

STATUTORY CIVIL REMEDIES IN TRADE MARK LITIGATION

by

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SUMMARY

Little attention is paid to the civil remedies available when infringement of a trade mark or the right to goodwill occurs. Yet, for the owners of such rights, these remedies are of much greater importance than theoretical considerations regarding the nature of the rights or what constitutes their infringement.

This thesis analyses the civil remedies for trade mark infringement granted by the South African Trade Marks Act 194 of 1993. In the South African context, any consideration of civil remedies is rendered problematic by the attempted graft of English remedies onto a legal system with a different common-law background.

It is, therefore, essential first to trace the English origin and application of these remedies, and then to determine whether each remedy is acceptable in terms of the South African common law. This is necessary, as our courts have previously rejected or adapted English remedies which were unknown to our common law but which Parliament introduced in legislation.

The remedies of interdict (or injunction) in final and interlocutory form, compensatory damages, reasonable royalties, and delivery up are analysed from a substantive law and a procedural perspective. The procedural innovation of an inquiry as to damages is also considered.

In respect of each remedy, (1) the English roots and development of the remedy are traced; (2) differences of approach in two other Commonwealth jurisdictions, Australia and Canada, are highlighted; (3) the development of the South African equivalent is detailed; and (4) suggestions for the future implementation of the remedy in South Africa are made.

In the penultimate chapter, our common law and legislation (including the Constitution of the Republic of South Africa 108 of 1996) are measured against the requirements of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS).

Recommendations for the effective utilization of each remedy in South Africa are then made. They include suggestions for legislative amendment in respect of delivery up and an inquiry as to damages, and the introduction of statutory damages as an further civil remedy.

Key Terms: Intellectual property; civil remedy; trade marks; passing off; interdict; injunction; damages; statutory damages; royalty; delivery up; inquiry.

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CHAPTER 1

INTRODUCTION

- 1 THE ISSUES DEALT WITH IN THIS THESIS**
- 2 METHODOLOGY**
- 3 SCOPE OF THE THESIS**
- 4 STRUCTURE OF THE THESIS**

CHAPTER 1

INTRODUCTION

1 THE ISSUES DEALT WITH IN THIS THESIS

When reading textbooks or court decisions on trade marks and passing off, it is remarkable how little attention is paid to the remedies available when infringement of a trade mark or the right to goodwill takes place. The reason for granting protection to trade marks and goodwill is primarily to allow the owner of these rights to enforce them. Yet, while volumes are filled with information on the nature of the rights, what they encompass, how to record and transfer them, and what constitutes infringement, a short chapter in a textbook, or a paragraph in a court decision is the only attention paid to the enforcement of such rights.

This is not a uniquely South African phenomenon. However, in South Africa the problem is exacerbated by the graft of English remedies onto a legal system with different roots.

The whole of our law of intellectual property is firmly grounded on English principles and concepts. This is not a serious problem as regards substantive statutory rights; they are described in our municipal law and their English origin is then irrelevant except as a source of reference. The assimilation of English remedies, however, is not as simple. Parliament has frequently attempted to incorporate English remedies by mere reference in intellectual property legislation. This is found most frequently in copyright legislation. Remedies such as conversion and detention, account of profits, and exemplary and additional damages have all been named as forms of relief, without any explanation of what they comprised or how they were to be applied in a South African context. The Trade Marks Act of 1993 is not immune to criticism: it states that remedies such as delivery up, inquiries as to damages, and reasonable royalties are available, without any explanation of what these statutory innovations mean. When enforcement

of these remedies is sought, our courts either hold that they are not available in South Africa or reduce them to procedural relief falling within their inherent jurisdiction.

Not surprisingly, none of the remedies listed above has been consistently granted by our courts. Yet all of them have been introduced in an attempt to assist the owners of intellectual property rights in their battle against infringers.

I have tried to place the civil remedies listed in the Trade Marks Act of 1993 in their historical context and to determine whether they are appropriate for the South African legal system. Each remedy is considered in both a substantive law and a procedural context, as both contexts affect the implementation and value of the remedies in the different jurisdictions.

For reasons of space, I have limited this study to those remedies specifically listed in the Trade Marks Act of 1993. Although the Act provides that these remedies are available only for infringement of registered trade marks, it is generally accepted that they are also available when the right to goodwill is infringed. For this reason, the remedies are analysed both as regards trade mark infringement and passing off: when the remedies do not have identical application, this is indicated. Many of the remedies are also available in the event of infringement of other forms of intellectual property and so the discussion and conclusions are also of more general relevance.

2 METHODODOLOGY

All the remedies enumerated in the Trade Marks Act of 1993 are available in English law. While a number of them have always been available in terms of our common law, the enormous influence of English precedent and legislation in the field of intellectual property has meant that even traditional remedies, such as damages or interdicts, have acquired an English flavour when applied in this field. This has led to confusion as to the requirements which must be met before such remedies are available to South African litigants. Those remedies which are foreign to our common law have frequently

been rejected out of hand, merely because they are of English origin, without a consideration of whether they can be adapted to meet our common-law requirements.

It is for this reason that each remedy is first dealt with from an English law perspective. The origin and development of the remedy in England is traced, and its current application in English trade mark infringement and passing off decisions described.

The origin and development of the equivalent South African remedy is then discussed, followed by a consideration of the application of the remedy in our trade mark law. Where a specific remedy is unknown to our common law, I have tried to determine whether the remedy can be justified in terms of general legal principles and, if so, how it should be implemented in South Africa so as to accord with these principles.

The application of these remedies in the Commonwealth jurisdictions of Australia and Canada is sufficiently similar to the English position to make a full comparison unnecessary. However, South Africa's readmission to the Commonwealth on 1 June 1994 justifies discussion where these jurisdictions have diverged from or adapted the English approach.

Differences between the remedies in the various jurisdictions are then highlighted and analysed.

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS),¹ concluded in Uruguay in 1993 and signed in Marrakesh in 1994, is the first international agreement² on the minimum enforcement procedures which members must make available to the owners of intellectual property rights. As all the countries mentioned in the thesis are members of the World Trade Organization, their compliance with the provisions of this agreement is considered.

1 Annexure III to the General Agreement on Tariffs and Trade (GATT).

2 Previous attempts to harmonise national trade mark legislation, such as the EC Directive of 1988, did not deal with the remedies for infringement.

Finally, suggestions are made for the future implementation of each remedy in South Africa, taking into account both its application by our courts and its compliance with the TRIPS requirements.

3 SCOPE OF THE THESIS

This thesis is primarily a comparison between English and South African law. As stated earlier, Australian and Canadian developments are considered when they diverge from the English position. A comparison with similar remedies applied in the Continental legal systems is futile, as the whole focus of our courts and legislature in the intellectual property field has been on English developments. A comparison with the American position has not been attempted for the same reason. But where guidance on the application of a remedy cannot be found in English law, reference has been made to American decisions.

Questions concerning the nature of the right to be enforced, and proof of infringement, have not been considered except when they are relevant to the implementation of a particular remedy. They are then discussed in that context only.

4 STRUCTURE OF THE THESIS

The historical development of the remedies available to the owners of trade marks and goodwill is described in chapter 2. No attempt is made to give a general history of the development of trade mark rights - this would require a separate thesis.

Coercive relief in the form of final and interlocutory interdicts is considered in chapters 3 and 4.

Chapter 5 deals with the compensatory relief of damages and reasonable royalties. As these remedies appear inadequate, it is suggested that a further type of damages, statutory damages, be introduced.

The new procedural relief for obtaining damages by means of an inquiry as to damages is dealt with in chapter 6, while chapter 7 considers how the remedy of delivery up should be applied in South Africa.

Finally, the TRIPS requirements are set out in chapter 8 and the compliance of, in particular, English and South African legislation with these requirements is assessed.

Chapter 9 contains brief recommendations for the implementation or amendment of statutory civil remedies in South Africa.

CHAPTER 2

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CHAPTER 2

HISTORICAL SURVEY OF REMEDIES

1 INTRODUCTION

In this chapter, the historical development of the civil remedies available when trade mark infringement or passing off occurs will be sketched briefly. The emphasis throughout will be placed on these remedies, rather than on the development of the rights which are protected. When the nature of the right to be protected is relevant to a specific remedy, it will be dealt with when the remedy is considered.

Any consideration of this development requires a study of English, rather than Roman and Roman-Dutch, legal history. It is trite to say that South African intellectual property law is based on English equivalents; the English influence on this area of law is greater than on any other. Until the most recent South African legislation was promulgated, trade mark legislation in South Africa was a virtual reprint of equivalent English provisions.

Unfortunately, in this wholesale adoption, English remedies unknown to our common law were incorporated in South African legislation. This has resulted in enormous confusion as to the application and extent of such remedies. A general survey of how trade mark remedies changed as the nature of the rights developed can be made only by tracing English history. It is only when specific remedies are discussed later in this thesis that it becomes necessary to refer to our common law to determine how these remedies apply in South Africa. The focus in this chapter is therefore on English, rather than South African, historical developments.

The historical development of the remedies for trade mark infringement and passing off differs substantially from that of the remedies available for other forms of intellectual property infringement. Although trade marks have a much older history than other forms

of intellectual property, statutory protection was granted only at a much later stage. In addition, before the current trade mark legislation in England and South Africa, legislation never spelt out the remedies available to the proprietor of an infringed mark.

During the Middle Ages, when markings were controlled by the guilds and their function was to control defective workmanship, misuse of these markings carried only penal sanctions. As the concept of a trade mark altered and the structure of British courts became more formalised, the nature of the action to prevent infringement also changed from a criminal to a civil action. At common law, actions were based on deceit and damages were the only relief that common-law courts could grant. In equity courts, introduced to alleviate the limitations of the common law, actions to prevent trade mark misuse came to be based on property rights. Although damages could not be recovered, fraud was not an essential element of the action and injunctions could be obtained. In addition, the equitable remedies of accounts and delivery up were available to successful plaintiffs.

Unlike other legislation dealing with intellectual property, when statutory protection was finally given to trade marks, it did not specify the remedies available to proprietors when their trade marks were infringed. But it has always been accepted that all common-law and equitable remedies available in respect of the infringement of other property rights are available for trade mark infringement and passing off.¹

2 EARLY HISTORY

The standard English text on trade marks warns readers that a discussion of the history of trade marks prior to 1875 'is a mixture of what actually happened with myth drawn from decisions over the years of various courts';² an earlier edition of the same work states bluntly that 'the law on this subject cannot be traced back further than the

1 Cornish (1996) 54; Kerly (1986) 317 and 422.

2 Kerly (1986) 1 footnote 2.

nineteenth century'.³ While it is correct that formal legislation governing trade marks in England did not exist before 1875, a brief survey of the little that is known about the precursors to modern trade marks still offers a useful perspective.

2.1 MARKINGS IN CLASSICAL TIMES

It is trite that marks have been used since antiquity,⁴ and it is unnecessary for present purposes to speculate on the function of these earliest marks, branded onto cattle or found on pottery fragments. Logic seems to indicate that such markings were not all intended to fulfil the same purpose and that some marks were indicators of ownership, others of the source of goods. Similarly, although it is clear that forms of trade marks existed in Greek and Roman times,⁵ no Roman text deals with any form of legal structure or organisation acknowledging or protecting such marks.⁶ This absence of any contemporaneous literature makes a discussion of such marks futile, as it is impossible to ascertain with any certainty how they were protected.

2.2 MEDIEVAL MARKINGS

In medieval Europe and England, marks were in common use and various types of mark could be identified, each performing a different function. Personal marks, such as coats of arms and seals, identified individuals, or, as house marks, the family living there.⁷

Proprietary marks were used to indicate ownership of goods. Such marks were

3 Kerly (1923) 2.

4 See Burrell (1976) 35-36; Diamond (1975) 266-272; Rogers (1910) 29-30.

5 Diamond (1975) 271; Vukmir (1992) 127-131.

6 Rogers (1910) 32, quoting from Kohler *Das Recht des Markenschutzes* Wurzburg (1884) 41. See also Paster (1969) 554-555; Vukmir (1992) 127, 130-131.

7 Diamond (1975) 272-273.

frequently derived from the personal mark of the owner but, in these instances, served a different function. These marks were used to identify the goods, tools, and cattle of individuals and later, with the growth of trade, were used by merchants to identify their ownership of goods in transit. This identification was to identify goods for handlers who were illiterate or to enable a merchant to establish ownership in case of loss and subsequent salvage of his goods.⁸ These marks were an important development in the evolution of the concept of trade marks, as they were seen as prima facie or even conclusive evidence of ownership of the goods on which they appeared.⁹ No information is available on the remedies for misuse of such marks.

These marks did not fulfil the functions of a trade mark but were merely indicators of ownership. It was only with the introduction of the guilds that the precursor to the modern trade mark first made its appearance.

3 ENGLAND

3.1 ENGLISH HISTORY BEFORE LEGISLATION

3.1.1 Guild production marks

In the fourteenth century, English trade was dominated by the guild system, in which groups of artisans in the same trade worked under a strict controlling body. These organisations, known as guilds, controlled the various industries of the time and supervised manufacturing processes and trade.¹⁰ Most guilds were created with the approval of the civic authorities and were controlled by them, with occasional friction as to the delegation of authority, although some guilds were independent of the local

8 Melikan (1990) 173.

9 Paster (1969) 559. Schechter (1925) 26-34 gives many examples of Admiralty Court records and argues that the statute of 27 Edward III indicates that such marks were accepted as proving ownership of the goods concerned (at 34).

10 Holdsworth (1924) 321-322.

authorities.¹¹ The various guilds usually held a monopoly in respect of their trade in their town or area,¹² but were then expected to enforce high standards of production. To do so, compulsory marks had to be affixed to every article produced by a guild craftsman. Each member had a different mark and the quality of a member's produce could be controlled in this way. The purpose of these production marks was both to facilitate the tracing of defective wares so as to punish the craftsman concerned, and to assist the guild authorities in identifying non-members to prevent them from selling their produce within the area of the guild monopoly.¹³ So, for the craftsmen concerned, these production marks were originally a liability, not an asset. Guild members were not encouraged to establish an individual, as opposed to a collective, goodwill.¹⁴ Misuse of guild marks was subject to severe penalties, imposed by the guild organisation or the leet courts of the time.¹⁵ Penalties were corporal punishment, forfeiture of the offending goods, and fines payable to either the guild or the local or state authorities.¹⁶ It does not appear that the individual guild member had a civil action against someone who misappropriated his mark. This is understandable, as the mark was not viewed as having a commercial value for him personally, but rather as falling under the control of the guild. On occasion, part of the fine was to be paid to the rightful user of the misused mark; but references to this practice are limited to specific types of guild mark and are so vague as to be inconclusive.

In industries dealing with non-perishable commodities capable of transportation, however, some marks did acquire a secondary significance as an indication of quality.¹⁷

11 Cunningham (1915) 338 and 341.

12 Holdsworth (1956) 568.

13 Schechter (1925) 47.

14 *Idem* at 38 and 44.

15 Cunningham (1915) 222. A leet court was a court in which municipal matters were decided - each leet comprising what would in modern terminology be understood as a ward: Hudson (1892) xxxvii.

16 Schechter (1925) 51 and 55.

17 *Idem* at 63.

The cloth trade was one of the first trades where such a development occurred. Wool was the major English export in the later Middle Ages, and at an early stage the government regulated this industry through guild officials or, as the influence of the guilds began to wane, through its own officials.¹⁸ Weavers from less esteemed areas began to imitate or forge both the collective marks of the best-known manufacturing centres and the marks of individual weavers from those centres. The Privy Council made many regulations to prevent such forgeries and maintain the standards of the cloth industry.¹⁹ Punishment for the misappropriation of marks was imposed by the Star Chamber, the administrative court responsible for such commercial matters, and took the form of heavy fines and the pillory.²⁰ So in time these marks, which originated as guild control marks, came to be viewed as identifying the excellence of a manufacturing source and were valued and protected as such. But cloth marks were never viewed as assets which could exist independently of the specific craftsman or which could enjoy judicial, rather than administrative, protection.

This realisation finally evolved through the changing perception of cutlers' marks, which also started out as guild marks. The cutlery trade, responsible not only for knives but all weapons and war material, was arranged in geographic monopolies. Early records of the various companies show that some form of ownership was acknowledged, that marks could be sold or leased, and that marks were transferable, with a widow enjoying the right to a life estate in the mark and being able to claim a reversion of it.²¹ This right was statutorily confirmed in 1801. This Act can be viewed as the first statutory acknowledgement of a trade mark as an independent asset of value to its owner.²² The Court of the Cutlers Company was responsible for the protection of cutlers' marks, but

18 *Idem* at 81.

19 *Idem* at 87 and 90-93 details some of these regulations.

20 Guy (1985) 46 and 58.

21 Schechter (1925) 121.

22 41 Geo III c 97 (as quoted by Schechter (1925) 121): 'to bequeath his mark, as his other personalty, by his will, his widow, thereby not to be thereby prevented from carrying on the trade, or selling the right to the mark, for her lifetime, to any other person carrying on the trade'.

it appears that, while this court was empowered to impose penalties on offenders,²³ a civil action by the user of the mark against infringers was not available.

3.1.2 Post-guild marks

The strength of the guilds began to decline in the middle of the fifteenth century, as inroads were made into their monopolies. They remained a controlling force in respect of guild marks until the seventeenth century, as they remained responsible for the discipline of their members and the control of the quality of their produce. So the protection of marks, whether guild marks or otherwise, was more usually exercised by guild and administrative courts, such as the Star Chamber, than by common-law courts.

