



THE SUPREME COURT OF APPEAL
REPUBLIC OF SOUTH AFRICA

JUDGMENT

Case No: 467/2009

In the matter between:

GROUPE LFE (SA) (PTY) LIMITED

Appellant

and

SWARTLAND WINERY LIMITED

First Respondent

THE REGISTRAR OF TRADE MARKS

Second Respondent

Neutral citation: *Groupe LFE v Swartland Winery* (467/09) [2011] ZASCA 4
(4 March 2011)

Coram: Harms DP, Heher, Ponnann, Malan and Tshiqi JJA

Heard: 16 February 2011

Delivered: 4 March 2011

Summary: Trade marks – infringement – revocation – use of geographical indications – savings provision – trade marks contrary to law

ORDER

On appeal from: Western Cape High Court (Cape Town) (Bozalek J sitting as court of first instance):

The appeal is dismissed with costs, including the costs of two counsel.

JUDGMENT

HARMS DP (HEHER, PONNAN, MALAN AND TSHIQI JJA concurring)

INTRODUCTION

[1] The court below (per Bozalek J) found that the appellant, Groupe LFE (SA) (Pty) Ltd ('LFE'), had infringed a registered trade mark of the respondent, Swartland Winery Ltd ('the Winery'). The particular trade mark is a word mark, 'Swartland', which was registered with effect from 13 December 1994 in class 33 (the class includes wines) under no 2004/22804. The court granted an interdict and the customary related relief against LFE on the Winery's infringement application, and it dismissed LFE's counter-application for the expungement of the trade mark registration. This appeal is with the leave of the court below.

[2] The Winery began its life during 1948 as a wine co-operative, Die Swartlandse Koöperatiewe Wynkelder Bpk, with headquarters at Malmesbury, Western Cape. The area consisting of the districts of Malmesbury, Darling, the Riebeecks, Moorreesburg, Porterville, Piketberg and beyond has been known since the days of Jan van Riebeeck (the second half of the 17th C) as Het Zwarte Land in Dutch and later as Swartland in Afrikaans, allegedly a reference to the black colour into which an endemic plant turns after the winter rains. Advertising material used by Dutch retailers selling LFE's wines has a less prosaic explanation: the black is supposed to refer to the colour of the rich soil of the area as if rich soil is good for viniculture. The cooperative

was converted into a public company during 2006 under its present name.

[3] The Wine, Other Fermented Beverages and Spirits Act 25 of 1957 (as amended) introduced the 'wine of origin' concept by permitting the Minister of Agriculture to define wine producing regions. Wines originating from the area of the divisional council of Malmesbury were as from 1 January 1973 to be designated as 'Malmesbury' wines of origin. During 1975, the Malmesbury designation was changed to Swartland. Since then the wine producing area has been extended to include more than the Malmesbury district but it is still not coterminous with the traditional Swartland geographical area.

[4] The Winery's name 'Swartland' is a prominent name in the wine industry and the Winery is one of the leading wineries. It produces about 2 million 9-litre cases per annum. The cooperative has always traded as Swartland Winery (or 'Wynkelder'). Wines were sold under that name and also under the name Swartland *simpliciter*. According to the Winery, its use of the mark Swartland stretches back for some 60 years (bottles bearing the trademark Swartland and dated 1968 and 1972 were introduced as evidence); the mark has during these years become closely associated with the Winery; and the relevant public associated the mark with its well-known and award-winning wines. Although these facts were disputed during argument, LFE was not able to controvert them with evidence.

INFRINGEMENT

[5] The Winery relied on the provisions of s 34(1)(a) of the Trade Marks Act 194 of 1993, which states, inter alia, that the rights acquired by registration of a trade mark are infringed by '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'. However, a registered trade mark is not infringed by the use of any bona fide description or indication of the geographical origin of the goods or services if the use is consistent with fair practice (s 34(2)(b)).

[6] As has been said before in *Century City Apartments Property Services CC v Century City Property Owners' Association* 2010 (3) SA 1 (SCA) para

18, this defence represents the other side of the coin of the requirement that the infringing use has to be trademark use. A bona fide description or indication of the geographical origin of an alleged infringer's goods or services amounts to non-trademark use and whether one considers it as part of the trademark owner's cause of action or as a defence does not make much difference.

