



THE SUPREME COURT OF APPEAL OF SOUTH AFRICA
JUDGMENT

Reportable
Case no: 695/11

THE GAP, INC

Appellant

and

SALT OF THE EARTH CREATIONS (PTY) LTD
KINGSGATE CLOTHING (PTY) LTD
PAUL VIVALDI FASHIONS (PTY) LTD
THE REGISTRAR OF TRADE MARKS

First Respondent
Second Respondent
Third Respondent
Fourth Respondent

Neutral citation: *The Gap Inc v Salt of the Earth Creations (Pty) Ltd and others*
(695/11) [2012] ZASCA 68 (23 May 2012)

BENCH: CLOETE, PONNAN, MALAN, WALLIS JJA and KROON AJA

HEARD: 4 MAY 2012

DELIVERED: 23 MAY 2012

CORRECTED:

SUMMARY: Trade mark – Trade Marks Act 194 of 1993, s 27 – application for expungement of on the grounds of lack of bona fide use.

ORDER

On appeal from: North Gauteng High Court, Pretoria (Southwood J sitting as court of first instance):

1. The appeal is upheld.
2. The order of the court below is set aside and in its stead is substituted the following:

‘The application is dismissed.’

JUDGMENT

PONNAN JA (CLOETE, MALAN and WALLIS JJA and KROON AJA concurring):

[1] The protagonists – the appellant, the Gap Inc, a United States corporation, and the first to third respondents, three South African companies, namely, Salt of the Earth Creations (Pty) Ltd, Kingsgate Clothing (Pty) Ltd and Paul Vivaldi Fashions (Pty) Ltd – are no strangers to our courts in their fight for proprietorship of the trade mark Gap (in respect of clothing in this country).¹ The present appeal with the leave of this court is in respect of the appellant’s Gap trade mark no. 94/10423 in class 3 registered in respect of, inter alia, body personal care products, which Southwood J, on the application of the respondents, ordered be expunged from the Register of Trade Marks on the basis of non-use in terms of the provisions of s 27(1) of the Trade Marks Act 194 of 1993 (the Act). The fourth respondent, the Registrar of Trade Marks, took no part in the proceedings either in this court or the one below.

[2] In heads of argument filed on behalf of the appellant, and orally from the bar in

¹ *AM Moolla Group Ltd & others v The Gap Inc & others* 2005 (2) SA 412 (SCA); *AM Moolla Group Ltd & others v The Gap Inc & others* 2005 (6) SA 568 (SCA) and *Stuttafords Stores (Pty) Ltd & others v Salt of the Earth Creations (Pty) Ltd* 2011 (1) SA 267 (CC).

this court, we were advised by counsel that the protagonists have settled all pending litigation between them and that the appeal was not being opposed by any of the respondents. However, as the judgment of Southwood J is one *in rem* in that it affects a public register, the appellant, notwithstanding the settlement of the matter, was constrained to proceed with the appeal because as Steyn CJ put it in *Rembrandt Fabrikante en Handelaars (Edms) Bpk v Gulf Oil Corporation* 1963 (3) SA 341 (A) at 348:

‘. . . generally speaking, the existence of an exclusive right to a trade mark flows from and is dependent upon registration, and the nature and extent of such a right is determined by the entries in the register. The right to a registered trade mark is effectively assigned, transferred, modified, partly divested of its exclusiveness, or terminated, by such entries.’

[3] Section 27(1), to the extent here relevant, reads:

‘(1) ...a registered trade mark may, on application to the court,...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; . . .

[4] As Harms JA, quoting from the European Court of Justice, made plain in *AM Moolla Group Ltd v The Gap* 2005 (6) SA 568 (SCA) para 26:

‘A trader registers or acquires a trademark primarily not in order to prevent others from using it

but in order to use it himself (although exclusivity of use is of course a necessary corollary). Use by the proprietor is indeed a central and essential element of ownership [since] rights may lapse or be unenforceable in the event of non-use.'

