



THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

JUDGMENT

Reportable

Case No: 319/2015 & 324/2015

In the matter between:

JOEST (PTY) LTD

APPELLANT

and

JÖST GmbH + KG

FIRST RESPONDENT

JVT VIBRATING EQUIPMENT (PTY) LTD

SECOND RESPONDENT

THE REGISTRAR OF TRADE MARKS

THIRD RESPONDENT

Neutral Citation: *Joest v Jöst* (319/2015 & 324/2015) [2016] ZASCA 110
(1 September 2016)

Coram: Navsa, Petse, Willis, Saldulker and Swain JJA

Heard: 15 August 2016

Delivered: 1 September 2016


Summary: Trade marks and passing off : contested proprietorship of confusingly similar registered trade marks : application and counter-application for expungement of trade marks from register and consequential relief : mark originating from first respondent, a German based company and holding company of a




subsidiary which introduced its machines and components into South Africa bearing the mark indicating provenance : years later ownership in subsidiary relinquished : commercial relationship continuing : no acquisition of proprietorship by former subsidiary : licensee and not licensor : ineffective assignment of rights not validly held.

ORDER



On appeal from: The Gauteng Division of the High Court, Pretoria (Ismail J sitting as court of first instance).

The following order is made:

1. The main appeal is dismissed with costs including the costs of two counsel.
2. The cross-appeal is upheld with costs including the costs of two counsel.
3. Paragraph 2.3 of the order in the court below is amended to read as follows:
 '2.3. The first respondent in the counter-application is ordered to pay the costs of the counter-application.'
4. The order of the court below is supplemented by the inclusion of the following orders:
 '2.4. The first respondent in the counter-application is interdicted and restrained, in terms of Section 34(1)(a) the Trade Marks Act 193 of 1994, by itself or through its servants or agents, from infringing the rights of the first applicant in the counter-application flowing from the registration of the first applicant in the counter-application's registered trade mark nos. 2006/29062 & 63  in classes 7 and 9 by using, in the course of trade, in relation to the goods and services identical to the goods included in trade mark nos. 2006/29062 & 63, the identical mark or any mark so similar thereto as to be likely to deceive or cause confusion.
- 2.5 The first respondent in the counter-application is interdicted and restrained from passing off its goods and services as being those of the first applicant in the counter-application or as being connected with those of the first applicant in the counter-application in the course of trade, by the use of the marks: JOEST, JOST, JÖST, **JOEST**, **JOEST**,

 **JOEST**, and related get up, or any other trade mark or get-up that is confusingly similar to the first applicant in the counter-application's  **JOST** and  **JOEST** trade marks and get-up.

2.6 The first respondent in the counter-application is ordered to remove the marks:

JOEST, JOST, JÖST, **JOST**, **JOEST**, ,  **JOEST** and related get up, or any confusingly or deceptively similar trade marks, from all matter in their possession or under their control, including all signs, labels, websites, promotional and advertising material, packaging, stationery and other printed or electronic matter of any nature and where the marks are inseparable or incapable of being removed from such material to which they have been applied, delivering up such matter to the first and second applicants in the counter-application's attorneys.

2.7 It is directed that an enquiry be conducted, pursuant to Section 34(4) of the Trade Marks Act 194 of 1993, to determine the quantum of damages suffered by the first applicant in the counter-application as a result of the infringement of the first applicant in the counter-application's trade mark, or the payment of a reasonable royalty for the use of its trade mark in lieu of such damages, and that the first respondent in the counter-application pay such damages and/or reasonable royalty as may be found to be payable by the first respondent in the counter-application to the first applicant in the counter-application in the course of such enquiry, and that

2.8 To this end, in the event of the parties being unable to agree on the procedure to be adopted in such enquiry, either party may approach this court for directions as to the procedure to be adopted, on these same papers, duly supplemented where necessary.'

JUDGMENT

Navsa JA (Petse, Willis, Saldulker and Swain JJA concurring)

The Issue

[1] The central question in this case, is which of the parties can claim to be the lawful proprietor of the Joest/Jöst trademark in South Africa. The answer to that question will be determinative of both the appeal and the cross-appeal. The appeals

are pursuant to a decision of the Gauteng Division of the High Court, Pretoria (Ismail J), determining an application and counter-application for interdictory and associated relief in relation to the use of the mark. The court a quo held that the first respondent is the lawful proprietor. The background extracted from the affidavits filed in the court below and the reasoning and conclusions of that court leading up to the present appeal and cross-appeal, are set out hereafter.

The background

[2] The parties agree that Joest is simply the English spelling of the German surname Jöst and that they are confusingly similar. The appellant, Joest (Pty) Ltd, is a South African company with its principal place of business in Spartan, Kempton Park, Gauteng Province. The first respondent, Jöst GmbH+Co. KG, is a German company with its registered address in Dülmen, Germany. I shall, for the sake of convenience, refer to the appellant and the first respondent in the main appeal as J and Jöst, respectively. These appellations will make it easier when dealing with both the main and cross-appeals.


