

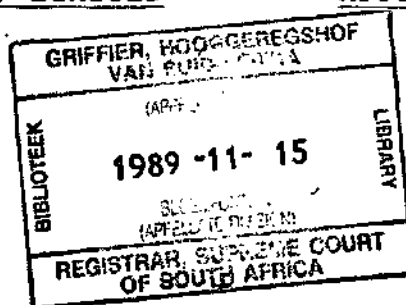
CASE NO. 214/88

Box 89
(7)

SPORTSHOE (PROPRIETARY) LIMITED

APPELLANT

and



PEP STORES (SA) (PROPRIETARY) LIMITED

RESPONDENT

Judgment by:

NESTADT, JA

IN THE SUPREME COURT OF SOUTH AFRICA

(APPELLATE DIVISION)

In the matter between:

SPORTSHOE (PROPRIETARY) LIMITED

APPELLANT

and

PEP STORES (S A) (PROPRIETARY) LIMITED

RESPONDENT

CORAM: CORBETT CJ, NESTADT, MILNE, EKSTEEN JJA
et NICHOLAS AJA

DATE HEARD: 11 SEPTEMBER 1989

DATE DELIVERED: 15 NOVEMBER 1989

J U D G M E N T

NESTADT, JA:

Respondent (Pep) operates country-wide a chain of over 500 retail stores. One of the articles it sells is a sports shoe bearing the name "GRAND PRIX". These words are 2/.....

registered as a trade mark in terms of the Trade Marks Act, 62 of 1963. Registration, under no B 67/3547, is in part B of the register. It is in respect of goods falling under class 25 of schedule 4 to the Trade Mark Regulations of 1971, viz, "Clothing, including boots, shoes and slippers". The mark was first registered on 14 August 1967. It is valid until 14 August 1997. On 29 July 1986 it was assigned to Pep with effect from 14 April 1986. The assignment was duly registered. In January 1987, Pep brought an application in the Cape Provincial Division for an order restraining appellant (Sportshoe) from infringing its rights as proprietor of the mark. The application was based on the fact that Sportshoe was manufacturing a tennis shoe on which the word "GRANDPRIX" appeared. Sportshoe sold these products to a company called Adidas (South Africa) (Pty) Ltd (Adidas) who, in turn, caused the footwear to be marketed. Sportshoe resisted the application. It also brought a counter-application for the

expungement of the mark from the register and for an order that the registrar of trade marks amend it accordingly. The registrar was joined as a second respondent in the counter-application. The matter came before VAN HEERDEN J. The learned judge granted the application. Sportshoe was thus interdicted from using GRANDPRIX on its goods. At the same time the counter-application was dismissed. This appeal, with leave of the court a quo, is by Sportshoe against these two orders.

Had the counter-application for expungement been well-founded, Pep's application for an interdict based on trade mark infringement would, perforce, have failed. It is therefore appropriate to deal firstly with the correctness of the dismissal of the counter-application. It was brought under sec 33 of the Act. The relevant part of sub-sec (1) provides:

"Any person aggrieved by ... any entry made in the register without sufficient cause or by any entry

wrongly remaining on the register ... may apply to the court ... or to the registrar, for the desired relief and thereupon the court or the registrar, as the case may be, may make such order for ... expunging ... the entry as to it or him may seem fit".

Sportshoe's case was that the registration of the trade mark in Pep's name (a) was made without sufficient cause, alternatively, (b) is an entry wrongly remaining on the register. This, Sportshoe contends, is because (in relation to (a)) the mark (i) was not distinctive and (ii) was laudatory; and (in relation to (b)) because (iii) it is generally required for use in the trade and (iv) it has lost any distinctiveness it may have had. The relevant date for the determination of (a) is the date of registration; (b) relates to a subsequent state of affairs.

A preliminary procedural problem arises, viz, whether the court a quo had jurisdiction to entertain the counter-application. The relief sought involved an alteration to the trade mark register. The proceedings were therefore, as regards the registrar, in rem (Rembrandt Fabrikante en Handelaars

(Edms) Bpk vs Gulf Oil Corporation 1963(3) S A 341(A) at 349 A).