In terms of the provisions of s 27(3) the onus of proving bona fide use where non-use has been alleged rests upon the trade mark proprietor – in this instance the appellant. It is not necessary that the use was continuous use although intermittent use may be indicative of the fact that it was not bona fide (*AM Moolla* para 27). The European Court of Justice in *Ansul BV v Ajax Brandbeveiliging BV* [2003] RPC 40 para 36 has held that 'genuine use' (which corresponds with bona fide use in s 27(1)(b) of the Act) must be 'understood to denote use that was not merely token, serving solely to preserve the rights conferred by the mark. Such use had to be consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin.'

[5] In *K Mart (Pty) Ltd v K Corporation and The Registrar of Trade Marks* an unreported decision of the Transvaal Provincial Division dated 18 December 1987, Eloff DJP held:

'In my judgment the definition is wide enough to cover a case such as the present where the goods are in existence and identifiable, where they are advertised in publications appearing regularly in South Africa as part of first respondent's business policy and strategy to promote international business, and where the marks are clearly used in the advertisements and promotional material.'

In *K Mart*, evidence was adduced of efforts at establishing trading outlets in South Africa and of correspondence and negotiations with stores such as Edgars and Dion. Eloff DJP made the point that in promoting and advertising the business goods and services, as also in negotiations, the trade mark K Mart had been used. The learned Deputy Judge President accordingly concluded that 'the negotiations with Edgars and Dion's and the various other concerns mentioned. . .constitutes use of the mark in question'.

[6] *K Mart* was cited with approval in *Contrapest Holdings SA (Pty) Ltd v Ecolab Inc* 1998 BIP 217 (T). In *Contrapest*, McCreath J stated at 219D-F:

'Various cases have clearly demonstrated that the amount of use required to defeat an application for expungement is small so long as such use is *bona fide*. Thus in *Vac-u-Flex Trade Mark* (1965) FSR 176 it was held that the dispatch of a single sample of a product sufficed to constitute use so long as there was a real endeavour to introduce the goods into the market. In *Bon Matin* (1989) RPC 537 Whitford J held that two isolated usages of the trade mark Bon Matin in an export price list and in an information booklet were sufficient effectively to counter an application for expungement on the basis of non-use. The proprietor of the trade mark had merely sent to potential distributors a price-list and a brochure which contained photographs of its products.'

[7] In both *K Mart* and *Contrapest* reliance was placed on the following dictum of Falconer J in *Hermes Trade Mark* (1982) RPC 425:

'Thus, if the registered proprietor should commence a series of advertisements featuring his mark as part of an introductory campaign, prior to putting his goods on the market under the mark, but before they were actually on the market, in my judgment such use would clearly be use of the mark in the course of trade, not upon the goods in physical relation thereto, but it would be in other relation thereto, the point being that it would be use in the course of trade, in those goods, albeit in advertisements.'

[8] The application for expungement was issued on 5 March 2008 and, as such, the relevant period during which the appellant had to prove *bona fide* use was 4 December 2002 to 4 December 2007.

[9] According to *Ansul* (para 38):

' . . . when assessing whether there has been genuine use of the trade mark, regard must be had to all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, in particular whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark.'

The evidence adduced by the appellant of use may conveniently be divided into two periods - 2002 to 2003 (the first period) and 2007 onwards (the second period).

[10] The first period: During or about October 2002 and following upon negotiations

for a period of almost six months, Gap International BV (the appellant's subsidiary and licensee of the Gap trade marks) entered into a retailer licence agreement with Clicks Group Limited (Clicks), a national retailer of health, beauty and life-style products. In terms of this agreement Clicks undertook to distribute Gap personal care products through its nationwide chain of stores. Gap products appeared in approximately 100 Clicks outlets throughout South Africa and on 11 December 2002 the appellant issued an invoice for a total of 2200 units of the appellant's 'Sense' eau de toilette. However between January and May 2003 Clicks only sold a total of 21 bottles of GAP personal care products. Southwood J took the view that that was 'a tiny number of bottles and an insignificant volume'. On this aspect of the case the learned Judge concluded, after referring to several considerations that weighed with him, that 'the sale of the goods [by the appellant] to Clicks had been done for an ulterior purpose i.e. simply to save the class 3 mark'. Whether Southwood J's conclusion on this aspect of the case is indeed correct hardly need detain us. For, it seems to me, that the matter can be determined by leaving out of the reckoning the evidence of use adduced by the appellant in respect of the first period.

