

(3) publication of a regulation on security measures to be applied to databases containing personal data.

Sweden

The Swedish Government has required a Parliamentary Committee to review the issues concerning implementation of the Directive in Sweden. The Report of the Committee is due by the end of March 1997. Thereafter, the Report will be sent to various authorities and others for consideration. Only after comments have been received from these bodies will the Government present Parliament with a Bill to implement the Directive. Accordingly, it is not possible at this early stage to give a precise estimate as to when national implementing legislation will be enacted. It is at least feasible that such legislation will not be enacted until the implementation deadline imposed by the Directive.

United Kingdom

No draft legislation to implement the Directive has yet been issued. The Home Office (having responsibility for preparation of the UK implementing legislation) issued a Consultation Paper in March 1996. The Consultation Paper called for responses to be submitted to the Home Office by 19 July 1996. Responses submitted to the Home Office are at present being analysed, although a further stage of consultation is anticipated in the spring of next year. It is therefore impossible at this stage to predict how (and when) the Directive will be implemented in the United Kingdom. (The Government wishes to implement the Directive through secondary legislation wherever possible, but the Data Protection Registrar favours implementation by primary legislation to avoid having a dual protection regime which is likely to cause confusion and increase the regulatory burden on data users.)

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McDonald's Trade Mark: 'Ex Africa semper aliquid novi'¹

In the McDonald's appeal² McDonald's Corporation's claim that its trade mark *McDonald's* is known in South Africa to be a well-known foreign trade mark and therefore, irrespective of registration under the Trade Marks Act, is entitled to protection. The court also refused claims by the other parties for the cancellation of the registered trade mark *McDonald's* and various other trade marks on the grounds of non-use.

Introduction

Africa's propensity continually to surprise, observed by Pliny in the first century, has not abated. It recently manifested itself once again in trade mark litigation in South Africa. In the latter half of 1995 a remarkable decision was handed down in the Transvaal Provincial Division of the Supreme Court of South Africa in which Southwood J held that the trade mark *McDonald's* in respect of hamburgers and other fast foods, which is one of the top five trade marks in the world, was not a well-known foreign trade mark in South Africa and that a portfolio of in excess of 50 registered trade marks belonging to McDonald's Corporation ('MC') must be cancelled on the grounds of non-use.³

This decision was greeted with incredulity in both trade mark legal and business circles around the world, and particularly in the United States of America. It had far-reaching and significant legal, political and commercial implications and it gave rise to the contention that South African trade mark law does not comply with international standards for protecting foreign trade marks. Pressure to amend the law was brought to bear against the country in international circles. American and other foreign trade mark proprietors interpreted the judgment to mean that South Africa does not give adequate protection to foreign trade marks and this was seen as a disincentive to extending business and investment to South Africa at a time when the country was earnestly seeking such foreign participation in the South African economy. Ironically, the judgment came at a time when MC had

¹ Translated from the Latin this phrase means 'There is always something new out of Africa' - Pliny the Elder, *Natural History*.

² The case consisted of a single combined appeal in three concurrent cases, that is *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Limited and the Registrar of Trade Marks*; *McDonald's Corporation v Dax Prop CC and the Registrar of Trade Marks*; *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Limited and Dax Prop CC*, Case 547/95 (AD) [1996] 4 All SA 1(A).

³ Case 93/19719, *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Limited and the Registrar of Trade Marks*; Case 16493/94, *Dax Prop CC v McDonald's Corporation and the Registrar of Trade Marks*; Case 11700/93, *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Limited and Dax Prop CC*, Transvaal Provincial Division, 5 October 1995, unreported.

begun to invest in South Africa and to open McDonald's restaurants in the country.

An appeal against the judgment of the Transvaal Provincial Division of the Supreme Court, which was proceeded with on an expedited basis, brought about a reversal of the judgment of the court of first instance. The judgment of the Appellate Division of the Supreme Court handed down on 27 August 1996 found that the trade mark *McDonald's* is a well-known international trade mark in South Africa and the appeal court declined to cancel MC's registered trade marks on the grounds of non-use.

The approach of Grosskopf JA, with which the other four judges of appeal concurred, was diametrically opposed to the approach adopted by the court a quo. When considering the two judgments it is difficult to comprehend how the two courts could reach such contrasting judgments on the same facts and law. The purpose of this article is to examine how the two courts came to differ so radically and fundamentally in their respective judgments.

Facts and History of the Litigation

MC registered its large portfolio of trade marks, including the marks *McDonald's*, *Big Mac* and the *Golden Arches* device, in South Africa from 1968. The portfolio of marks were in effect re-registered in 1974, 1979, 1980 and 1985. These registered trade marks were at no stage prior to 1993, when the litigation commenced, used in South Africa. MC asserted that its non-use of the marks was due to sanctions imposed against South Africa by the United States Government and generally the political opprobrium attached to doing business in South Africa during the apartheid era. MC stated that it was at all times its intention to use its trade marks in South Africa as soon as political circumstances made this possible.

