

IN THE TRIBUNAL OF THE REGISTRAR OF TRADE MARKS

TRADE MARKS ACT, ACT 194 OF 1993

Trade Mark Registration Nos. 1972/02718 and 1972/02718/1 VICEROY in classes 35 and 43

VICEROY HOTELS LLC

Applicant

And

THE VAN RYN WINE & SPIRIT COMPANY LTD

Respondent

JUDGMENT

Viceroy Hotels LLC applied for the expungement of trade mark registration numbers 72/02718 VICEROY in class 35 and 72/02718/1 in class 43 in the name of The Van Ryn Wine and Spirit Company Limited ("the Respondent").

The expungement was sought in terms of Section 27(1)(a) and/or Section 27(1)(b) of the Trade Marks Act, Act No. 194 of 1993 ("the Act").

The Respondent's trade marks are registered in respect of the following services:-

(a) Trade mark registration no. 1972/02718 VICEROY, in class 35, in respect of:

"Bottle stores, cellars, wine and spirits merchants, including exhibitions relating to and/or promoting wines and spirits or in any way connected therewith, hire of vending machines and equipment for use in the wine and spirit industry and machines and equipment generally."

(b) Trade mark registration no. 1972/02718/1 in class 43, in respect of:-

"Bars, clubs, supplying of alcoholic and non-alcoholic drinks, cafes, cafeterias, restaurants, snack-bars, supplying of meals and snacks, catering, including the supplying of staff and the furnishing of articles of all kinds for functions, parties and the like, hotels and hotel management, room hire."

The Respondent's trade marks are associated with trade mark registration no. 1937/01224 VICEROY, in class 33, in respect of:-

"All the goods included in this class except tonic wines"

The expungement was based on the Applicant's trade mark applications for the mark VICEROY in classes 36, 37 and 43 under application nos. 2006/16463, 2006/16464 and 2006/16465. The Applicant applied for the expungement of the trade mark VICEROY in classes 35 and 43 as the Respondent's trade mark registrations would pose a bar to the use and registration of the Applicant's trade marks.

The Respondent opposed the expungement application, arguing that its VICEROY trade mark was well-known in South Africa, its use of the class 33 VICEROY trade mark was in terms of Section 33(1) of the Act, and thus constituted equivalent use of VICEROY in classes 35 and 43.

The Respondent however conceded that it had not made use of its trade mark VICEROY in respect of the services protected by its class 35 and 43 registrations. The Respondent's trade marks were originally registered in class 42, and were subsequently re-classified on 2 August 2007, into classes 35 and 43.

Sections 27(1)(a) and (b) of the Act provides that:-

Removal from the register on ground of non-use:-

(1) Subject to the provisions of section 70(2), a registered trade mark may, on application to the court, or, at the option of the applicant and subject to the provisions of section 59 and in the prescribed manner, 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 of 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 the 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.”

The Applicant in its heads of argument in paragraphs 8 on page 5, further referred to Sections 27(5) and 31(1) of the Act.

Section 27(5) provides that:-

“subsection 1(a) and (b) does 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 this Act.”

Section 31(1) provides that:-

“When under the provisions of this Act use of a registered mark is required to be proved for any purpose, the registrar or the court, as the case may be, may, if and so far as he or it deems fit, accept proof of the use of the associated registered

trade mark or of the trade mark with additions or alterations not substantially affecting its identity, as equivalent to proof of the use required to be proved.”

The trade marks sought to be expunged were registered in terms of Section 53 of the Trade Marks Act, Act No. 62 of 1963 (“the repealed Act”). The section permitted the registration of a trade mark notwithstanding the fact that the trade mark proprietor did not use or propose to use the trade mark in relation to the goods or services in respect of which the trade mark was registered.

The Applicant submitted that therefore, when the Respondent registered its VICEROY trade mark in 1972 as a defensive registration, it did not have the *bona fide* intention to use its trade mark in respect of the services covered by the registration.

The Respondent argued that the fact that it had no intention to use its marks was irrelevant, in the light of the fact that its VICEROY trade mark was well-known in respect of brandy. It further relied on the use of its associated trade mark registration no. 1937/01224 VICEROY in class 33. Counsel for the Respondent stated in its heads of argument, in paragraph 6.4 on page 9, that when the Registrar registered the trade marks in 1972, he was of the opinion that if any other person would use the trade mark VICEROY in respect of those services covered by the trade marks sought to be expunged, there would be a likelihood that members of the public would be of the view that there was a connection in the course of trade.

The Respondent conceded that when it registered its VICEROY trade mark in 1972 as a defensive registration, it had no *bona fide* intention to use its trade mark in respect of the services covered by the registration. The Respondent, however further submitted that its failure to use the trade mark VICEROY in respect of the services covered by its class 33 and 43 registrations did not entitle the Applicant to an order for expungement, as its mark VICEROY was a well-known mark and that Section 31(1) of the Act provided the Registrar with the discretion to accept the use in class 33, as equivalent use on the grounds of the association with its class 35 and 43 registrations.