3.2 LITIGATION BEFORE LEGISLATION

3.2.1 Common-law courts

It is unclear when the protection of marks shifted away from administrative courts to the common-law courts.²⁴ Early common-law actions were instituted by purchasers of fraudulently marked goods. The action was based on deceit.²⁵ Damages were awarded for any loss which the purchaser had suffered. When the owners of marks commenced proceedings at common law, they were also obliged to base their action on deceit, as the common law had a limited number of forms of action and did not recognise any property right to a trade mark. It is commonly accepted that *Southern* contains the first reference to a trade mark in a common-law court. This 1618 case, while not itself dealing with trade mark infringement, contains a dictum by the judge referring to an Elizabethan action concerning the infringement of a clothier's mark. Various conflicting

23 Schechter (1925) 118.

24 See Paster (1969) 563-564.

25 Kiralfy (1962) 428.

reports of this decision exist²⁶ and the reference is generally viewed as being too unreliable to afford definite confirmation that civil actions to protect trade marks were known before 1600.²⁷ The decision is not helpful for purposes of this investigation, primarily because one report states that action was instituted by the trader whose mark had been infringed,²⁸ another that the purchaser of the cloth was the plaintiff,²⁹ while the remainder are silent on this point. So the basis of the action cannot be determined. Despite the vagueness of this reference, this decision was cited in an eighteenth century law dictionary as authority for the statement that 'if one man shall use the mark of another, to the intent to do him damage, action upon the case lieth'.³⁰ The first reported decision which dealt with trade marks as such in a common-law court, *Singelton*,³¹ was heard in 1783, more than a century later. Here the court held that 'if the defendant had sold a medicine of his own under the plaintiff's name or mark, that would be a fraud for which an action would lie'.³² The action was dismissed, as no evidence was presented that the defendant had sold his preparation as if it were that of the plaintiff, and the action could not be maintained on the ground of any property right of the plaintiff 'there being no patent, nor any letters of administration'. By 1824, it was accepted, without need to cite authority, that an action was maintainable 'against another person who adopted the same mark for the purpose of denoting that that his goods were manufactured by the plaintiff'.³³ A few years later, the concept of a trade mark had already developed to the extent that a court would hold that 'the act of the

26 *Southern* (Popham) (1659) 143; *Southern* (Rolle.1) (1676) 5; *Southern* (Rolle.2) 28; *Southern* (Croke) (1659) 471; *Southern* (Bridgman) (1659) 125.

27 Rogers (1910) 40 footnote 30; Schechter (1925) 7-8.

28 *Southern* (Popham) (1659) 144.

29 *Southern* (Croke) (1659) 471.

30 Jacob (1772), definition of 'mark to goods'. The citation is given as 2 Cro 471 rather than 3 Cro 471, but this appears to be a misprint.

31 *Singelton* (1783) 293.

32 *Ibid.*

33 *Sykes* (1824) 541.

defendant was a fraud against the plaintiff; and if it occasioned him no specific damage, it was still, to a certain extent, an injury to his right' and that the plaintiff was entitled to some damages in consequence.³⁴ At common law, once the existence of an action for trade mark infringement had been recognised, it was always instituted as an action for deceit, with proof of fraud on the defendant's part being an essential requirement.³⁵ This was so despite the fact that it was the purchaser, who was not a party to the action, rather than the plaintiff, who had been deceived.³⁶

Common-law courts were also able only to award damages, which was frequently not the most useful relief for the plaintiff. But despite the unsatisfactory nature of the relief available at common law, it was frequently necessary first to establish a legal right at common law before an injunction would be granted by a chancery court.³⁷ After 1862, when Sir John Rolt's Act allowed an equity court to determine the validity of a plaintiff's title itself, rather than requiring him to prove it at common law before approaching an equity court for injunctive relief,³⁸ trade mark actions were more commonly instituted in courts of equity.³⁹

34 *Blofeld* (1833) 411.

35 See, for example, *Crawshay* (1842) 385; *Edelsten* (1863) 199; *Leather Cloth* (1863) 139. The interpretation placed by Ludlow (1877) 13 on *Crawshay* is that 'the Court held that an intention on the defendants' part to deceive buyers, added to a probability that buyers would be deceived, was a sufficient ground of action'.

36 Ludlow (1877) 14 argued that the action for trade mark infringement differed from a true action based on fraud, as in the former an attempt to deceive could ground the action, while in other instances fraud gave no ground of action unless it was successful.

37 See *Rodgers* (1846) 325 and *Morison* (1841) 385. Counsel for the plaintiffs in *Morison* told the court that 'the action was not brought to recover damages, but to contest the right of the defendant to injure the plaintiffs by selling an imitation of their medicine as the genuine article' (at 391). Nominal damages of one farthing had been awarded.

38 Section 1 of Sir John Rolt's Act 1862.

39 See Ludlow (1877) 19 and Adams (1874) 36.

3.2.2 Equity courts

The grant of injunctive relief by chancery courts was not initially a *sine qua non*. In 1742, in the earliest reported trade mark decision in which an injunction was sought, the court refused to assist the plaintiff, stating that there was no ground for the grant of an injunction.⁴⁰ The first equity case in which an injunction was granted, in 1816, in respect of an infringed trade mark, is unreported, and merely referred to in an early nineteenth century textbook on injunctions.⁴¹ It concerned a manufacturer of blacking who was enjoined from using labels in imitation of those employed by the plaintiff. The first reported decision in which an injunction was granted seems to have been that of *Gout*, in 1833.⁴² But by 1838, a chancery court was prepared to grant an injunction even against innocent infringers. It held that as the plaintiffs had proved title to the marks in question, they were entitled to the court's assistance to enforce such title.⁴³ By 1856, when a plaintiff's right to institute equity proceedings was queried by the defendant, the court held:

'The plaintiff's equity is founded on the jurisdiction of this court to give relief in the shape of preventative justice in order to make more effectual a legal right, the legal right here being a right to have a particular trade-mark to designate a commodity. ... [I]t is the right which any person designating his wares or commodities by a particular trade-mark, as it is called, has to prevent others from selling wares which are not his marked with that trade-mark in order to mislead the public and so incidentally to injure the person who is the owner of the trade-mark'.⁴⁴

40 *Blanchard* (1742) 485: 'Every particular trader has some particular mark or stamp; but I do not know any instance of granting an injunction here, to restrain one trader from using the same mark with another; and I think it would be a mischievous consequence to do so.'

41 *Eden* (1821) 314 footnote (d).

42 *Gout* (1833) 69.

43 *Millington* (1838) 352.

44 *Farina* (1856) 217.

The concept of a trade mark as property right, which could be enforced by injunctive relief, was confirmed a few years later in the *Leather Cloth* (1863) decision.

3.3 ENGLISH LEGISLATION

3.3.1 Early legislation

Before the first legislation dealing specifically with trade marks was passed, some form of legal protection was given to specific types of mark. The earliest of these statutes, passed in 1581, dealt with waxmaking and trade in honey, and provided for these goods to be marked. The penalty for counterfeiting such marks, or using them without the consent of the persons whose names they signified, was a fine of five pounds, half to go to the Crown and the other half to the person deceived. It is unclear whether this person was the rightful user of the mark or a purchaser. If this fine could not be paid, the infringer was set on the pillory and subject to three months' imprisonment.⁴⁵ Similarly, in 1698 legislation was passed prohibiting the export of empty watchcases from England to foreign parts and requiring each watch or case to contain the maker's name. The penalty was a heavy fine, to be shared between the Crown and the complainant.⁴⁶ Legislation regulating the manufacture of linen in Scotland provided that manufacturers could fix some mark to the cloth they wove. On conviction as counterfeiter, a penalty of one hundred pounds was due, not to the Crown but for the use of the person whose mark had been counterfeited.⁴⁷ Here we already find that use of a trade mark, while not compulsory, was clearly viewed as advantageous; the penalty cannot be described as a criminal sanction, as the proceeds went to the owner of the infringed mark.

45 Section VI(2) of 23 Eliz c 8. This statute is cited as authority by Jacob (1772) for his allegation that 'a penalty is inflicted in this case' when stating that 'if a man uses the mark of another, to do him damage, an action upon the case lies'.

46 Section II of 9 & 10 Wm III c 28.

47 Section XXX of 13 Geo I c 26.

3.3.2 Previous trade mark legislation

The first statute dealing with trade marks, the Merchandise Marks Act, was passed in 1862. No provision is made for the registration of marks, nor is a trade mark defined. The Act contains primarily penal sanctions for the forging and counterfeiting of trade marks, but also deals with civil litigation. It provides that in common-law and equity suits either court⁴⁸ may award an injunction, order destruction or disposal of the infringing articles, inspect the articles and processes used to commit the infringement, and award damages.⁴⁹ This Act contained the most detailed provisions on the civil remedies available to the proprietor of an infringed mark of any English legislation before passage of the 1994 Act.

The first Act containing registration provisions, the Trade Marks Registration Act 1875, makes registration a precondition for infringement proceedings, but does not mention what relief is available if infringement is proved.⁵⁰ The 1876 amendment amends section 1 of the principal Act to provide that registration is a precondition 'to prevent or recover damages for the infringement of any trade-mark'.⁵¹ The same phrase is used in the 1883 Act and, in respect of unregistered trade marks, in the 1905 Act.⁵² Although the 1905 Act makes no mention of the relief available to a registered proprietor, the 1919 Act provides that 'no injunction, interdict or other relief' may be granted in respect of part B marks if the use complained of is not calculated to deceive.⁵³ The 1938 Act

48 It was possible for a common-law court to award an injunction after 1854, in terms of section 79 of the Common Law Procedure Act 1854. Similarly, section 2 of the Lord Cairns' Act 1858 permitted a chancery court to award damages if the court had jurisdiction to hear an application for an injunction. Both Acts were promulgated to prevent the necessity of instituting more than one suit to obtain both remedies.

49 Sections 21 and 22 of the Merchandise Marks Act 1862.

50 Section 1 of the Trade-Marks Registration Act 1875.

51 Section 1 of the Trade-Marks Registration Amendment Act 1876.

52 Section 77 of the Trade Marks Act 1883, section 42 of the Trade Marks Act 1905.

53 Section 4 of the Trade Marks Act 1919.

contains a similar provision.⁵⁴

3.3.3 Current trade mark legislation

The most recent legislation is the Trade Marks Act 1994, which for the first time since 1862 details the remedies available to the proprietor of a registered trade mark which has been infringed. The White Paper of 1990 which preceded this Act made no mention of civil remedies, possibly because a major incentive for the amendment of English trade mark legislation was the EC Directive of 1988, which does not deal with remedies for infringement. Although this Directive, for the harmonisation of trade mark laws of member states, required compliance by 1992, the new English Act was not promulgated until 1994. So it is possible that the listing of remedies was introduced to accommodate TRIPS, which details the civil remedies which members must make available to holders of intellectual property rights. The 1994 Act provides that the relief by way of damages, injunctions, accounts or otherwise, available in respect of any other property right, is also available for trade mark infringement.⁵⁵ Provision is also made for erasure of the offending mark or destruction of the infringing goods, as well as for the delivery up of infringing goods in certain circumstances.⁵⁶

4 AUSTRALIA

Before federation, the various Australian colonies had the power to pass legislation governing trade marks. Most enacted legislation was similar to the British Merchandise Marks Act 1862 and the subsequent Trade Marks Registration Act 1875. The Trade Marks Act 1905 was the first legislation on the topic and was substantially similar to the English 1905 Act. This Act was reviewed in 1938 in the Knowles Report, but its

54 Section 5 of the Trade Marks Act 1938. Neither the Goschen Report of 1934 nor the Mathys Report of 1974 considered civil remedies.

55 Section 14(2) of the Trade Marks Act 1994 (UK).

56 Sections 15, 16 and 19 of the Trade Marks Act 1994 (UK).

suggestions were never implemented due to the outbreak of war. The Dean Report of 1954 was prepared together with a draft Bill, which was enacted with minor amendments the following year.

This Act⁵⁷ remained in force until 1996. It provided that the relief a court could grant included an injunction and, except in the case of a trade mark registered in part C of the register, at the option of the plaintiff, either damages or an account of profits.⁵⁸ The Act also provided that where a defendant was sued for passing off in respect of his use of a registered trade mark of which he was the proprietor, being a trade mark which was identical or similar to the plaintiff's mark, damages would not be awarded if he satisfied the court that he was unaware of the plaintiff's mark.⁵⁹ The Act contained various penal provisions which included fines, imprisonment, and forfeiture.⁶⁰ Statutory provision was not made for civil delivery up, but writers and the courts viewed erasure or delivery up as part of the courts' inherent equitable jurisdiction.⁶¹

Following the Recommended Changes Report of 1992, draft trade mark legislation was published in 1994. This draft contained fundamental changes, including amendments in respect of offences and penalties,⁶² but nothing new in the field of civil remedies.⁶³

The Trade Marks Act 1995 came into effect at the beginning of 1996. It provides that a court may grant an injunction, subject to any condition that the court thinks fit, and,

57 Trade Marks Act 1955 (Aus).

58 Section 65 of the Trade Marks Act 1955 (Aus). Part C marks are certification marks (section 83).

59 Section 68 of the Trade Marks Act 1955 (Aus).

60 Sections 98-107.

61 See Ricketson (1984) 720; Shanahan (1990) 359.

62 Recommended Changes Report (1992) 114-116. For a discussion of this report and draft see Dwyer (1994) 41.

63 The Discussion Paper (1991) which preceded the Report contains no reference to or request for comments on civil remedies.

at the option of the plaintiff, damages or an account of profits.⁶⁴ A further provision is that a court may not grant damages or an account during a critical period, which is defined as a period when a mark is vulnerable to removal for non-use.⁶⁵ The statutory protection which an innocent infringer enjoyed in certain circumstances under section 98 of the 1955 Act has disappeared. No provision is made for civil or criminal delivery up or forfeiture orders, and forfeiture to the state may be ordered only in respect of infringing goods imported into Australia.⁶⁶

5 CANADA

The Trade Mark and Design Act 1868 was the first legislation governing trade marks passed by the Dominion parliament. Further legislation was passed in 1879⁶⁷ and again in 1890.⁶⁸ The latter Act, after various amendments, was included in the 1927 revision. The only provision which this Act made for civil remedies was that registration was a prerequisite 'to prevent the infringement' of a trade mark.⁶⁹ But section 21 of the same Act made it an indictable offence for anyone other than the proprietor of a mark to mark or sell an article with a registered trade mark, and provided for substantial penalties on contravention.⁷⁰ Of interest is the fact that these fines were to be paid to the proprietor of the mark, together with the costs incurred in enforcing and recovering the fine.⁷¹ The bulk of this Act, including the provisions referred to above, was repealed by the Unfair Competition Act 1932. This Act regulated trade marks but also diverged from equivalent legislation in other Commonwealth jurisdictions by attempting to regulate commerce

64 Section 126 of the Trade Marks Act 1995 (Aus).

65 Section 127.

66 Section 135(1).

67 Trade Mark and Design Act 1879.

68 Trade Mark and Design Act 1890.

69 Section 19(3) of the Trade Mark Act 1927 (Cn).

70 Section 21(1).

71 Section 21(2).

and competition on fair and ethical bases.⁷² While the Act, when dealing with remedies for infringement, merely provided that registration was necessary to institute proceedings to 'prevent the infringement' of a trade mark,⁷³ a further provision, authorising delivery up for destruction of infringing labels and dies, stated that a court might make such an order 'in addition to any such order as the circumstances may require by way of injunction or for the recovery of damages or with respect to the disposition of the wares and/or packages improperly marked'.⁷⁴ No equivalent to the penal provisions contained in the previous Act appeared in this Act. The Unfair Competition Act was subject to widespread criticism due to unfortunate drafting and interpretation by the courts.⁷⁵ In 1947 a committee was appointed to consider the Canadian trade mark system. The Fox Report, with an attached draft Bill, was presented in 1953. The report did not consider civil remedies at all; a possible reason for this omission was that it was always accepted that the usual common-law remedies of injunctions, damages, or accounts, available in respect of passing off, were also available in instances of trade mark infringement.

The Bill, with minor changes, became the Trade Marks Act 1953. As amended, it remains the current legislation. Despite many amendments to the Act, including those by the Intellectual Property Law Improvement Act 1993 and the recent World Trade Organisation Act 1994, the provisions dealing with civil remedies have remained unchanged since the original promulgation of the Act. The Act provides for relief 'by way of injunction and the recovery of damages or profits' and 'disposition of any offending wares, packages, labels and advertising material and of any dies'.⁷⁶ Relief in

72 Fox (1956) 22.

73 Section 4(4) of the Unfair Competition Act 1932 (Cn).

74 Section 17.

75 Fox (1956) 22.

76 Section 52 of the Trade Marks Act 1953 (Cn). In the 1970 revision, the Act, as amended, is cited as RSC 1970 c T-10 and section 52 is renumbered as section 53. Since the 1985 revision, it is cited as RSC 1985, c T-13. The 1985 revision also changed the spelling of the word 'trade mark' as previously used to 'trade-mark'. The original spelling is retained unless the Act is quoted.

terms of this Act is available not only when trade mark infringement per se occurs. The provisions on unfair business practices contained in the Unfair Competition Act were reflected in section 7 of the new Act, which contains various prohibitions against unfair competition. As a result, the owner of a registered trade mark has more than one possible statutory cause of action. As in other jurisdictions, he may sue for actual or deemed infringement of the mark.⁷⁷ In addition, he may sue for depreciation of goodwill if his mark is used by another in a manner that is likely to have the effect of depreciating the value of the goodwill attached to the mark.⁷⁸ Finally, he has a statutory action for passing off,⁷⁹ which has the advantage of falling under the jurisdiction of the federal court, as is the case with the previous two causes of action, rather than under the jurisdiction of the provincial courts, as is the case if a common-law action for passing off is instituted.

6 SOUTH AFRICA

6.1 COMMON-LAW TRADE MARK PROTECTION

A restatement of South African history from settlement in 1652 until Union in 1910 is unnecessary for present purposes. It is sufficient to state that Jan van Riebeeck declared that the law of Holland was adopted as the law of the Cape of Good Hope.⁸⁰ Roman-Dutch law remained applicable despite British annexation of the Cape in 1795. The Cape was a Dutch colony for a further three years from 1803 to 1806 under the Batavian Republic. After 1806, under British rule, Roman-Dutch law remained the common law of the Cape,⁸¹ was accepted as common law in the Transvaal, Orange

77 Sections 19 and 20.

78 Section 22(1). Section 22(2) provides, however, that the court may decline to order the recovery of damages or profits and may permit the defendant to sell existing wares.

79 Section 7(b).

80 Hahlo & Kahn (1973) 572.

81 Hahlo & Kahn (1960) 17.

Free State, and Natal,⁸² and, in 1910, as the common law of the Union of South Africa. The common law is not of major importance in respect of most trade mark issues.

Our common law is still of great importance when the remedies afforded by South African trade mark legislation are considered, as English provisions were duplicated in South African legislation. Many remedies unknown in this country were introduced in this way. It is then often necessary to refer to the common law to determine whether such remedies exist at all in South Africa and, if so, what their ambit and application comprise.