Joburgers Drive-Inn Restaurant (Pty) Limited ('Joburgers') is controlled by a Mr Sombonos. Sombonos is effectively the franchiser of the widespread and successful Chicken Licken fast food chain in South Africa. In 1993 Joburgers made application to register the McDonald's portfolio of trade marks in South Africa and at the same time instituted litigation before the Registrar of Trade Marks to cancel the McDonald's portfolio of trade marks registered in the name of MC on the grounds of non-use. Shortly thereafter it gave notice through a newspaper article of its intention to use the McDonald's portfolio of trade marks in South Africa.⁴ This event precipitated MC bringing trade mark infringement proceedings against Joburgers in the Transvaal Provincial Division of the

Supreme Court. Joburgers counter-claimed in this court for the cancellation of the McDonald's portfolio of trade marks. The pending cancellation proceedings before the Registrar of Trade Marks were abandoned. MC's trade mark infringement proceedings met with success and an interim interdict restraining Joburgers from using the McDonald's portfolio of trade marks was issued by the Transvaal Provincial Division of the Supreme Court pending the outcome of the cancellation proceedings.

At this juncture Joburgers purchased a small business in Durban which had been trading since 1978 under the style Asian Dawn/Macdonald's. On Joburgers becoming the owner of this ongoing business, MC brought a further application in the Transvaal Provincial Division of the Supreme Court for an order restraining Joburgers from acting in contempt of court by trading under the mark *Macdonald's* in contravention of the interim interdict which had been issued against it. The contempt of court interdict was granted against Joburgers.

At this point a further player entered on the scene. In order to avert its situation of being in contempt of court, Joburgers sold the Asian Dawn/Macdonald's business to Dax Prop CC ('Dax'). This close corporation was under the control of a Mr Charalambous who is the holder of several Chicken Licken franchises and thus had an association with Sombonos. Joburgers retained the right to repurchase the business from Dax in the future. Having thus entered the fray, Dax filed its own application to register the McDonald's portfolio of trade marks in its name and brought proceedings before the Transvaal Provincial Division of the Supreme Court to cancel the McDonald's portfolio of trade marks registered in the name of MC. MC counter-claimed in these proceedings for an interdict restraining Dax from infringing its registered McDonald's portfolio of trade marks.

The aforementioned proceedings, referred to respectively as the 'Joburgers case' and the 'Dax case', were ripe for hearing in the second half of 1995 when a significant event occurred. The Trade Marks Act 1993, came into operation on 1 May 1995. This Act makes provision, in section 35, for the owner of a well-known foreign trade mark which is unregistered in South Africa to institute infringement proceedings against someone who copies his trade mark and uses it in relation to identical or similar goods or services to those offered by the trade mark proprietor where such use is likely to cause deception or confusion. Once this remedy became available to MC, it instituted further proceedings, known as the 'famous marks case' against both Joburgers and Dax for an interdict restraining their use of the McDonald's portfolio of trade marks. All three cases were heard at the same time before, and decided by, Southwood J. He dismissed the famous marks case and upheld both Joburgers' and Dax's claims for the cancellation of the McDonald's portfolio of trade marks on the grounds of non-use. The effect of these decisions was to refuse MC's claims based on infringement of their registered trade marks.

In the meantime a side show involving Joburgers and the Asian Dawn/Macdonald's business took place. It will be recalled that Joburgers purchased this

⁴ The following is an extract from an article which appeared in the *Sunday Times* on 29 August 1993:

'Big Macs may soon be eaten all over South Africa, but not because American hamburger giant McDonald's is entering the market. Nor will they be on sale before judgment in which could be SA's biggest trade mark battle.'

Chicken Licken franchise owner George Sombonos plans to start his own national McDonald's hamburger chain ...

The chain will serve McMuffins and Big Mac burgers. Restaurants will also be decorated with a large M device similar to two joined arches.'

business which was located in Durban. While negotiations for the purchase of this business were taking place, the seller, having agreed on a particular price, became aware of Joburgers' litigation with MC and the true objective on the part of Joburgers in purchasing the business. The seller sought to increase the purchase price. This gave rise to litigation between the seller and Joburgers and in papers before the court in those proceedings (which papers were incorporated into the evidence in the Joburgers case) it was stated by a director of Joburgers that it wished to acquire the business in order to secure the goodwill built up through the 18 years of use of the McDonald's trade mark for itself and that should it not acquire the business its position in regard to the proceedings with MC would be severely prejudiced.

Famous Marks

As it turned out, the crucial issue in the McDonald's litigation was whether or not the trade mark *McDonald's* qualified as a well-known foreign trade mark as contemplated in section 35 of the Trade Marks Act 1993, and was entitled to protection under that section. Grosskopf JA found on the evidence and on a proper interpretation of section 35 that the trade mark *McDonald's* does qualify for such protection whereas Southwood J found that it did not. These contradictory findings played a crucial role in each of the respective judgments and led to the two courts making diametrically opposed findings on the expungement questions as well.

Section 35 of the Trade Marks Act 1993, which is substantially identical to section 56 of the UK Trade Marks Act 1994, reads as follows:

(1) References in this Act to a trade mark which is entitled to protection under the Paris Convention as a well-known trade mark, are to a mark which is well known in the Republic as being the mark of –

- (a) a person who is a national of a convention country; or
- (b) a person who is domiciled in, or has a real and effective industrial or commercial establishment in, a convention country,

whether or not such person carries on business, or has any goodwill, in the Republic.

(2) A reference in this Act to the proprietor of such a mark shall be construed accordingly.

(3) 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.