[3] The second respondent, JVT Vibrating Equipment (Pty) Ltd (JVT), a South African company with its principal place of business in Bedfordview, Gauteng, which was incorporated in 2012, is a subsidiary of Jöst and a licensee, authorised to distribute the latter's products in South Africa, and is in direct competition with J in this country. The products so manufactured and distributed in South Africa bear the Joest/Jöst mark.

[4] Jöst is a multinational company that has its origins when a company was first established in Germany during 1919 by a Mr Jöst and a Mr Fiege. At that stage they incorporated a company called JÖST Schwingungstechnik GmbH. Jöst and its predecessor's core competencies included the design and manufacture of vibrating machines and vibratory drive units and establishing and designing solutions in process engineering. Jöst operates, either directly or through subsidiaries, in jurisdictions around the world and its products are applied, amongst others, in the foundry and steel industry, the mining industry, chemical and plastics industry and the thermal processing of bulk material. That Jöst and its predecessors in title have been in business for 93 years is unchallenged. The companies through which Jöst

operates in France, Australia, the United States of America, China and Slovakia all, in one form or the other, bear the Joest name. Although J, in a replying affidavit disputes the present extent of Jöst's international operations and the degree of its commercial success, the essential averments that Jöst has an international presence and reputation and is engaged in the industries referred to above, are not denied and must be accepted. It is not in dispute that Jöst is the proprietor of various Jöst and Joest trade marks in jurisdictions throughout the world.

[5] In the 1970s the shareholders of JÖST Schwingungstechnik GmbH bought a company called Pontzen Engineering GmbH (Pontzen). In 1984 the two entities merged under the Pontzen banner and the new company licenced its business operations to an associated company called Jöst KG. Pontzen later changed its name to the first respondent's present designation. Thus, Jöst came into being. The averments by Jöst that its predecessor, in the embodiment referred to at the beginning of this paragraph, entered the South African market using the Joest mark




and the  logo and that the brand was promoted under the English spelling of Jöst, namely, Joest, is essentially unchallenged.

[6] J's predecessor in title, Joest Vibration Technics (South Africa) (Pty) Ltd (Technics), was first incorporated as a South African company in 1976 to operate Jöst's business under licence from Jöst. At the time of its incorporation, Technics was a wholly owned subsidiary of Jöst. In October 1987, although Technics changed its name to Joest Vibrations (Pty) Ltd (JV), it remained wholly owned by Jöst. During the period from 1976 until 1989 it is common cause that Technics and JV, whilst wholly owned by Jöst, imported from Jöst and manufactured machines which they sold and distributed for use in the industries referred to above, under licence from Jöst using its know-how and technology. During that period the machines all bore the Joest mark.

[7] Jöst's assertion, that in 1989, because of international pressures to disinvest from apartheid South Africa, it entered into a written sale of shareholding agreement, in terms of which it sold 75 per cent of its shareholding in JV to the Vogel family that

now controls J, is not effectively contested. In terms of that agreement the right of JV to use the Jöst mark was restricted to certain jurisdictions in Southern Africa. Simultaneously a manufacturing licencing agreement was concluded between JV and Jöst. This agreement was updated and replaced in 1996. Jöst contended that it is implicit in all these agreements that the products manufactured in terms thereof would bear the Joest mark used by Jöst. This, of course, is challenged by J which contended that these agreements were merely ones in terms of which it was licenced to use Jöst's know-how and confidential information. I shall, in due course, deal with the relevant provisions of the 1989 and 1996 written agreements and deal with the parties' respective contentions in relation thereto.

[8] During November 1992 JV changed its name to Joest (Pty) Ltd, which at that time apparently was not the same entity as J. In 1996 the remaining 25 per cent shareholding in that company was sold to the Vogels. The sale of shares agreements referred to in this and the preceding paragraph did not cater for the assignment of the Joest/Jöst marks. Between August 1998 and July 2009 there were shareholding changes in relation to J's predecessors in title which are not of any real moment.

[9] Jöst's assertion that at the beginning of the 1990's it updated its logo as follows, , is not substantively disputed. It is also not disputed that following Jöst's update of this logo, J's predecessor similarly updated its own logo to match. Nor is it challenged that the copyright in the logo was assigned by its designer to Jöst. According to the trade mark register, Jöst is the proprietor in South Africa of the following trade mark registrations:

(a) no. 2006/29062 JÖST logo in class 7 in respect of
'Construction machines, electricity generators; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); machine drives (except for land vehicles); dosing drives and installation; hangers (parts of machines); vibration drives (machines); magnetic data oscillators (machines); unbalanced mass vibration generators (machines); directed force exciters (machines); vibration reactors (machines); magnetic vibrators (machines); unbalanced motors (machines); shaft drives; machines for conveying, sifting,

classifying, dosing and/or crushing; processing machines, resonance conveyor installations; sliding conveyors; spiral conveyors; feed installations; lifting and tilting apparatus (machines); hydraulic tilting apparatus; container handling systems; transport devices and systems for bulk goods (machines); casting coolers (machines); sand coolers (machines); vibration coolers and dryers (machines); fluidised bed coolers and dryers; dosing troughs (machines); oscillating conveyor pipes (machines); vibrating screening machines; separating troughs (machines); shake-out grids (machines); shaking tables (machines); sand lump breakers (machines); sieves; sorting tables (machines); classifying devices.'

