



**THE SUPREME COURT OF APPEAL
OF SOUTH AFRICA**

Reportable
Case No: 331/06

In the matter between:

COMMERCIAL AUTO GLASS (PTY) LTD

Appellant

and

**BAYERISCHE MOTOREN WERKE
AKTIENGESELLSCHAFT**

Respondent

Coram : Harms ADP, Cloete, Heher, Combrinck, Cachalia JJA

Heard : 17 August 2007

Delivered : 7 September 2007

Summary: Trade marks — infringement — use in relation to unauthorised spare parts

Neutral Citation: This judgment may be referred to as *Commercial Auto Glass (Pty) Ltd v BMW AG* [2007] SCA 96 RSA

JUDGMENT

HARMS ADP:

[1] The appellant, Commercial Auto Glass (Pty) Ltd, applies for leave to appeal against a judgment of Prinsloo J in the high court, Pretoria, which held that the appellant infringes certain trade marks belonging to the respondent, Bayerische Motoren Werke AG, also known as 'BMW'. Leave to appeal depends on the appellant's prospects of success and it is accordingly necessary to consider the merits of the proposed appeal.

[2] This case was argued on behalf of the appellant as a matter of principle with profound constitutional implications whereas, on analysis and shorn of all the unnecessary adornment, the issues are factual and fall within a narrow compass. First the statutory setting: BMW's claim is based primarily on the provisions of s 34(1)(a) of the Trade Marks Act 194 of 1993, which is in these terms:

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

(a) the unauthorized use in the course of trade in relation to goods or services in respect of which the trade mark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion'.

The appellant relies mainly on the statutory 'exception' contained in s 34(2)(c), namely:

A registered trade mark is not infringed by—

...

(c) the bona fide use of the trade mark in relation to goods or services where it is reasonable to indicate the intended purpose of such goods, including spare parts and accessories, and such services;

...

provided further that the use contemplated in paragraph . . . (c) is consistent with fair practice.'

[3] This means that BMW had to establish (a) its trade mark registrations; (b) unauthorised use in the course of trade by the appellant of those trade marks; (c) of an identical mark; (d) in relation to the goods in respect of which

the mark is registered. Concerning (c), BMW could, on different facts, have relied on the use of a mark so nearly resembling its registered trade mark 'as to be likely to deceive or cause confusion' but that is not its case. It relies on use of an identical mark and that by its very nature deceives and confuses.¹ In addition, as this Court recently held in line with developments in Europe and the United Kingdom, the defendant's use must have been 'trade mark use', meaning that –

'[t]here can only be primary trade mark infringement if it is established that consumers are likely to interpret the mark, *as it is used by the third party*, as designating or tending to designate the undertaking from which the third party's goods originate.'²

'What is, accordingly, required is an interpretation of the mark through the eyes of the consumer as used by the alleged infringer. If the use creates an impression of a material link between the product and the owner of the mark there is infringement; otherwise there is not. The use of a mark for purely descriptive purposes will not create that impression but it is also clear that this is not necessarily the definitive test.'³

[4] BMW relied on three registration certificates⁴ relating to goods in class 12 (schedule 3) described as 'vehicles . . . [and] . . . parts of and accessories for all the foregoing.' The registrations are all for word marks, namely 'BMW', 'BM' and '3 Series'. It should be noted that the appellant did not attack the validity of any of these marks and did not ask for the rectification of the register. The registrations are, accordingly, deemed to be in order.

[5] The appellant is in the business of supplying and fitting accessories and spare parts for all types of vehicles but the main part of its business (if regard is had to its name and the signage on its premises) is the supply of windscreens for motor cars. It is apparently not a manufacturer. It is fair to conclude from the affidavits and the argument that the appellant is not in the

¹ Cf *Berman Brothers (Pty) Ltd v Sodastream Ltd* 1986 (3) SA 209 (A) at 232H-233A.

² *Verimark (Pty) Ltd v BMW AG* [2007] SCA 53 (RSA) para 5.

³ *Verimark (Pty) Ltd v BMW AG* para 8.

⁴ TM 79/06501, TM 98/17028, and TM84/01620 respectively.

business of supplying 'original equipment', i.e., spare parts made by or under the control or with the authorisation of the vehicle manufacturer. Instead, it supplies what is sometimes referred to as 'pirate' or 'counterfeit' parts although these terms fit uncomfortably because unauthorised parts may be legitimate because they may not infringe any rights of the original manufacturer.