Grosskopf JA, in the appeal court decision, made a thorough investigation into the background and purpose of section 35. His analysis is described below.

Although Article 6bis was inserted into the Paris Convention in 1925, neither Britain nor South Africa gave legislative effect to it until enacting, respectively,

sections 35 and 56 of their Trade Marks Acts mentioned above. The reason why Britain did not legislate earlier was that previously it claimed to be honouring the article by means of its common law of passing off.⁵ The protection granted to foreign marks by the law of passing off was limited, however, by the requirement that a plaintiff was required to establish the existence of goodwill in the country in which relief was sought – a mere reputation in the mark in that country was not sufficient.⁶

The South African court adopted a similar approach and refused claims of passing off where a reputation in a mark might have existed but the plaintiff enjoyed no goodwill in South Africa.⁷

The learned judge concluded that the purpose of section 35 of the South African Act and the corresponding provision of the U.K. Act was to amend the common law of passing off so as to make it sufficient for a plaintiff to show that his mark enjoys a reputation in the country where relief was sought and that it was not necessary that the plaintiff should have conducted business in that country or should enjoy goodwill there. He pointed out that section 35 pertinently extends protection to the owner of a foreign trade mark 'whether or not such person carries on business, or has any goodwill, in the Republic'. He said that the type of protection afforded by section 35(3) is typical of that which is available under the common law of passing off. He concluded that it is against this historical background that the expressions 'well-known trade mark' and 'well known in the Republic' must be interpreted. He commented, without deciding the point, that it is possible that, in order to enjoy the protection of section 35, a foreign trade mark proprietor might have to prove a greater public awareness of its marks than is required of a local business claiming passing off.

In keeping with a passing-off approach the learned judge found that in order to enjoy the benefit of section 35 the foreign trade mark proprietor must show that a substantial number of the class of persons who would have an interest in the goods or services of the foreign trade mark proprietor (namely, potential customers) would know the foreign trade mark and would be confused by its use by someone else in relation to the relevant goods and/or services.

Evidence of Repute of McDonald's

MC had approached the question of establishing that the trade mark *McDonald's* is well known in South

5 See Richard C. Abnett, 'AIPPI: Famous Trade Marks Acquire a New Legal Weapon', *Trade Mark World*, December 1990/January 1991, at 23.

6 See for instance *Alain Bernardin et Compagnie v Pavilion Properties Ltd* [1967] RPC 581 (the 'Crazy Horse' case), *The Athletes Foot Marketing Associates Inc. v Cobra Sports Ltd and Another* [1980] RPC 343 (Ch) and *Anheuser-Busch Inc. v Budejovicky Budvar NP (trading as Budweiser Budvar Brewery) and Others* [1984] FSR 413 (CA).

7 See, for instance, *Slenderella Systems Inc. of America v Hawkins and Another*, 1959(1) SA 519(W) at 521A to 522B; *Lorimar Productions Inc. and Others v Sierling Clothing Manufacturers (Pty) Ltd*, 1981(3) SA 1129(T) at 1138H to 1140H and *Tie Rack plc v Tie Rack Stores (Pty) Ltd and Another*, 1989(4) SA 427(T) at 442G to 445D.

Africa and is entitled to protection under section 35 entirely in accordance with the aforementioned interpretation of the section. It caused two market surveys to be conducted in order to establish the fame of the trade mark *McDonald's*. These surveys were conducted, respectively, in the Johannesburg/Pretoria area and in the Durban area amongst the upper income groups, the persons most likely to have travelled overseas and to have been exposed to spillover advertising of the trade mark *McDonald's* in South Africa through it being incorporated in television broadcasts, feature films, foreign publications and the like. These surveys showed that of the order of 80 per cent of the so-called 'universe' (the target sector of the population covered by the survey) consulted knew the trade mark *McDonald's* as being the mark of a foreign company. Grosskopf JA held this market survey evidence to be admissible and to have probative value. It corroborated other evidence on the fame of the trade mark *McDonald's* adduced by MC.

The acceptance of this market survey evidence is a question of great significance as this case marks the first occasion on which market survey evidence has been found both to be admissible and to have probative value in South African case law. We will revert to the question of the market survey evidence below.

MC faced a difficult task in proving the existence of a reputation in the trade mark *McDonald's* in South Africa in circumstances where the mark had never been used in this country. Recourse could not be had to the normal way of proving the subsistence of goodwill and reputation in passing-off cases.⁸ Apart from the market survey evidence, MC relied on the evidence of a Mr Collins, a former Chairman of the South African Franchise Association, who said that in his representative capacity he had received 'numerous requests, too numerous even to be counted' from prospective franchisees and ordinary members of the public for advice as to how to become a McDonald's franchisee. He also testified that he had addressed numerous meetings, conferences and seminars on various aspects of franchising and that during such addresses he had held up the business format of McDonald's in conducting franchising as an example and had received numerous questions about McDonald's and its business system. He furthermore said that McDonald's was frequently discussed in the South African press and media. Statements in MC's evidence that it is one of the largest, if not the largest franchisor of fast food restaurants in the world, that there were 13,993 McDonald's restaurants spread over 70 countries in existence, that the annual turnover of McDonald's restaurants amounts to in excess of US\$23.5 billion, that US\$900 million was spent annually on advertising McDonald's restaurants, and that the *McDonald's* trade marks are in all probability some of the best known trade marks in the world, were not denied by Joburgers or Dax.