And since the register is kept in Pretoria the Transvaal Provincial Division, as the forum rei sitae, had jurisdiction to make an order in terms of sec 33(1) (Webster and Page; South African Law of Trade Marks, 3rd ed, 375-6). But was its jurisdiction exclusive? The affirmative answer given by VAN HEERDEN J was the reason for his dismissal of the counter-application. I am not sure that the learned judge's decision on the jurisdiction point was right. I shall, in this regard, assume that the judgment which he followed, namely, that of KING J in Spier Estate vs Die Bergkelder Bpk and Another 1988(1) S A 94(C), was correctly decided. In that case, too, the court was concerned with a counter-application (based on secs 33 and 36 of the Act) for the rectification of the register. In issue was the jurisdiction of the Cape Provincial Division to determine it. After a review of the position both at common law and by statute, KING J held that only the Transvaal Provincial Division could do

so. But, as appears from 96 C - D of the report, the registrar had not (so it was assumed) submitted to the court's jurisdiction. In our matter he did so submit (and undertook to abide by the court's decision). Nevertheless, VAN HEERDEN J held that this did not avail Sportshoe; the registrar was a creature of statute who was not empowered by the Act to confer jurisdiction on a court. It may be that this is too restrictive a view of the registrar's authority; and that his submission to the jurisdiction of the court a quo, bearing in mind that Sportshoe and Pep are incolae of the Cape Provincial Division, was sufficient to confer jurisdiction on that court (see Veneta Mineraria Spa vs Carolina Collieries (Pty) Ltd (In Liquidation) 1987(4) S A 883(A)). It is, however, unnecessary to pursue the issue. This is because, for the reasons which follow, I am of the opinion that, in any event, the counter-application had, on its merits, to fail.

I deal firstly with the argument that re-

gistration of GRAND PRIX as a trade mark was made without sufficient cause ((a) above). As has been indicated, there are two parts to it. I commence with the issue of distinctiveness ((i) above). The effect of secs 10 and 11 of the Act is that, in the case of a part B registration, the mark must, by reason of its inherent character, have sufficient distinctiveness to enable it, through future use, to become actually distinctive. "Distinctiveness" has, by virtue of sec 12, a particular meaning, ie, "adapted... to distinguish" ("geskik... om... te onderskei"). The Act does not define this phrase. And the courts have understandably not been prepared to do so. Certain helpful indications of its import have, however, been given. In In re Application of F Reddaway and Company Ltd 1925 Ch 693, TOMLIN J, in a judgment which was on the facts reversed by the Court of Appeal, said, at 700-701, that a mark may be adapted to distinguish:

"because ... it has characteristics calculated to make it noticeable and suitable for calling attention to the

goods on which it is to be placed and for identifying the origin of the goods".

This dictum was referred to by TINDALL J in Joshua Gibson Ltd vs Bacon 1927 TPD 207. At 212 the learned Judge gave his own view on the meaning of "adapted to distinguish". He said it may be paraphrased thus: "suitable or fitted for the purpose of distinguishing". Applying these tests, I am satisfied that GRAND PRIX, when originally registered, was adapted to distinguish (at least in the sense of being potentially distinctive). Being a French expression meaning "great or chief prize", it is not in ordinary English use in that sense. According to the Supplement to the Oxford English Dictionary (1972), it has been applied to a horse-race established in 1863 and run annually in France. The same work states that the term also refers to motor-races governed by international rules. Another, more general, meaning is given as "the highest prize awarded for products in some particular line at an exhibition". Recently, so the evidence discloses, the expression has been used

to designate tennis tournaments on what is called the international circuit (which includes the Republic). On any of these meanings, the use of GRAND PRIX as a label on clothing and in particular footwear is unusual and contrived. Contrary to the suggestion contained in the affidavits of Sportshoe (obviously made with sec 41(1) in mind), there is no acceptable evidence that GRAND PRIX was or is used generically "in relation to sporting or other events generally." The fact that it, together with names such as "Ace", "Lob" and "Tie Breaker" has, according to the affidavits, become part of the "tennis vocabulary" used by the manufacturers of sports shoes to describe and identify their products, does not establish this.