(b) no. 2006/29063 JÖST logo in class 9 in respect of

'Electric and electronic equipment; apparatus for devices for controlling and/or regulating machines and installations; controls as well as measuring devices, apparatus and instruments for machines and installations; weighing devices, apparatus and instruments, scales.'

[10] In jurisdictions around the world Jöst has registered the Joest/Jöst mark or applied therefor in the following forms in relation to machinery manufactured by it:¹

 **JOEST**

 **JOST**

[11] Mr Dieter A Jöst, a grandchild of one of the two founding members of Jöst, who was also a shareholder and employee of J and its predecessors in the years between 1972 and 2005, stated in an affidavit in support of Jöst's case that it was never intended by way of the sale of shares agreements referred to above or the manufacturing agreement that Jöst would divest itself of the proprietorship of the Joest/Jöst mark.

¹ J's reaction to the documentation in this regard appended to Jöst's answering affidavit is that it is irrelevant and that, in any event, much of it is in foreign languages that are not translated, and cannot meaningfully be responded to. Some of the documentation is undoubtedly in languages other than English, however certificates of registration in the United States Patent and Trade Mark office is in English as is a certificate of registration from the International Bureau of the World Intellectual Property Organisation (WIPO) certifying that the indications in the certificate conform 'to the recording made in the International Register of Marks maintained under the Madrid Agreement and Protocol', and are clear in their wording.

[12] On 29 July 2009, J in its present form, was established. J too, like Jöst, designs and manufactures vibrating equipment that it supplies to the bulk material handling market, which includes the industries supplied by Jöst. Clearly, it is the competition between the two that lies at the heart of the present litigation.

[13] On 30 April 2012, the 1996 written manufacturing licencing agreement referred to above was terminated. It is necessary to record that during 1996, Gunter Vogel, the chairperson and a non-executive director of J, registered the Joest trade mark in his own name and during 2010 registered the logo used by Jöst in J's name. The mark registered during 1996 was only assigned to J in 2012. In terms of the trade marks register, J is the proprietor in South Africa of the following trade mark registrations:

- (i) no. 1996/00964 JOEST in class 7 in respect of:
'Machines and machine tools, including vibrating screens and feeders for use in industry',
- (ii) no. 2010/00726 JOEST in class 37 in respect of:
'Building construction, repair, installation services';
- (iii) no. 2010/00727 JOEST logo (colour) in class 7 in respect of:
'Machines and machine tools, motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand operated; incubators for eggs',



- (iv) no. 2010/00728 JOEST logo (colour) in class 37 in respect of:
'Building construction, repair, installation services'.



The marks set out above are clearly confusingly similar to that used by Jöst in jurisdictions around the world.

[14] On 21 March 2011 discussions took place in Perth, Australia, between representatives of J and Jöst in contemplation of an extension of the 1996 licence agreement. The following admitted part of the minutes of the meeting is relevant:

'The trademark which Gunter Vogel initially had registered will be transferred to JOEST Germany. During the course of the prolongation of the license agreement an amendment will be made specifying the details how the licensee can make use of this trade name during the lifetime of the license contract.'

The extension of the agreement did not materialise.

[15] According to J, the licencing agreement was terminated in 2012 because it had come to the realisation that, for a number of preceding years it had received very little in the form of useable know-how from Jöst, particularly if regard was had to the licencing fees. J also contended that the know-how was of limited use in relation to South African mining conditions. J stated that it had over the years developed its own technology in its own name and sold products it had developed and manufactured to customers under the Joest name. This, of course, is strenuously denied on behalf of Jöst, which in substantiation supplied copies of correspondence, plans, diagrams and photos, that it contended demonstrated on-going assistance and input to J where the latter itself endeavoured to manufacture products. Para 7.8 of J's founding affidavit in the main application is important. Following on what is set out at the beginning of this paragraph, the principal deponent on behalf of J stated the following:

'In short, the know-how licence to [J] was not really appropriate for the peculiar conditions of the South African mining industry and, over the years, [J] had to develop technology of its own and manufactured and sold JOEST products to its customers that did not incorporate or embody any know-how received from [Jöst]. J developed its own range of JOEST products that became successful in the industry and popular amongst [J's] customers.'

I shall, in due course, return to the significance of this passage.

[16] J's attitude is that Jöst unlawfully proceeded to register the marks referred to above on 1 December 2011 without its knowledge or consent. J alleged that its concern was that the JÖST trade mark was virtually identical to its JOEST trade mark. The affidavit by Gunter Vogel in support of J's case went on to state:

'[P]honetically, the two marks are identical. Bearing in mind that the letter "Ö" in German is the equivalent of the letters "OE" in English, JÖST and JOEST are alternative forms of the same mark. I submit that, at the very least, the two marks are confusingly and deceptively similar and use of the respective marks by different proprietors will inevitably give rise to deception and confusion in the marketplace. It appears from correspondence exchanged

between [J's] attorneys and [Jöst's] attorneys (which will be dealt with below) that [Jöst] agrees that the marks JÖST and JOEST are confusingly similar and, in the circumstances, I do not intend to deal with this aspect in any more detail'.