⁸ Sales figures of goods bearing the mark, or turnover figures of services offered under the mark, in South Africa, as well as details of advertising expenditure and efforts to promote goods or services under the mark in South Africa could obviously not be adduced. The classical approach is for the court to infer the existence of a reputation and goodwill from such evidence.

MC demonstrated that between 1975 and 1993 it had received 242 requests from South Africans, many of whom were prominent trading companies, to conclude franchising agreements with them. Correspondence embodying these requests had been placed in a bundle which had been referred to in the affidavits filed on behalf of MC. As undertaken in the affidavits, this bundle was handed up to Southwood J at the commencement of the hearing.

Grosskopf JA attached considerable significance to the conduct of Joburgers and Dax which gave rise to the litigation as being indicative of the notoriety of the trade mark *McDonald's* in South Africa. It was pointed out that the word 'McDonald's' per se had no inherent value as a trade mark for fast food and for fast food outlets. He considered the lengths to which the respondents had gone in building up their claim to the trade mark *McDonald's* and in contesting the litigation were clearly indicative that significant value and reputation attached to the trade mark *McDonald's* in South Africa. He made particular reference to Joburgers' conduct in connection with the acquisition of the Asian Dawn/Macdonald's business in Durban. It was quite clear to the learned judge that the whole objective of the exercise on the part of Joburgers and Dax was to benefit from the considerable reputation which the trade mark *McDonald's* enjoyed in South Africa in relation to fast foods and fast food outlets.

Grosskopf JA summed up his conclusions in regard to MC's evidence as to the fame of the trade mark *McDonald's* in South Africa as follows:

The evidence adduced by McDonald's leads, in my view, to the inference that its marks, and particularly the mark *McDonald's*, are well known amongst the more affluent people in the country. People who travel, watch television, and who read local and foreign publications, are likely to know about it. They would have seen McDonald's outlets in other countries, and seen or heard its advertisements there or its spillover here in foreign journals, television shows, etc. Although the extent of such spillover has not been quantified it must be substantial. Moreover, as has been shown, McDonald's has also received publicity in the local media. The market survey evidence specifically related to two groups of adult white persons living in relatively affluent suburbs of Gauteng and KwaZulu Natal. It is reasonable to suppose that much the same results would be achieved elsewhere among persons of all races who have a similar financial and social background. These are also the type of people who would have heard about McDonald's and its marks from Collins, or who would have discussed these matters with him, or who would have written to McDonald's to solicit a franchise agreement.⁹

Misdirections of Court of First Instance

On the strength of the foregoing, the finding by Southwood J that *McDonald's* was not shown to have been a well-known foreign trade mark in South Africa was surprising. However, it emerges clearly from the appeal court judgment that in dealing with this aspect of the case Southwood J made fundamental errors in regard to both the law and the facts.

⁹ At 62 to 63 of the typewritten judgment.

At the outset, he misconstrued the intention and interpretation of section 35 of the Trade Marks Act 1993. He decided that in order to enjoy the protection of section 35 MC would have to show the following in respect of the trade mark *McDonald's*:

- (1) Knowledge of the fame of the mark pervades the country to a substantial extent, that is, it must be well known across South Africa.
- (2) It is well known to all ethnic groups at all levels of society.
- (3) The mark is well known as being a mark of a person who is a national of, or is domiciled in, or has a real and effective industrial or commercial establishment in, a country which is a member of the Paris Convention of 1883; this would entail a knowledge that the country of origin of the mark has acceded to the Paris Convention.
- (4) The use of the mark *McDonald's* by other parties would be likely to cause deception or confusion.

With regard to requirement (3) Grosskopf JA said the following: 'If it were correct the section would be a dead letter. It is difficult to imagine any mark, however well known, in respect of which such further facts would be common knowledge.'¹⁰ Counsel for the respondents in the appeal conceded that this requirement could not be supported.

In regard to requirement (1), Southwood J relied on the Canadian case of *Robert C. Wian Enterprises, Inc. v Mady*.¹¹ Grosskopf JA found that the views expressed in this case were based on Canadian legislation which differs from section 35 and that the case was 'of no assistance'. He also pointed out that subsequent Canadian cases had differed from the views expressed in the *Wian* case.¹² In regard to requirement (2) Grosskopf JA pointed out that the South African population is diverse in many respects such as income, education, cultural values and the like and said that if protection is to be granted only to marks which are known, let alone well known, to every segment of the population, or even to most segments of the population, there would be very few marks, if any, which would pass the test; the section would therefore be purposeless. Grosskopf JA accordingly rejected Southwood J's interpretation.

On the question of the likelihood of the use of the trade mark *Macdonald's* by Dax and Joburgers being likely to cause confusion, which Southwood J held had not been established, Grosskopf JA stated 'It almost goes without saying that if the *Macdonald's* mark is used as contemplated by Joburgers and Dax in relation to the same type of fast food business as that conducted by McDonald's it would cause deception or confusion.'¹³

Southwood J considered the evidence adduced by MC against the wrong test as to what had to be proved and as to what it sought to establish and rejected the

market survey evidence as being hearsay and inadmissible and in any event carrying no weight.