Trade marks were viewed as capable of protection before the adoption of any legislation on the issue. But the basis of protection differed according to the jurisdiction where the matter was heard. In the Cape Colony, an interdict and damages were granted as early as 1863 where the trade mark of a miller was infringed. The action was based on English principles. English cases were cited, it was argued that the remedy was equitable, not legal - a distinction unknown in Roman-Dutch law - and the court found that a fraud had been committed on traders and the public.⁸³ By contrast, in the Transvaal the court granted an interdict on the basis that imitation of a label was a form of iniuria or infringement of right.⁸⁴

6.2 SOUTH AFRICAN LEGISLATION

6.2.1 Pre-Union legislation

English trade mark legislation did not extend to Crown possessions.⁸⁵ Shortly after the

82 *Idem* at 21.

83 *Mills* (1863) 234.

84 *Rose & Co* (1890) 125.

85 The position was different in other areas of intellectual property: for example, section 8(1) of the International Copyright Act 1886 provided that English copyright legislation applied to works first produced in a Crown possession.

creation of a trade mark register in England,⁸⁶ the various colonies and republics passed their own legislation creating such registers.

In the Cape Colony, Act 22 of 1877 established a trade mark register. This Act was based on the English Act of 1875. Section 1 provided that registration was a precondition to 'institute proceedings to prevent or to recover damages' for infringement. Subsequent amending legislation in 1891 and 1895 did not alter this provision.⁸⁷ A similar provision existed in the corresponding Natal legislation.⁸⁸ The first Trade Marks Act promulgated in the Transvaal was during its period as a republic and derived from Dutch rather than English legislation. It provided for criminal prosecution and a civil action for damages.⁸⁹ Subsequent legislation after annexation followed equivalent British wording,⁹⁰ while, in the Orange Free State, registration was a prerequisite 'to take any legal proceedings to prevent or obtain compensation for any infringement of any trade mark'.⁹¹

6.2.2 Union legislation

The Trade Marks and Copyright Act of 1916 repealed all the above legislation, but section 124 retained the wording of colonial legislation when dealing with civil remedies for trade mark infringement.

The Trade Marks Act of 1963 incorporated many of the changes in the English 1938 Act and included the division of the register into two parts. Registration was essential to 'institute any proceedings to prevent, or to recover damages for, the infringement of

86 Section 1 of the Trade-Marks Registration Act 1875.

87 Act 27 of 1891 and Act 12 of 1895.

88 Section 17 of Law 4 of 1885.

89 Section 14 of Act 6 of 1892.

90 Section 10 of Transvaal Proc 23 of 1902.

91 Section 1 of Chapter CXIII Law Book.

a trade mark',⁹² while the Part B proviso in section 44 stated that 'no interdict or other relief shall ... be granted ...'. Neither the Chowles Report of 1961, which preceded this Act, nor the Schoeman Report of 1969, which considered the amendments to the Act introduced in 1971,⁹³ dealt with civil remedies.

6.2.3 Current legislation

The Trade Marks Act of 1993 came into effect on 1 May 1995. For the first time, the relief available to the proprietor of a registered mark which has been infringed, is spelt out in the Act. It includes interdicts, orders for the removal of the infringing mark from material, or, where the mark is inseparable, delivery up. Damages are available to a successful plaintiff or, the innovation of a reasonable royalty in lieu of it. The court is statutorily empowered to direct that an enquiry be held to determine the amount of damages or reasonable royalty.⁹⁴ These provisions will be discussed in detail when the various remedies are considered individually.

92 Section 43 of the Trade Marks Act of 1963 (SA).

93 Trade Marks Amendment Act of 1971.

94 Section 34(3) and (4) of the Trade Marks Act of 1993 (SA).

CHAPTER 3

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CHAPTER 3

FINAL INTERDICTS

1 GENERAL OVERVIEW

Traditionally, interdicts are classified as final or interlocutory, with the duration of the order as the distinctive feature. A final interdict is a judgment which has permanent effect and so is usually granted after a trial on the merits. An interlocutory interdict is a provisional measure taken at an early stage of the proceedings, before the merits have been fully canvassed, and is of force for a limited period.¹

A further distinction is made between prohibitory and mandatory interdicts, where the form of order is relevant. A prohibitory interdict requires a party to refrain from performing an act, while a mandatory interdict orders him to do something.²

It is important to remember the completely different origins of the British injunction and the South African interdict. Although they are sometimes viewed as substantially similar in effect,³ the differing legal bases on which the remedies are founded make it unwise to assume that the remedies are identical in the two jurisdictions.⁴

This chapter begins with a brief overview of the development of English injunctions and South African interdicts, as these developments have influenced the current requirements for relief.

1 Bean (1994) 3; *LAWSA Interdicts* (1981) 295 and 297.

2 Bean (1994) 3; *LAWSA Interdicts* (1981) 294.

3 Nathan (1939) 1 states that '[t]he remedy by way of interdict corresponds to the remedy by way of injunction in English law'.

4 *LAWSA Interdicts* (1981) 294 cautions that there are 'some important although discrete differences'.

The requirements for obtaining relief are then considered. The requirements which must be met before a final interdict will be granted are the same for prohibitory and mandatory interdicts. However, the requirements for obtaining a final interdict differ greatly from those for interlocutory relief. This is so because the merits have been fully canvassed before final relief is granted and the order is permanent, while interlocutory relief merely maintains the status quo until trial.

Once the requirements for the grant of final relief have been determined, the procedure for obtaining such relief is considered.

Finally, the distinction between prohibitory and mandatory interdicts will be dealt with when the form of order which a final interdict can take is considered.

2 HISTORICAL DEVELOPMENT OF COERCIVE RELIEF

2.1 ENGLAND

2.1.1 Origins of the remedy

Traditionally, the injunction of English law was seen as an equitable remedy, in contrast to the remedy of damages, which was available at common law only. Before the fusion of the common-law and equity courts in 1873, injunctions could be granted by courts of chancery only.⁵ The origin of these courts can be traced back to the thirteenth century, when the deficiencies in the common-law courts resulted in petitions for redress to the King or his council; these were then referred to the Chancellor for attention.⁶ The early development of these courts is not of much relevance to this

5 The power to grant injunctive relief was viewed by some writers as the highest function of the equity courts. Blackstone (1829) 442 footnote 14 states: 'a court of law can, in general, only redress an injury when or where it has been inflicted, or been actually sustained; but a court of equity can step between the blow and its object. A court of law may punish, but rarely restrain; but a court of equity may, and often does, both prevent and restrain wrong.'

6 Halsbury *Equity* (1976) 807.

discussion, as the notion of enforceable individual rights to intellectual property emerged only later.

By the middle of the fourteenth century, the concept of an injunction was already established. The first injunctions were granted by equity courts to override common-law proceedings or judgments when these were 'made the instrument of oppression'.⁷ These early injunctions could not attack the validity of the common-law legal proceedings or judgments, as equity decrees operated in personam and were binding only on the parties to the cause.⁸ So they merely forbade the plaintiff to sue at law or enforce a judgment obtained in a common-law court.⁹ These orders led to conflict between the two courts over the extent of their powers, as common-law judges were understandably aggrieved by the assumption by chancery courts of powers to restrain their proceedings and judgments. The right of chancery courts to come to the assistance of litigants at common law was finally approved by royal decree in 1616, after an appeal by the Chancellor to King James I as a result of the refusal by common-law judges to accept the interference of chancery courts. From then on the 'common' injunction to restrain proceedings or judgments at law was routinely granted.¹⁰ Fraud, which at that time was the only basis on which trade marks could be protected, was one of the grounds on which proceedings at common law could be restrained by a chancery court.¹¹

The other form of injunction which was recognised was the 'special' injunction, restraining the performance of a particular act or acts.¹² This developed into the modern injunction as there was no need for the 'common' injunction after passage of the

7 Halsbury *Equity* (1976) 852.

8 Baker (1990) 121.

9 Kerly (1890) 89.

10 *Idem* at 115.

11 *Idem* at 116.

12 Spry (1990) 318.

Judicature Act in 1873, in which the distinction between the two court systems was removed.¹³

By the seventeenth century, it was accepted that, as courts of equity, chancery courts could interfere not only when a party had fraudulently obtained a legal advantage which a common-law court would uphold, but also when a right was recognised but inadequately protected by common law.¹⁴ However, nineteenth century writers state that special injunctions, although well known, were not frequently used before the beginning of that century, and that equity courts would seldom grant an injunction if a party had a remedy at common law.¹⁵ Interestingly, the Statute of Anne, which granted statutory copyright in 1709, is credited with the increased demand for injunctive relief, as summary suppression was required against 'offenders who are probably impecunious, and whom it would be therefore useless to sue for damages'.¹⁶

2.1.2 Trade mark injunctions

The basis on which early equity courts granted injunctions to prevent trade mark infringement is difficult to determine. Unlike other forms of intellectual property, trade marks were originally not seen as the object of any proprietary right. Also, trade marks could not be registered until 1875.¹⁷

At common law, actions for damages when trade mark infringement had occurred, were instituted on the basis of fraud, not the protection of property.

13 *Idem* at 329.

14 Kerly (1890) 130.

15 *Idem* at 258.

16 *Ibid.*

17 Registration was first possible in terms of section 1 of the Trade-Marks Registration Act 1875.

In the earliest chancery decision dealing with trade marks,¹⁸ a trader attempted to restrain a competitor from using the same mark on playing cards, by relying on a proprietary right granted by Crown charter. The injunction was refused on the basis that any charter granted by the Crown was a form of monopoly and as such no longer legal. Also, no other proprietary right existed, as a trader could not obtain exclusive property in a name. The Chancellor did, however, indicate that if fraud had been committed, the position might be different.¹⁹ Although an injunction was granted as early as 1838, despite the absence of fraud, the court holding that the plaintiffs had a right to the exclusive use of their mark,²⁰ most injunctions of that time were granted on the basis of fraud, not of any proprietary right.²¹

However, in 1863 the Lord Chancellor stated, when considering the conflicting views on the basis of the legal right which equity protected in instances of trade mark infringement:

'The true principle would seem to be, that the jurisdiction of the Court in the protection given to trade marks rests upon property, and that the Court interferes by injunction, because that is the only mode by which property of this description can be effectually protected.'²²

18 *Blanchard* (1742) 484.

19 At 485.

20 *Millington* (1838) 352.

21 *Knott* (1836) 219: 'It is not to be said that the Plaintiffs have any exclusive right to the words ... but they have a right to call upon this Court to restrain the Defendant from fraudulently using precisely the same words'; *Perry* (1842) 73: 'I own it does not seem to me that a man can acquire property merely in a name or mark; but whether he has or not a property in the name or the mark, I have no doubt that another person has not a right to use that name or mark for the purposes of deception'; *Croft* (1843) 88: 'the right which any person may have to the protection of this Court, does not depend upon any exclusive right which he may be supposed to have to a particular name ... His right is to be protected against fraud, and fraud may be practised against him by means of a name'.

22 *Leather Cloth* (1863) 142. This view was confirmed in the same year by *Hall* (1863), a partnership action where the value of a trade mark was at issue. The court, relying on *Millington* (1838), held that 'the jurisdiction of the Court in the protection of trade marks rests upon property, and that fraud in the Defendant is not necessary for the exercise of that jurisdiction'

After registration of trade marks became possible, the proprietary right which enjoyed protection differed in instances of trade mark infringement and instances of passing off. While in passing off proceedings the proprietary right to be protected was sometimes viewed as property in a mark, name, or get-up, it was eventually recognised as the property in the goodwill of the business.²³

2.1.3 Development of the remedy

The first movements towards reform of the structure and procedure of English courts affecting the grant of injunctive relief occurred in 1852. The Chancery Practice Amendment Act of that year provided that a chancery court could not, before deciding whether to grant equitable relief, refer a matter to a common-law court for determination of a question of law. The Act consequently empowered the chancery court itself to determine such legal title or right.²⁴ This was of obvious benefit to litigants who had previously run the risk of the postponement of injunctive relief until an action at common law had determined the extent of their legal rights. The next development came in 1854 when common law courts were authorised to grant injunctive relief in addition to damages.²⁵ The party had, however, to prove a legal right acknowledged by the common law.²⁶ In 1858, Lord Cairns' Act allowed chancery courts to grant damages if they had jurisdiction to grant an injunction.²⁷

(at 156).

23 *Spalding* (1915) 284.

24 Sections 61-62 of the Chancery Practice Amendment Act 1852.

25 Section 79 of the Common Law Procedure Act 1854.

26 Kerly (1890) 289. An injunction to prevent trade mark infringement was, therefore, not sought from common-law courts before passage of the Judicature Act in 1875 because at common law fraud remained an essential of the action, despite the fact that chancery courts gave protection on the basis of property rights. See *Crawshay* (1842) 377: 'an intention to deceive is a necessary ingredient'.

27 Section 2 of Lord Cairns' Act 1858.

Finally, in 1875, the courts of equity and common law were fused into a single supreme court and a single system of civil judicature was created by the Judicature Acts of 1873 and 1875. All superior courts were given the power to grant all legal and equitable remedies,²⁸ and specific provision was made for the grant of injunctions.²⁹ The Judicature Act of 1873 further provided that where there was any conflict between the rules of equity and common law, those of equity would prevail.³⁰

The interpretation of section 25(8), which gave all superior courts the power to grant injunctions, was almost immediately the subject of debate. It was argued that this section enabled courts to grant injunctions where neither chancery nor common law courts would have done so prior to the Judicature Acts. However, the Court of Appeal held in 1883 that this section gave no enlarged jurisdiction to courts, and that

'there is nothing in the Judicature Act which enables any part of the High Court to issue an injunction in a case in which before the Judicature Act there was no legal right on the one side or no legal liability on the other at law or in equity'.³¹

These statutory developments meant that after fusion of the common-law and equity courts in 1875, any court could grant an injunction to prevent trade mark infringement. It was also no longer necessary to prove fraud before injunctive relief could be obtained at common law. The basis for the grant of injunctive relief for trade mark infringement was therefore the protection of a property right, not the prevention of fraud. The basis for granting injunctions against passing off remained unclear, with constructive fraud assumed once a defendant had been put on notice, until *Spalding*³² confirmed that the right protected was the proprietary right of the plaintiff to his goodwill, which made it

28 Section 24(7) of the Judicature Act 1873.

29 Section 25(8) of the Judicature Act 1873.

30 Section 25(11) of the Judicature Act 1873.

31 *North London Railway* (1883) 38.

32 *Spalding* (1915) 284.

unnecessary to impute fraud before an injunction to prevent passing off could be granted.

Currently, statutory provision is made for the High Court to grant an injunction in all cases in which it appears to be just and convenient to do so.³³

2.2 SOUTH AFRICA

2.2.1 Origins of the remedy

The remedy of interdict is derived from Roman law. However, modern South African writers on the subject agree that, despite its Roman-law origins, the foundation of our law of interdicts derives from Roman-Dutch, rather than Roman, law.³⁴ The remedy as applied in Roman law will therefore not be dealt with in any detail.

In classical Roman law, an interdict was a prohibition or command by a magistrate issued at the request of an aggrieved person after a summary examination of the matter. If the prohibition was obeyed by the person against whom it had been made, nothing further happened. However, if it was disobeyed, further proceedings were instituted which resulted in a judgment.³⁵ The interdict was therefore a speedy remedy only if the prohibition was obeyed; if not, further proceedings took as long as the ordinary *actio process*.³⁶ In post-classical law, the *cognitio* procedure replaced both the *actio* and *interdictum* procedures,³⁷ although when an interdict was sought, the proceedings were speedier than in other instances.³⁸

33 Section 37(1) of the Supreme Court Act 1981 (UK).

34 Nathan (1939) 2; Prest (1996) 9.

35 Kaser (1984) 424.

36 Prest (1996) 11.

37 Schulz (1969) 62.

38 Prest (1996) 12.

Nathan states that in Roman law an interdict was a purely possessory remedy, and that the term 'extraordinary', as used to describe an interdict, merely indicated that it differed from the ordinary remedy by way of action.³⁹

After the Germanic conquest of the Roman Empire, the Roman interdict was adapted by German common law as the *Mandatsprozess*, which, in turn, became the foundation of the Roman-Dutch *mandaat poenaal*.⁴⁰ The conclusions Prest reaches from Van Bynkershoek's *Observationes Tumultuariae* are that the *mandaat poenaal* of Dutch practice was an interdict, which could be final or pendente lite, and was an extraordinary remedy which could not be granted if another ordinary remedy - damages - was available.⁴¹ It could be granted in various circumstances: to prevent abuse of court process; where an extraordinary remedy was required because no ordinary remedy was available; and finally, where the rights of the claimant had been breached.⁴² Van der Linden states that, to obtain an interdict, the court was approached to grant a *mandaat poenaal*, which interdicted the defendant from continuing his unlawful actions on pain of a large penalty payable to the authorities.⁴³ The Roman-Dutch *mandament poenaal* was, therefore, merely an interdict enforced by a penalty.⁴⁴ Its purpose was to assist a person who had a right which was being infringed, when damages would not be a suitable remedy.

2.2.2 Development of the remedy

South African legislation dealing with superior courts does not detail the orders which

39 Nathan (1939) 2-3.

40 Prest (1996) 17.

41 Idem at 18-20.

42 Idem at 21-22.

43 Van der Linden (1806) 3.1.4.7; see further Prest (1996) 24-26.

44 Prest (1996) 26. That the term *mandaat poenaal* encompassed both prohibitory and mandatory interdicts is clear from Van der Linden (1794) 2.19.3 where he discusses mandatory interdicts as *mandamenten van attentaten poenaal*.

such courts may make, presumably because it is accepted that they may grant any order which they are not expressly prohibited from making.⁴⁵ So the power of a division of the High Court to grant an interdict in both trade mark infringement and passing off proceedings derives from common law.⁴⁶

In South Africa, the Roman-Dutch principles were accepted from an early stage and the influence of English law was minimal.⁴⁷ In a nutshell, the distinction between the English injunction and the South African interdict lies in the nature of the right protected. Because of its origins in equity, the injunction was available not only when a right had been infringed, but also when fraud had been committed. By contrast, the Roman-Dutch and South African interdict requires a clear right before final relief will be granted. Although this distinction is not of crucial importance in the field of intellectual property, as both statutory trade marks and goodwill were viewed as the object of proprietary rights at an early stage, the distinction still colours the requirements for injunctive relief in the two countries.