As stated above on this latter aspect the parties are *ad idem*.

[17] It is common cause that the goods covered by the parties' respective trade marks in classes 7 and 9 overlap. J contended that Jöst's trade mark registrations in classes 7 and 9 are liable to be removed from the register of trade marks on the basis that they are entries wrongly made or, alternatively, entries wrongly remaining, on the register, within the meaning of s 24(1) of the Trade Marks Act 194 of 1993 (the Act). In particular, these registrations, so it was submitted, offend against, *inter alia*, the provisions of the following sections of the Act:

- (a) Section 10(3), in that Jöst has no bona fide claim to proprietorship in relation to the JÖST trade mark in South Africa;
- (b) Section 10(12), in that use by Jöst, or any licensee, such as JVT, would be likely to deceive or cause confusion, in view of J's extensive reputation and goodwill in respect of its JOEST trade mark in South Africa;
- (c) Section 10(14), in that the mark JÖST is identical or so similar to J's (earlier) registered trade mark JOEST, that use thereof in relation to the goods in respect of which the mark has been registered and which are the same as or similar to the goods in respect of which J's JOEST trade mark is registered, would be likely to deceive or cause confusion;
- (d) Section 10(15), in that the mark JÖST is identical or so similar to J's (later) registrations for JOEST that use thereof in relation to the goods in respect of which it has been registered and which are the same as or similar to the goods and services in respect of which J's (later) marks are registered, would be likely to deceive or cause confusion.

[18] During October 2012 J launched an application in the court below seeking the expungement of JÖST trade mark registrations and sought an interdict restraining JVT from infringing its rights that arise from its trade mark registrations referred to above and from passing itself off as J or being connected in the course of trade with J by using the mark JÖST or JOEST.

[19] A further spur to the application in the court below appears to be a legal opinion obtained by J from a German legal expert that as the 1996 licencing agreement was subject to the laws of the Federal Republic of Germany and fell to be interpreted according to those laws, the agreement could not be interpreted as constituting a trade mark agreement.

[20] As is apparent from what is set out above, the application was resisted by Jöst, which in turn launched a counter-application in terms of which it sought the expungement of J's trade mark registrations referred to above and similarly sought interdictory relief of the kind referred to above. Relief was sought against J as well as against Gunter Vogel. Before us, however, the latter relief was not persisted in.

[21] It is now necessary to have regard to the relevant provisions of the 1989 'Sale of Shareholding Agreement'. The agreement was between Gunter Vogel and two other members of the Vogel family and Jöst (at that stage Pontzen) for the transfer of 75 per cent of the shareholding of the company as recorded in para 7 above. In terms of that agreement the purchasers of the shareholding accept that the company (JV) was obliged to buy particular machinery and components from Jöst, unless otherwise agreed to in writing. The purchasers undertook that they would 'enter into a licence agreement with Jöst' and, furthermore, were 'restricted to carrying on its business in the region'. The region was defined to mean 'the Republic of South Africa as it was constituted on 31 May 1961, Namibia, Botswana, Lesotho, Mozambique, Zambia and Zimbabwe'. As contemplated, a manufacturing licencing agreement was simultaneously concluded. Although neither party could locate that agreement it is common cause that the licence agreement concluded between the parties on 17 June 1996 is in similar terms.

[22] The 1996 licence agreement is, as accepted by Jöst, a manufacturing agreement. It records that Jöst as licensor had been manufacturing and selling articles listed therein and that J had manufactured licenced products under a renewable know-how licence from the licensor since 1 January 1989, which licence expires on 31 December 1996. The agreement notes that the parties were desirous that the licencing arrangement be continued. It then goes on to record that J is authorised to exploit Jöst's know-how in respect of standard and non-standard

products set out therein. Furthermore, the agreement notes that the licensee shall not grant sub-licences, without the prior written consent of the licensor. The territory in Southern Africa over which the licence extended is set out. Clause 16 of that agreement reads as follows:

‘The Licensee shall mark all products made by him under licence and supplied to his customers with serial numbers. Should the Licensee delete the name “JOEST” in its registered company name, the Licensee shall affix to such products a label inscribed “Manufactured under Licence of JÖST, Germany”.’

According to Jöst, the inscription set out above was necessary because of European Union Directive 94/9/EC, relating to equipment and protective systems intended for use in potentially explosive atmospheres, which stipulates that the manufacturer of such equipment must state its company name and other identifying marks on such products, that the manufacturer is obliged to ensure strict quality and other control over these goods, and that it is liable under law for such goods. This assertion is unchallenged, save that J contends that it is irrelevant.