[11] The second period: In 2006 the appellant appointed Stuttafords Stores (Pty) Ltd (Stuttafords), described as one of the country's premier department store groups, as an authorised distributor of Gap merchandise in South Africa. According to Julie Gruber, the Vice President and Deputy General Counsel for the appellant, Gap branded clothing, shoes and other merchandise were supplied to Stuttafords from early 2007 and proved an immediate success. She adds:

'5.3 In August 2007, Marco Cicoria and Alfred Emdon, the Chief Executive Officer of Stuttafords, met with representatives of the First Respondent and its affiliate entities, particularly Nina King, who has since left the First Respondent's employ to place further orders for GAP apparel. At that time, the Stuttafords representatives were also shown GAP body care products.

5.4 There was a great deal of interest shown by Stuttafords in the body care products which culminated in an order being placed in October 2007. In this regard I refer to the affidavit

of Marco Cicoria and in particular, Annexure "MC3" thereto being confirmation of the order being placed.

- 5.5 Further, I refer to the purchase order issued by the First Respondent for the product ordered, also attached to Cicoria's affidavit. It was envisaged that the body care products would be on sale before Christmas 2007 in South Africa.
- 5.6 Unfortunately, due to the resignation of Nina King in late 2007, who had been the main contact person for the sourcing of GAP body care products by Stuttafords, and as a result of the involvement of Inter Parfums, the shipment of the body care products was delayed. This was largely due to the fact that Inter Parfums operates on the basis of appointing an agent in a specific country or region through which retailers place their orders and from which orders are despatched. As the First Respondent and Inter Parfums were still finalising their business relationship, the Stuttafords' order had to be dealt with differently, namely delivery had to be effected to a GAP retail store in the US, before shipping to South Africa.
- 5.7 I am advised that the order placed in October 2007 will reach South Africa during April 2008. Furthermore, Inter Parfums are in the process of selecting a South African distributor which will be appointed to supply Stuttafords with GAP branded personal care products from the second quarter of 2008. In this regard, I refer to the affidavit of Herve Bouillonnet filed evenly herewith.
- 5.8 Consequently, the First Respondent has always had a *bona fide* intention to use its class 3 trade mark registration in South Africa and in fact has made use of its trade mark through sales to Clicks and Stuttafords, not to mention its numerous approaches to other South African retailers including Edgars, Foschini and Ascot Pharmacies to retail body care products. In this regard I refer to the affidavit of Marci Friedman, marked Annexure "JG 1A".'

That is corroborated by Marco Cicoria, the Group Marketing and Merchandising Director of Stuttafords, who states:

- '3.5 Since the introduction of GAP branded merchandise into Stuttafords stores in March 2007 close on R18 000 000 worth of GAP apparel has been sold in the three Stuttafords

stores referred to above. These sales clearly evidence the extent of the reputation vested in the GAP trade mark in South Africa.

4. On 14th August 2007 in a meeting in New York between myself, Alfred Emdon, the Chief Executive Officer of Stuttafords and various representatives from The Gap, the issue of introducing GAP branded personal care items into Stuttafords stores was raised. . . I was happy with the assortment of product, being a new line of bath and skin body lotions, made available to Stuttafords and immediately made contact with the Group Cosmetics Manager who would be responsible for sourcing these products from The Gap.

. . .

6. On 3rd October 2007, following on from various communications between Stuttafords and The Gap, an order for 800 units of various body lotions was placed with The Gap. . .'

[12] Southwood J was, however, not persuaded. He concluded: 'In my view the respondent has not established *bona fide* use in respect of the goods sold to Stuttafords'. What appeared to weigh with the learned Judge were what he described as 'two difficulties' which he articulated thus:

'First, the point was not relied upon in the respondent's answering affidavits (Julie Gruber simply referred to these matters by way of background and in order to establish her evidence that the respondent always had the intention to use the class 3 mark in South Africa) and no attempt was made to establish that such use was in South Africa.