[7] This means that the central issue to be decided is whether LFE used the name Swartland as a trade mark on its wine bottles, it being common cause that any trade mark use by LFE was unauthorized.

[8] LFE's case is that it used the name Swartland as a geographical indication (as it is entitled to do) and not as a trade mark, and that its wines are actually sold as no-name brands. The submission is without any merit. The label around the neck of the bottle is black and contains in white capitals the name Swartland. In addition, there is a rather indistinct golden medallion with the inscription 'Wine of origin Swartland'. (The medallion is also to be found on the main and secondary labels.) The main label is also black with a prominent Swartland, 6 mm high, in white capital letters. Above the name there appears also in fairly indistinct gold lettering, 2 mm high, the words 'wine of origin' in Afrikaans. The lower half of the label contains in grey the term 'Private Bin' together with the name of the cultivar and the vintage. What this conveys to the average purchaser is two things: the trade mark is Swartland and it is a wine of origin. The medallion, on the other hand, tells one that it is a wine of origin from Swartland. The secondary label is much the same with a prominent 5 mm Swartland in white against a black background and below a 1,5 mm and faint 'wine of origin' in gold against the same background. Surprisingly, if the intention had been that this was supposed to be read 'wine of origin Swartland', the phrase 'wine of origin Swartland', which appears at the foot of the label in 3 mm letters, would have been redundant. The message is the same as that on the main label. Furthermore, and destructive of LFE's argument is the fact that this label describes the wine as 'Swartland Private Bin' wines. In addition, LFE's business name Swartland Vignerons, which appears on this label, falsely represents that it grows grapes for wine.

Not surprisingly, the retailer of these wines in the Netherlands regards the name Swartland as the trade mark and advertises the wines as such.

[9] I have thus far concentrated on one type of trade dress used by LFE in connection with Swartland wines. There is a second type. The description above relating to the label on the neck applies equally. The main label differs somewhat: the name Swartland appears in larger script (7 mm) but the reference to wine of origin in the superscript remains at 2mm; and it does not have the 'private bin' accolade. The presentation of the name SWARTLAND with the minute superscript 'wine of origin' is the same on the secondary label. The only difference of note is that the wine is not described as 'Swartland Private Bin' wine.

[10] It follows, as submitted by the Winery and found by the court below, that LFE is not genuinely, and in good faith, using the mark Swartland to indicate the geographical origin of its wines but, instead, it is using the mark as a trade mark.

[11] LFE made some point of the fact that the wines were not sold on the local market but were intended for export only, more particularly to the Netherlands. I have to confess that I do not know what the point was, particularly in the light of s 64 of the Act, which is in these terms:

'The application of a trade mark in the Republic to goods to be exported from the Republic and any other act performed in the Republic in relation to goods to be so exported which, if performed in relation to goods to be sold or otherwise traded in within the Republic, would constitute use of a trade mark therein, shall be deemed to constitute use of the trade mark in relation to those goods for any purpose for which such use is material under this Act or at common law.'

[12] LFE in this context finally submitted that an interdict was not justified because there was no proof of financial loss and, accordingly, no apprehension of harm. The argument is without merit because apprehension of harm is not a requirement for a final interdict. LFE furthermore accused the Winery of forum shopping: it should have sued the retailers in The Netherlands for damages. Once again, the submission is without any

substance. LFE is a local company; it committed trade mark infringement in South Africa in terms of a local statute; the order sought applies locally and only locally; and no other court has jurisdiction in respect of the claim. A possible claim for damages against the Dutch firm is also not an adequate alternative remedy to an interdict, as submitted by LFE, because it is not adequate in the circumstances, is not reasonable in the circumstances, and does not grant similar protection, all trite propositions.

REVOCAION OF THE TRADE MARK REGISTRATION

[13] LFE sought, by means of its counter-application, expungement of the trade mark registration. One would normally consider expungement first but since, as will appear in due course, the counter-application stands to be dismissed it is convenient to deal with it at this stage. The application was ultimately based on two grounds for expungement, namely sections 10(2)(b) and 10(12) of the Act.