The second argument in support of Sportshoe's contention that the registration of GRAND PRIX was without sufficient cause was that it is laudatory ((ii) above). The principle that laudatory epithets cannot be made the subject of trade mark monopoly is well established (Webster and Page, 51 - 2). In its replying affidavits in the counter-application,

Sportshoe alleges that "the name GRAND PRIX connotes an idea of top level competition in sporting circles. This is particularly so in regard to tennis ..." I am not sure what one is supposed to make of this. Perhaps the implication is that when applied to goods, GRAND PRIX, in the light of what has been said in the previous paragraph, is an indication of good quality and that it therefore has laudatory attributes. But this is a tenuous, obscure meaning. There is no justification for finding that members of the public understand it in this way. At best for Sportshoe, the laudatory significance of GRAND PRIX is a decidedly indirect one. VAN HEERDEN J correctly rejected this attack on the mark.

This brings me to a consideration of that part of the counter-application based on the contention that GRAND PRIX is an entry wrongly remaining on the register ((b) above) because it is a mark which is reasonably required for use in the trade ((iii) above). In terms of sec 10 (1A), which was

inserted in the Act by a 1971 amendment, such a mark is not registrable. The principle behind the prohibition (and this applies to the exclusion of laudatory terms as well) is that the grant of a trade mark monopoly should not be allowed to unduly limit the rights of others to the free choice of language in describing and extolling their goods and services. Sportshoe's case here would seem to rest on the use (to which reference has already been made) of the term GRAND PRIX in connection with tennis tournaments, coupled with the allegation that "it is widely and generally used in the tennis world and in relation to the marketing and trading of products related to tennis". I shall assume that the absence of evidence that GRAND PRIX was used in this sense in 1967, when the mark was first registered, is not fatal to the argument. But, in any event, it must fail. The allegation relied on is an unsubstantiated one. There is no evidence that the registration of the words GRAND PRIX as a trade mark would embarrass other traders or limit their right in

choosing words to describe their goods. GRAND PRIX cannot be said to be in common use in the field of footwear. In my opinion, this ground of expungement, too, was correctly not upheld.

The cause of action most strongly urged upon us, in support of the claim that GRAND PRIX was an entry wrongly remaining on the register, was (iv) above, viz, that the name had lost its distinctiveness. It is, in this regard, necessary to refer to certain registrations and endorsements recorded against the mark and the manner of its use over the years. The original proprietor was R Faulks and Co (Pty) Ltd of Natal. On 8 May 1973, the mark was, with effect from 27 March 1973, assigned to a Transvaal company called Shoe Corporation of Africa Ltd "without goodwill". On 26 February 1982 it was assigned to Pepkor Ltd of the Cape, again without goodwill, with effect from 3 February 1982. And, as stated earlier, Pep became the assignee (also without goodwill) with effect from 14 April 1986. Its use of

the mark, however, commenced a number of years before this date, ie, in about 1978. Since then Pep, each year, sold, according to its founding affidavit, "a substantial quantity of footwear bearing the trade mark GRAND PRIX".

The important point to emerge from this brief historical narrative is that for a period of some eight years (from 1978 to 1986) Pep used the mark without being either the registered proprietor or the registered user (in terms of sec 48 of the Act). It is clear from the evidence that during part of this period, namely, from 1982 to 1986, its user was with the authority of the then proprietor (Pepkor). It must be assumed that Pep's user of the mark prior thereto, ie from 1978 to 1982, was similarly authorised (by Shoe Corporation). There is no warrant for thinking that Pep was an infringer. The argument of Mr Puckrin, on behalf of Sportshoe, was that, in these circumstances, the respective proprietors of the mark had so allowed the mark to be used as to result in it losing its distinctiveness; it had, accordingly, become invalid and should

be expunged.