[23] The assertions by J’s expert concerning German law and its application to the agreements referred to above was countered in the answering affidavit by a legal expert in support of Jöst’s case, who concluded that:

‘[I]n view of the special relationship between them, particularly the fact that [J’s] predecessor in title was a wholly owned subsidiary of [Jöst], the agreements were no more than what was expected: a technology licence agreement with the implicit further licence to use the JOEST trade marks on such products’.

[24] In responding to what was said by Mr Dieter A Jöst, as is set out in para 11 above, J, in its replying affidavit, merely stated that those allegations were denied insofar as they did not accord with the assertions in its founding affidavit that the licencing agreement was merely one relating to know-how and technology. Furthermore, the assertions by Mr Dieter Jöst were sought to be countered by J, with an affidavit by Dr Uwe Hautz who, at one stage, was the managing director of Jöst as well as a director of J. According to Dr Hautz he was unaware of any trade mark licence agreement.

[25] In exploring the relationship between the parties, the following uncontested facts that appear in para 53 of Jöst's answering affidavit, are also not without significance:

'Before the termination of [J's] licence agreement in April 2012, it yearly imported, under its licence with [Jöst], between €1,000,000.00 and €1,500,000.00 worth of vibrating drive units (electromagnetic drivers) per year from [Jöst], all of which were clearly marked with [Jöst's] JÖST trade mark.'

[26] Jöst is adamant that J is the only party that can be accused of mala fides in relation to the registration of the Joest/Jöst mark. It rejects the accusation on behalf of J that it proceeded to register the marks unlawfully and in contravention of the latter's rights. Jöst was emphatic that J's trade mark registrations, set out above were effected surreptitiously and opportunistically and that they only came to Jöst's knowledge years later.

Judgment in the court below

[27] Ismail J, in addressing the question posed at the beginning of this judgment, considered the provisions of the 1996 agreement as set out at para 22 above to be significant. At para 26 of the judgment the learned judge stated the following:

'To this end one must ask the rhetorical question why would [Jöst] have insisted in the agreement that [J] could utilize "[Jöst's] mark Joest and that if the mark were deleted from the product, they would have to bear the inscription 'Manufactured under License of Jöst, Germany.'"

[28] In the immediately ensuing paragraphs of the judgment of the court below the following appears:

'27. Apart from the reason furnished in para [25], supra I am of the view that it would have been financially and commercially naïve for the German company to allow the South African company carte blanche usage of its name, on products locally manufactured.

28. I am of the view that the agreement was more than a know how agreement, that it was a trade mark agreement, notwithstanding it not having been expressly stipulated in the agreement as such.'

[29] The court below went on to make the following order:

- '1. The application is dismissed with costs, such costs to include the costs of senior counsel.
2. The counter-application succeeds in that I make an order to the following effect: -
 - 2.2 Directing the third respondent [the Registrar of Trade Marks] to rectify the Trade Mark register in terms of section 24(1) of the Trade Marks Act, 194 of 1993 in relation to the trade mark registration number 1996/00964 JOEST in class 7 by removing it from the register.
 - 2.3 Directing the third respondent [the Registrar of Trade Marks] to rectify the Trade Mark Register in terms of section 24(1) of the Act in relation to trade mark registration no. 2010/00726 JOEST in class 37, trade mark registration no. 2010/00727 JOEST in class 7 and trade mark registration no. 2010/00728 JOEST in class 37 by removing the registration from the Register.
 - 2.4 The respondents in the counter-application are ordered to pay the costs of the counter-application such costs to include the costs of senior counsel.'

[30] It is against those conclusions and the resultant orders that J and Jöst, with the leave of the court below, appeal and cross-appeal, respectively.

[31] The cross-appeal is concerned with the failure of the court below to grant interdictory relief against J in relation to the alleged infringement of Jöst's rights flowing from the registration of J's trade marks set out earlier in this judgment, coupled with an order that the marks be removed from all matter in J's possession. Furthermore, the court below did not order that an enquiry be conducted pursuant to s 34(4) of the Act, to determine the quantum of damages suffered by the first applicant as a result of the infringement of the first applicant's trade mark, or the payment of a reasonable royalty for the use of its trade mark in lieu of such damages, and that J pay such damages and/or reasonable royalty as may be found to be payable by it to Jöst in the course of such enquiry. The orders sought and not granted are set out in para 5, 6, 10 and 11 of Jöst's notice of motion in the counter-application in the court below.

[32] Before us it was agreed that a decision on the proprietorship of the Joest/Jöst mark would be determinative of both the appeal and the cross-appeal and would decide:

- (a) Which party's trade mark registrations are validly on the register and which ones should be expunged therefrom;
- (b) Which party shall be rightfully entitled in future to make use of the trade mark Joest/Jöst in South Africa; and
- (c) Which party shall in future be prevented from making use of the trade mark Joest/Jöst in South Africa.

