²¹³ *Truworths-matter* 180.

²¹⁴ *Truworths-matter* 180.

²¹⁵ *Truworths-matter* 199.

²¹⁶ *Truworths-matter* 199.

originating source would be confused or deceived of the products they intended to buy.²¹⁷ Potential franchisees would similarly be confused.²¹⁸

5.3.5 Factors affecting the relevant sector of the public

The court's determination of the relevant sector of the public depends on a factual inquiry that is specific to the particular mark and the goods or services to which it relates.²¹⁹

The relevant sector of the public will largely depend on the differences in the population, especially in an environment such as South Africa where there is a vast disparity between, *inter alia*, education, income, interests, cultural values, tastes, personal lifestyles and recreational activities.²²⁰ This is because the interests of the population will inevitably be dictated by these differences. For example, people will only be commercially interested in products that they can afford, or, as a further example, cultural values might dictate the acceptability of certain products or services. These differences will also dictate whether they are able to become aware of a mark. For example, only literate people will be able to become aware of a mark by spill-over advertising via written publications such as blogs or newsletters.²²¹

Because of the diversity of the South African population, it would not be reasonable to require that the trade mark be well-known in the entire population. This is especially true when considering specialised and luxury goods. On the one hand, luxury goods or services, such as expensive hotels or resorts, will only be affordable to the wealthy sectors of society.²²² Thus, only those consumers who are both wealthy enough and interested in certain products and services would be commercially interested, as required. Because of the prevalence of poverty in South Africa, those interested in expensive luxury items or services will consist of a small amount of people. Because of the small percentage of potential consumers

²¹⁷ *Truworths-matter* 199.

²¹⁸ *Truworths-matter* 199.

²¹⁹ *Truworths-matter* 180.

²²⁰ *McDonald's-matter* 20.

²²¹ This contention is further discussed in part 5.3 of the document.

²²² Mostert 1996 *Well-known and Famous Marks* 1-37.

interested in these expensive goods and services, the relevant sector of the public consisting of importers and retailers of these products will also be considered small.

On the other hand, for specialty goods, for example medical appliances required by doctors, the relevant group will be limited to a small portion of society.²²³ The group identified here would also be very narrow, for example, only those groups of people allowed by law to use these appliances. Similarly, suppliers of these appliances would also be few, because of the limited amount of people who are capable of using or who are allowed by law to use these goods. For example, a pharmaceutical product containing morphine may lawfully be acquired and used only by certain medical professionals.

As discussed, the size of the relevant sector of the public will depend on the differences in the relevant category.²²⁴ As shown above, the size will also depend on the type of goods or services, and the composition of the population.

It is also conceivable that the whole population could be relevant. The whole population, with a few exceptions, would be interested in essential items or services, *inter alia*, toiletries, groceries, or vaccines. Although cell phones are not essential, it is conceivable that the vast majority of the adult population are using them with the exception of the extremely poor.

5.3.6 The requisite degree of awareness within the relevant sector of the public

After the court has identified the relevant sector of the public, the court has to enquire the degree of awareness required amongst the relevant sector of the public. If a substantial number of persons in the relevant sector of the public have knowledge of the foreign trade mark, the requisite degree of awareness would be achieved. Although there is no test provided in the *Act* for the determination of whether the requisite degree of awareness is achieved, it has been considered in case law over time. Such case law provides guidance on the interpretation of the legislative provisions.

²²³ Mostert 1996 *Well-known and Famous Marks* 1-37.

²²⁴ As discussed in part 5.3 of the document.

The Appellate Division in the *McDonald's*-matter set out a meaning to the requisite degree of awareness required. It was held that:

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.²²⁵

On this basis, it seems clear that, in order to constitute a well-known mark, the degree of knowledge of a mark required within the relevant sector of the public, will be the same as the degree of knowledge required to prove a reputation in a mark under the common law in a passing-off action. The knowledge of the mark must be substantial in the whole of the country and not limited to a local area within South Africa.²²⁶

As mentioned above, in order to succeed in a common law action of passing off (or to show that a foreign trade mark has an adequate reputation in South Africa) the proprietor must prove that a substantial number of people in the relevant sector of the public have acquired knowledge of the mark, which makes the property rights on the mark of appreciable commercial value.²²⁷ The number of persons required will depend on the circumstances of the case and the goods or services in relation to which the mark is used.²²⁸ In a specialised or limited market, for example, relatively few people acquiring knowledge of the mark may be sufficient.²²⁹

²²⁵ *McDonald's*-matter 21.