3 REQUIREMENTS FOR FINAL RELIEF

3.1 ENGLAND

3.1.1 Basis of remedy

The historical development of this remedy is still reflected in the views of courts and writers on the availability of final injunctive relief. What appear to be conflicting statements are often encountered: the allegation that an injunction is always in the discretion of the court, together with the statement that a plaintiff whose proprietary

45 Harms (1996) 84; Taitz (1985) 36.

46 However, section 34(3)(a) of the Trade Marks Act of 1993 (SA) also specifically provides that a court may grant an interdict when a registered trade mark is infringed.

47 Prest (1996) 33.

rights are interfered with is *prima facie* entitled to an injunction, is merely one example.⁴⁸ Such seeming inconsistencies derive from the origins of the remedy: first, the fact that such relief was available only when common-law remedies were inadequate; second, the emphasis that has always been placed on the discretionary nature of equitable relief.

One of the bases on which equity courts assumed jurisdiction to grant injunctions, was the enforcement of legal rights inadequately protected by the common law.⁴⁹ Traditionally, the primary question before such injunctions were granted, was whether legal remedies such as damages were inadequate, which justified intervention by a court of equity. The answer to this question was viewed as determining the jurisdiction of the court to hear the matter, as it would not intervene if a remedy at law (the common law) could be considered adequate.⁵⁰ Only after the court was satisfied that relief at law was inadequate, did it proceed to consider, in its discretion, whether justice required the grant of equitable relief.⁵¹

A distinction was therefore drawn between jurisdictional restraints⁵² and discretionary factors. Tilbury points out that this distinction meant that, while the discretionary factors were all weighed against each other to determine whether or not to grant equitable relief, the adequacy of other remedies such as damages was a factor which required independent and a priori determination.⁵³ In effect, a court had to determine whether

48 Bean (1994) 13, 16.

49 This is known as an 'equitable injunction in the auxiliary jurisdiction': see Meagher (1992) 535; Tilbury (1990) 284. By the end of the nineteenth century, all forms of industrial property were viewed as the object of proprietary rights: see Meagher (1992) 553.

50 'The very first principle of injunction law is that *prima facie* you do not obtain injunctions to restrain actionable wrongs for which damages are the proper remedy': *London & Blackwell* (1886) 369; see also Spry (1990) 374.

51 Tilbury (1990) 275.

52 This term is merely an abbreviation of the notion that a court of equity is restrained from granting an injunction (in other words, does not have jurisdiction) if a common-law court could grant an adequate remedy: see Sharpe (1983) 281.

53 Tilbury (1990) 275.

it had jurisdiction to hear each matter which came before it. To determine the adequacy of other relief required a consideration of the relevant facts in each particular case, which often included a consideration of aspects viewed as forming part of the discretionary factors.⁵⁴ This was not always workable and resulted in some confusion as to what 'inadequacy of the remedy at law' entailed.⁵⁵

More recent authorities and decisions have abandoned this distinction and merely follow a general test - whether it is more just to grant an injunction than to award damages.⁵⁶

3.1.2 Method of classification

The English emphasis on the discretionary nature of injunctive relief has also resulted in neglect of the requirements which must be met before injunctive relief will be granted. Writers and the courts have focussed on the various discretionary factors which will be considered, without dealing in any systematic fashion with the requirements which must be proved.⁵⁷ The one writer who does deal with them describes them as 'of cardinal, if sometimes attenuated, importance'.⁵⁸ He states that to obtain an injunction, it was eventually established that a plaintiff had to show that he had a legal right; that it was of a proprietary nature; that it was either threatened or had already been infringed; that the infringement was likely to continue; and that damages

54 *Idem* at 282.

55 *Ibid.*

56 *Beswick* (1968) 102; *Evans Marshall* (1973) 379; *Spry* (1990) 375.

57 The majority of writers deal with the issues described here as requirements, under a general heading of discretionary considerations: see, for example, *Bean* (1994) 13-19 and *Spry* (1990) 374-391. For comparative purposes it is more logical to deal with them in the same manner as with South African interdicts - to distinguish between requirements and defences.

58 *Meagher* (1992) 536.

would not be adequate recompense to him.⁵⁹ This formulation is used in the discussion of the various requirements which follows.

3.1.2.1 *Legal right*

The existence of a legal right⁶⁰ does not present problems in respect of the statutory intellectual property rights, as registration is a prerequisite for the institution of proceedings. It is more problematic in respect of passing off, as English law does not recognise a 'law of tort' but rather various individual torts, one of which is passing off. If, therefore, a specific act does not fall within the accepted definition of passing off, the plaintiff will not have a cause of action, irrespective of whether the defendant's action has caused him injury.⁶¹

3.1.2.2 *Proprietary nature of the right*

In the light of the numerous exceptions which the courts have identified,⁶² writers are not unanimous on the continued existence of this requirement.⁶³ The issue is not relevant for intellectual property, as modern legal views accept all forms of intellectual

59 *Ibid.* These requirements have also been formulated in various court decisions: for example, in *Pride of Derby* (1953) 197 the requirements of a proprietary right, wrongful interference, and a continuing wrong are mentioned.

60 In other words, a cause of action: see *Meagher* (1992) 537; *Tilbury* (1990) 305.

61 *Halsbury Injunctions* (1979) 523; *Meagher* (1992) 537; *Wadlow* (1995) 39. An example of this is found in *Clark* (1848) 118-119 where a doctor was held not to be entitled to an injunction to prevent a chemist selling pills under his name because he was not 'in the habit of manufacturing and selling pills' and so could not establish an offence at law.

62 *Meagher* (1992) 589 views it as still necessary to obtain an injunction in the auxiliary equitable jurisdiction; *Spry* (1990) 330 regards it as existing only in a few particular circumstances.

63 That this was originally a requirement, is clear: in the intellectual property field the court refused an injunction in *Clark* (1848) 118, because the plaintiff could not show that a proprietary right was affected, while in *Emperor of Austria* (1861) 239 the court confirmed that damage must be done to a proprietary right before an injunction could be granted.

property, including goodwill, as involving proprietary rights.⁶⁴

3.1.2.3 *Actual or threatened infringement*

A plaintiff must show some threat or probability that infringement will be commenced, continued, or repeated before a court will grant a final injunction. In trade mark infringement matters, proof of an actual infringing act is sufficient and frequent repetition need not be shown before an injunction can be sought. Actual infringement need also not have occurred if it can be proved that the defendant contemplates or has threatened to commit an infringing act.⁶⁵ Infringement in respect of statutory trade marks does not require proof of damage, while in passing off matters a plaintiff must show that the infringement is likely to cause substantial damage to his goodwill.⁶⁶

3.1.2.4 *Continuing infringement*

One of the primary reasons for the development of injunctive relief was that common-law remedies could not effectively prevent ongoing infringement, as all that a plaintiff could do was to institute repeated actions to recover damages for each infringing action.⁶⁷ Once a plaintiff has shown that the action complained of will be repeated, he is *prima facie* entitled to an injunction.⁶⁸ In trade mark infringement matters, the courts have gone so far as to hold that deliberate or persistent infringement is sufficient to justify the assumption that the infringement will continue unless an injunction is

64 Meagher (1992) 553; Spry's conflicting views to which Meagher refers in footnote 74 do not appear in later editions.

65 Kerly (1986) 318-319; Wadlow (1995) 250. Such injunctions are known as *quia timet* injunctions: Bean (1994) 18. In *Hendriks* (1881) 650 the court held that 'it is the duty of the Court now, not to wait until injury is done, when a Court of Law would have granted damages, but to interfere by way of prevention'.

66 Annand (1994) 145; Wadlow (1995) 159.

67 Sharpe (1983) 13; Spry (1990) 379.

68 *Imperial Gas Light* (1859) 609-610; *Pride of Derby* (1953) 197.

granted.⁶⁹ In both trade mark infringement and passing off matters, courts have rarely viewed an undertaking by the defendant not to repeat the infringement as sufficient ground for the refusal of an injunction.⁷⁰ On occasion, where the defendant was bona fide and the infringement unlikely to recur, an injunction has been refused and an undertaking accepted as sufficient.⁷¹ Rather than immediately granting an injunction, the courts have occasionally made a declaration giving the plaintiff leave to apply for an injunction should the infringement be repeated.⁷²

3.1.2.5 Damages not an adequate remedy⁷³

As stated above, this requirement is viewed as a matter which primarily determines the jurisdiction of the court to grant the relief. However, it is no longer seen as necessary for a court to decide this issue separately before determining whether the other requirements have been met. The requirement that damages should be an inadequate remedy is merely a different phrasing of the requirement of 'irreparable injury'.⁷⁴ Some textbooks treat this requirement as strictly enforced and define 'irreparable injury' as injury which is substantial and can never be adequately atoned for or remedied by damages.⁷⁵ More recent views, however, are that this requirement has become largely nominal and that the courts tend to view almost any damage as irreparable.⁷⁶ This is particularly so in the intellectual property field. One reason is that continuing

69 *Leahy* (1893) 158.

70 Kerly (1986) 318; Wadlow (1995) 578.

71 Kerly (1986) 318.

72 *Wayne Myers* (1954) 439.

73 This requirement is dealt with at greater length in chapter 4 at 2.1.2.3.2: Inadequacy of damages.

74 Meagher (1992) 538. He states that all damage in equity is considered irreparable if not adequately compensable in damages.

75 *Halsbury Injunctions* (1979) 522.

76 Meagher (1992) 538; Spry (1990) 376.

infringement cannot be prevented by an award of damages. A further, related reason is that if a plaintiff can only claim damages but not prevent further infringement, he is effectively licensing his intellectual property to all comers.⁷⁷ It has been suggested that the grant of an injunction, in preference to damages, allows a plaintiff to fix his own price for use of his property, should he choose to permit use, instead of forcing him to accept an objective valuation by the court.⁷⁸

3.1.3 Discretionary considerations

As stated above, the grant of a final injunction is within the discretion of the court, irrespective of whether the above requirements have been met. Early injunctions, viewed as exceptions to the usual forms of relief, were granted with extreme caution. Once injunctions were more commonly available, a more liberal attitude prevailed. Current thought is that where damages and other alternative relief are inappropriate, and when there is sufficient likelihood that the threatened injury will occur or recur, an injunction will be granted in the absence of countervailing circumstances.⁷⁹

3.1.3.1 *Hardship*

The first such circumstance is the hardship which an injunction will cause to the defendant. Although this is clearly much less important in the context of final, as opposed to interlocutory, injunctions, a court will, in the exercise of its general

77 Comish (1996) 59.

78 Sharpe (1983) 10.

79 Spry (1990) 384. See the oft-quoted dictum in *Pride of Derby* (1953) 197 in respect of the exercise of the court's discretion where a proprietary right is at issue:

'the fallacy ... is based on the statement made on their [the defendants'] part that an injunction is purely discretionary - if by that is meant that, in a case where a person's rights, such as the plaintiffs' rights, are being damaged and there is a threat of continuing damage, the question whether an injunction will be granted is determined by the court on the balance of convenience on one side or the other. In my judgment that is not a correct statement of the position. It is, I think, well settled that if A proves that his proprietary rights are being wrongfully interfered with by B., and that B. intends to continue his wrong, then A. is prima facie entitled to an injunction, and he will be deprived of that remedy only if special circumstances exist'.

discretion, refuse an injunction if the defendant can show that it would cause disproportionate harm.⁸⁰ The balance of convenience, which is always considered in interlocutory injunctions, is irrelevant in a consideration of final injunctions.

3.1.3.2 *Bona fides of defendant*

The fact that the defendant was ignorant of the rights of the plaintiff does not prevent the grant of a permanent injunction in either trade mark infringement or passing off proceedings.⁸¹ The defendant's innocence becomes relevant to the grant of relief only when his bona fides negates any possibility of further infringement.⁸²

3.1.3.3 *Fraud*

A more relevant consideration is the issue of fraud or deceptive behaviour by the plaintiff. The maxim that 'he who comes to equity must come with clean hands' still applies when a court exercises equitable jurisdiction. However, the objectionable conduct must relate to the relief sought.⁸³ The leading trade mark decision in this regard is *Leather Cloth* where it was held that a trade mark which was calculated to deceive the public in a material respect would not be protected by a court of equity.⁸⁴ Where the deception is not material, a plaintiff will usually not be penalised.⁸⁵

80 Spry (1990) 392.

81 Kerly (1986) 319; Wadlow (1995) 491.

82 Cairns (1988) 32.

83 Bean (1994) 14. In *Imperial Chemical* (1981) 6 the court refused to consider a defence that the plaintiffs were guilty of an abuse of a dominant market position in terms of article 86 of the Treaty of Rome, since there was no nexus between this breach and the defendants' passing off.

84 *Leather Cloth* (1863) 871; statements in the trade mark were untrue descriptions of the goods sold under the mark.

85 In *Ford* (1872) 633 a description of the plaintiff as a 'patentee' of the goods, when no patent existed, was held not to disentitle him from obtaining a final injunction. Story.2 (1877) 146, discussing the similar case of *Marshall* (1869) 653, where the court had held that the use of the term 'patent' did not necessarily imply that the article was secured by letters patent, stated that the true reason for not refusing the injunction was that the misdescription did not affect the value

Various types of misrepresentation can occur in trade mark matters. The first are those inherent in the mark, such as occurred in *Leather Cloth* and *Perry*,⁸⁶ where injunctions were refused because the marks were misleading. This form of misrepresentation is considered the most serious because it comes to the notice of everyone familiar with the mark and will therefore rarely be immaterial.⁸⁷ False claims as to the existence of a patent are rarely viewed as material in modern decisions, while false claims to registration as a trade mark, although a criminal offence,⁸⁸ are also seldom viewed as material misrepresentations. Wadlow states that in every instance the fundamental question is whether the plaintiff is attempting to protect a part of his trade by his own misrepresentation.⁸⁹

3.1.3.4 Delay

Another discretionary consideration relates to the time within which the plaintiff seeks to enforce his rights. Mere delay does not usually prevent the grant of final injunctive relief unless statutory limitations exist.⁹⁰ In one instance delay can affect the right to injunctive relief - where the mark loses its distinctiveness or becomes generic.⁹¹

of the article or the grounds on which it was sold.

86 *Perry* (1842) 76.

87 Wadlow (1995) 474.

88 Section 95 of the Trade Marks Act 1994 (UK).

89 Wadlow (1995) 480. He cautions that, despite dicta that the courts today expect a higher standard of commercial honesty, the standard of fairness and honesty demanded from a plaintiff is lower than in the nineteenth century, which entails that early cases should be approached with caution (at 473).

90 *Spry* (1990) 407. However, as Wadlow (1995) 501 states, prescription or limitation periods will not affect the right to an injunction if the infringement is ongoing, although damages or profits may no longer be recovered. However, in *Bulmer* (1978) 135 the court did state that delay simpliciter, provided that it was inordinate, could result in the refusal of an injunction.

91 Section 46(1)(c) of the Trade Marks Act 1994 (UK) provides that registration may be revoked if 'in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service for which it is registered'.

However, acquiescence or laches may serve as a bar to obtaining an injunction. Tilbury draws a useful distinction between the two concepts: acquiescence is delay plus an abandonment of rights, while laches is delay plus prejudice to the defendant or third parties.⁹² Consequently, where a plaintiff, with knowledge that the defendant is violating his rights, represents, expressly or by implication, that he will not enforce those rights, a court may refuse an injunction because of the plaintiff's acquiescence.⁹³ Similarly, if, after infringement of his rights, a plaintiff takes no action and the consequence of this inaction is that it becomes unjust to grant the relief in question, a court may refuse an injunction by applying the doctrine of laches. While this distinction between the two defences remains important, modern judicial thought no longer distinguishes between legal and equitable rights when considering either defence, but bases their application on the question of whether it would be unconscionable to allow a party to prevent behaviour that he had previously encouraged.⁹⁴

3.2 AUSTRALIA AND CANADA

The principles on which final injunctions are granted by Australian and Canadian courts are identical to those followed by English courts.⁹⁵ Although early Canadian decisions

92 Tilbury (1990) 291.

93 Section 48(1) of the Trade Mark Act 1994 (UK) also prohibits the opposition of the use of a later registered mark if the proprietor has knowingly acquiesced to its use for a continuous five year period.

94 *Habib* (1982) 36:

'the law as it has developed over the past 20 years has now evolved a far broader approach ... and one which is in no way dependent upon the historical accident of whether any particular right was first recognised by the common law or was invented by the Court of Chancery. [it] ... requires a very much broader approach which is directed rather at ascertaining whether, in particular individual circumstances, it would be unconscionable for a party to deny that which, knowingly or unknowingly, he has allowed or encouraged another to assume to his detriment'.

The court did not, however, refer to *Bulmer* (1978) where the distinction between legal and equitable rights was still drawn (at 135-136).

95 *Caims* (1988) 31-36; *Fox* (1972) 453-454; *McKeough & Stewart* (1991) 33-34; *Ricketson* (1984) 20-21. However, in Canada a plaintiff has two additional causes of action not available in other jurisdictions: depreciation of goodwill in terms of section 22 and statutory passing off in terms of section 7(b) of the Trade Marks Act 1953 (Cn).

held that delay per se was reason for the refusal of permanent relief, this is no longer the position and, as in England, acquiescence or laches must now be proved for such a defence to succeed.⁹⁶

3.3 SOUTH AFRICA

3.3.1 Requirements for grant of relief

The requirements for a final interdict were first formulated by Van der Linden at the end of the eighteenth century and remain the basis of our law on the subject. The three requirements are

'[e]ene liquide regt aan de zyde van den versoeker;

[e]ene gepleegde feitelijkheid aan de zijde van den Geinterdiceerden; immers eene gegronde vrees, dat 'er eene zoodanige feitelijkheid door hem gepleegd zal worden;

[d]at 'er geen ander gewoon middel is waar door men met het zelfde gevolg geholpen worden'.⁹⁷

Van der Linden's three requirements have since the middle of the nineteenth century been accepted as reflecting our law on the subject.⁹⁸ The Appellate Division set the seal on this acceptance in the seminal *Setlogelo* decision in 1914. However, an analysis of these requirements indicates that, simple as they appear, they can give rise

96 Fox (1972) 454; Sharpe (1983) 38.

97 Van der Linden (1806) 3.1.4.7:
 '[a] clear right on the part of the applicant;
 an act of interference committed on the part of the person to be interdicted; or at any rate a well-founded apprehension that such an act of interference will be committed by him;
 that there is no other ordinary remedy by which one can be protected with the same result' (translation in Nathan (1939) 8-9).