Submissions before us

[33] On behalf of J it was submitted that the court below correctly found that the outcome of its cause of action for trade mark infringement and passing off depended on a proper interpretation of the 1996 agreement. However, J further submitted that the court below erred in finding that that agreement was a trade mark licence agreement. Essentially it was contended on behalf of J that the court below ought to have found that the agreement was merely a know-how agreement and that it was entitled to the relief it claimed. It was agreed between the parties that the applicable law in relation to the 1996 agreement was German law. It was submitted on behalf of J that the court ought to have taken into account in its favour the shareholders agreement concluded in 1989, and should have had regard to the evidence tendered on behalf of J, namely, that of Dr Kador, an independent German attorney who took the view that the agreement could not be interpreted as anything more than a mere know-how licencing agreement based on the principles of interpretation of German law. It was contended on behalf of J that the evidence tendered on behalf of Jöst, namely, that of Mr Hackel concerning the application of principles of interpretation according to German law was not that of an independent objective expert as he was Jöst's attorney.

[34] Jöst, on the other hand, took the view that it was important to consider the history of the relationship between the parties and the capacity in which J made use of the mark JOEST and that it is that aspect that lies at the heart of the dispute between the parties. It was submitted on behalf of Jöst that J made use of the mark JOEST as a licensee and not as a proprietor in its own right and it could therefore not be said to be the proprietor of the mark. Jöst submitted that since the JOEST mark has been in use in South Africa on an extensive basis at least since 1976 by

the appellant, but not in its own name, it could not therefore claim the reputation and goodwill for the purposes of its claim of passing off.

[35] According to Jöst the history set out earlier in this judgment makes it clear that Technics, JV and J were mere licensees authorised to use the JOEST/JÖST mark. That this is so is further evidenced by the provisions of the sale of shares agreements referred to earlier and also by the 1996 licencing agreement.

[36] In respect of the law applicable to the interpretation of the 1996 agreement it was pointed out on behalf of Jöst that the legal experts on either side were at least agreed that according to German law the interpretation of the licence agreement would be resolved by determining the intention of the parties, taking into account their mutual interest and also the situation and negotiations before the signing of the agreement. They merely disagreed about the application of this principle.

[37] Jöst also contended that Mr Vogel's initial registration of the JOEST trade mark in his own name is destructive of J's case, because it would mean that he personally owned the reputation and goodwill. This has to be seen against his contradictory assertion that the reputation attached to J and its predecessors. In essence, it was contended that the only reasonable conclusion is that the provisions of the licence agreement, together with the totality of circumstances, point to J not being the bona fide proprietor of the mark. Jöst accuses J of being opportunistic and manipulative.

[38] It was submitted on behalf of Jöst that the probabilities are overwhelmingly in their favour and that business logic and common sense dictate that a parent company, when incorporating a local subsidiary, will not divest itself of its trade mark and will only licence its 'offspring' to use it. It was submitted on behalf of Jöst that, as ordered by the court below, it was entitled to the expungement of the trade marks registered in J's name, but contended that the continued use by J of the Joest/Jöst mark amounted to a passing off at common law and should have been interdicted as prayed for in the counter-application.

Conclusions

[39] A convenient starting point is a reminder of the purpose of conventional trade marks such as trade names and of logos. Trade mark law has as its subject matter trade names, symbols and signs, which have as their object the conveyancing of information concerning trade origin.² At the heart of trade mark law is truth in competition.³ In *Commercial Auto Glass (Pty) Ltd v BMW AG* [2007] ZASCA 96; 2007 (6) SA 637 (SCA), Harms ADP said the following (para 8):

‘The object of trade mark law as reflected in s 34(1)(a) and (b) [of the Act] 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 [in *Prestonettes Inc v Coty* 263 US 359 (1924) at 368]:

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

[40] A fundamental problem for J is that during the time that Jöst’s predecessors from 1976 to 1989 were wholly owned subsidiaries, they indisputably operated within South Africa under licence from the parent company in Germany and that the machines imported, manufactured and distributed bore the Joest/Jöst mark, indicating Jöst as house of origin. The reputation and goodwill undoubtedly attached to Jöst.

[41] Before us it was accepted on behalf of J that the heart of its case could be located in para 7.8 of its founding affidavit, the essential averments of which are set out in para 15 above. In terms of that subparagraph, J is constrained to accept the truth set out in the first sentence of the preceding paragraph. J, however, placed great store in the allegations that it developed and manufactured its own machines using its own technology alongside those that it manufactured under licence and to which it attached the Joest/Jöst mark, thereby building its own reputation. In para 7.8 of its founding affidavit J stated that ‘for quite a number of years prior to the termination it was [J’s] view that it had received very little in the form of usable know-how from [Jöst], compared to the licence fees that it paid’. Furthermore, according to

² See the discussion of *Société des Produits Nestlé SA v Cadbury UK Ltd* [2013] RPC 14 (ChD) para 20, in CE Webster and GE Morley (eds) *Webster and Page’s South African Law of Trade Marks, Unlawful Competition, Company Names and Trading Styles* (Service Issue 19, November 2015), para 1.1 at 1-3.