²²⁶ *Robert C Wian Enterprises v Mady* 1965 (49) DLR 19.

²²⁷ Van der Merwe *LAWSA: Trade Marks* 256.

²²⁸ Van der Merwe *LAWSA: Trade Marks* 256.

²²⁹ Van der Merwe *LAWSA: Trade Marks* Vol. 256.

5.4 Spill-over advertising and knowledge which has been obtained as a result of the promotion of the trade mark.

5.4.1 No goodwill required

In terms of section 35(1A) of the *Act*, goodwill is not a requirement for the protection of a foreign trade mark. With the addition of section 35(1A), the legislature's intention was to extend the protection afforded by the common law action of passing off to businesses abroad that do not carry on business or enjoy any goodwill in the Republic, provided that their marks have the requisite degree of reputation in the Republic in terms of section 35(1A) of the *Act*.²³⁰

In the absence of an established goodwill in South Africa, a foreign trade mark proprietor applying for protection in terms of section 35(1A) is not able to rely on the normal evidence that a plaintiff would use to establish its reputation, such as significant sales and advertising figures in South Africa, given that the trade mark is not used in this country.²³¹

Following the above, substantial knowledge would be established by worldwide sales figures and spill-over advertising including South Africans' exposure to a mark due to travelling abroad.²³² This is because section 35(1A) of the *Act* specifically states that in determining whether a trade mark is well-known, the court must take into account the knowledge obtained from the promotion of the trade mark, which includes spill-over advertising.

By the strict application of the territoriality principle, spill-over advertising and exposure to advertisement due to people travelling abroad would have been irrelevant to the protection of foreign trade marks in South Africa. Because trade marks would have been merely protected where they were registered, advertising that would have spilled over from abroad (by way of broadcasts of international sports events or publication in magazines that are distributed worldwide, for

²³⁰ *McDonald's-matter* 21 C.

²³¹ Van der Merwe *LAWSA: Trade Marks* 256.

²³² Van der Merwe *LAWSA: Trade Marks* 256; *Tie Rack plc v Tie Rack Stores* 1989 (4) SA 427 (T) 434 B.

example) would have been irrelevant to trade mark protection. However, as discussed in chapter 4, a strict application of the territoriality principle is not operative in the context of the protection of well-known trade marks.

Spill-over advertising is particularly prevalent as a result of the prevalence of social media, the internet, television, and sporting and cultural events that are extensively accompanied by advertisements.²³³ These types of advertisements are essentially intended for a foreign audience but have spilled-over to a local audience.²³⁴ Generally, the onus is on the plaintiff to lead evidence on the precise exposure of the spill-over advertisement in South Africa.²³⁵

The court in the *McDonald's*-matter held that even though the exact extent of advertisement outside South Africa that has spilled over was not proved, it was probably quite extensive for the following reasons:²³⁶ McDonald's was considered one of the largest, if not the largest, franchiser of fast-food restaurants in the world;²³⁷ over 13 993 McDonald's restaurants were established in over 70 countries in 1993;²³⁸ the annual turnover was about \$23 587 million at that point in time;²³⁹ its trade marks were promoted extensively in relation to all the franchised restaurants;²⁴⁰ McDonald's subsidiaries, affiliates and franchisees had an annual promotional and advertisement spend of over \$900 million;²⁴¹ and McDonald's had received 242 requests from South Africans who intended to enter into franchise agreements between 1975 and 1993.²⁴²

In the *McDonald's*-matter, the market survey established that 77 per cent of the participants had been aware of the McDonald's logos/trade mark;²⁴³ the surveys

²³³ Webster *et al* *South African Law of Trade Marks* 5.4.

²³⁴ *Tie Rack plc v Tie Rack Stores* 1989 (4) SA 427 (T) 433I.

²³⁵ Van der Merwe *LAWSA: Trade Marks* 256.

²³⁶ *McDonald's*-matter 23A.

²³⁷ *McDonald's*-matter 22G.

²³⁸ *McDonald's*-matter 22G.

²³⁹ *McDonald's*-matter 22G.

²⁴⁰ *McDonald's*-matter 22G.

²⁴¹ *McDonald's*-matter 22H.

²⁴² *McDonald's*-matter 23B.