Mr Ginsburg, on behalf of Pep, did not suggest that this was a case where the mark was being used by a retailer on the proprietor's product as, eg, where a supermarket sells Coca-Cola. Where this occurs, no problem of loss of distinctiveness arises. Though the owner of the shop is using the mark, no member of the public would think that the article sold was his product (in the sense that he was associated with its manufacture). But here, having regard to the nature of the goods and of Pep's business and of its defence of quality control (with which I deal shortly), we have, it would seem, a case of a mark being used, with authority, in connection with the user's article. This is what is known as the licensing of a trade mark and the issue raised by Sportshoe's argument is whether it is permitted, and if so, under what circumstances. It is a controversial issue. According to one view, the answer is in the negative. This is because, so it is said, a licensed user of a trade mark leads to public deception or confusion; either the

mark is regarded as the licensee's or else the public would think that the licensee's goods were those of the proprietor. In either event the origin function of a trade mark is impaired. The result is that by reason of the proprietor's conduct the mark ceases to be distinctive. And since distinctiveness is the very essence of a trade mark, the mark is vitiated. The only way to validly grant a licence to use a trade mark is for the user to be registered.

Authority in English law for this approach is the Bowden Wire case (Bowden Wire Ltd vs Bowden Brake Co Ltd (1913) 30 RPC 580 (CA); (1914) 31 RPC 385 (HL)). In more recent times, however, starting with Bostitch Trade Mark (1963) RPC 183 (ChD), a more lenient view has been taken (see Kerly's Law of Trade Marks and Trade Names, 12th ed, para 13.24, seq; Webster and Page, 224 seq). It is that, subject to certain conditions, the informal licensing of trade marks is permitted. It rests on the postulate that, provided a link in the form of a trade connection between the proprietor and the goods is

maintained, deception is avoided and there is, therefore, no loss of distinctiveness. The fact that the proprietor controls the quality of the goods on which his trade mark is allowed to be used would constitute a sufficient trade connection. In this way, the proprietor imposes his identity upon the user's product and thus saves it from being fairly regarded as the product of another maker.

This was the approach which the Judge a quo adopted. He stated:

"So long as the proprietor of the trade mark controls the quality of the goods on which his trade mark is used by another, rights in the trade mark are not vitiated and it matters not ... whether or not there is a formal entry of the use on the register."

I endorse this statement. Despite the reservations expressed in this regard by Webster and Page at 232, I do not think that sec 48 should be regarded as exhaustive of the circumstances in which the use of a trade mark, by someone other than the proprietor, may take place. Where there is quality control by the proprietor, providing as it does a trade connection, this would be in

accordance with the definition of a trade mark as contained in sec 2(1) of the Act. The trade connection doctrine can, insofar as this is considered necessary, be harmonised with the principle that a trade mark is a badge of origin. D W R Hertzog, in a thesis entitled "Functional Theory in Trade Mark Law", published in Annals, University of Stellenbosch, vol 4, series B, No 1, 1981, says in this regard (at 103):

"The Swiss author Manser maintains that licensing must be seen as admissible in spite of the fact that he is a supporter of the origin function of a trade mark. He bases this contention upon the argument that, as long as there is efficient control over the licensee by the licensor, there is some connection with the original trade mark holder (the licensor), and that, in any case, it is permissible to see the origin function as meaning not necessarily that the product should come from one specific undertaking, but also that it may come from one of many undertakings which are economically connected. Manser attempts to rescue the traditional concept of the origin function by extending it in this way."

At 124 the author points out, by reference to the trade mark law of inter alia Germany, France, Italy, England and the U S A, that the "international trend seems to be in the direction of permitting trade mark licensing".

The same would seem to apply in our law. In Tamarillo (Pty) Ltd vs B N Aitken (Pty) Ltd 1982(1) S A 398(A) at 434 A - B an unregistered agreement of user of a trade mark was held to be valid. In Adcock-Ingram Laboratories Ltd vs S A Druggists Ltd and Another 1982(1) S A 856(T) McCREATH J (at 860 C - D) found that there is no provision in the Act which specifically prohibits the use of a mark by the proprietor through the medium of another person in circumstances which do not create deception or confusion. Though the decision was overruled by the Transvaal full bench (Adcock-Ingram Laboratories Ltd vs S A Druggists Ltd and Another 1983(2) S A 350(T)), the validity of the statement I have referred to was not dissented from. Above all, this Court in Protective Mining and Industrial Equipment Systems (Pty) Ltd (formerly Hampo Systems (Pty) Ltd) vs Audiolens (Cape) (Pty) Ltd 1987(2) S A 961(A) would seem to have favoured the view that an arrangement between a registered proprietor of a trade mark and a party concerned to use such mark

does not require to be registered; the enquiry is whether the authorised use of the mark is such as to deprive it of its very reason of existence, namely, as a mark which should distinguish the proprietor's goods from the goods of other makers. This is the ratio of Bostitch which (at 989 I - 990 B) is referred to by GROSSKOPF JA with apparent approval.