The Respondent's contention was that its VICEROY trade mark was disputed by the Applicant, stating that the evidence as set out in paragraphs 4 to 7 of the answering affidavit was unsubstantiated. Its reliance on the alleged well known status seemed to have been grounded in the provisions of Section 35, read with Section 27(5)b of the Act. The Applicant submitted that this reliance was misplaced and incorrect.

The Applicant cited **Scientific Chemicals (Pty) Ltd v Liqui-Seal (Pty) Ltd and two others** where the Court held *in obiter* that:-

"The respondents have contended that they are entitled to the benefits of section 27(5) of the Trade Marks Act. There is no merit in this argument. Section 35(1) supra and the judgement in McDonalds v Joburgers Drive-inn Restaurant (Pty) Ltd clearly indicate that the protection is afforded to a foreign proprietor of a trade mark which does not trade locally."

This *obiter dictum* was submitted to have been accepted in the *ratio* of Shongwe J in **Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd and Another 2005 (1) SA 346 (T) at p 352** where it was held that:-

“It seems to me that Swart J’s obiter dictum makes more sense than the opposite interpretation. The Trade Marks Act is a South African Act, it stands to reason that South Africans and South African Companies can claim rights arising from common law and the relevant statutes. I do not see any valid logical reason why a South African Act can elicit protection for its own nationals from a foreign convention. It stands to reason that foreign companies need to qualify as convention countries to be entitled to claim protection under the Paris Convention. I find that section 27(5) is not applicable in this case and therefore not available for the applicant to use as a defence.”

The Applicant submitted that in view of the above authorities, the Respondent was a South African company. In the circumstances its reliance on Section 35, read with Section 27(5), was bad in law and not available as a defence. It was thus of no significance to these proceedings whether or not VICEROY was well known, as this would not avail the Respondent of a defence against the provisions of Section 27(1)(a) and (b) of the Act.

The crux of the Respondent’s case was that the VICEROY marks sought to be expunged were an equivalent or associated use of its VICEROY trade mark in class 33. The Respondent submitted in its answering affidavit, in paragraph 18.1 on page 33, that

the services covered by trade mark nos. 72/02718 and 72/02718/1 in classes 35 and 43, were of such a nature as to go hand in hand with the goods covered by its trade mark no. 72/1224 VICEROY in class 33. It was further submitted that the services covered by the two registrations were similar to the goods covered by the VICEROY mark in class 33, and there was a close nature in the goods and services covered by the VICEROY trade marks in classes 33, 35 and 43.

The Applicant's contention was that these submissions were not substantiated with any supporting evidence, and fell to be rejected on the basis that they were wholly unsubstantiated and devoid of merit. The Respondent only tried to persuade the Tribunal that brandy goes hand in hand with, was similar to, or close in nature with, the services covered by the marks to be expunged.

In this regard the Applicant referred to **Distillers Corporation (SA) Ltd v SA Breweries Ltd 1976 (3) SA 514 at p 539B-D** where it was held that:-

"Now in exercising its discretion under sections 38(5) and 39(1) as to whether or not to accept the proof of use of the associated trade mark as being equivalent to the use of the mark under enquiry, the court in my view, should have regard to how closely the trade marks are associated and resemble one another and the extent and nature of their equivalent use. The remoter the association, or the lesser the resemblance, or the less satisfactory the equivalent use, the more disposed the court should be to ignore the association or lean against accepting the use of the associated trade mark as be the required equivalent use. While these may not be

the only consideration bearing on the court's discretion under section 38(5) and 39(1) they are I think the important ones."

The Applicant submitted that the acceptance of proof of use of an associated mark as equivalent use was discretionary, and that such discretion must be exercised in accordance with the general policy of our legislation, which was to restrict the monopoly and protection to the proprietor's legitimate and actual trade requirement. It was further submitted that the discretion to be exercised in terms of Section 31 of the Act was of the same nature and took into account similar considerations as the overall general discretion applicable under Section 27.

In paragraph 14.8 of its heads of argument, the Applicant stated that it was held by Trollip JA that:-

"It has always been a fundamental prerequisite of the monopolistic protection and rights afforded by trade mark legislation to the registered proprietor that he must use or intend to use his trade mark for the goods for which it is registered. The general policy and purpose of the legislation is to restrict the monopoly and protection conferred by the registration to the proprietor's legitimate and actual trade requirements and to avoid the inconvenience, cost, oppression and interference with trade that would result from allowing trade marks to be registered with the intention, not of using them but merely of preventing other traders from using them."

“The exercise of the discretion under the first proviso therefore requires a judicial weighing up between, on the one side, the applicant’s entitlement under the act to expungement and his interest and equities in having the offending registration expunged, and, on the other side, the proprietors present statutory monopoly under his registered trade mark and his interest and equities in retaining it, and unless there’s a balance in favour of its retention, the registration ought to be expunged. In that weighing up, due weight must be given to the applicant’s prima facie entitlement to expungement for non-use.”