²⁴³ *McDonald's*-matter 25.

also established that 80 per cent of the participants had associated the trade mark with hamburgers (which is the main product sold by McDonald's).²⁴⁴

On this basis, the court concluded that potential franchisees would have been aware of the McDonald's mark and its attractive force in the market.

The *Truworths*-matter illustrates an example of how to prove the consumer sector's exposure to spill-over advertisement. Similar to the argument raised in the *McDonald's*-matter, Primark Holdings argued that South Africans travelling to the UK, which it argued was the relevant sector of the public, would inevitably be exposed to spill-over advertising of the Primark Holdings's mark.²⁴⁵ Primark Holdings supported this submission by submitting as part of its evidence personal testimonies of people who were interested in Primark Holdings's clothing as potential customers, and who were able to afford the Primark-branded clothing when travelling to the UK. These testimonies stipulated that these people regularly visited their relatives in the UK, travelled for business or for recreational purposes to the UK; and were aware of Primark Holdings's Primark clothing brand.²⁴⁶ On this basis, the SCA held that, due to the prominence of the trade mark, Primark, in the UK, and due to the fact that several hundred thousand South Africans visited the UK on an annual basis, a substantial number of people from the relevant sector of the public would inevitably have acquired some knowledge of Primark's mark.²⁴⁷

Generally, people visiting the UK were considered to regularly buy Primark Holdings clothing.²⁴⁸ This submission was proven by evidence establishing that between 2009 and 2014, nearly 300 claims had been submitted for tax refunds for clothes bought from Primark, amounting to 60 000 euros.²⁴⁹ However, the court accepted that only those people falling in higher income brackets would be able to travel and shop in the UK.²⁵⁰

²⁴⁴ *McDonald's*-matter 25.

²⁴⁵ *Truworths*-matter 193.

²⁴⁶ *Truworths*-matter 193.

²⁴⁷ *Truworths*-matter 193.

²⁴⁸ *Truworths*-matter 193.

²⁴⁹ *Truworths*-matter 193.

²⁵⁰ *Truworths*-matter 193.

In the context of consumer goods, such as fast foods or clothing, potential franchisees, as persons interested in those goods, are more likely to be exposed to international travel and spill-over advertising.²⁵¹ In the *McDonald's*-matter, the court concluded that potential franchisees would almost without exception have heard of the McDonald's marks. However, in the case of potential customers of such goods in the mid-1990s, the level of awareness would be lower because a lot of people interested in buying hamburgers would not have heard of McDonald's and a certain degree of wealth was required for the purchase of prepared food.²⁵² In these circumstances, it appears that the court assumed this part of what it held to be one of the relevant sectors of the public, to have been exposed to spill-over advertising. This is probably due to the inference that they did sufficient market research in order to determine where a McDonald's franchise would be profitable. It is safe to assume that, generally, it would be more onerous to prove that potential customers became aware of a foreign trade mark by spill-over advertising than to prove that of potential franchisees, given that franchisees would usually be abreast of developments in their specific industry sector, both locally and abroad. That being said, as online marketing continues to increase, consumer awareness of foreign brands is likely to increase in the future.

Promotion of the mark can be achieved by various methods including, *inter alia*, radio broadcasts, large billboards such as those often located next to highways, and television advertisements. Advertisement in a few provinces will in all likelihood be insufficient, although it will depend on the facts and the circumstances of the case before a court. The same principle can be extrapolated to other forms of advertisements. Evidence put forward by McDonald's in the *McDonald's*-case included information that it had sponsored two Olympic events and two soccer world cups, which had in all probability been broadcast in South Africa. The court accepted this evidence of promotion of the mark in reaching the conclusion that a sufficient

²⁵¹ Van der Merwe *LAWSA: Trade Marks* 256.

²⁵² *McDonald's*-matter 28 F-G.

number of people in a relevant sector of the public (notably potential franchisees) would be aware of the mark.²⁵³