I turn then to the factual enquiry as to whether, during the years in question, a trade connection, in the form of quality control, was maintained between Shoe Corporation and Pep and then later between Pepkor and Pep. If it was, the public would, in accordance with the principles I have referred to, be taken not to have been deceived and the mark would therefore have retained its distinctiveness. I deal firstly with the 1978-1982 period (ie when Shoe Corporation was the proprietor). Mr Puckrin argued that Pep had produced no evidence to justify its use of the mark; nothing was said in its affidavits about the relationship between the two companies or

whether Shoe Corporation had exercised any quality control over the footwear bearing the mark. This is true. Pep's affidavits are silent on the point. But Sportshoe in its affidavits never complained about Pep's user during this period. On the contrary, it, by implication, confined its cause of action (on this aspect) to Pep's user of GRAND PRIX during the 1982-1986 period. Thus, in paragraph 7 (which is the only relevant one) of its founding affidavit in the counter-application, it is submitted that:

"(T)he use made of the trade mark by the Counter-Respondent at a time when it was not the registered proprietor or a registered user of the trade mark as referred to in paragraph 17 of my Answering Affidavit has the effect that any distinctiveness which the trade mark may have enjoyed, has been lost and accordingly affords grounds for the expungement of the trade mark."

What the relevant part of paragraph 17 of the answering affidavit (in the application) states, is the following:

"Reference is again made to Annexure 'S.2', from which it will be noted that the Applicant was at no stage recorded as a registered user of trade mark number B67/3547 GRAND PRIX during the period when, on its own

version it was using the trade mark registered in the name of PEPKOR LIMITED."

(My emphasis.) Though annexure S.2 (being a certificate from the registrar of trade marks setting out the history of the various registrations of GRAND PRIX) includes reference to Shoe Corporation, it is apparent from what I have quoted that only Pep's user of the mark during the period that Pepkor was the proprietor is relied on by Sportshoe. It is, then, not surprising that Pep, in its answering affidavit in the counter-application, deals only with the circumstances of its use during the Pepkor period. Considerations of fairness alone dictate that, in these circumstances, counsel's point should not succeed. Nor can it on its merits. Sec 61 of the Act has the effect of casting the onus on Sportshoe to prove invalidity of the mark. This cannot be inferred merely from the fact that from 1978-1982 Pep was using it as a licensee. A prima facie case of deception and consequential loss of distinctiveness had to be established. Sportshoe failed to do this.

I have referred to what Sportshoe's allegations were regarding the 1982-1986 period. Pep's answer was the following:

"Although no registered user appointment was entered in the register, the counter-respondent is a subsidiary of and wholly controlled by Pepkor Limited and this position existed while Pepkor Limited was the owner of the trade mark...(T)he counter-respondent and Pepkor Limited have various common directors and the use of the mark GRAND PRIX by the counter-respondent at all times took place under the absolute control, and particularly quality control, of the proprietor.

I state that the counter-respondent, during that period, complied with all of the requirements normally prescribed for a registered user although no such appointment was recorded in the register.

There is no evidence that there has been confusion or deception as a result of this use during the relevant period or that anyone has been prejudiced by this use. I deny that any confusion, deception or prejudice resulted."