The Applicant submitted that in the circumstances it was trite law that in the absence of exceptional circumstances, the applicant was entitled to expungement for non-use. It was further submitted that the Respondent had placed no exceptional circumstances before the Tribunal, and therefore the VICEROY trade marks in classes 35 and 43 were to be removed.

Furthermore, the Applicant submitted that the Respondent could not explain why the VICEROY trade mark had not been used in respect of the class 35 and 43 services, and could further provide no indication of the likelihood of the Respondent commencing use in respect of the services falling in these classes.

If the court or Registry decided that there has been genuine use but only on a particular item or in relation to a particular service, the first question was whether the specification extends unduly beyond the item or service? If so the enquiry was this: how would the

notional reasonable man describe the item? Naturally, the answer depends on all the circumstances, but the answer provides the wording appropriate for that item in the specification of goods (*Kerly's Law of Trade Marks and Trade Names, 13 ed. Paragraph 9-72(1), page 288*).

It was in view of the above authorities, that the Applicant submitted that this Tribunal could not find that the use of VICEROY for brandy constituted satisfactory equivalent use in respect of the diverse and unrelated services protected under the Respondent's class 35 and 43 registrations.

Counsel for the Respondent submitted in his heads of arguments that the evidence was that it had made enormous use of the trade mark VICEROY in respect of brandy. Between May 2001 and April 2007 it had sold in excess of R1 billion worth of VICEROY brandy in South Africa and, in addition, spent in excess of R60 million in advertising the product.

It was also submitted on behalf of the Respondent that in March 2004 VICEROY was ranked number 15 in South Africa's best selling liquor brands and in 2005 it was number 18. It was the third selling brand in South Africa in terms of value, and number in terms of volume. It was argued by Counsel for the Respondent that without a doubt, it could be said to have an enormous reputation in South Africa. It was further said on this basis that it was established authority that one could infer such repute from the extent of sales and advertising.

The Respondent contended that the Court had an inherent discretion not to expunge, even in the face of non-use. Where the Applicant for the registration of a trade mark would not be permitted to use the trade mark, the Counsel for the Respondent submitted that there was little purpose in expunging the trade mark, and it would be an exercise in futility.

In support of the Respondent's case, reference was also made to *Distillers Corporation (SA)* (*supra*). The contention was that in the instant case, of course the associated trade marks were identical and the use had been enormous. Counsel for the Respondent argued that the association between the class 33 trade mark and that which was sought to be expunged was not remote, an issue that had, as a matter of fact, already been decided by the Registrar when it registered the trade mark in 1972 in terms of the provision of Section 53 of the repealed Act.

Further submission was made that the Applicant's use of the trade mark VICEROY in respect of the services for which it sought registration in class 43 would also be an infringement of the Respondent's class 33 registration in terms of the provision of Section 34(1)(b) of the Act, in that those services were so similar to the goods in class 33 so as to infringe the class 33 registration.

In conclusion it was submitted on behalf of the Respondent that the likelihood of an association between the Respondent's well-known brandy product and the

Respondent's registrations which were sought to be expunged increased immeasurably. There were certain trade marks that were so inherently distinctive, that their use by any party on any product other than that in respect of which it was registered, would immediately create that association. It was argued that the inherent distinctiveness of the trade mark VICEROY fell within that category. It was submitted that as such, the application for expungement should fail with costs.

After hearing the submissions from both parties at the hearing, and having studied the documents filed of record, it was common cause that what the Tribunal had to decide was not whether the marks were originally lodged with the intention to use, or not to use. This issue was quite clear and admitted by both parties. What further was clear and conceded to by the Respondent, was that there had in fact been no use of the trade marks in classes 35 and 43. Whether the Respondent had a substantial reputation, or enormous reputation, in relation to the trade mark registered on brandy in class 33, was also not a matter to be decided by the Tribunal.

The issue to be decided by the Tribunal in this matter was whether it could be found that the use of the trade mark VICEROY in relation to brandy, substantial and/or not, could be deemed as use associated with the VICEROY trade marks registered in classes 35 and 43, in relation to those services. It was clear that the evidence filed or presented on behalf of the Respondent showed use of the relevant trade mark only in relation brandy, not the services covered by the class 35 and 43 registrations. The evidence was clearly

inadequate to indicate that there was a relationship between brandy on the one hand, and the services in classes 35 and 43 on the other hand.

Having taken all the facts and submissions into consideration I could not find that the use in class 33 in relation to brandy, in relation to the services falling in the class 35 and 43 registrations, specifically for a period 1972 until 2010, with no use and no apparent intention to use, could be deemed as use of the registrations or services for which it was registered in class 35 and 43.

I therefore found in favour of the Applicant, and the following order was made:-

- that trade mark registration nos. 1972/02718 and 1972/02718/1 VICEROY in classes 35 and 43 be expunged from the Trade Mark Register;
- that costs be awarded to the Applicant.



F Coetzee (Ms)

Registrar of Trade Marks

26 April 2012