In the *Truworths*-matter, Primark Holdings adduced evidence of Primark's worldwide advertisement and promotional spend, which was over £57 million.²⁵⁴ Primark also included evidence to demonstrate that it hosted two global websites, and had well-established social media accounts on Facebook, Twitter and Instagram.²⁵⁵ It argued that these social media accounts should be considered as proof of substantial awareness of the Primark trade mark and clothing brand in South Africa on the basis that the Facebook account had received 3 million likes, the Twitter account had accumulated over 54 000 followers, and the Instagram account was followed by nearly 450 000 people.²⁵⁶ Regarding the last two mentioned accounts, it was submitted that some South African consumers were following these pages,²⁵⁷ given that at least 40 000 hits on their websites had been received from South African locations.²⁵⁸ Primark Holdings also submitted as part of its evidence information on the achievement of the Multi Market Retail of the Year Award in 2010, which it argued constituted evidence of promotion of the mark in South Africa.²⁵⁹ Awareness of Primark's mark was also held to be evidenced through its recognition as one of the top 250 retailers and one of the 50 fastest growing retailers in reports of a large international business consultancy.²⁶⁰

Primark also attempted to establish substantial awareness of the trade mark, Primark, in the middle-to-lower-income groups in South Africa, by evidence of digital blogs mentioning products of Primark; a website showcasing an interview with a popular local singer who said that she had bought Primark's clothing from a Primark store and from another distributor;²⁶¹ blog entries from a site titled Style Guide CT advertising that some of Primark's products would be sold in an independent shop

²⁵³ *McDonald's*-matter 22H.

²⁵⁴ *Truworths*-matter 189E.

²⁵⁵ *Truworths*-matter 189E.

²⁵⁶ *Truworths*-matter 189E-F.

²⁵⁷ *Truworths*-matter 189F.

²⁵⁸ *Truworths*-matter 189F.

²⁵⁹ *Truworths*-matter 197H.

²⁶⁰ *Truworths*-matter 190A-B.

²⁶¹ *Truworths*-matter 30.

in South Africa; and a well-known fashion magazine in the South African market containing four pages illustrating models wearing clothes emanating from Primark.²⁶²

In analysing the evidence submitted, the SCA held that the mere reference to some random items of clothing emanating from Primark over a couple of years was inadequate to establish the requisite degree of knowledge of the mark amongst a substantial number of people from the middle-to-lower-income group (i.e. the relevant sector of the public). The court's conclusion was further supported by the fact that the middle-to-lower-income groups generally do not read fashion magazines and that, generally, they use the internet for job seeking purposes instead of searching for fashion websites.²⁶³

It has been argued that extensive worldwide sales alone, depending on the facts and circumstances of a particular case, could be sufficient to prove such substantial reputation in the relevant sector of the public.²⁶⁴ Proving that worldwide sales are extensive can be done in various ways. In the *Truworths*-matter, Primark provided proof of South Africans buying Primark's clothing abroad. The evidence consisted of information indicating that between 2009 and 2014, nearly 3000 claims were instituted by South Africans for tax refunds from goods bought at Primark at about £600 000.²⁶⁵ In all likelihood, the amount of sales was probably far greater than 3000 items because of Primark's affordable prices and because tax refunds are only available on amounts in excess of £100.

Extensive worldwide sales can also be inferred from the following facts: Primark adopted the Primark mark in the mid-1970s;²⁶⁶ due to the rapid success of goods sold under the Primark mark, it expanded to 270 stores in nine countries by the

²⁶² *Truworths*-matter 30.

²⁶³ *Truworths*-matter 196.

²⁶⁴ Van der Merwe *LAWSA: Trade Marks* 256.

²⁶⁵ *Truworths*-matter 193 A-B.

²⁶⁶ *Truworths*-matter 189 B-C.

year 2014;²⁶⁷ and the turnover of Primark between 2009 and 2013 amounted to almost £16 billion.²⁶⁸

Proof that a substantial number of people in the relevant sector of the public have acquired knowledge can also be established by a market survey.

In the *Truworths*-matter, the outcome of a survey showed that only 3,5 per cent of the participants had claimed to know the mark, Primark. From the 3,5 per cent of the participants, less than one per cent had regarded it as a clothing store.

The other foreign mark used in the survey was known amongst 8,4 per cent of the respondents and its nature of business was known to the vast majority.²⁶⁹ The participants were significantly more familiar with eight South African brands.

The court criticised the survey as being overbroad by selecting a universe of adults over the age of 18 in South Africa's major metropolitan areas.²⁷⁰

The survey should have investigated a much smaller universe consisting of people that are literate, have access to the internet, are interested in fashionable clothing, have spare disposable income and have travelled overseas or have contacts overseas.²⁷¹ Thus, the survey investigated an irrelevant sector of the public.