[6] In the course of its business the appellant supplies and fits unauthorised windscreens for different BMW models, something about which BMW cannot and does not complain. BMW's case concerns the manner in which this business is conducted. The appellant advertises windscreens under its name, Commercial Auto Glass, and it lists them with their prices in this fashion:

'BMW E30 3 Series 83-92	R355
BMW E36 3 Series 91-97	R460
BMW E46 3 Series 98	R490'

It likewise lists windscreens for some other motor car series such as Fiat, Ford and Honda and also for some trucks and bakkies. On the windscreen itself one finds an embedded marking with the appellant's name, a statement that the glass is laminated and shatterproof, and serial numbers. There is also a stick-on label which includes the mark 'BM E 36'. In quoting it undertakes to fit a 'BMW E36' windscreen and its invoices will describe the goods sold as 'BMW E36 2 DR 92-97 WS' (WS obviously meaning windscreen).

[7] It follows that the appellant is using BMW's registered trade marks without authority in the course of trade in relation to the goods in respect of which the mark is registered.⁵ But, says the appellant, it is using the trade marks to inform the public that it is selling windscreens that fit BMW cars and not that the windscreens are original BMW windscreens and that its use is, accordingly, not trade mark use. In other words, it is not misleading the public

⁵ The somewhat faint argument that there is no evidence that windscreens may be registered in class 12 need not be considered.

and, in any event, speech that is not misleading is constitutionally protected speech.

[8] The object of trade mark law as reflected in s 34(1)(a) and(b) is to prevent commercial 'speech' that is misleading. Trade mark use that is not misleading (in the sense of suggesting provenance by the trade mark owner) is protected, not only constitutionally but in terms of ordinary trade mark principles. As Justice Holmes said:

"When the mark is used in a way that does not deceive the public, we see no sanctity in the word as to prevent its being used to tell the truth."

[9] The European Court of Justice pointed out that the question whether advertising may create the impression that there is a commercial connection between someone like the appellant and the trade mark owner is a question of fact to be decided in the light of the circumstances of each case.⁶ Especially when dealing with spare parts and alleged counterfeits, the issues are not always black and white. It all boils down to a question of trade mark use because, as Webster & Page⁷ point out,

'a phrase such as "XYZ Spare Parts" [where XYZ is the registered trade mark] would not be protected by the section while "Spare parts for XYZ goods" would clearly fall within the provisions of section 34(2)(c).'

[10] At best for the appellant, its use of the BMW mark is capable of two constructions: on the one hand it may be interpreted as informing the public that it is supplying unauthorised windscreens that fit BMW cars or, on the other hand, it may mean that it is supplying BMW windscreens. It may be that some customers will realize, having regard to the price or the fact that the

Prestonettes Inc v Coty 263 US 359 at 368 (1924). Quoted by Jonathan Moskin 'Frankenlaw: The Supreme Court's Fair and Balanced Look at Fair Use' 95 (2005) *The Trademark Reporter* 848 at 851.

⁶*Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v Deenik* Case C-63/97.

⁷*South African Law of Trade Marks* (loose-leaf edition) para 12.40. The authors quote *Bayerische Motoren Werke AG v BW Tech* 2004 Burrell's IP 170 and *Aktiebolaget Volvo v Heritage (Leicester)* [2000] FSR 253. For further case-law guidance see *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v Deenik* Case C-63/97 (ECJ).

appellant does not advertise itself as an 'authorised dealer', that the goods are not genuine BMW parts. But that is not the test. If, on balance (as I find), a substantial number of persons may be deceived by interpreting the actions of the appellants as representing that the windscreens are genuine BMW parts, the argument that the use is not trade mark use must fail. This is not really an issue in the case because, as the high court mentioned, the appellant did not dispute BMW's allegations in the founding affidavit that its use 'is likely to give the impression to a substantial number of potential customers that the windscreens being offered for sale by the [appellant] emanate from or are in some way connected with or associated with [BMW]' or that 'the impression is created that these are genuine BMW windscreens'.

[11] The question of trade mark use under s 34(1)(a) is closely connected to the 'exceptions' listed in ss (2), more particularly the one relied in para (c) quoted earlier because the provisions of ss (2) are in a sense the mirror image of the trade mark use requirement of ss (1)(a) and (b). The next question is whether the appellant's use of the marks on spare parts amounted to bona fide and reasonable use consistent with fair practice. Once again, whether the use by the appellant is bona fide, reasonable and consistent with fair practice is a factual question⁸ on which the court below held against the appellant. On appeal we should generally defer to the judgment of a lower court unless that court clearly erred. The appellant did not seek to discharge that burden but simply reargued the matter as if the lower court had not spoken.

[12] On the question of bona fides the high court (correctly in my judgment) relied on and applied a dictum of du Plessis J in an unreported case where the learned judge said the following:⁹

'Use will not be bona fide, however, if the user does not unequivocally make it clear that his goods are not connected in the course of trade with the proprietor of the trade mark. It follows

⁸*The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] FSR 37, Case C-228/03 (ECJ).