98 *Blackburn* (1855) 211; *Burger* (1866) 356; *Du Plessis* (1912) 800; *Patz* (1907) 435-436; *United Tobacco* (1909) 157.

to confusion as to meaning and interpretation.

3.3.1.1 *Clear right*

Van der Linden uses the phrase 'een liquide regt' in both his works on the subject.⁹⁹ Courts and translators have interpreted this as a 'clear' right. Nathan points out that a more precise meaning is a 'definite' right, which does not mean a right that is absolutely incontrovertible.¹⁰⁰ Other writers have claimed that the phrase connotes 'a right clearly established'.¹⁰¹ This implies that whether the applicant has a right is a matter of substantive law, while whether that right is clearly established is a matter of evidence. To be viewed as a clear right, the right for which protection is sought must be proved on a balance of probabilities.

In trade mark infringement matters, the nature of the right and proof of its existence, are not usually in issue, as infringement proceedings may be instituted only in relation to registered marks, and registration is prima facie evidence of the validity of the mark.¹⁰² Therefore, unless the registration is under attack, the proprietor's right to sole use of the mark will be proved by submission of proof of registration.

Passing off involves the infringement of existing goodwill. The existence of this goodwill must be proved. This requires proof of the association of the goodwill in the mind of the public with the business in question.¹⁰³ This obviously raises more difficult questions of proof than when infringement of a registered mark occurs.¹⁰⁴

99 Van der Linden (1794) 2.19.1; Van der Linden (1806) 3.1.4.7.

100 Nathan (1939) 6 footnotes 1 and 11.

101 Jones & Buckle (1996) Act 93; Prest (1996) 43.

102 Sections 33 and 51 of the Trade Marks Act 1993 (SA).

103 *Lorimar* (1981) 1140.

104 A discussion of these issues falls outside the scope of this thesis.

In intellectual property matters, the courts have held that a plaintiff must show prima facie not only that there is a right which is legally capable of protection, but also that the plaintiff is the person entitled to protection.¹⁰⁵ A personal right is insufficient and some form of proprietary right must be alleged. Accordingly, in copyright matters, it has been held that a plaintiff must be able to prove that he is, if not the original copyright holder, at least an assignee or exclusive licensee within the meaning of the Act.¹⁰⁶ A similar requirement will no doubt exist in respect of actions based on a registered trade mark, if the matter is in issue.

3.3.1.2 *Interference or injury*

The original Dutch wording was 'eene gepleegde feitelijkheid'. All writers agree that the term 'injury', which is commonly used by the courts, is neither a correct nor an accurate translation of this phrase. The generally accepted translation is 'an act of interference' which causes actual or potential prejudice.¹⁰⁷ The interference need not have already taken place and Van der Linden states that 'eene gegronde vrees'¹⁰⁸ that it will be committed is sufficient. The interference must be continuing, as the remedy protects existing rights, not past infringements; but the prejudice need not always be pecuniary in nature.¹⁰⁹

In trade mark infringement matters, the injury consists of an infringing act as defined by the relevant legislation. Injury, therefore, consists of unauthorised use in the course of trade, of the identical mark, or one which so nearly resembles it as to be likely to deceive or cause confusion, in relation to the goods or services for which the mark has

105 *Avin Film* (1979) 754.

106 *Rajshree Films* (1979) 26. In this instance, in terms of sections 20 and 36 of the Copyright Act of 1965 (SA); currently in terms of sections 22 and 25 of the Copyright Act of 1978 (SA).

107 *Jones & Buckle* (1996) Act 93; *Nathan* (1939) 30; *Prest* (1996) 44.

108 *Van der Linden* (1806) 3.1.4.7.

109 *Nathan* (1939) 30.

been registered, or similar goods or services.¹¹⁰ Where the identical mark is not used by the infringer, proof of interference may be more difficult. The Act refers to use of a mark 'so nearly resembling it [the registered mark] as to be likely to deceive or cause confusion'¹¹¹ and our courts have held, when interpreting similar provisions in earlier legislation, that actual proof of deception is not necessary when 'the court can see that it is calculated to deceive'.¹¹² Damage need not be proved by the plaintiff because of the statutory nature of the infringement.¹¹³

The interference or injury in passing off matters is an act which 'was likely or calculated to deceive and thus cause confusion and injury, actual or probable, to the goodwill of the plaintiff's business'.¹¹⁴ As passing off is a delict, the general requirements of Aquilian liability, including proof of actual or probable damage, must be met.¹¹⁵

3.3.1.3 *Continuing infringement*

It is not always clear whether an interdict can be sought if the infringement is not of an ongoing nature, or once an undertaking to cease infringement has been given. Although the Appellate Division has held that an interdict is not a remedy for a past invasion of rights and that a plaintiff must establish continuing infringement of a trade mark before an interdict will be granted,¹¹⁶ our courts are usually not persuaded by the undertaking of an intentional infringer to cease using the mark. As pragmatically stated by Schreiner J,

110 Section 34(1)(a)-(b) of the Trade Marks Act of 1993 (SA).

111 Section 34(1)(a) of the Trade Marks Act of 1993 (SA).

112 *Glenton & Mitchell* (1918) 265, in respect of trade mark infringement.

113 *Webster & Page* (1986) 432.

114 *Adcock-Ingram* (1977) 437.

115 At 438.

116 *Philip Morris* (1991) 735.

'there seems to be practical justification for holding that the deliberate copier should be interdicted even though he has given an undertaking'.¹¹⁷

However, although not pertinently decided, it appears from dicta that, following English practice, our courts may refuse to grant an interdict if an acceptable undertaking has been tendered by an innocent infringer.¹¹⁸

In a copyright matter, the court held that the fact that an infringement had occurred only once and that the plaintiff could show no reasonable ground to fear further infringements prevented the grant of an interdict.¹¹⁹ But in a later decision, where the facts showed prima facie that the infringement had occurred once and for all,¹²⁰ it was held that it was necessary for a plaintiff only to tender positive proof that a defendant was likely to continue his infringement. When a defendant had merely ceased the infringement because of other circumstances, without a bona fide undertaking, an interdict was still appropriate.¹²¹ Undertakings not to repeat copyright infringement have generally not been viewed as rendering an interdict unnecessary, especially when the defendant has refused to concede that infringement has taken place or that the plaintiff has a valid cause of action.¹²² The issue has not been decided in respect of trade mark infringement or passing off, but these decisions will doubtless be relevant if the issue is considered.

117 *Peter Jackson* (1938) 454; see also *Glenton & Mitchell* (1927) 276; *Kenitex* (1967) 308.

118 *Glenton & Mitchell* (1927) 277.

119 *Condé Nast* (1950) 86.

120 *Performing Right* (1966) 357.

121 *Performing Right* (1966) 357 - closure of business premises; *Performing Right* (1973) 564 - insolvency.

122 *SA Music Rights* (1978) 1058; *CCP Record Co* (1987) 327; *Ara Oy* (1990) 377.

3.3.1.4 *No other remedy*

An interdict will not be granted if some other adequate remedy is available. Such a remedy must be adequate in the circumstances; be ordinary and reasonable; be legal; and grant similar protection.¹²³ An interdict will not be granted if an award of damages will give an applicant adequate redress. But the court has a discretion in this regard and may in certain circumstances grant an interdict although the injury is capable of compensation. These circumstances include the defendant's financial position; whether the injury is a continuing violation of the plaintiff's rights; the difficulty of assessing damages; and the possibility that an award of damages will not be adequate compensation if granted at some future time only.¹²⁴

Because damages are so difficult to prove and quantify in trade mark infringement and passing off litigation,¹²⁵ they are not viewed as an adequate alternative to the grant of an interdict.¹²⁶

4 DISTINCTIONS BETWEEN THE REQUIREMENTS FOR FINAL RELIEF IN ENGLAND AND SOUTH AFRICA

In South Africa, the only discretion which a court has in granting a final interdict, when the first two requirements have been met, is whether another remedy will afford similar protection. Unlike the English position, and due to the different origins of the remedy, considerations of convenience and prejudice are not relevant. Delay is also not a ground for refusal of an interdict unless it can be shown, in that particular instance, that the grant of an interdict would amount to unconscionable conduct on the part of the

123 *Minister of Law and Order* (1994) 99; *LAWSA Interdicts* (1981) 297.

124 *Prest* (1996) 46-47.

125 *Van Heerden & Neethling* (1995) 72.

126 *Kenitex* (1967) 308; *Tullen* (1976) 220; see also *Performing Right* (1973) 564 - copyright.

plaintiff.¹²⁷ This contrasts with the English position where, because of the equitable origin of the remedy, an injunction can be refused - at least in theory - irrespective of whether the plaintiff has proved all the necessary requirements.

The English principle that an injunction will not be granted to a plaintiff who approaches the court with unclean hands was originally viewed as applicable in South Africa.¹²⁸ However, as pointed out by later authors and courts, this principle relates to equitable relief, and as the distinction between equitable and common-law relief is unknown in South Africa, it does not apply. Unless there is proof of dishonesty, a court will not refuse relief because of a party's negligence or bona fide oversight.¹²⁹

5 PROCEDURE FOR OBTAINING FINAL RELIEF

5.1 ENGLAND

The structure of the English High Court entails that jurisdiction is not territorially based but is determined by subject matter. Proceedings in which a final injunction is sought, in respect of both trade mark infringement and passing off, are instituted in the High Court, usually in the Chancery Division.¹³⁰ Proceedings are commenced by writ. The plaintiff need not send a warning letter to the defendant before commencing action, but failure to do so may affect the award of costs.¹³¹ The course of proceedings is similar to that in South Africa, with an exchange of pleadings followed by a trial in which oral evidence is presented to the court. However, in England it is possible to apply for summary judgment in respect of trade mark infringement and passing off claims, both

127 *LAWSA Interdicts* (1981) 297; *Prest* (1996) 48.

128 *Zyp Products* (1926) 232.

129 *Tullen* (1976) 221; *Van Heerden & Neethling* (1995) 184. In *Scott and Leisure Research* (1985) 222 the court refused to grant an interdict because 'this representation is neither honest nor bona fide. It is moreover material.'

130 Section 75 of the the Trade Marks Act 1994 (UK); *Wadlow* (1995) 559.

131 *Wadlow* (1995) 559.

unliquidated claims, if the plaintiff is of the opinion that the defendant has no defence to the claim, but has given notice of intention to defend the action.¹³² The summary judgment procedure is not limited to liquidated claims, unlike the position in South Africa.¹³³

The burden of proof in respect of all the requirements rests with the plaintiff.

Trade mark infringement actions may be instituted by the proprietor of the mark or an exclusive licensee.¹³⁴ A non-exclusive licensee may also institute proceedings if the proprietor fails to do so.¹³⁵

An appeal of right lies to the Court of Appeal against the grant or refusal of a final injunction and, with the leave of the Court of Appeal or the House of Lords, from the former to the latter.¹³⁶ If a trial has taken place, the Court of Appeal will not, except in special circumstances, admit further evidence, other than evidence as to matters which occurred after the trial.¹³⁷ When considering an appeal on an injunction, the Court of Appeal does not substitute its own discretion for that of the trial judge, unless the judge has misdirected himself on the law.¹³⁸ The noting of an appeal does not operate as a stay of execution unless the court directs otherwise.¹³⁹

132 RSC Order 14,r.1.

133 Uniform Rule 32(1).

134 Sections 14(1) and 31(2) of the Trade Marks Act 1994 (UK).

135 Section 30(3) of the Trade Marks Act 1994 (UK).

136 RSC Order 59,r.1.

137 RSC Order 59,r.10(2).

138 Bean (1994) 108.

139 RSC Order 59,r.13.

5.2 AUSTRALIA AND CANADA

In Australia, final relief for trade mark infringement and passing off may be sought in the Federal Court or in one of the various Supreme Courts.¹⁴⁰

In Canada, action may be brought in the Federal Court or a provincial court. However, common-law rights must be enforced in provincial courts and a plaintiff who wishes to prevent passing off must seek relief from these courts, not the Federal Court, unless he relies on the form of statutory passing off contained in section 7(b) of the Trade Marks Act 1985.¹⁴¹

The procedure in both jurisdictions is substantially similar to that in England and need not be repeated here.

5.3 SOUTH AFRICA

Proceedings to obtain a final interdict may be instituted in any division of the High Court which has jurisdiction *ratione rei gestae* or *ratione domicilii*.¹⁴² The 1993 Trade Marks Act specifically provides that counterclaims relating to the validity of the mark may also be heard by that division, despite the fact that it would otherwise not have jurisdiction to amend the register.¹⁴³ Magistrates' courts no longer have jurisdiction to hear trade mark infringement proceedings.¹⁴⁴

140 Sections 190-192 of the Trade Marks Act 1995 (Aus).

141 Henderson (1993) 22-23.

142 Section 34(3) of the Trade Marks Act of 1993 (SA).

143 Section 2(1)(vi) of the Trade Marks Act of 1993 (SA). See *PPS* (1996) 210. Prior to this, the Transvaal Provincial Division had exclusive jurisdiction as *forum rei sitae* to hear matters affecting the register: *Spier* (1988) 102.

144 Section 34(3) read with section 2(1)(vi) of the Trade Marks Act of 1993 (SA). Section 44 of the Trade Marks Act of 1963 (SA) did not refer to a 'court' and it can therefore be assumed that jurisdiction was not limited to divisions of the Supreme Court, despite the definition of 'court' in section 2(1) which referred to divisions of the Supreme Court only: see also Webster & Page (1986) 377.

A final interdict must be sought by way of action procedure if there is any material dispute of fact.¹⁴⁵ This is usually present in opposed trade mark infringement and passing off proceedings. However, in the few instances when final interdicts have been sought on motion, the court has indicated its willingness to grant a final interdict, even if the papers reveal a dispute of fact, if the defendant has failed to request leave to apply for cross-examination of the deponents, or if his allegations are clearly untenable.¹⁴⁶

In a few instances where relief has been sought on an urgent basis, the courts have granted a final interdict on the return day of application proceedings, if there is no factual issue to be resolved.¹⁴⁷

The burden of proof in respect of all the requirements which must be met before a final interdict will be granted, rests with the plaintiff.¹⁴⁸

The proprietor of the registered mark is usually the only person who may institute proceedings for infringement.¹⁴⁹ Notice of the action must be given to all registered users.¹⁵⁰

An appeal may be noted against the grant or refusal of a final interdict. Although early decisions refer to an appeal 'of right',¹⁵¹ all judgments and orders granted by a division of the High Court are now appealable only with leave, either of the court which gave

145 Harms (1996) 500; LAWSA *Interdicts* (1981) 295 and 298.

146 *Prinsloo* (1938) 576; *Juvena* (1980) 223; *Plascon-Evans* (1984) 634-635; *Haggar* (1985) 581; *Montres Rolex* (1985) 59; *PPS* (1996) 212.

147 *Tullen* (1976) 222.

148 *Nathan* (1939) 60; *Prest* (1996) 60.

149 The registered user may institute proceedings if the proprietor refuses to do so: section 38(4) of the Trade Marks Act of 1993 (SA).

150 Section 34(5) of the Trade Marks Act of 1993 (SA).

151 *Setlogelo* (1914) 226.

the judgment or the Supreme Court of Appeal.¹⁵² The noting of an appeal suspends the operation and execution of the original order, unless the court which made the order directs otherwise.¹⁵³

5.4 PROCEDURAL DIFFERENCES

The procedure to obtain a final injunction or interdict is very similar in the jurisdictions under discussion, with an exchange of pleadings followed by a trial at which oral evidence is presented to the court by both parties. However, two important differences between English and South African procedure exist. They may be important in respect of trade mark infringement and passing off proceedings, which are often market related. Where a market can be destroyed or flooded by infringing goods, delay in obtaining final relief can make any order which the court eventually grants irrelevant.

The first difference is the possibility of obtaining summary judgment in respect of an unliquidated claim,¹⁵⁴ which is available in England but not in South Africa. This can result in a substantial saving of time and costs. Although it is not often appropriate in intellectual property matters, it is particularly valuable when it can be used. This is because in trade mark infringement and passing off proceedings, it is not uncommon for a defendant to enter appearance to defend an action with no hope of success but merely to enable him to continue infringement until trial. Summary judgment can be requested either after an interlocutory injunction has been obtained, to expedite the grant of a final injunction, or before interlocutory relief is requested, to obtain a speedy final, rather than interlocutory, order. But the plaintiff must make out an extremely strong case for the grant of summary judgment; this has been described as a 'claim to

152 Section 20(4) of the Supreme Court Act of 1959 (SA).

153 Uniform Rule 49(11).

154 A final injunction can be granted on an RSC Order 14 summons: *Supreme Court Practice* (1995) 145; *Smith Kline* (1989) 401; *Sony* (1982) 200; *Edenwest* (1994) 282.

which there is no defence'.¹⁵⁵

The second distinction relates to appeals. Although the procedures are markedly different, this does not have much practical effect. In England, leave to appeal from a High Court judgment is not required. But the noting of an appeal does not automatically suspend judgment. As a result, it is fruitless for a party to note an appeal where he has no prospect of success, as he cannot continue infringement while the appeal is pending. In South Africa, where execution is suspended pending determination of the appeal, a party could note an appeal and so be able to continue infringement. The fact that leave to appeal is necessary, however, means that a party will not be allowed to note an appeal if he has no prospect of success but merely wishes to delay the effectiveness of the order.

6 FORM OF ORDER

As stated earlier, a prohibitory interdict requires a party to refrain from performing some act, while a mandatory interdict requires him to do something. The usual form of interdict is in the form of a prohibition. The majority of interdicts are requested, and granted, in this form. Because the form of order is identical in England, Australia, and Canada, only the position in England and South Africa will be discussed.

6.1 ENGLAND

6.1.1 Prohibitory injunctions

The usual order in respect of registered trade marks is an absolute prohibition against infringement of the mark concerned.¹⁵⁶ Use of the identical mark on identical goods is

155 Bean (1994) 89. However, in the two cases dealing with RSC Order 14 proceedings in respect of trade mark infringement, it was held that summary judgment would not be granted if the defendant could make out a 'triable issue': *Sony* (1982) 200; *Edenwest* (1994) 282.