Given the diversity of our population, it was to be expected that overwhelmingly they would not have heard of a retail fashion outlet in the United Kingdom and Europe catering to those who aspire to fast fashion at affordable prices. The majority would not gloat, as did one blogger, at the prospect of buying a denim jacket for £16 or a dress for £17. The result of the survey was to be expected.²⁷²

Although the survey selected an irrelevant sector of the public, the outcome of the market survey was still of assistance to the court in reaching its decision.²⁷³ The SCA noted that the marked survey showed that the trade mark, Primark, was not recognised by the vast majority of adult South Africans living in our major

²⁶⁷ *Truworths*-matter 189 C.

²⁶⁸ *Truworths*-matter 189 C-D.

²⁶⁹ *Truworths*-matter 36.

²⁷⁰ *Truworths*-matter 39.

²⁷¹ *Truworths*-matter 40.

²⁷² *Truworths*-matter 39.

²⁷³ *Truworths*-matter 42.

metropolitan areas.²⁷⁴ The court also held that the trade mark, Primark, would be even less well-known if the universe consisted of the whole population.²⁷⁵

Before turning to the discussion of the market survey, it is important to note the factors stipulated in the *Joint Recommendation*.

Firstly, any information concerning the duration, extent and geographical area of any use and promotion of the mark is relevant to such a determination.²⁷⁶ It would be reasonable to assume that the longer the use, the greater the extent of the use, and the more countries that use the mark will support the view that a substantial number of people in the relevant sector of the public have acquired knowledge of a foreign mark. Promotion of the mark in this regard includes advertisements or publicity and the presentation of the goods or services related to the mark at fairs or exhibitions.²⁷⁷

Secondly, the duration and geographical areas of registration and applications for registration of the mark to the extent that they reflect use or recognition of the mark will be relevant. The greater the area of recognition, the greater the chance of the mark being recognised by a substantial amount of people in the relevant sector.

Thirdly, the number of successful enforcements of the proprietor's right in the marks, specifically the recognition of the mark as well-known by competent authorities, will be relevant.²⁷⁸ The greater the number of successful enforcements of the proprietor's right with regard to the mark, the greater chance the mark stands to comply with the requirements of a well-known trade mark.

Lastly, the value associated with the mark is worth considering when a court has to determine whether a relevant sector of the public has acquired knowledge of the foreign mark.²⁷⁹ The reputation of the mark, similar to the discussion regarding the

²⁷⁴ *Truworths-matter 42*.

²⁷⁵ *Truworths-matter 42*.

²⁷⁶ Article 2(1)(b) of the *Joint Recommendation*.

²⁷⁷ Article 2(1)(b) of the *Joint Recommendation*.

²⁷⁸ Article 2(1)(b) of the *Joint Recommendation*.

²⁷⁹ Article 2(1)(b) of the *Joint Recommendation*.

principle of goodwill, will be relevant to the consideration of the value associated with the mark. The revenue produced by a mark will also be relevant to such a consideration.

From these factors, it is reasonable to assume that the degree of recognition the mark has in foreign territories may be relevant to the determination of whether a mark is well-known in terms of section 35(1A) of the *Act*. The conclusion reached by these factors is that the mark is either well-known or not amongst people in foreign jurisdictions. Because these factors are not binding and because the determination previously undertaken by South African courts merely considered the extent of recognition of the mark in the Republic, it could be argued that these factors may not be considered. In other words, these factors could be seen as conflicting with section 35(1A) of the *Act* because, rather than providing evidence of the mark being known in the relevant sector of the Republic, these factors provide support for the conclusion that the mark is well-known abroad.

5.4.2 Evidential value of market surveys

Although the court in the *McDonald's*-matter held that a market survey should be deemed as hearsay evidence, it constitutes admissible evidence in terms of section 3(1)(c) of the *Law of Evidence Amendment Act* 45 of 1988.²⁸⁰ Therefore, the evidence of the market survey was adequate to show the extent to which the name and trade marks of McDonald's were known amongst the public.²⁸¹

Our courts accept that a properly construed and conducted market survey is capable of establishing the fact that a substantial number of the relevant sector of the public have become aware of a trade mark.²⁸² In some cases, the market survey would be sufficient in ascertaining on its own that a substantial number of people in the relevant sector of the public have become aware of the mark.

²⁸⁰ *McDonald's*-matter 26G. The applicants in the *McDonald's*-matter submitted that the probative value of the market survey constitutes hearsay evidence because the evidence should have been viewed as evidence of a scientific nature or, alternatively, because the evidence relates to the state of mind of the people interviewed for the market survey.