In sharp contrast to the perspective of Grosskopf JA to the evidence, Southwood J paid no attention at all to the motivation of Joburgers and Dax in attempting to appropriate for themselves the trade mark *McDonald's* and the complete portfolio of McDonald's trade marks. Whereas it was obvious to Grosskopf JA why Joburgers and Dax went to the considerable trouble and expense to attempt to acquire ownership of the trade mark *McDonald's*, these considerations did not appear to occur to Southwood J at all. No mention was made of the litigation between Joburgers and the seller of the Asian Dawn/Macdonald's business which was regarded as significant by Grosskopf JA. Southwood J summarily dismissed the evidence of Collins as being hearsay and inadmissible on the reasoning that it was an 'informal market survey'.

Southwood J declined to receive the bundle of correspondence with the 242 prospective franchisees which was handed up to him. Instead he referred only to extracts from the bundle annexed to the respondents' evidence and made a finding that there had been only some 50 approaches over a period of 25 years. By contrast, Grosskopf JA accepted there had been approaches from 242 enquirers in 18 years.

Southwood J stated that there was no evidence on the spill-over effect of international advertising of the trade mark *McDonald's* in South Africa and found that MC's evidence had failed to establish that its trade mark *McDonald's* or any of its trade marks were well known in South Africa.

With the greatest respect, Southwood J's approach to the evidence of the notoriety of the trade mark *McDonald's* in South Africa was unsatisfactory. He was selective in his use of evidence and his approach did not accord with the realities of the matter and the practicalities of the modern market-place and in particular the media which operates therein. The impression is gained that the learned judge did not properly come to grips with what the case was really all about, namely an opportunistic attempt on the part of Joburgers and Dax to reap from a fertile and cultivated field where they had sown nothing.

Grosskopf JA pointed out that the evidence of the fame of the trade mark *McDonald's* was circumstantial evidence. Relying on the authority of *R v De Villiers*,¹⁴ the learned judge indicated that the correct approach to circumstantial evidence was that the court should not take each circumstance separately and give the respondent the benefit of any reasonable doubt as to the inference to be drawn from each one so taken; it must carefully weigh up the cumulative effect of all of them together and must draw inferences and conclusions arising from this holistic approach. The learned judge said 'The approach of the court a quo was to analyse each item of evidence and to show that, by itself, it has little or no probative value. In my view this is a wrong approach'.¹⁵

¹⁰ *Ibid.*, at 20.

¹¹ (1965) 49 TLR (2d) 65.

¹² The learned judge referred specifically to *Valle's Steak House v Tassier and Others* (1974) 49 CPR (2d) 218 at 226.

¹³ At 65 of the typewritten judgment.

¹⁴ 1944 AD 493.

¹⁵ At 61 of the typewritten judgment.

Market Survey Evidence

It is submitted that in essence Southwood J misconceived what would have to be shown by MC in regard to the trade mark *McDonald's* in order to have that mark qualify for protection under section 35. Put simply, he posed the wrong test for what had to be proved and then wrongly evaluated the sufficiency of the evidence adduced by MC to meet the requirements of the section. His application of the wrong test manifested itself in particular in his consideration of MC's market survey evidence.

Southwood J was stridently dismissive of MC's market survey evidence.¹⁶ He was of the view that the universe selected for the market survey evidence was inappropriate and too small. He was, however, testing it against whether it showed that knowledge of the mark pervaded the entire country to a substantial extent and was possessed by all ethnic groups at all levels of society, in other words the wrong yardstick. In the light of the true test (which is what the surveys had been designed to meet) his criticism of the scope of the universe of the market surveys was unfounded and his whole perspective of the market survey evidence was askew.

As mentioned, the learned judge held that the market survey evidence was inadmissible as being hearsay and in any event that it carried no weight. These conclusions were based to a considerable extent on perceived wrong procedures and faults in the questionnaires used in the surveys (such as the questions posed), the procedures followed and the conclusions drawn from the results of the survey. In this regard the Appellate Division disagreed with him.

Prior to conducting the market surveys which were adduced in its evidence, MC made an intensive investigation of South African and foreign authorities on the issue of the acceptability of market survey evidence. The dicta in South African cases dealing with this form of evidence were carefully considered.¹⁷ Regard was also had to certain foreign authorities.¹⁸ The *Anheuser-Busch* case said that market survey evidence may be relied on as corroborating the rest of

the evidence as a whole. In general, the South African cases decided either that market survey evidence was inadmissible, or that the evidence in question carried no weight. There was no precedent of a South African court having admitted and relied on market survey evidence as possessing probative value.

The guidelines laid down in the *Imperial Group* case had been referred to with approval in the *Kreepy Krauly* case as laying down the criteria for an acceptable survey. MC accordingly prepared its market survey evidence to meet these criteria, which were the following:

- (1) Interviewees must be selected so as to represent a relevant cross-section of the general public.
- (2) The size of the sample interviewed must be statistically significant.
- (3) The survey must be conducted fairly. A key part of the survey evidence would be a well-constructed affidavit from the expert who devised and conducted the survey.
- (4) All the surveys carried out must be disclosed to the opposing party.
- (5) All answers must be disclosed to the opposing party.
- (6) There must be no leading or suggestive questions, nor must interviewees be encouraged to speculate about matters which they would never have thought of if they had not been questioned.
- (7) The exact verbatim answers of all interviewees must be recorded.
- (8) All instructions to interviewers must be disclosed to the opposing party.
- (9) Any coding instructions should also be disclosed to the opposing party.