156 Kerly (1986) 319.

absolutely prohibited.¹⁵⁷ Use of a similar mark on similar goods may also be prohibited if there is a likelihood of confusion on the part of the public.¹⁵⁸ The form in which an injunction is phrased to prohibit infringement is rarely problematic, despite the argument that 'infringement', as a legal term, does not inform the defendant with sufficient clarity of what conduct is prohibited.¹⁵⁹

The wording of an injunction against passing off can be problematic. It has been described as a compromise between protecting the rights of the plaintiff and allowing the defendant to trade legitimately.¹⁶⁰ A final injunction usually consists of a general prohibition against passing off together with a specific prohibition against the objectionable conduct. The specific prohibition is then qualified by a proviso against the defendant using the mark 'without clearly distinguishing' his product from that of the plaintiff. If this proviso were not included, the injunction would effectively give the plaintiff a monopoly on the mark concerned.¹⁶¹ If a specific prohibition is omitted, subsequent enforcement of the injunction is more difficult, as the question of whether the conduct complained of amounts to passing off, needs to be reconsidered.¹⁶² The courts are wary, however, of terminology that could be viewed as stating what actions will not constitute passing off.¹⁶³

The order will usually identify the persons to whom it applies; the most common version of the phrase is 'the defendants by their servants, workmen or agents'.¹⁶⁴

157 Section 10(1) of the Trade Marks Act 1994 (UK).

158 Section 10(2) of the Trade Marks Act 1994 (UK).

159 Cairns (1988) 43.

160 Wadlow (1995) 578.

161 *Idem* at 579.

162 *Ripley* (1902) 451.

163 *Kerfoot* (1908) 510.

164 *Marengo* (1948) 253.

6.1.2 Mandatory injunctions

Although the existence of mandatory injunctions is acknowledged in all textbooks on equitable relief, any discussion is usually preceded by a statement that they are more difficult to obtain than prohibitory injunctions.¹⁶⁵ Because English courts retain a discretion to grant any injunction, even once the various requirements have been met, questions such as the cost of compliance to the defendant, difficulties in formulating the order, and supervision of compliance with the order, tend to militate against their grant.¹⁶⁶

The mandatory injunction can take one of three forms. It can be restorative, requiring a defendant to undo a particular act which was done in violation of the plaintiff's rights; enforcing, demanding that the defendant carry out some act or perform some positive obligation; or quia timet, where there is only a threatened infringement.¹⁶⁷

The general discretion which a court will exercise when considering whether to grant such an injunction has been usefully summarised as follows:

'whenever an injury to the plaintiff is shown, being an injury that might, before it took place, have been enjoined by a prohibitory injunction if the court thought fit, a mandatory injunction may be granted unless consequent prejudice to the defendant is so disproportionate that that course is unjust in all the circumstances.'¹⁶⁸

It can therefore be said that, although the same principles govern the grant of all injunctions, discretionary considerations more usually favour the defendant when a

165 Bean (1994) 21; Tilbury (1990) 302.

166 Tilbury (1990) 302.

167 Idem at 301-302.

168 Spry (1990) 535.

mandatory injunction is requested.¹⁶⁹

Another issue which influences the discretion of a court is the behaviour of the parties, specifically the defendant's wilfulness. Thus, if the defendant has proceeded with conduct which he was requested not to perform, or has accelerated his activities to forestall a court order, the court will be less sympathetic to his allegations of hardship if forced to rectify those activities.¹⁷⁰

A major consideration against the grant of mandatory injunctions is the difficulty of making an order which clearly defines the defendant's obligations. It has been held by the House of Lords that 'the court must ... see that the defendant knows exactly in fact what he has to do and this means not as a matter of law but as a matter of fact'.¹⁷¹ In this decision, the court held that this 'necessary and perfectly well settled condition' was not met by an order which imposed an unqualified obligation on the defendants without giving an indication of what was to be done.¹⁷² A further consideration, once the order has been made, is that, if the defendant's obligation is of an ongoing or complex nature, the court is reluctant to undertake the task of supervision, which might require further judicial direction or intervention.¹⁷³

From the above, it is clear that English courts are reluctant to grant mandatory orders unless absolutely essential. Although a number of mandatory orders have been granted in England, Australia, and Canada, the bulk of these relate to nuisance, trespass, or building encroachment, where such orders are usually both complex and costly.

169 See also Sharpe (1983) 55 who discusses this aspect as 'balance of burden and benefit'.

170 Sharpe (1983) 60-65; Spry (1990) 539.

171 *Redland Bricks* (1970) 666.

172 At 667.

173 Sharpe (1983) 13.

6.2 SOUTH AFRICA

6.2.1 Prohibitory interdicts

Where statutory trade mark infringement has been proved, an absolute prohibition may be made. Any use of the registered or a confusingly similar trade mark may be prohibited in relation to the goods or services for which the mark is registered.¹⁷⁴ The use of an identical or similar mark in relation to goods or services which raise the likelihood of deception or confusion, may also be prohibited.¹⁷⁵

Where passing off has occurred, the plaintiff's right is not absolute and the prohibition restrains the defendant from using the mark 'without clearly distinguishing' it from that of the plaintiff.¹⁷⁶

Such a prohibitory interdict may be granted in general terms, or where a particular form of infringement has been proved, in specific terms forbidding that form of infringement but coupled to a general prohibition.¹⁷⁷ A specific prohibition is valuable, as it makes proof of a subsequent breach of order easier in contempt proceedings.¹⁷⁸

Unlike the English position, it has been held unnecessary to make the interdict applicable to employees and agents of the infringer.¹⁷⁹

174 Section 34(1)(a) of the Trade Marks Act of 1993 (SA).

175 Section 34(1)(b).

176 *Boswell* (1985) 485.

177 *Roamer Watch* (1980) 268; *Berman Bros* (1986) 245.

178 *Webster & Page* (1986) 315.

179 *Goddard* (1924) 324.

6.2.2 Mandatory interdicts

This form of interdict is to a large extent ignored in modern South African textbooks. Once the traditional distinction between mandatory and prohibitory interdicts has been mentioned, further discussion is limited to prohibitory interdicts. The distinction between the two forms is stated to be of little practical value, other than that mandatory interdicts are more difficult to enforce.¹⁸⁰

A textbook on interdicts in South Africa, written in 1939, places more emphasis on such orders. Nathan points out that in its widest sense every court order, other than prohibitory interdicts and declaratory orders, is mandatory. However, he describes mandatory interdicts as summarily compelling a person to do something precise or particular if the plaintiff is to have his just rights.¹⁸¹ Mandatory interdicts correspond to prohibitory interdicts as regards their origins, requirements, and procedure. Although Nathan gives a few examples of mandatory interdicts granted by our courts,¹⁸² these orders are few and far between in the law reports of the past few decades. Thus, although their existence is still acknowledged, the pure mandatory interdict seems to find little application in modern South African practice.¹⁸³

It is suggested that, as such orders have a clear legal basis, more creative use could be made of them to remedy specific types of harm caused by infringement, and suggestions of such orders will be given below.¹⁸⁴

180 See Erasmus (1994) E8-2; Harms (1996) 499; *LAWSA Interdicts* (1981) 294 .

181 Nathan (1939) 306.

182 *Hartman* (1903) 207, where the respondent was ordered to remove a signboard which created the impression that the shop concerned belonged to the respondent, not the applicant.

183 Nathan (1939) 336-338.

184 See 8.5.1 of this chapter.

7 ENFORCEMENT OF INTERDICTS

7.1 ENGLAND¹⁸⁵

A defendant who disobeys a prohibitory injunction or fails to comply with a mandatory injunction may be committed for contempt or a writ of sequestration may be issued against him.¹⁸⁶ Breach of an undertaking given to court is punished in the same way.¹⁸⁷ RSC Order 45 refers to a refusal, neglect, or disobedience. Acts which are casual, accidental, or unintentional will not be viewed as breaches of the injunction.¹⁸⁸ Breach of an injunction constitutes contempt even though the injunction exceeded the court's jurisdiction,¹⁸⁹ or the breach was committed relying on legal advice that the acts were lawful.¹⁹⁰ Service on the defendant of the order of injunction, with a penal notice endorsed, is a prerequisite for contempt proceedings.¹⁹¹ The court may also commit for contempt persons who were not parties to the original order but who, knowing of the injunction, aided and abetted the defendant in committing a breach.¹⁹² A fine or an award of damages may also be ordered against the defendant.¹⁹³

It can be difficult to obtain a committal order in trade mark infringement matters: there is frequently no factual dispute but rather disagreement as to whether the defendant's subsequent use of the mark amounts to a breach of the injunction. In such

185 The position in Australia and Canada is similar and will not be dealt with separately.

186 RSC Order 45, r. 5(1).

187 Fricker (1991) 15; *Supreme Court Practice* (1995) 752.

188 *Supreme Court Practice* (1995) 748.

189 Fricker (1991) 48.

190 Bean (1994) 94.

191 RSC Order 45, r.7; Fricker (1991) 12.

192 Bean (1994) 95.

193 *Idem* at 101.

circumstances, the court is loath to decide what amounts to a new infringement action during committal proceedings. This is particularly so when the injunction is worded in general terms and does not merely prohibit specific actions.¹⁹⁴

7.2 SOUTH AFRICA

Interdicts are classified as judgments *ad factum praestandum*. Enforcement of such relief is by way of contempt proceedings. Although contempt of court is a criminal offence and open to prosecution by the state, the more usual procedure is to approach the court which granted the order for assistance in compelling compliance. As civil contempt of court is defined as a wilful and *mala fide* failure to comply with the terms of the judgment,¹⁹⁵ a reasonable mistake on the part of the defendant will constitute a defence. The procedure is to approach the court which made the original order on motion and allege that the defendant had notice of the order but failed to obey it. The appropriate remedy for breach of the order is imprisonment.¹⁹⁶ As Erasmus points out, another remedy is damages, but as an interdict will not be granted if damages are an appropriate remedy, there will be few instances where pecuniary relief will compensate the injured party.¹⁹⁷

8 VALUE OF FINAL INTERDICTS

8.1 GENERAL

It has been shown that the major difference between the grant of final coercive relief in England and South Africa is the overriding discretion which an English court retains.

194 Cairns (1988) 48; Kerly (1986) 324.

195 *Consolidated Fish* (1968) 523.

196 The decision of the Constitutional Court in *Coetzee* (1995) does not prohibit imprisonment for contempt in all instances; it merely held that a committal order for failure to pay a judgment debt in terms of section 65F of the Magistrates' Courts Act of 1944 was unconstitutional (at 1394).

197 Erasmus (1994) E8-14 footnote 10.

It is, however, rare for this discretion to result in an intellectual property judgment that would differ in the two jurisdictions.

The procedural differences, while relevant, are also not responsible for vastly differing judgments. But I believe that in all jurisdictions an extremely useful form of interdict, the mandatory interdict, is underutilised.

8.2 MANDATORY ORDERS IN TRADE MARK AND PASSING OFF PROCEEDINGS

It has been shown that in all the relevant jurisdictions courts are reluctant to grant any kind of final mandatory interdict. Also, it is alleged to have little relevance in the intellectual property context. Textbooks on trade marks either ignore this form of interdict¹⁹⁸ or state that it is seldom appropriate in such proceedings.¹⁹⁹

However, an analysis of interdicts where the defendant is ordered to remove or alter something, and of such forms of relief as delivery up, Anton Piller, and disclosure orders, show that they are all orders which compel a defendant to do something rather than refrain from action. So it is not correct to state that all coercive relief in intellectual property proceedings is couched in a prohibitory form.²⁰⁰

198 The following do not mention the mandatory form when discussing injunctions or interdicts: Fox (1972); Kerty (1986); Ricketson (1984); Shanahan (1990); Wadlow (1995); Webster & Page (1986).

199 Cairns (1988) 14 footnote 5; McKeough & Stewart (1991) 33 footnote 135.

200 Erasure or delivery up are statutory mandatory orders which compel the defendant to perform a positive action: sections 15-16 and 19 of the Trade Marks Act 1994 (UK); section 34(3)(b) of the Trade Marks Act of 1993 (SA); section 52 of the Trade Marks Act 1953 (Cn) (disposition). A further mandatory order which can be made in the context of infringement proceedings is an order for removal of a mark from the register of trade marks: section 47(2)(3) of the Trade Marks Act 1994 (UK); sections 55 and 57(1) of the Trade Marks Act 1953 (Cn); section 92(3) of the Trade Marks Act 1995 (Aus); section 24(1) of the Trade Marks Act of 1993 (SA).

8.3 STATUTORY MANDATORY ORDERS IN RELATED FIELDS

Statutory provision also exists for mandatory orders in related fields. The two areas where this is most common are company law, which requires that companies change their names if misleading, and fair trading legislation, which protects consumers by requiring corrective advertising.

8.3.1 Name changes

While in trade mark infringement and passing off proceedings a defendant may be prohibited only from using the offending name, either per se or without distinguishing it, a change of corporate or trading style can be ordered in all jurisdictions. In England, a company can be directed to change its name if it gives a misleading indication of the nature of its activities.²⁰¹ In Australia, a change of business name may be ordered if it is undesirable in terms of the relevant legislation of the various states.²⁰² In Canada, a change of company name may be ordered if a name is 'deceptively misdescriptive'.²⁰³ In South Africa, a registered company can be ordered to change its name if it is undesirable or calculated to cause damage,²⁰⁴ a close corporation can be ordered to change its name if undesirable,²⁰⁵ and a business its name if calculated to deceive or mislead the public or cause annoyance or offence.²⁰⁶

201 Section 32 of the Companies Act 1985 (UK). See *Nishika* (1990) 380, where the defendants were ordered to change their names in the course of passing off proceedings. Similar orders were made in interlocutory proceedings in *Glaxo* (1996) 388 and *Law Society* (1996) 739. The court in *Glaxo* held that the statutory procedure contained in section 32 of the Companies Act 1985 need not be followed (at 391) and instead granted a mandatory interlocutory injunction; this was approved and followed in *Law Society* (1996) (at 756). Neither of these orders can be viewed as strictly interlocutory, as the defendants were ordered to change their names immediately.

202 Kercher (1990) 432; Shanahan (1990) 426.

203 Section 12(1)(2) of the Business Corporations Act 1985 (Cn).

204 Section 45(1) and (2) of the Companies Act of 1973 (SA).

205 Section 20 of the Close Corporations Act of 1984 (SA).

206 Section 5(1) of the Business Names Act of 1960 (SA).

8.3.2 Corrective advertising

Another form of statutory mandatory order, a corrective advertising order, is found in Australia and America.

In Australia, the Trade Practices Act makes provision for a court to order a person who has contravened certain provisions of the Act to publish corrective advertisements in terms specified by the court.²⁰⁷ These provisions all relate to commercial or trading conduct that is misleading or deceptive or likely to mislead or deceive.²⁰⁸ They are frequently used by traders in conjunction with common-law passing off proceedings.²⁰⁹ A recent report in which the efficacy of the Act was considered, stated that corrective advertising orders were an extremely effective tool in various circumstances. Specific instances included contravention by well-established conduct over a significant period of time, and circumstances where the Trade Practices Commission (TPC) wanted to send a message to other offenders. The Commission also stated that it was a cost effective and efficient method of correcting perceptions of consumers and businesses, and that it had not been difficult to arrive at a reasonable and effective specification of corrective advertising.²¹⁰

The American Federal Trade Commission is empowered to issue orders requiring persons to cease and desist from unfair competition.²¹¹ While these orders were usually framed in the negative, from 1970 onwards orders have sometimes been requested in positive terms, requiring defendants in deceptive advertising cases to themselves place corrective advertisements for a specific period in a form imposed or approved by the

207 Section 80A of the Trade Practices Act 1974 (Aus). Although section 80A requires the Minister or the Trade Practices Commission to apply to court, it has been held that any person can apply for an equivalent order in terms of section 80: *HCF* (1988) 491.

208 Section 52(1).

209 Kercher (1990) 298; McKeough & Stewart (1991) 297.

210 *Trade Practices Australia* (1994) 76-77.

211 Section 5(b) of Title 15 USC § 45(b) (1970).

Commission.²¹² The embarrassment of these advertisements to the defendant is viewed as one of their great strengths, and a major reason for more cautious advertising, as, if a prohibitory injunction is all that is granted, a defendant has already reaped the benefit of his misleading advertisement and is merely told not to repeat it.²¹³

The examples given above of mandatory orders in related fields are not intended to be exhaustive. But they do indicate that the legislatures in different jurisdictions do not view mandatory orders as per se inappropriate or impossible to enforce.

8.4 MANDATORY ORDERS WHICH HAVE BEEN GRANTED IN TRADE MARK AND PASSING OFF PROCEEDINGS

Very few mandatory orders can be traced in the relevant jurisdictions. In a Canadian case, the court required the defendant to display prominently on its premises a notice disassociating its business from that of the plaintiff.²¹⁴ In an Australian case, the defendant was ordered to install an explanatory recorded message on its telephone to correct a misleading name.²¹⁵ Other than final delivery up orders, these are the only examples of final mandatory orders.

However, in a House of Lords decision of 1915, the court referred to the influence of misleading advertisements and suggested that 'a fair and honest trader, having his attention called to the fact that his advertisements were misleading, would do all in his power to counteract their effect'.²¹⁶ An order for corrective advertising was not made, but the plaintiffs were awarded damages, calculated as the cost of counter-

212 *Corrective Advertising* (1971) 478 and 488; Kaler (1994) 298; Heald (1988) 635-637.

213 *Corrective Advertising* (1971) 482.

214 *Sony of Canada* (1984) 273.

215 *Independent Locksmiths* (1986) 432.

216 *Spalding* (1915) 288.

advertisements.²¹⁷ Wadlow states that while the cost of corrective advertising can be recovered from a defendant, an order requiring the defendant himself to undo his misrepresentation has never been made.²¹⁸ But the *Spalding* decision shows that, at a time when the influence of the media was comparatively slight, it was recognised that the effect of a misleading advertisement can be felt for a period well after publication,²¹⁹ and that the defendant bears some responsibility to correct this.²²⁰

A further type of order, occasionally made in respect of instances of parallel imports, is of mandatory effect, although an English court, when making such an order, pertinently held that it was a prohibitory injunction, with an 'unless' clause, rather than a mandatory injunction.²²¹ These orders require a seller of parallel imports to inform purchasers that he is not an authorised dealer and that the goods are not covered by a manufacturer's guarantee, and also prohibit the sale of goods unless a label containing this information is affixed to the goods.²²² Despite the denial of the first court which made such an order that it was mandatory in effect, a subsequent decision where an 'unless' order was made also contained an order to the defendant to change its name.²²³

217 *Spalding* (1918) 117.

218 Wadlow (1995) 579.

219 *Spalding* (1915) 289.

220 *Spalding* (1918) 117.