⁹*Bayerische Motoren Werke AG v Autostyle Retail* (TPD case 5887/2005).

that bona fide use in s 34(2)(c) means honest use of a trade mark, without the intention to deceive anybody and while unequivocally making it clear that the goods are not connected in the course of trade with the proprietor of the trade mark.'

[13] The European Court of Justice in the *Gillette* case¹⁰ espoused a similar approach:

'In that regard [dealing with honest practices], account should be taken of the overall presentation of the product marketed by the third party, particularly the circumstances in which the mark of which the third party is not the owner is displayed in that presentation, the circumstances in which a distinction is made between that mark and the mark or sign of the third party, and the effort made by that third party to ensure that consumers distinguish its products from those of which it is not the trade mark owner.' [At para 46. Emphasis added.]

[14] The question that arises is why the appellant insists on conducting its business in the manner described. Why can it not, through the use of a few words, convey the true facts to the public? The answer does not appear from the papers and none was suggested during argument save for relying on the appellant's 'right' to act in the manner it does. From this one can only deduce that the appellant wishes to obtain an unfair advantage from the use of the trade marks and does not wish to inform the public of the true facts concerning the origin of the windscreens. In other words, the argument that the advertisements 'consist wholly of descriptive, truthful commercial speech' is without factual foundation. On that finding the use cannot be bona fide or consistent with fair trade practice and it follows that the high court's finding that the appellant is infringing BMW's trade marks under s 34(1)(a) was correct.

[15] From the narrative above it appears that the appellant also uses the designations E30, E36 and E46. These are not registered trade marks but BMW relied on s 35 of the Act which deals with the protection of an

¹⁰The picture of the packaging can be found on the following website (the Finnish Supreme Court's subsequent decision applying the ECJ's judgment): <http://www.finlex.fi/fi/oikeus/kko/kko/2006/20060017>.

unregistered trade mark which may be entitled to protection under Article 6 bis of the Paris Convention as a well-known trade mark (i. e., well known in the Republic as being the mark of person who is a national of a convention country). Section 35(3) provides 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.'

[16] It is not necessary to traverse all the aspects of this provision because of the finding of the high court that BMW has established its entitlement to protection and because the appellant has restricted its argument to one aspect only, namely that these marks cannot be trade marks. They are, according to the submission, merely descriptive of certain models of BMW cars and purely descriptive marks cannot be trade marks because they cannot serve to distinguish in the trade mark sense by serving as a badge of origin. I disagree that these marks are purely descriptive. They perform in my view two functions: to distinguish one BMW model from the other and to serve as a badge of origin. To use a classic example, the mark 'E Type' not only described a specific model Jaguar car but also identified the car as being of a particular provenance. It follows that the appellant has also in this regard no prospects of success on appeal.

[17] It is, however, necessary to grant leave to appeal because of the form of the order issued. In the first instance, it contains two obvious errors, namely it granted an order also under s 34(1)(b) – it is not possible to infringe under para (a) and (b) at the same time and there was no finding in the judgment of such an infringement – and it granted an order based on passing-off, something that was not in issue during the hearing in the court below. These errors occurred because an order was issued in terms of the notice of motion without reformulation considering the terms of the judgment itself. These

errors could have been rectified by the court below under Uniform rule 42 and do not justify a costs order in favour of the appellant on appeal.

[18] In addition, during the course of argument this Court raised the question whether the orders granted were capable of misinterpretation and misapplication. This issue was not raised by the appellant and, accordingly, does not justify a costs order in its favour. For the sake of good order leave to appeal consequently has to be granted, the appeal has to succeed in the limited respects mentioned, and a new order will issue.

[19] The following order is made:

1. Leave to appeal is granted.
2. The appeal is upheld to the extent that the following order is substituted for the order of the court below:
 - ‘(a) The respondent is restrained in terms of s 34(1)(a) of the Trade Marks Act, 1993, from infringing the rights of the applicant in any of its trade mark registrations 1979/06501, 1998/17028 and 1984/01620 in relation to windscreens and windows for motor vehicles.
 - (b) The respondent is restrained in terms of s 35 of the Trade Marks Act, 1993, from infringing the rights of the applicant in any of its unregistered well-known trade marks E30, E36 and E 46 in relation to windscreens and windows for motor vehicles.
 - (c) The respondent is to pay the costs, including the costs of two counsel.’
3. The appellant is to pay the costs, including the costs of two counsel in relation to both the application for leave to appeal and the appeal.

L T C HARMS
ACTING DEPUTY PRESIDENT

AGREE:

Cloete JA
Heher JA
Combrinck JA
Cachalia JA