The scantiness of this account rightly attracted criticism. What is said is a bald, unsupported conclusion. There is no detail of the nature or extent of the control. One does not know what Pepkor's activities were or by whom or where the shoes were manufactured. Had the allegations regarding quality

control stood alone, they might not have sufficed to prevent the inference of a loss of distinctiveness based on public deception being drawn. Coupled, however, as they are with the fact that Pep was a wholly-owned subsidiary of Pepkor, I think they do (see G E Trade Mark (1970) RPC 339 (CA) at 385 for the importance of this factor in proving a trade connection). I should add this consideration: Sportshoe did not adduce any evidence to contradict Pep's denial that its user resulted in any confusion or deception. In the result, I agree with VAN HEERDEN J's conclusion that the respective licensing of GRAND PRIX by Shoe Corporation and Pepkor to Pep did not invalidate the mark.

As a last resort, on the aspect of licensing, counsel for Sportshoe had recourse to the use of the (almost identical) mark by itself and Adidas (since "at least 1980") as also to that of another competitor called Skye Products. There is no merit in the submission that this use led to a loss of distinctiveness. It may prima facie be somewhat surprising

that Shoe Corporation and Pepkor did not bring infringement proceedings against Sportshoe and Adidas. But this cannot justify an inference that these companies, or Skye, were authorised to use the mark. No question of the mark having been licensed to them therefore arises.

A final argument in support of the counter-application, and in particular that the mark had been deceptively or confusingly used, was based on the fact that the sequence of assignments was, as already indicated, "without goodwill". This, it was said, meant that "there was a retention of the goodwill in the trade mark GRAND PRIX by the previous proprietors of the mark"; accordingly, "only on 14 April 1986 did (Pep) obtain valid title to any goodwill and reputation attaching to the mark thereafter"; Pep's prior use of it "would only have aggravated the confusion arising from the subsistence of a repute in the trade mark attaching to different persons." I have difficulty in understanding this. The

submission would seem to be that the effect of an assignment without goodwill is that the assignee acquires no goodwill in the trade mark; this remains with the assignor; after assignment the assignee has to cultivate his own goodwill or reputation in the mark ab initio. This is not so. Assignments of trade marks are regulated by sec 49(1) of the Act. It permits an assignment of a registered trade mark "without the goodwill of the business concerned in the goods ... for which it has been registered". In so providing, it (or rather its predecessor, sec 130 of the 1916 Act, as amended in 1947) altered the previously existing position that a trade mark could only be transferred in conjunction with the assignor's business. The theory was that the public regarded a trade mark as indicating that the goods bearing the mark emanated from a particular business exclusively, and that, if the link between the mark and the business was broken, it would be contrary to public policy to recognise the continuance of any exclusive right to the mark

(Kerly, para 13 - 02). Later, however, it was accepted that the rights under a trade mark are severable from the business in which it is used. Sec 49(1) of the Act gives effect to this. The public must, however, not be deceived or confused by an assignment without goodwill. This would occur where the trade mark has continued to identify the goods of the assignor. It would then not distinguish the goods of the new registered proprietor. In this event, the mark can, it would seem, be expunged (Kerly, para 13 - 11; Webster and Page 242 and 246) as a mark wrongly remaining on the register. But Sportshoe adduced no evidence that after the assignments without goodwill of GRAND PRIX to Shoe Corporation, Pepkor and Pep, the mark still distinguished the goods bearing it as those of the respective assignors. And, to return to the point of Sportshoe's argument, the use of the mark over the years enabled a reputation in it to be built up which enured to the benefit of the respective assignees despite them not acquiring the goodwill of the

assignors' business; in particular, Pep's use of the mark during the period 1982 - 1986, far from leading to any confusion, was, by reason of Pepkor's quality control and its relationship with Pep, indicative of a trade connection with it, as the proprietor.

The counter-application having been correctly dismissed, the infringement issue arises for consideration. Pep's application for an interdict was based on sec 44(1) of the Act. Before us, it was conceded on behalf of Sportshoe that its use of GRANDPRIX constituted unauthorised use as a trade mark in relation to goods in respect of which GRAND PRIX is registered, of a mark so nearly resembling GRAND PRIX as to be likely to deceive or cause confusion. What it relied on (it must be remembered that we are dealing with a part B registration), was the proviso to sec 44(1). This required Sportshoe to establish that, despite its deceptive resemblance to GRAND PRIX in abstracto, its use of GRANDPRIX was not likely to be taken as indicating a connection in the course of trade between its goods