³ *Ibid.*

J, the two sale of share agreements in 1989 and 1996 and the concomitant manufacturing agreements were integral to its submission that all these factors taken together lead to the conclusion that it had acquired proprietorship in the Joest/Jöst mark. For reasons that follow, I have great difficulty with these submissions.

[42] It must be understood that the wholly owned subsidiaries, during the time period referred to above, imported, manufactured and distributed machines under licence from Jöst in the circumstances spelt out in para 40. Their usage of the Joest/Jöst mark was also clearly in line with the usage by Jöst internationally. The sale of share agreements referred to above and the 1996 manufacturing agreement did not change these facts. There was therefore patently no need for a written agreement in relation to the use of the Joest/Jöst mark as the subsidiaries were under the control of Jöst. Thus, the companies from which J claims to derive its ownership of the mark by virtue of the sale of shares agreements were not the proprietor of the mark. Even on J's version of events, as set out in para 7.8 of their founding affidavit, referred to in para 41 above, it was using Jöst's know-how and technology for which it paid a royalty up until 'a few years prior to [2012]'. That description is, in itself, deliberately vague but it is an indication that the relationship that existed between Jöst and its wholly owned subsidiaries continued between Jöst and J, at least up until that time. In this regard it is worth quoting from *Webster and Page*:

'An agent or distributor who merely sells, or imports and sells, goods manufactured by another, without adding anything to the mark or get-up under which they are produced, does not thereby acquire any goodwill in the name or get-up; for those symbols thereby acquire a reputation as indicating that the goods emanate from that particular manufacturing provenance and not that they were imported and/or distributed by that particular agent.'⁴

[43] In terms of the 1989 sale of shares agreement, the purchaser (the Vogels) undertook to enter into a licencing agreement with Jöst. The 1989 manufacturing agreement, which was in identical, or at least very similar terms to the 1996 agreement, provided that the purchasers undertake to use the name of the company and/or to use the name Jöst only in the region.

⁴ See *Webster and Page* (supra) para 15.18.1 at 15-47 and the authorities there cited.

[44] Before proceeding to an interpretation of the 1996 agreement, I interpose to deal with the application of German law. The parties are rightly *ad idem* concerning the general method of interpretation of contracts in German law:

‘Generally, under German law, any interpretation starts with the wording of the text of the contract and the parties’ concurrent understanding of it. If this does not lead to a solution, the objective meaning in the light of the circumstances and interests of the parties is decisive.’⁵
This is hardly significantly different to the applicable principles of our law.⁶

[45] It is not for the respective experts to interpret the agreement but for the court to follow the German approach to the interpretation of the agreement and itself to engage in the interpretation exercise. The clauses of the sale of shares agreements and the manufacturing licencing agreements referred to above evidences a continuation of the past relationship between the parties. There certainly is no clause in any of the agreements that cater for the transfer of the proprietary rights to the Joest/Jöst mark. I agree with the submission on behalf of Jöst that, if J had already owned the rights in and to the mark, there would have been no need to deal with sub-licensing and certainly no reason to place a limitation on the use of the licence by limiting it to a region. The labelling provision set out hereafter clearly points to the proprietorship of the marks being maintained by Jöst. Clause 16 of the 1996 agreement reads as follows:

‘Labelling

The Licensee shall mark all products made by him under licence and supplied to his customers with serial numbers. Should Licensee delete the name “JOEST” in its registered company name, the Licensee shall affix to such product a label inscribed “Manufactured under licence of JÖST, Germany”.’

These provisions, as held by the court below, militate against the assertion of acquisition by J of proprietorship of the Joest/Jöst mark.

[46] Additionally, in deliberating the question of proprietorship of the mark it is worth noting again what is set out in para 25 above, namely, that during the years leading up to the termination of the licencing agreement in 2012, J imported from

⁵ Ulrich Magnus ‘The Germanic tradition: application of boilerplate clauses under German law’ in Giuditta Cordero-Moss (ed) *Boiler Clauses, International Commercial Contracts and the Applicable Law* (2011) at 181.

⁶ In this regard, see *Natal Joint Municipal Pension Fund v Endumeni Municipality* [2012] ZASCA 13; 2012 (4) SA 593 (SCA) and the collection of authorities there cited.

Jöst components in an amount of up to €1 500 000 per year, all of which clearly bore the Jöst mark. This is to be considered alongside the assertion by Jöst that it maintained quality control over items which bore its mark and that the mark was required in line with European Union Directives. What is clear is the house of origin of the machines and components was identified as that of Jöst.

[47] The minute of the meeting held in Australia referred to in para 14 above is another factor that counts against J's contention that it is the proprietor of the Joest/Jöst mark. It is apparent that the meeting took place after it was discovered by Jöst that Mr Gunter Vogel had registered the mark in his name. On J's version, there should have been no need to undertake, as recorded in the minute, that the registration would be transferred to Jöst and that J would act as licensee.

[48] Of significance, too, is clause 19 of the 1996 agreement, which provides: 'The Licensee shall not manufacture or sell products which compete with the "Licensed Products" during the duration of the Contract although it shall be permitted to manufacture and/or sell products with a different technology.'