It was contended by MC that the market survey evidence as presented by it complied fully with these criteria. A Mr Corder who conducted the market surveys and who presented the evidence relating to the market surveys had conducted more than 3,000 surveys and was a fully qualified market researcher. The universe which was sampled was selected using scientific sampling procedures. The questionnaire which was used in the surveys was annexed to Corder's surveys and contained no leading or suggestive questions. All answers given by the interviewees were reflected in computer tables, comprised in the evidence. In addition, copies of the answers given by each interviewee were tendered to the opposing parties for inspection (as it happened they did not avail themselves of this opportunity). All instructions given to interviewers were disclosed. The interviews were conducted under Corder's strict supervision and control and in accordance with his instructions, as verified by him in back checks. Affidavits by the various interviewers who conducted the surveys in practice were filed; in these affidavits the interviewers confirmed that they had conscientiously carried out Corder's instructions.

MC argued that the market survey evidence should be admitted because it was opinion evidence of a scientific nature, or, alternatively, that it related to a state of mind. Grosskopf JA expressed doubt as to

16 For instance, the learned judge said the following: 'In particular, the evidence is tendered to establish one of the crucial facts. It does not show this fact. There was ample opportunity for McDonald's to file this evidence in accordance with accepted evidentiary rules and there is no explanation for the failure to do so. The market surveys of Mr Corder are therefore inadmissible [at 34 of the typewritten judgment] ... There are other serious deficiencies in the evidence [at 36 of the typewritten judgment] ... The universe selected ... can by no stretch of the imagination be regarded as representative of the entire South African population' [at 37 of the typewritten judgment].

17 These cases included, *inter alia*, *Hoechst Pharmaceuticals (Pty) Ltd v The Beauty Box (Pty) Ltd (In Liquidation)*, 1987(2) SA 600(A); *Rusmarc (SA) (Pty) Ltd v Hemdon Enterprises (Pty) Ltd*, 1975(4) SA 626(W) at 629D to 631B; *Die Berghelder v Delheim Wines (Pty) Ltd*, 1980(3) SA 1171(C) at 1177E to 1182E; *Kreepy Krauly (Pty) Ltd v Poolcraft, Germiston and Another*, unreported judgment of Preiss J, in the Transvaal Provincial Division, 24 December 1993.

18 Reference was made, *inter alia*, to *Anheuser-Busch Inc. v Budejovicky Budvar Narodni Podnik* [1984] FSR 413 and *Imperial Group plc and Another v Philip Morris and Another* [1984] RPC 293.

whether either leg of this argument was correct. He found, however, that it was not necessary to decide the issue because he considered that, even if the market survey evidence was hearsay, it was admissible under one of the exceptions provided in section 3(1)(c) of the Law of Evidence Amendment Act 1988, which exceptions provide for the admission of hearsay evidence in certain circumstances. The relevant section allows hearsay evidence to be admitted if:

the court, having regard to –

- (i) the nature of the proceedings;
- (ii) the nature of the evidence;
- (iii) the purpose for which the evidence is tendered;
- (iv) the probative value of the evidence;
- (v) the reason why the evidence is not given by the person upon whose credibility the probative value of such evidence depends;
- (vi) any prejudice to a party which the admission of such evidence might entail; and
- (vii) any other factor which should in the opinion of the court be taken into account,

is of the opinion that such evidence should be admitted in the interests of justice.

The learned judge's reasoning in ruling that the market survey evidence was admissible under this exception was as follows:

In the present case the evidence is tendered, broadly speaking, to show the extent to which the name McDonald's and its trade marks are known amongst the public. In theory the best way of doing this would probably be by calling a representative sample of the public as witnesses. Expert evidence would explain how the sample was selected and what conclusions could be drawn from the results. This would, however, not be a practical course to follow. First, it would require the evidence of a large number of people. Second, the persons comprising such a sample should of course have no interest in the outcome of the proceedings. It is consequently unlikely that such persons, or most of them, would be prepared to become involved in the litigation. A properly conducted market survey places the replies of such people before the court without requiring affidavits from them. No substantial disadvantage flows from this course. It seems most unlikely that any interviewees would lie in a matter such as his or her knowledge of McDonald's, and in any event the theories underlying such surveys make allowances for a certain margin of error. There can be no prejudice to the other parties. They are given a full opportunity to check the results of the survey.¹⁹

In admitting and relying on the market survey evidence the judgment of the Appellate Division is a landmark decision under South African law.

Dax's Special Defence

At the time of the launching of the famous marks case Dax was the proprietor of the Asian Dawn/Macdonald's business which had operated in Durban since 1978. Dax had, of course, purchased that business from Joburgers when that company had been held to be in contempt of court for trading in contravention of the interim interdict which had been

granted against it by the Transvaal Provincial Division of the Supreme Court. Based on these facts, Dax sought to rely on the provisions of section 36(2) of the Trade Marks Act in terms of which it was contended that MC could not restrain its use of the trade mark *Macdonald's* 'in relation to goods or services in respect of which that person (it) or a predecessor in title has made continuous and bona fide use of the trade mark.'