221 *Sony* (1983) 308.

222 *Sony* (1983) 307; *Nishika* (1990) 380. Although both orders were made in interlocutory proceedings, similar orders had been requested in the writ commencing action and it is clear from the judgments that the courts did not doubt that the same relief was available on action.

223 *Nishika* (1990) 380.

8.5 THE VALUE OF MANDATORY ORDERS IN TRADE MARK AND PASSING OFF PROCEEDINGS

It can be asked whether there is any need for mandatory orders in this field, given the fact that so few have ever been sought. Two major issues arise here: first, is there any need for such orders; and second, if such a need exists, why are they not sought?

8.5.1 Need for mandatory orders

American courts have granted a number of injunctions in which a defendant is required to take affirmative steps to distinguish his products so as to indicate their real source to the public. McCarthy gives various examples. They include advertisements disclaiming any connection with the plaintiff, notice to the trade of the court's decision, corrective advertising, telephone listings, product recalls, and customer refunds.²²⁴

In appropriate circumstances, these can all be extremely effective methods of alleviating the damage caused by trade mark infringement or passing off, and of correcting consumer misconceptions. Such orders would be of particular value against habitual infringers and would be to the benefit of both the plaintiff and the consumer. They would also make final interdicts more useful: very often the delay between issue of writ or summons and trial makes any eventual prohibitory relief irrelevant, as the mark or goodwill has been destroyed if infringement continued during this period. It is for this reason that interlocutory relief is viewed as of greater assistance than final relief. However, if a defendant was aware that he would have to take positive action to correct his infringement, rather than merely stop infringement, he might be more cautious about his conduct before trial.

A need for mandatory interdicts can also be seen in various codes of conduct and fair trading provisions. While they differ in the various jurisdictions, and are frequently not

224 McCarthy (1996) 30.13 - 30.15.

of legal effect, their existence indicates a lacuna in the relief granted by a court. One example is the South African Consumer Code for Electronic Equipment, which applies to parallel imports.²²⁵ It requires that consumers be alerted to the fact that these goods are unauthorised, through labels and advertising warning that warranties and after-sales service are affected.²²⁶ The provisions are actually a positive version of the 'unless' orders made in England in respect of such goods, with the added requirement that advertisements must also provide this information. Compliance with the Code is not compulsory. However, non-compliance can result in an investigation by the Business Practices Committee; if the actions are declared to be a harmful business practice, they can result in a criminal prosecution.²²⁷

8.5.2 Reasons for not requesting mandatory orders and their relevance

One reason for the reluctance of plaintiffs to seek mandatory relief is the greater strength of case required before these orders will be made. In interlocutory proceedings, the *American Cyanamid* principles²²⁸ do not apply and a strong prima facie case must be made out.²²⁹ But this distinction does not apply to final orders, and there is no reason not to request mandatory relief in a final action, even if it was not sought in prior interlocutory proceedings.

A further reason for the fact that mandatory relief is seldom sought in England, is the reluctance of English courts to grant such orders.²³⁰ This is not because of any perceived lack of jurisdiction, as it has been held that the courts have both statutory

225 See, generally, Plaistowe (1996) 19.

226 Consumer Code for Electronics Equipment (1995) 7.

227 Section 12(7) of the Harmful Business Practices Act of 1988 (SA).

228 See 2.1.2.2 of chapter 4 below.

229 But see *Law Society* (1996) 750 where *American Cyanamid* principles were applied and a mandatory interlocutory injunction granted.

230 Principles governing the grant of mandatory interdicts in South Africa have not been articulated by our courts.

power and inherent jurisdiction to grant mandatory injunctions.²³¹ The reluctance stems from the view of the English courts that various problems surround the implementation of such orders. As was stated earlier, the majority of mandatory orders have been requested in areas of law such as trespass, nuisance, pollution of or damage to land, and encroachment. It is important to bear this in mind when considering the problems which the English courts have identified.

The first is that the expense to the defendant of compliance with a mandatory injunction can be disproportionate to the damage caused to the plaintiff. The *Redlands Bricks* decision, in which the principles governing mandatory relief were restated by the House of Lords,²³² is an example of this. The defendant was ordered by a lower court to restore support, at a cost in excess of 35 000 pounds, to the plaintiff's land, valued at about 1 500 pounds and used as a market garden. It is not surprising that the court decided that such an order offended against the principle that the cost to the defendant of any order had to be taken into account.²³³ It is unlikely that the forms of mandatory injunction or interdict suggested in trade mark infringement and passing off proceedings, will cost the defendant an amount disproportionate to the damage to the plaintiff.

The second is the difficulty of formulating an order that informs the defendant precisely what he has to do. This issue also arose in *Redlands Brick*. The defendant was merely ordered to restore support to the land, with no qualification of how this was to be done, and no financial limit was placed on this obligation. The court restated the principle that a defendant had to be told what he was required to do, and held that only in the simplest of cases could a defendant merely be ordered to restore something to its

231 *Maclaine Watson* (1989) 303.

232 The decision dealt with quia timet mandatory injunctions; most of the principles apply, however, to all forms of mandatory injunctions.

233 *Redlands Brick* (1970) 666-667.

previous position.²³⁴ The nature of trade mark infringement and passing off proceedings makes it unlikely that an imprecise order would be made, as the plaintiff will have had to persuade the court that certain specific acts should be ordered. The courts' objections to framing a prohibitory order in precise language²³⁵ are not relevant here; what will generally be requested is a prohibition against future infringement or passing off coupled with a specific mandatory order to correct past infringements.

The final objection is that the court will be forced to supervise compliance with the order, and become involved in its implementation.²³⁶ Once again, it is doubtful whether this objection is valid for the type of mandatory orders suggested in the context of trade mark and passing off proceedings. None of the forms of mandatory order used in American trade mark infringement proceedings requires any form of ongoing court supervision.

9 CONCLUSION

Coercive relief is of great importance in intellectual property litigation. Damages are difficult to quantify, to prove, and often to recover, and a plaintiff's primary desire is to protect his mark so that it remains a valuable commercial commodity. Prevention of further infringement is obviously a plaintiff's first requirement. This form of interdict is frequently granted and its requirements and implementation have been spelt out in numerous decisions. However, the unavoidable delay between the start of infringement and a final order frequently makes an eventual prohibition a hollow victory. It has been shown that the remedy of injunction and interdict is flexible enough to accommodate a

234 Ibid.

235 See, for example, *Kerfoot* (1908) 510: 'it would be a very injurious practice to begin, to insert in an Order any qualifying words which leave it open to the person against whom the injunction is made to say that the Court has in anticipation laid down a course of conduct which he may pursue'.

236 Sharpe (1983) 13-19 gives a list of such decisions.

variety of orders, whenever it is 'just and convenient' to do so.²³⁷ The mandatory form of interdict is too often overlooked or perceived to be unavailable in intellectual property proceedings. It is suggested that it can be a valuable tool to prevent or deter infringement.

237 Section 37(1) of the Supreme Court Act 1981 (UK).

CHAPTER 4

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CHAPTER 4

INTERLOCUTORY INTERDICTS

1 INTRODUCTION

Many of the problems surrounding interlocutory relief are common to all jurisdictions. The primary aim of such relief is to preserve the status quo; but this relief is also seen as necessary to protect existing rights pending trial.

In all jurisdictions interlocutory relief presents evidentiary problems. How much evidence must be led to obtain what is intended as speedy, temporary relief? The less evidence required, the sooner a plaintiff can approach the court for relief, but at the risk of prejudice to other parties.

Interlocutory relief, though intended to be merely temporary, is in practice often of final effect. If this is so, should the criteria for the grant of relief which will have final effect differ from the criteria for relief which will be effective for a limited period only?

These questions relate to all interlocutory orders. There is not necessarily one correct answer, or even any answer, to some of these questions. In this chapter, an attempt will be made to identify some of the problems which are of specific relevance in trade mark infringement and passing off litigation, and to discuss the solutions which have been adopted in England, Australia, Canada, and South Africa.

Before this can be attempted, it is necessary to analyse the requirements for the grant of an interlocutory interdict. The procedure to obtain relief and the form of order are then considered. Finally, any differences in approach are identified and an attempt is made to determine which approach is preferable.

2 REQUIREMENTS FOR INTERLOCUTORY RELIEF

2.1 ENGLAND

2.1.1 Introduction

The object of an interlocutory injunction in English law is said to be 'to preserve matters pending the trial of the matters in dispute'.¹ The nature of the proceedings and the necessity for a speedy decision mean that the merits of the respective parties' cases are never fully canvassed, and, since 1975, are seldom given more than cursory attention. As a result, the criteria by which an application for interlocutory relief is decided differ completely from those used to decide the grant or refusal of a final injunction.

2.1.2 Prohibitory interlocutory injunctions

The requirements to be met before a final injunction will be granted are the same for prohibitory and mandatory orders. After a full hearing on the merits, the court can make whatever order it thinks just and convenient. However, because of the temporary nature of an interlocutory injunction and the fact that the merits are not fully canvassed before the grant of such an order, the strength of the plaintiff's² case is assessed differently depending on whether a prohibitory or mandatory order is sought. The weight accorded to strength of case as a criterion is considerably lighter for prohibitory orders than for mandatory orders, as, in the latter instance, a defendant has to perform some positive action rather than merely to preserve the status quo by refraining from action.

The English approach to the criteria for the grant of prohibitory interlocutory injunctions changed radically in 1975. Before the seminal *American Cyanamid* decision by the

1 Halsbury *Injunctions* (1979) 512.

2 To avoid confusion, the terms 'plaintiff' and 'defendant' will, except in quotations, be retained in this chapter, in preference to the technically more correct 'applicant' and 'respondent'.

House of Lords in that year, what is known as the 'traditional checklist'³ approach was applied. This checklist was largely the same for both prohibitory and mandatory orders.

2.1.2.1 *The traditional approach*⁴

The first question posed concerned the strength of the plaintiff's case. While it was not originally an absolute requirement that a strong prima facie case be made out, by the end of the nineteenth century this had become the norm. If a plaintiff could not do this, a court would not grant interlocutory relief.⁵

The next issue was that of irreparable harm to the parties. The plaintiff had to show that he risked some injury which could be compensated only through the grant of an interlocutory injunction. However, to minimise the risk of harm to the defendant, he also had to be in a position to give an undertaking to pay the defendant any damages he might sustain by reason of the interlocutory injunction, should the plaintiff be refused a final injunction at trial.⁶

The balance of convenience was then assessed. Finally, either as part of the assessment of the balance of convenience or as a separate issue, the desirability of maintaining the status quo was considered.⁷

Although this traditional approach allowed the courts to analyse coherently the various factors which would determine the grant or refusal of interlocutory relief, it was flexible and did not impose a consistent approach or standard.⁸ This led to discrepancies in the

3 Sharpe (1979) 188.

4 A useful summary of the traditional approach is contained in *Series 5* (1996) 278-280.

5 Sharpe (1979) 190.

6 *Idem* at 191.

7 *Idem* at 192-193.

8 *Idem* at 188 and 196.

application of the various requirements: many judges viewed the strength of the plaintiff's case as a hurdle to be surmounted before attention could be given to the other requirements.⁹ The problem was aggravated by the insistence of some courts on a 'strong prima facie case' before consideration of any other aspects.¹⁰

2.1.2.2 *The American Cyanamid decision*

In *American Cyanamid*, after the grant of an interlocutory injunction in a patent infringement matter on the basis that a strong prima facie case had been made out,¹¹ and its discharge by the Court of Appeal on the basis that no prima facie case had been proved,¹² the matter came before the House of Lords. It considered the requirements for interlocutory injunctions.

Lord Diplock, who gave the judgment, pointed out that in both lower courts the requirement of a prima facie case had been viewed as a threshold test which had to be satisfied before the balance of convenience was considered. In effect this necessitated a trial of the infringement issue on conflicting affidavit evidence, without the benefit of oral evidence and cross-examination.¹³

He stated that the grant of interlocutory relief is both temporary and discretionary, and is made at a time when the existence of the right or its violation, or both, is uncertain and will remain uncertain until final judgment. The practice of granting interlocutory relief developed to mitigate the risk of injustice to the plaintiff during the period before this uncertainty could be resolved. So the object of an interlocutory injunction is to protect the plaintiff from injury for which he cannot adequately be compensated by

9 *Idem* at 188 and 197.

10 See as example of this attitude *Cavendish* (1970) 235; *Hoffmann-La Roche* (1975) 360.

11 *American Cyanamid* (1975) 520.

12 At 531.

13 At 538.

damages. His need for protection must be weighed against the defendant's need to be protected against injury resulting from being prevented from exercising his own rights for which he cannot be adequately compensated by the plaintiff's undertaking in damages. The court must weigh these two requirements and determine where the balance of convenience lies.¹⁴

Lord Diplock went on to state that there is no rule which provides that a court may not take into account the balance of convenience until it has been satisfied that, if the case went to trial solely on the evidence before it, the plaintiff would be entitled to a permanent injunction. It was not part of the court's function at the interlocutory stage, to try to resolve conflicts of evidence on affidavit.¹⁵

He then, in a unanimous judgment, formulated the following approach to determine whether an interlocutory injunction should be granted: (a) The court must be satisfied merely that 'the claim is not frivolous or vexatious; in other words, that there is a serious question to be tried'.¹⁶ (b) The court must then consider the balance of convenience. To do this, it must first consider whether, if the plaintiff were to succeed at trial, he would be adequately compensated by an award of damages. If not, would the defendant, if the injunction were discharged at trial, be adequately compensated under the plaintiff's undertaking in damages.¹⁷ (c) Only where there is doubt as to the adequacy of the respective remedies in damages, do other matters which might affect the balance of convenience need to be considered.¹⁸ (d) Where these other matters are evenly balanced, the status quo should be preserved.¹⁹

14 At 539-540.

15 At 541.

16 Ibid.

17 Ibid.

18 At 542.

19 Ibid.

2.1.2.3 *The post-American Cyanamid approach*

The traditional test emphasising the strength of the plaintiff's case, was thus replaced by a test where the adequacy of damages was seen as paramount. This has not met with universal approval and the decision has been the subject of much discussion. However, the guidelines proposed by Lord Diplock have been accepted as the leading source of law on interlocutory injunctions in England.²⁰

Although various special cases have subsequently been identified as unsuited to the application of the criteria suggested by Lord Diplock, *American Cyanamid* was a patent matter and it is generally accepted that these criteria should be applied to litigation concerning all forms of statutory intellectual property.²¹ It has also been pertinently held that passing off actions are particularly suited to the application of *American Cyanamid* principles.²²

The application of the various criteria to trade mark and passing off matters must therefore be considered.

2.1.2.3.1 *Serious question to be tried*

The first issue is whether there is a serious question to be tried. In the light of the court's description of a 'serious question' as a claim that is 'not frivolous or vexatious'²³

20 Bean (1994) 29.

21 Annand (1994) 179; Comish (1996) 59; Kerly (1986) 321.

22 *County Sound* (1991) 372.

23 The use of the phrase 'frivolous or vexatious' has received justified criticism. In the *Mothercare* (1979) decision, the court stated at 472-473 that the phrase is also used in respect of striking out proceedings, where it has been described as meaning an action that 'is on the face of it unreal and one which no reasonable or sensible person could treat as a proper cause to bring before the court'. The court held that it cannot have been intended that this construction be placed on the interpretation of this phrase when used in respect of interlocutory proceedings.

but has a 'real prospect of succeeding',²⁴ it is clear that a prima facie case, of whatever strength, need not be shown.

When infringement of a registered trade mark is alleged, proof of a serious question is rarely difficult, and an allegation that the registration is invalid is usually not investigated in interlocutory proceedings.²⁵ Any serious question will, therefore, relate to whether the marks are sufficiently similar to constitute infringement.²⁶

A 'serious question' in respect of passing off, was first described in the *Mothercare* decision as 'a case which is arguable and real', even though points of difficulty, factual and legal, were foreseen.²⁷ Although it was later held in various decisions that a plaintiff in a passing off case must show something more than an arguable case,²⁸ the Court of Appeal finally held that nothing more than a triable issue is required.²⁹ A clear statement of what must be proved in a passing off matter was recently given in the *County Sound* decision: the court held that for the tort of passing off to exist, the three elements of reputation (goodwill), confusion, and damage must be present, and that to obtain an interlocutory injunction the plaintiff must show that there is a serious question to be tried in respect of each element.³⁰

24 *American Cyanamid* (1975) 541.

25 *Carter & Parker* (1960) 207; *American Cyanamid* (1975) 541 (patent registration); Cairns (1988) 22; cf *Meagher* (1992) 599-600.

26 The various issues which could arise in this respect will not be dealt with. Annand (1994) 146-148 discusses various of those that might arise under the 1994 Act.

27 *Mothercare* (1979) 475.

28 *Newsweek* (1979) 441; *Athletes Foot* (1980) 349; *Parnass* (1982) 329. The argument advanced in these cases was that, because the parties often accept the interlocutory order as finally determining the litigation, the criteria applied should correspond to those for the grant of final relief.

29 *Elan* (1984) 386.

30 *County Sound* (1991) 372-373. See also *Law Society* (1996) 752-753 on the necessity of showing a serious issue to be tried on the quantum of damage.

2.1.2.3.2 *Inadequacy of damages*

The inadequacy of damages is considered once the plaintiff has shown that there is a serious question to be tried.

According to *American Cyanamid*, the court should first consider whether, if the plaintiff were successful at trial, he would be adequately compensated by an award of damages for the refusal of the interlocutory injunction, and whether the defendant is in a financial position to pay such damages. If damages are an adequate remedy and the defendant can pay them, the plaintiff cannot prove irreparable harm and an injunction will not be granted. However, if damages are inadequate, the court should then consider whether, if the defendant were ultimately successful, he would be adequately compensated by the plaintiff's undertaking as to damages if an interlocutory injunction had been granted.³¹ This approach results in adequacy of damages becoming the governing factor in a determination of the grant or refusal of interlocutory relief: other issues influencing the balance of convenience become relevant only when damages are not considered to be an adequate remedy.³²

The manner in which the inadequacy of damages is assessed, is substantially the same as that used to determine irreparable harm in the traditional approach. Wadlow identifies four issues which arise under this heading: reparation, quantification, order of magnitude, and prospects of recovery.³³

31 *American Cyanamid* (1975) 541.