[49] Returning to para 7.8 of J's founding affidavit in the main application, the high-water mark appears to be a postulation of joint ownership of the mark by virtue of the development of own technology to which J attached the Joest/Jöst mark. However, I fail to see how this assists J in its quest to establish proprietorship of the mark. It was a recognised historically well-established distributor of products emanating from Jöst. If it wrongly attached that mark to its own products without the knowledge and approval of Jöst, far from establishing proprietorship of the mark, it could in those circumstances be accused of passing off its products as emanating from Jöst⁷ and/or of infringing the relevant provisions of s 34 of the Act.

[50] Perhaps an even more fundamental problem for J is the fact that the Joest/Jöst marks now claimed by J were first registered in the name of Mr Gunter

⁷ See in this regard *Capital Estate & General Agencies (Pty) Ltd v Holiday Inns Inc & others* 1977 (2) SA 916 (A) at 929C.

Vogel who then had them assigned to and registered in J's name, purportedly in terms of ss 39 and 40 of the Act. Since Mr Vogel does not provide a basis for how he

was initially entitled to the proprietorship of the mark and indeed, since no basis exists, and furthermore since he contradictorily stated that the reputation attached to J, it is difficult to see how he was able to transfer the proprietorship of the marks to J.⁸ It is no answer to say that J was in any event the rightful proprietor of the marks and so the subsequent registration of the mark in its name is unassailable. The basis for the assignment of the right was fallacious; J had not, in its dealings with the Registrar, laid claim to the mark in its own right or sought to have it registered in that manner.

[51] It also does not assist J that no royalties were paid in relation to the use of the mark. It is clear that royalties were paid in terms of the manufacturing licencing agreement. It was Jöst's prerogative to decide a method of monetizing its reputation and technical know-how and it chose to do so by way of royalties relating to the manufacture of components and machines.

[52] For all the reasons set out above, the court below cannot be faulted in its conclusion that Jöst is the proprietor of the Joest/Jöst mark. However, Jöst's further submission is correct. J's actions have been manipulative and opportunistic. Accordingly, the court below ought, rightly, to have also granted Jöst the full extent of the relief sought by it as set out above, and for that reason the cross-appeal must succeed.

[53] The following order is made:


1. The main appeal is dismissed with costs including the costs of two counsel.
2. The cross-appeal is upheld with costs including the costs of two counsel.
3. Paragraph 2.3 of the order in the court below is amended to read as follows:
'2.3. The first respondent in the counter-application is ordered to pay the costs of the counter-application.'

⁸ In this regard, see *Payen Components SA Ltd v Bovic CC & others* [1995] ZASCA 57; 1995 (4) SA 441 (A), at 447H-I, where the *nemo dat quod non habet* principle was applied in relation to copyright. This is the trite principle that one cannot transfer a right that one does not oneself have.




4. The order of the court below is supplemented by the inclusion of the following orders:

‘2.4. The first respondent in the counter-application is interdicted and restrained, in terms of Section 34(1)(a) the Trade Marks Act 193 of 1994, by itself or through its servants or

agents, from infringing the rights of the first applicant in the counter-application flowing from the registration of the first applicant in the counter-application’s registered trade mark nos.

2006/29062 & 63  in classes 7 and 9 by using, in the course of trade, in relation to the goods and services identical to the goods included in trade mark nos. 2006/29062 & 63, the identical mark or any mark so similar thereto as to be likely to deceive or cause confusion.

2.5 The first respondent in the counter-application is interdicted and restrained from passing off its goods and services as being those of the first applicant in the counter-application or as being connected with those of the first applicant in the counter-application in the course of trade, by the use of the marks: JOEST, JOST, JÖST, **JOST**, **JOEST**,

, and related get up, or any other trade mark or get-up that is confusingly similar to the first applicant in the counter-application’s  and  trade marks and get-up.

2.6 The first respondent in the counter-application is ordered to remove the marks:

JOEST, JOST, JÖST, **JOST**, **JOEST**, ,  and related get up, or any confusingly or deceptively similar trade marks, from all matter in their possession or under their control, including all signs, labels, websites, promotional and advertising material, packaging, stationery and other printed or electronic matter of any nature and where the marks are inseparable or incapable of being removed from such material to which they have been applied, delivering up such matter to the first and second applicants in the counter-application’s attorneys.

2.7 It is directed that an enquiry be conducted, pursuant to Section 34(4) of the Trade Marks Act 194 of 1993, to determine the quantum of damages suffered by the first applicant in the counter-application as a result of the infringement of the first applicant in the counter-application’s trade mark, or the payment of a reasonable royalty for the use of its trade mark in lieu of such damages, and that the first respondent in the counter-application pay such damages and/or reasonable royalty as may be found to be payable by the first respondent in the counter-application to the first applicant in the counter-application in the course of such enquiry, and that

2.8 To this end, in the event of the parties being unable to agree on the procedure to be adopted in such enquiry, either party may approach this court for directions as to the procedure to be adopted, on these same papers, duly supplemented where necessary.'

M S Navsa
Judge of Appeal

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