. . .

[Second] [e]ven if it is accepted that the matter was pertinently raised, it appears that the negotiations took place in New York and that the mark was used once in an e-mail to Stuttafords and once in an order form. It is not clear whether the latter document was seen in South Africa. '

[13] As to the first: With respect to the learned Judge, that statement is inconsistent with the evidence that I have quoted. Plainly the evidence adduced by Ms Gruber and Mr Cicoria was with a view to establishing bona use by the appellant of its class 3 mark in this country. It, moreover, is irreconcilable with the following finding to be found earlier in the judgment of the learned Judge:

'The [appellant] alleges that it used the class 3 mark on two occasions during the relevant 5

year period (i.e. 4 December 2002 to 4 December 2007): during the period August 2002 to May 2003 and again during the period October 2007 to May 2008. The [appellant] relies on a number of affidavits in support of these allegations. The [respondents] cannot and have not disputed the facts set out in these affidavits.'

[14] As to the second: The appellant did not rely on actual delivery of the Gap branded products to Stuttafords as constituting 'use'. Nor could it have, given that the products had yet to arrive in the country during the relevant period. Rather, what the appellant relied upon was the negotiations and exchange of correspondence culminating in the placing of an order. Trade marks are territorial. The negotiations between the appellant and Stuttafords were clearly for the use of the South African trade mark Gap in class 3 products in this country. It is thus somewhat artificial to suggest that if the negotiations were to have occurred within the borders of this country that would have constituted use, but where, as occurred here, the negotiations took place outside of our borders that cannot constitute use. What is of significance, it seems to me, is that the negotiations involved South Africans representing a South African company taking steps to use a South African trade mark in South Africa. Moreover the negotiations and correspondence were clearly aimed at sourcing and offering for sale Gap class 3 merchandise in South Africa. In those circumstances that the negotiations occurred outside the borders of this country is irrelevant.

[15] I consider that the evidence adduced by the appellant refutes the suggestion that it had not, in the relevant period, used its mark in South Africa. It may well have been on a more modest scale relative to its activities elsewhere in the world but it surpasses the fairly low threshold set by the authorities to which I have referred, in particular *K Mart* and *Contrapest*. I should perhaps add that those principles accord with what was stated in *Ansul* (para 39):

'Assessing the circumstances of the case may thus include giving consideration, inter alia, to the nature of the goods or service at issue, the characteristics of the market concerned and the scale and frequency of use of the mark. Use of the mark need not, therefore, always be quantitatively significant for it to be deemed genuine, as that depends on the characteristics of the goods or service concerned on the corresponding market.'

[16] I certainly do not agree that such use as has been established is such as to attract the inference that it was not bona fide. The requirement of bona fide user:

'means a user by the proprietor of his registered trade mark in connection with the particular goods in respect of which it is registered with the object or intention primarily of protecting, facilitating, and furthering his trading in such goods, and not for some other, ulterior object.' (Per Trollip J in *Gulf Oil Corporation v Rembrandt Fabrikante en Handelaars (Edms) Bpk* 1963 (2) SA 10 (T) at 24D, cited with approval in *AM Moolla Group* para 42.)

On the view that I take of the matter there is no basis for the finding that the appellant was inspired by an ulterior objective.

[17] It follows that I would allow the appeal. That leaves costs: We were informed from the bar by counsel that the parties were agreed that no order for costs should issue either in this court or the one below. In the result the appeal is upheld and the order of the court below is set aside to be replaced with the following:

'The application is dismissed.'

V M PONNAN
JUDGE OF APPEAL

APPEARANCES:

For Appellant:

CE Puckrin SC

R Michau

Instructed by:
D M Kisch Inc
Pretoria
Rossouws Attorneys
Bloemfontein

For 1st & 3rd Respondents:

O Moosa SC
(On a watching brief)

Instructed by:
MacRobert Inc
Pretoria
Claude Reid Inc
Bloemfontein