and Pep (as assignee of the mark). This onus was dischargeable in one of two ways. Sportshoe could show (i) that GRAND PRIX, lacking the requisite reputation, was not in fact distinctive of Pep's shoes to such a degree that use thereof would indicate a connection in the course of trade with Pep; or, (ii) that the manner in which Sportshoe used GRANDPRIX and the circumstances of its use were such that there was no likelihood that the use would be taken as indicating a connection in the course of trade with Pep (Tri-ang Pedigree (South Africa) (Pty) Ltd vs Prima Toys (Pty) Ltd 1985(1) S A 448(A) at 472 H - 474 C). In either case, Sportshoe had, in effect, to prove that, on the probabilities, there had been no passing off (see at 474 C).

Sportshoe sought to show that there was no passing off on both grounds. As to the first, the argument was that (a) the evidence of the use of GRAND PRIX as a trade mark over the years was so inadequate that Sportshoe's denial that it had acquired the necessary reputation should have prevailed; in

any event, (b) the mark had been so misused as to result in a loss of distinctiveness, and/or (c) the assignment to Pep, having been without goodwill, the only reputation that Pep could have developed would have arisen from its use of the mark after 14 April 1986, and this was insufficient. For the reasons given earlier (when dealing with the counter-application) neither (b) nor (c) can be sustained. The argument embodied in (a) must also fail. Pep, in support of its allegation that a "substantial reputation" in the trade mark had been acquired, averred in its founding affidavit that "a substantial quantity of footwear bearing the trade mark GRAND PRIX" had been sold each year from 1978; since 1983 such sales totalled almost R5,5 m (representing about 531,000 pairs of shoes); they had been to "persons of all races and sections of the community in this country" from Pep's outlets throughout South Africa; and footwear bearing the mark had been extensively advertised. It is true that some of these allegations are lacking in detail and

to some extent unsubstantiated. On the other hand, Sportshoe's denial of them is a bare one. In the circumstances, no fault can be found with the court a quo's conclusion that Sportshoe failed to negate the existence of a sufficient distinctiveness adhering to Pep's mark.

Sportshoe's second defence, viz, that the manner and circumstances of its use of GRANDPRIX was such that it was unlikely to be taken as indicating a trade connection with Pep, requires more detailed analysis. The issue here is whether ordinary members of the public, or a substantial section thereof, might be confused or deceived into believing that Sportshoe's footwear was, or was connected with, that of Pep. This is the test for passing off (see Brian Boswell Circus (Pty) Ltd and Another vs Boswell-Wilkie Circus (Pty) Ltd 1985(4) S A 466(A) at 478 G - H) and I shall assume, in favour of Pep, that it applies here (though compare Webster and Page 306 - 7). The first relevant factor to be considered is the appearance of Sportshoe's

footwear. According to an affidavit of a Mr Ronc, the managing director of Adidas (filed in support of Sportshoe's opposition to the application), the use of GRANDPRIX (by Adidas) commenced in 1980. The name identifies a particular model of its range of tennis shoes. It is, however, always employed in conjunction with certain other trade marks of Adidas. These include the name "a d i d a s"; a three stripe device (consisting of three parallel stripes running across either side of the shoe from lace to sole); and a trefoil device. In use, "a d i d a s" is embossed on the white bottom rim of the shoe. It is also, together with the trefoil device, printed on the back of the shoe (in white on a navy blue background) and on its tongue (in blue on a white background). The three stripe device, too, is coloured navy blue with two white stripes between. GRANDPRIX is printed in gold on one of the blue stripes.