²⁸¹ *McDonald's*-matter 26I.

²⁸² *Truworths*-matter 193.

In *The Gap*-matter,²⁸³ the court held that a mark would be assumed to be well-known if there was some evidence of substantial awareness in the relevant sector of the public, as mentioned in article 2(2)(a) of the *Joint Recommendation*.²⁸⁴ Although the market survey did not establish that *The Gap* mark was well-known amongst a relevant sector of the public at the relevant time, it established some evidence that the mark was well-known in the trade and fell within the sectors identified in article 2(2)(a) of the *Joint Recommendation*.²⁸⁵ The court did not make a final conclusion on this point because it assumed that the mark was well-known within a relevant sector of the public, as mentioned in the *Joint Recommendation*.²⁸⁶

The court considered evidence of the market survey as circumstantial evidence.²⁸⁷ Thus, the market survey would only serve as corroborated evidence of other evidence proving the notoriety of the trade mark.²⁸⁸

As evidenced by both the *McDonald's*- and *The Gap*-matters, it is generally the trade mark proprietor who conducts the market survey in order to prove that its foreign trade mark is well-known amongst a substantial number of persons falling within the relevant sector of the public. This is because, generally in civil litigation, the person asserting a right has to prove to the court that he/she is entitled to it.²⁸⁹ Thus, the onus of proof of reputation and the well-known character of a trade mark rests on the proprietor who seeks protection in terms of section 35(1A) of the *Act*. However, in the *Truworths*-matter, Truworths, as the entity applying for the expungement of Primark Holdings's trade mark registration and objecting to the granting of protection in terms of section 35(1A) of the *Act*, conducted the market survey. This was done in order to prove that the trade mark, Primark, was not known to a substantial portion of the relevant sector of the public.

²⁸³ *The Gap*-matter

²⁸⁴ *Truworths*-matter 185.

²⁸⁵ *Truworths*-matter 11.

²⁸⁶ *Truworths*-matter 11.

²⁸⁷ *McDonald's*-matter 27E.

²⁸⁸ Van der Merwe *LAWSA: Trade Marks* 256.

²⁸⁹ *Pillay v Krishna* 1946 AD 946.

CHAPTER 6 CONCLUSION

6.1 Main findings and future research

Although trade marks are purely a territorial concept, the well-known exception to this rule is clearly established by international treaties to which South Africa is party and which have been incorporated in section 35(1) of the *Act*.

In order to determine whether a mark is well-known in terms of section 35(1A) of the *Act*, it is important to follow a logical sequence of questioning. The first stage of the inquiry consists of a determination of the relevant sector of the public, which refers to those people who are commercially interested in the goods or services relating to the mark. Who the relevant sector is will depend on both the products or services and the type of people interested in them. Regarding the products and services, *inter alia*, the nature, price, and, in terms of goods, the potential for further distribution will be relevant. Regarding the people interested in these products and services, *inter alia*, their interests, financial capabilities, needs, and desires to own, use or redistribute these products and services will be relevant.

Further research in terms of "the relevant sector of the public" may benefit potential readers. This is because of the non-exhaustive nature of the factors contained in section 35(1A) of the *Act*, the *Joint Recommendation* and the *Paris Convention*.

Although the relevant sectors mentioned in the *Joint Recommendation* are not exhaustive, it would be convenient to start with those mentioned. Because the current case law is largely confined to those sectors mentioned in the *Joint Recommendation*, it would be convenient for a trade mark proprietor to rely on such case law. The only sectors identified by case law not specifically mentioned in the *Joint Recommendation* are individuals aged between 16 and 50 and living in an "A plus income suburb", and people or businesses in the trade as that of a foreign concern.

Once the relevant sector or sectors have been identified, the second stage of the inquiry is to establish whether a substantial number of people in the relevant sector of the public were aware of the mark at the relevant time. Awareness would be

established by worldwide sales figures and promotion of the mark, which include spill-over advertisement thereof. A market survey, either on its own or in tandem with other evidence, would be able to establish that a mark is well-known amongst a substantial amount of people in the relevant sector of the public.

Although the exact level of awareness cannot be prescribed (because the level of awareness necessary depends on the facts of each case) some guidelines can be laid down by looking at previous case law. This search, however, will be largely confined to international case law because of the scarcity of South African case law regarding the subject.

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