[14] Section 10(2)(b) provides, inter alia, that a mark may not be registered as a trade mark or, if registered, is liable to be removed from the register if it consists exclusively of a sign or an indication which may serve, in trade, to designate the geographical origin of the goods. The provision was the subject of a detailed analysis in *Century City* supra, and it is not necessary to revisit the issue. Swartland is no doubt a sign that may serve to indicate the geographical origin of wines and it is, accordingly, prima facie subject to revocation.

[15] There is, however, a proviso to s 10. It states that a mark may not be refused registration or, if registered, will not be liable to be removed from the register by virtue of the provisions of s 10(2) if at the date of the application for registration or at the date of an application for removal from the register, as the case may be, it has in fact become capable of distinguishing within the meaning of s 9 as a result of use made of the mark. The Winery submitted in the light of the facts set out at the outset of this judgment the trade mark was saved by this proviso. The court below agreed and nothing submitted indicates that it erred in its assessment.

[16] Special emphasis was placed during argument on behalf of LFE on the axiom that use does not equal distinctiveness, but it does not mean that use cannot under the particular circumstances of a case establish distinctiveness (and it often does). The Winery's wines have been known for many decades as Swartland wines and by no other name (save for the use of the non-distinctive 'Winery' suffix). No other wine has been sold under that name. How, under these circumstances, it can be suggested that the mark did not become distinctive is impossible to fathom.

[17] Turning to the second ground for revocation: s 10(12) of the Act provides, *inter alia*, that a trade mark that is contrary to law may not be registered and, if registered, is liable to revocation. LFE, in its papers, alleged that the registration of the trade mark was in conflict with the provisions of s 11(3)(a)(ii) of the Liquor Products Act 60 of 1989. Counsel who argued the matter on behalf of LFE in the court below was, apparently, not enamoured of the point and did not press it and it, consequently, did not feature in its judgment. Applying for leave to appeal, LFE's attorney who replaced counsel and also argued before us, resuscitated the s 10(12) point but now with reference to s 11(3)(a)(i) of the Liquor Products Act. The two provisions deal more or less with the same subject-matter.

[18] This provision states in general terms that, unless otherwise authorized, one may not use a wine of origin designation in connection with the sale of wine. Swartland, clearly, is such a designated area and the use of the trade mark Swartland in relation to wine is, accordingly, *prima facie* unlawful. There is, however, a savings provision on which the Winery relies. Section 11(6) of the Liquor Products Act provides that the provisions of the section are not to be construed as restricting the use of 'a trade mark as defined in section 2(1) of the Trade Marks Act, 1963 (Act No. 62 of 1963), which is used or is intended for use in connection with the sale of a liquor product' that was 'registered, used or established' on the date of commencement of this section, which was 1 July 1990.¹ The definition in s

¹ Section 2(1) of the 1963 Act read:
"trade mark", other than a certification mark, means a mark used or proposed to be used in relation to goods or services for the purposes of—

2(1) did not define a trade mark with reference to registration but included unregistered trade marks. The facts set out above indicate conclusively that the mark Swartland was an 'established' unregistered trade mark in respect of the Winery's wines having been settled and accepted in its particular role to distinguish the Winery's wine from other wines at the relevant date.

[19] It follows from this that the court below was correct also in dismissing the counter-application for expungement of the trade mark and that in the result the appeal stands to be dismissed.

ORDER

[20] The appeal is dismissed with costs, including the costs of two counsel.

L T C Harms
Deputy President

(a) indicating a connection in the course of trade between the goods or services and some person having the right, either as proprietor or as a registered user, to use the mark, whether with or without any indication of the identity of that person; and
(b) distinguishing the goods or services in relation to which the mark is used or proposed to be used, from the same kind of goods or services connected in the course of trade with any other person.'

APPEARANCES:

APPELLANTS: S J Gardiner (with him J Hollesen) Attorneys
Werksmans Incorporating Jan S de Villiers
Cape Town
Webbers, Bloemfontein

FIRST RESPONDENT: A R Sholto-Douglas SC (with him P B J Farlam)
Dr Gerntholtz, Cape Town
McIntyre & Van der Post, Bloemfontein