To what extent do these features of Sportshoe's get-up distinguish its shoes from those of Pep and

thus avoid the likelihood of confusion? It cannot be gainsaid that GRAND PRIX appears prominently on Pep's shoes. It is applied to the outside of the shoe and is clearly visible. But the allegation in the founding affidavit that GRANDPRIX on Sportshoe's footwear is "the dominant (visible) word" is not correct. Colour photographs of the shoes in question are attached to the papers and specimen shoes have been placed before us. The Adidas trade marks to which I have referred, are clearly visible and, indeed, conspicuous. A Mr Stoltzman, the chairman of Sportshoe, states that in "my experience ... a purchaser of sport shoes would inspect the whole shoe and would obviously be aware of all distinctive trade marks appearing on the shoe as well as any other functional features of the shoe in which he would be interested". This is surely a truism which applies to the ordinary purchaser of the articles here in issue. And, leaving aside the three stripe device (it is clear on the evidence that stripes are commonly used on sport shoes), I think

that, on an overall impression, the Adidas marks constitute distinctive features which, if anything, overshadow the word GRANDPRIX or at least materially detract from its impact. Certainly they serve to indicate a connection in the course of trade with Adidas. The evidence adduced by Ronc that the Adidas trade marks used on Sportshoe's products have (since about 1969) "been used extensively throughout South Africa" and are "well-known" is important in this regard. They are somewhat bald and vague assertions but Pep's replying affidavit does not effectively deny them.

The matter does not rest here. Account must also be taken of two other factors (the significance whereof I think VAN HEERDEN J underestimated). Pep's shoes, as already stated, are sold only through its own network of stores. Those of Sportshoe do not take place there. Sales of its shoes are confined to so-called speciality sports shops. In other words, they do not compete with each other in the same market place.

Secondly, in the words of Ronc, "the Adidas shoe is regarded as an expensive and upmarket product because of its design and structure whereas the Pep Stores product is lightweight and in a completely different price range". Pep does not dispute this. In its replying affidavit, it is admitted that "the Adidas products are very expensive and are directed primarily at the upper income groups ... and (form) a very small part of the overall market for footwear in South Africa". It is further conceded that "there are differences in design and structure between (Pep's) GRAND PRIX shoes and the ... tennis shoes originating from (Sportshoe)". In a passing off action the fact that a defendant is engaged in the same field of business activity as the plaintiff tends to enhance the likelihood of confusion or deception as far as the general public is concerned (Brian Boswell Circus at 479 A; Webster and Page 434-6). Conversely, the absence of such common activity may have the opposite effect. Plainly, Pep and Sportshoe (via Adidas) are,

in relation to footwear, trade rivals. But the differences in prices and outlets referred to tend to show that they do not attract the same or similar custom and that there is, in essence, no common field of business activity between them. Even, however, if this inference is not justified, the factors referred to provide strong support for Sportshoe's case that its use of GRANDPRIX was unlikely to deceive or confuse the public into believing that its footwear was connected with Pep.

To sum up: by reason of the prominence on Sportshoe's footwear of the well-known Adidas trade marks, there are substantial differences, which the average buyer would observe, in the general appearance of the parties' respective products; they are in a different price category; and they are sold from different outlets. Sportshoe did not produce any admissible evidence of actual non-deception or non-confusion. Nevertheless, I am of the opinion that the cumulative effect of the considerations referred to is such that Sportshoe established

that the use of GRANDPRIX is not likely to be taken as indicating a connection in the course of trade between its goods and Pep. Sportshoe's reliance on the proviso to sec 44(1) should, accordingly, have been upheld and Pep's application for an interdict refused.

Though Sportshoe's appeal against the dismissal of its counter-application for expungement fails, it will, by reason of our conclusion on the infringement issue, have had substantial success on appeal. Sportshoe is, therefore, entitled to the costs of appeal. I intend to order the costs in the court below to follow the result of the application and counter-application.

The following order is made:

- (1) The appeal against the dismissal of the counter-application is dismissed;
- (2) (a) The appeal against the grant of the application, however, succeeds.

(b) In the order of the court a quo:

(i) paragraphs (1) and 2 (a) and (b) are deleted.

(ii) there is substituted the following:

"(1) The application is dismissed with costs."

(iii) paragraph (2)(c) is re-numbered (2);

3. Pep is to pay the costs of appeal including the fees of two counsel. (It is noted in this regard that Sports Shoes' heads of argument were drafted by only one counsel.)

NESTADT, JA

CORBETT, CJ)
)
 MILNE, JA) CONCUR
)
 EKSTEEN, JA)
)
 NICHOLAS, AJA)