On the strength of *Rembrandt Fabrikante en Handelaars (Edms) Bpk v Gulf Oil Corp*²⁰ it held that bona fide use of a trade mark within the meaning of section 36(3) must be use for the purpose of distinguishing its goods or services provided under that mark from the same kind of goods and services connected in the course of trade with any other person and must not be use for an ulterior purpose. It was pointed out that Joburgers was the immediate predecessor in title to Dax and that Joburgers' purpose in using the trade mark *Macdonald's* (in breach of the interdict) was not to distinguish its business from that of others but rather the converse, namely to use a mark confusingly similar to that of MC's, which is clearly an ulterior purpose in the sense discussed in the *Rembrandt* case. Accordingly, the court decided that Dax could not rely on the earlier use because the use of its immediate predecessor in title had not been bona fide.

Expungement Applications

Having held that MC had established that the trade mark *McDonald's* is a well known trade mark entitled to protection in terms of section 35 of the Trade Marks Act 1993, and that MC was entitled to restrain Joburgers and Dax from using the mark, the appeal court summarily dismissed Joburgers' and Dax's expungement applications. The court held that it had an overall discretion to refuse an expungement application whatever the merits of the application might be. The court held further that it could take into account in exercising the discretion events which took place after the institution of the expungement proceedings, namely the existence of a cause of action under the subsequent Trade Marks Act 1993.

This is the second landmark reached in this case, as various South African courts have in the past debated whether such discretion exists as a result of the language of the relevant section which states that the court or the Registrar 'may' order the cancellation of a mark. Grosskopf JA said that, in the light of the fact that both Joburgers and Dax would be restrained from using the trade mark *McDonald's*, the court would exercise its discretion in favour of refusing the expungement applications with the result that no purpose would be served by going into the merits of the expungement applications.

In reaching its decision on this issue, the court reviewed the South African authorities and pointed out that the matter was still open. It observed that the

20 1963(3) SA 341(A). It was said in that case that 'user for an ulterior purpose, unassociated with a genuine intention of pursuing the object for which the Act allows the registration of a trade mark and protects its use, cannot pass as a bona fide user', at 351.

parties to the case and the court a quo accepted that such a discretion existed. The learned judge went on to say:

The circumstances of the present case show, in my view, how desirable it is, from a practical point of view, that such a discretion should exist ... It goes without saying that a party who has shown himself entitled to relief under the section will not be deprived of such relief by the exercise of a general discretion unless the circumstances are exceptional. In my view the present circumstances are indeed exceptional.²¹

Southwood J, having reached the wrong decision in the famous marks case, had gone on to allow both the expungement applications. He found in particular that MC had no intention of using the McDonald's portfolio of marks when the various applications for them had been filed and that the non-use of the marks during the relevant period had not been due to any special circumstances in the trade, which would have constituted a defence, but had been due to the unpreparedness on account of commercial considerations of MC to enter the South African market. Both these conclusions had been reached on the strength of statements in correspondence placed before the court. The statements had been shown by documents also before the court to be standard responses to enquirers motivated by public relations considerations. They were countered by positive statements made under oath by MC's witnesses that the reasons for MC not entering the South African market had been the political prejudice which it would have suffered in the United States of America and elsewhere if it had traded in South Africa while the apartheid government was in power and sanctions were applied by the Government of the United States of America. On the basis of the approach adopted by it, it was not necessary for the appeal court to go into these questions.

Although the appeal court made no finding in regard to the balance of the marks in the McDonald's portfolio of marks, besides the trade mark *McDonald's*, in the famous marks case, it nevertheless rejected the expungement applications in respect of all the marks in the portfolio. The court justified this approach by saying that it was common cause between the parties that the portfolio of marks should be approached on an all-or-nothing basis.

Unresolved Issues

Due to the fact that the appeal court did not go into the merits of the expungement application, regrettably some material issues arising out of the judgment of Southwood J were left unresolved. The most important of these issues are the following.

(1) In holding that MC registered its portfolio of trade marks without having any bona fide intention to use them in relation to the relevant goods or services, Southwood J relied on the British cases *Re Batt's Trade Mark (No. 2)*²² and *Re Ducker's Trade Mark*.²³

The learned judge held that a trade mark applicant was required to have a 'definite and present intention to use ... in the immediate future'. He considered that the formulation of this principle in the two British cases had been accepted by the Appellate Division in *Victoria's Secret Inc. v Edgars Stores Ltd.*²⁴ His view was at variance with the decision of the Honourable Mr W Trollip (acting in lieu of the Registrar of Trade Marks) in the unreported judgment of *Moorgate Tobacco Co. Ltd v Philip Morris Inc.* dated 31 May 1986. In that case it had been held that at the application stage the trade mark proprietor must have the intention to use the mark but not necessarily in the immediate future. As long as he had the requisite intention at the time of filing of the application, an applicant could delay the actual commencement of the use of his mark.

It was argued on behalf of MC that it was incorrect for the court a quo to hold that the Appellate Division had approved the dictum in *Ducker's* case on this issue in the *Victoria's Secret* case because it had considered the dictum for a different purpose in that case, as compared to the instant one. It was further argued that it is clear from the *Victoria's Secret* case that the Appellate Division had never considered whether the dictum in *Ducker's* case was to be preferred to the dictum in the *Moorgate* case.

It was contended by MC that the approach adopted in the *Moorgate* case was the correct one and that on this test the delay in the commencement of the use of the McDonald's portfolio of trade marks by MC did not mean that its various trade mark applications fell foul of the intention-to-use requirement.

(2) Southwood J was of the view that such intention as MC did have at the time of the filing of its trade mark applications was in any event that the trade marks should be used in South Africa, not by itself, but by licensees, subsidiaries or joint venture companies; no application had been made simultaneously with the filing of the trade mark applications to record any such parties as registered users of the mark; in consequence MC's applications did not meet the intention-to-use requirement on this basis as well. MC argued that in view of the so-called 'trade connection doctrine' (in terms of which the existence of a licensing arrangement or some other trade connection between the trade mark proprietor and the third party using the trade mark is sufficient to render the use of that mark by that third party as being use by the proprietor) the fact that MC proposed at the time of the filing of the applications to use the marks through subsidiary or joint venture companies was sufficient to meet the intention-to-use requirement. It was argued that in any event insofar as the trade marks covered franchising services, MC itself proposed to use the mark in South Africa. MC relied for support of its arguments on several foreign authorities.²⁵

24 1994(3) SA 739(A).

25 Reference was made, *inter alia*, to the Australian case *Pioneer Electronic Corporation v Redge* [1978] RPC 716, the British case *British Petroleum Company Limited v European Petroleum Distributors Limited* [1968] RPC 54, 63 and the South African case *Sportshoe (Pty) Limited v Pep Stores (SA) (Pty) Ltd*, 1990(1) SA 722(A).

21 At 75 to 76 of the typewritten judgment.

22 [1898] 15 RPC 262 and 534.

23 [1929] 1 Ch. 113.

(3) Both Southwood J and Grosskopf JA refrained from ruling whether in principle sanctions and general inhibitions placed by the United States Government, various state governments and public opinion against US companies doing business in South Africa constituted 'special circumstances in the trade' excusing non-use of a registered trade mark. In advancing the contention that the situation which prevailed in the United States during the sanctions era and which induced MC to refrain from extending its business to South Africa constituted 'special circumstances in the trade', MC relied on '*Bali Trade Mark*'²⁶ where it was said that 'A trade mark is a commercial asset intended to be used commercially by businessmen and it seems to me that special circumstances have to be understood and applied in a business sense.'²⁷ It was contended by MC that the facts which applied to MC's position were indeed 'special circumstances in the trade' and thus excused non-use of the trade mark during at least part of the relevant period, namely 1988 to 1993.

(4) MC had at various intervals subsequent to 1968 re-registered its portfolio of trade marks. Southwood J held that this practice was 'systematic abuse by McDonald's of the registration process' and took it into account as a factor which weighed against MC in the exercise of his general discretion to grant or refuse the expungement applications. MC argued that its course of action was standard practice in South Africa and pointed out that in *Origins Natural Resources Inc. v Origin Clothing Ltd*²⁸ it was held in similar circumstances that a proprietor of a trade mark is fully entitled to reapply for registration of a trade mark.

The foregoing are all issues upon which guidance from the Appellate Division is most desirable, particularly because the decisions of Southwood J, which are arguable, stand in the light of the omission of the Appellate Division to deal with them.

Conclusion

In the final outcome, the appeal court granted an interdict against the use of the trade mark *McDonald's* by Joburgers and Dax in terms of section 35 of the Trade Marks Act 1993, and interdicts for conventional trade mark infringement against both Joburgers and Dax in respect of all the marks in the McDonald's portfolio of marks. The costs in all of these proceedings were awarded in favour of McDonald's with one exception. The exception related to an application brought by MC at the hearing of the appeal for the court to accept evidence of certain further events which had occurred subsequent to the proceedings before Southwood J. This application was dismissed with costs.

It is respectfully submitted that the judgment of Southwood J was not good for the reasons discussed above. Accordingly, the decision of the Appellate Division to reverse it is welcomed. His misconception

of what MC had to prove in the famous marks case and his misdirections which followed in regard to his evaluation of the evidence adduced by MC played a significant role in his rendering a judgment which was wrong. They also caused him to express criticism of such evidence. This criticism has been shown to have been unfounded and misguided. On the contrary, the appeal court found the evidence adduced by MC to be satisfactory and sufficient to establish its claim in the famous marks case. Indeed the appeal court created a precedent with the market survey evidence.

Certain commentators on the judgment of Southwood J echoed the views expressed by him in regard to MC's evidence.²⁹ Personal views were expressed that MC had erred in adducing defective evidence. This view is of course wrong and may have been expressed without making an independent study and evaluation of the evidence embodied in the court record. This perhaps highlights the risk of commentators espousing viewpoints which are based on judgments under appeal.

The decision of the Appellate Division has met with general approval both in South Africa and internationally. It is submitted that justice has been seen to be done. The high esteem in which South African trade mark law has traditionally been held has been reinstated. It is possible that the decision may prove to be a leading case internationally on the question of what constitutes a 'well-known trade mark' for purposes of Article 6bis of the Paris Convention, one of the topical issues of international trade mark law. Once again something new might have come out of Africa!

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26 [1966] RPC 387 and [1969] RPC 472.

27 *Ibid.*, at 406.

28 [1995] FSR 280.

29 See, for instance, C. Job, 'The Infamous McDonald's Case: What Really Happened?', *IP Worldwide*, May/June 1996, at 15.