32 *Netlon* (1979) 534-535 is a good example of this approach. There the court held:
'First the court should consider whether damages are an adequate remedy for the plaintiffs, which means are they capable of assessment with reasonable accuracy, and is the defendant of sufficient substance to answer any foreseeable amount which might be recovered? The respondents say they would be adequate in this case and if so that is of course the end of the case. If however the court is of the opinion that damages are not an adequate remedy for the plaintiff, then it has to proceed to consider the like question in relation to the defendant. Here the appellants say that damages are an adequate remedy for the respondents, and if so *that is an end of the case the other way*' (emphasis added).

33 Wadlow (1995) 545.

2.1.2.3.2.1 *Reparation*

The damage suffered by trade mark infringement and passing off is purely economic. Damages would in theory, therefore, always constitute adequate compensation. However, although the courts acknowledge that a sufficient sum of money can compensate for any wrong in this area of law,³⁴ this does not mean that damages are viewed as sufficient reparation, or that the damage that may be caused to the reputation or goodwill of either party is seen as unimportant.³⁵ So the fact that damage is economic is no bar to the grant of interlocutory relief.

2.1.2.3.2.2 *Quantification*

It is generally accepted that intellectual property damages, whether caused by damage to reputation and loss of goodwill, or by pure loss of sales, are extremely difficult to quantify.³⁶ It is for this reason that damages are usually viewed as inadequate. However, although it is not often pertinently mentioned in decisions, it has been emphasised that the damage must occur during the interlocutory period and not merely relate to irreparable harm which will arise if the objectionable conduct continues indefinitely.³⁷

2.1.2.3.2.3 *Extent of damage and financial strength of the parties*

The extent of the damage that will be suffered is always relevant, as is the relative damage that either party will suffer. The courts occasionally indicate their awareness that what will amount to enormous damage to a small company or an individual may

34 *Dunhill* (1979) 374: 'what is at stake is, essentially, money'.

35 At 365 and 368; *Mondaress* (1981) 123.

36 *Combe International* (1977) 471-472; *Dunhill* (1979) 365.

37 *Perell* (1989) 555.

be relatively insignificant to a large corporation. They caution against allowing this aspect of the inquiry to be abused by financially strong plaintiffs to oppress smaller concerns.³⁸ However, the ability of the parties to pay any award of damages after trial will always be an important consideration.

The plaintiff will, in any event, be required to give an undertaking as to damages if an interlocutory injunction is granted; so his financial status is rarely in issue.³⁹ Where the defendant is not financially strong and cannot cover any losses by the plaintiff, but any damage he might suffer could be covered by the plaintiff, an interlocutory injunction is usually granted.⁴⁰

2.1.2.3.3 *Other matters which affect the balance of convenience*

According to *American Cyanamid*, the balance of convenience need be assessed only if there is doubt as to the adequacy of the respective remedies in damages available to either party. The court stated that it would be unwise to attempt to list the various factors which might have to be taken into account, or the relative weight to be attached to them, as they vary from case to case.⁴¹ Two of the more important factors are delay by the plaintiff and the good faith of the parties.

2.1.2.3.3.1 *Delay*

A factor which weighs very strongly against the plaintiff is any delay in the institution

38 *Apple* (1977) 351; *Vernon* (1980) 191.

39 In *Combe International* (1977) 473 the plaintiff had no assets in the jurisdiction but offered a bank indemnity in respect of liability on the undertaking for damages.

40 *Mothercare* (1979) 475; *Dunhill* (1979) 365; *Law Society* (1996) 754.

41 *American Cyanamid* (1975) 541-542. Some of these factors are more correctly classified as defences to a plaintiff's claim when a final injunction is sought. However, when interlocutory relief is sought, they are viewed as affecting the balance of convenience because of the overall consideration of both parties' cases required under the balance of convenience, in contrast with the relative weighing up of each party's case that occurs during trial hearings. Both Meagher (1992) 597 and Tilbury (1990) 323 describe such matters as defences.

of proceedings. This is viewed as an indication that he does not fear irreparable harm from the defendant's actions.⁴² Mere delay will suffice,⁴³ as the defendant might prejudice his position during this period and this will affect the balance of convenience. It will also affect the determination of the status quo. According to Wadlow, unjustified delay of more than a few months is inevitably fatal to the plaintiff's case, even though delay of this length would have no effect on his rights at trial.⁴⁴

2.1.2.3.3.2 *Good faith*

The good faith of either party is also relevant. This factor usually relates to the defendant, and the courts are generally unsympathetic when a defendant has adopted a mark with ulterior motives. In one instance the court bluntly stated that the defendant 'has brought its troubles on itself'.⁴⁵ Where the issue is one of passing off rather than trade mark infringement, the courts also regard the fact that the defendant is not prohibited from using the mark per se, but merely from using it without distinguishing it from the plaintiff's mark, as tipping the balance of convenience in the plaintiff's favour.⁴⁶

2.1.2.3.4 *Preservation of the status quo*

Finally, where other factors are evenly balanced, *American Cyanamid* recommends the preservation of the status quo.⁴⁷ The problem lies in determining the time at which the

42 Meagher (1992) 597; Spry (1990) 480.

43 In contrast to the situation when a final injunction is sought, where laches or acquiescence must be shown. See chapter 3 at 3.1.3.4. But see *Law Society* (1996) 755: 'such [interlocutory] injunctions are not awarded as a prize for the vigilant and automatically withheld from the less than vigilant'.

44 Wadlow (1995) 555.

45 *Elan* (1984) 382. See also *Elanco* (1979) 57 where the same view was expressed in respect of possible copyright infringement.

46 *Combe International* (1977) 473.

47 *American Cyanamid* (1975) 542.

existing state of affairs should be preserved. While it is often accepted that this is the time immediately preceding issue of the writ,⁴⁸ some decisions view it as the time before the defendant embarked upon the activity sought to be restrained,⁴⁹ and other decisions state that the relevant time may vary in different cases.⁵⁰ The last seems the view to be preferred; the time immediately before writ is issued usually means that the trade mark infringement or passing off is already in progress, and will thus be allowed to continue,⁵¹ but it might not be equitable in every instance to view the time before the infringement or passing off commenced as definitive.

2.1.2.3.5 *General derogations from American Cyanamid*

As previously stated, the *American Cyanamid* decision was almost immediately the subject of controversy. As early as the following year, it was described as having 'perplexed the profession'.⁵² The most recent judicial consideration of *American Cyanamid* reintroduced strength of case, albeit a watered-down version, and held that if it is apparent that one party's case is much stronger than the other's, this cannot be ignored by the court.⁵³ But the bulk of the criticism, and subsequent refinements of and departures from the guidelines set out by Lord Diplock, do not relate to the intellectual property field. Only one issue need be considered, as in all other respects English

48 *American Cyanamid* (1975) 542; Bean (1994) 33.

49 *Fellowes* (1976) 141.

50 *Dunhill* (1979) 376; Berryman (1989) 157: 'A true *status quo* is not a static condition.'; Tilbury (1990) 322: 'the meaning of *status quo* is not static'.

51 Except in quia timet injunctions.

52 *Fellowes* (1976) 130. In this decision, Lord Denning rather snidely described the progress of the proceedings in *American Cyanamid* as follows:

'The hearing before the Court of Appeal took eight days. The plaintiffs then appealed to the House of Lords when it was estimated that the hearing would last 12 days. The House were clearly appalled by the prospect of hearing an interlocutory appeal for 12 days. So they disposed of it in three days' (at 130).

53 *Series 5* (1996) 286. See also Charters (1997) 14.

works on trade marks and passing off view these guidelines as applicable.⁵⁴

2.1.2.3.6 The 'final effect' exception

The only relevant exception relates to the 'special factors' mentioned by Lord Diplock at the close of his judgment in *American Cyanamid*.⁵⁵ Subsequent decisions have identified as a 'special factor', or special case, interlocutory injunctions which finally determine the dispute. In these instances, the merits of the parties' cases will be more carefully considered.⁵⁶ In the leading decision on these cases, Lord Diplock himself distinguished *American Cyanamid* as it did not concern a situation where the determination of injunctive relief would finally dispose of the action. He held that in circumstances where interlocutory relief was definitive, the strength of the plaintiff's case would become 'a factor to be brought into the balance'.⁵⁷

It is common cause that in practice intellectual property cases seldom proceed beyond the interlocutory stage.⁵⁸ The issue is then whether they should be judged by this stricter criterion. Whether intellectual property cases fall into this special category has not been pertinently considered in statutory intellectual property cases. Passing off cases were occasionally regarded as such,⁵⁹ until the Court of Appeal held that they

54 Annand (1994) 179; Kerly (1986) 321. The only qualification to this statement is that in passing off cases the strength of the plaintiff's case can be relevant as it will affect the extent of the damage he is likely to suffer to his goodwill, and therefore his ability to prove inadequacy of damages; Wadlow (1995) 542.

55 *American Cyanamid* (1975) 542: 'I would reiterate that, in addition to those to which I have referred, there may be other special factors to be taken into consideration in the particular circumstances of individual cases.'

56 *Fellowes* (1976) 133.

57 *NWL Ltd* (1979) 1307.

58 *Fellowes* (1976) 134, in which this category of special cases was first defined, specifically mentions passing off and patent cases as examples of matters that seldom go to trial after interlocutory proceedings.

59 *Newsweek* (1979) 441; *Athletes Foot* (1980) 349; *Parnass* (1982) 329.

did not qualify as special cases.⁶⁰

Subsequently, in the few intellectual property instances where the court has conceded that the grant or refusal of relief will have final effect, this has been viewed as affecting the balance of convenience, not as an example of a special case.⁶¹

The problem appears to lie in the concept 'final effect'. In the *NWL Ltd* decision, Lord Diplock described these instances as 'exceptional' and viewed them as final, as 'there would be nothing left on which it was in the unsuccessful party's interest to proceed to trial'.⁶² Later in the same judgment he described them as having 'the practical effect of putting an end to the action because the harm that will have been already caused to the losing party by its grant or refusal is complete and of a kind for which money cannot constitute any worthwhile recompense'.⁶³ In a subsequent decision, the grant of interlocutory relief which has final effect was described in the following terms:

'If an injunction was granted to the plaintiffs, that would be an end to the substance of the matter and the injunction would not in effect amount to a holding operation: it would be giving the plaintiffs all that they came to court to seek, namely their injunction, and when the time came for trial there would be no point in a trial because the object of the plaintiffs would have been achieved seeing that the annual general meeting would have been held.'⁶⁴

60 *Elan* (1984) 386.

61 *Blazer* (1992) 511: 'the effect of the injunction would be to change for all time the status [of the mark] in the United Kingdom'. Although Kerly (1986) 322 footnote 84 states that post-*American Cyanamid* experience indicates a significantly increased tendency for passing off and trade mark infringement matters to go to trial, because the merits are not as fully canvassed as under the traditional approach, other writers do not share this view (see, for example, Wadlow (1995) 540).

62 *NWL Ltd* (1979) 1306.

63 At 1307.

64 *Cayne* (1984) 232.

A study of these extracts makes it clear that something more than a decision by the parties not to proceed is presupposed - the final relief has become irrelevant. Intellectual property issues, where relief is economic in nature, rarely fall into this category.⁶⁵ Although it is true that, in practice, the vast majority of intellectual property matters are decided at interlocutory stage, this is a pragmatic decision by the parties, not an objective necessity. So it is unlikely that the courts will draw a distinction between statutory intellectual property and passing off disputes. No such instance will probably be viewed as falling under the 'special cases' exception. This assumption is supported by Lord Diplock's description of such special cases as 'exceptional'.⁶⁶ Clearly the usual applications for interlocutory relief in intellectual property matters will never be described as such.

2.1.3 Mandatory interlocutory injunctions

The *American Cyanamid* guidelines are relevant only to prohibitory interlocutory injunctions and do not apply when a mandatory interlocutory injunction is sought. A mandatory interlocutory injunction will not normally be granted in the absence of special circumstances.⁶⁷ It has been held that the court must feel a high degree of assurance that, at trial, it will appear that the injunction was rightly granted.⁶⁸ In the leading decision on such injunctions in the copyright field, the court interpreted this as requiring the plaintiff to show that he has a 'high standard of probability of success'.⁶⁹ This is clearly a vastly different criterion to the 'serious issue to be tried' required for prohibitory interlocutory injunctions. As pointed out in this decision, the statutory

65 In *Elan* (1984) 386, the court distinguished *NWL Ltd* (1979) on the basis that, although grant of the injunction would irrevocably and finally prevent the defendants from using the mark concerned, this was not the kind of case to which *NWL Ltd* referred as causing overwhelming damage or irrevocable harm, as the defendants could market their computers under another name.

66 *NWL Ltd* (1979) 1306.

67 *Halsbury Injunctions* (1979) 534.

68 *Shepherd Homes* (1971) 351.

69 *Leisure Data* (1988) 372.

authority to grant any form of injunction stems from section 37 of the Supreme Court Act 1981, which provides that an injunction may be granted when 'it appears to the court to be just and convenient to do so'. When applying this to the grant of mandatory interlocutory injunctions, the court must give full weight to the practical realities of the situation and weigh the respective risk of injustice to either party.⁷⁰ Although the courts accept that there is usually a greater risk of injustice attached to the grant of mandatory relief at an interlocutory stage, it has also been held that there can be greater risk of injustice when it is refused than when granted.⁷¹ In these instances the court will consider various factors in exercising its discretion. In a copyright matter, the court exercised its discretion in the plaintiff's favour and noted that there was no difficulty in formulating the order in an enforceable form; the order would not cause uncompensable loss to the defendant, while loss to the plaintiff would be very difficult to quantify; the status quo would be better maintained by granting the order; and the refusal of relief would render further relief irrelevant.⁷² The court should in all instances look at the effect of the order on both parties and consider the risk of injustice; the actual wording of the order as mandatory or prohibitory⁷³ is less important.⁷⁴ In a recent passing off decision, the court stated that such orders are usually phrased in a negative form because courts are reluctant to grant mandatory relief on motion. It then held that, in appropriate circumstances, 'it is better not to be mealy-mouthed and to grant an

70 Ibid.

71 *Films Rover* (1987) 682.

72 At 683-685.

73 A mandatory order is sometimes phrased as a double negative to make it technically a prohibitory order: for example, in *Doulton* (1971) 600 the defendants were 'restrained from interfering with the right of the plaintiffs or either of them to have access to the subject die for the purpose of removing the same from its present place, and from refusing to be present when requested to do so'.

74 *Films Rover* (1987) 680:

'semantic arguments over whether the injunction as formulated can properly be classified as mandatory or prohibitory are barren. The question of substance is whether the granting of the injunction would carry that higher risk of injustice which is normally associated with the grant of a mandatory injunction.'

express mandatory injunction'.⁷⁵

2.2 AUSTRALIA

2.2.1 Prohibitory interlocutory injunctions

Beecham Group is the leading Australian decision on the grant of such injunctions; it was given by the High Court in 1968. Although a patent case, the principles were stated as applicable to all interlocutory injunctions. The court identified two main inquiries which had to be conducted. The first was whether the plaintiff has made out a strong prima facie case, in the sense that if the evidence remained as it was, there was a probability that the plaintiff would be entitled to final relief.⁷⁶ The second was the balance of convenience, which the court described as whether the injury to the plaintiff if the injunction were refused would be outweighed by the injury suffered by the defendant if the injunction were granted.⁷⁷ This approach is similar to the traditional English checklist.

After the *American Cyanamid* decision, the question arose whether the two judgments could be reconciled. Some authors argue that the conflict between the two decisions is more perceived than real, and that there is little distinction between a 'strong prima facie' case, as required in *Beecham Group*, and an 'arguable' case, as required in *American Cyanamid*.⁷⁸ Some authorities and subsequent decisions have indicated that, if there is actually a difference between the two concepts, the *Beecham Group* approach should be followed. It requires at least a strong possibility of success and does not relegate the strength of the parties' cases to a position of relatively minor

75 *Glaxo* (1996) 392 - the court, rather than granting the more common order restraining a company from continuing to be registered in its existing name, ordered it to change its name. This decision was approved in the subsequent *Law Society* (1996) 739 decision.

76 *Beecham Group* (1968) 622.

77 At 623.

78 Meagher (1992) 594; Ricketson (1984) 20.

importance.⁷⁹ However, others view the subsequent *Murphy*⁸⁰ High Court decision, which refers to a 'triable issue', as importing the *American Cyanamid* test.⁸¹

In Australia, the balance of convenience is not determined in accordance with the methodology suggested by Lord Diplock in *American Cyanamid*. Instead, it is assessed by considering all relevant factors.⁸² This results in a further and important difference to the English approach - the adequacy of damages is viewed as merely one of the factors influencing the balance of convenience, and not as an independent factor which is determined prior to any consideration of the balance of convenience.⁸³

The finality of relief is also not viewed as a special case requiring a stricter consideration of the merits: it is seen merely as a discretionary consideration, with the overall balance of convenience remaining the determining issue.⁸⁴

2.2.2 Mandatory interlocutory injunctions

The requirements to be met here are the same as in England: a high degree of assurance that the plaintiff will succeed at trial must be shown.⁸⁵

79 Meagher (1992) 595; Ricketson (1984) 20 footnote 31.

80 *Murphy* (1986) 651. This application for interlocutory relief was heard by six judges of the High Court, because of the subject-matter of the application.

81 Ricketson (*Study*) 11; Shanahan (1990) 357; Tilbury (1992) 313.

82 Tilbury (1992) 314.

83 *Idem* at 314-315. See also *Murphy* (1986) 655, where this approach was followed.

84 Spry (1990) 458; Tilbury (1990) 320.

85 Tilbury (1990) 320.

2.3 CANADA

2.3.1 Prohibitory interlocutory injunctions

Before *American Cyanamid*, the requirement for the grant of interlocutory relief was the existence of a strong prima facie right coupled with an assessment of the balance of convenience.⁸⁶ Lord Diplock's judgment was not accepted immediately by Canadian courts,⁸⁷ and even after it was accepted, the sequential procedure he suggested is not always followed.⁸⁸ The *American Cyanamid* approach, as adapted by Canadian courts, embodies a three-step test: (a) Is there a serious issue to be tried? (b) Will the plaintiff suffer irreparable harm if the injunction is not granted? (c) Considering all the circumstances, does the balance of convenience favour the grant of an interlocutory injunction?⁸⁹

Although a 'serious question to be tried' remains a threshold requirement which must be proved before any other factors will be considered, once this has been done the various factors affecting the balance of convenience are not considered in a 'series of mechanical steps that are to be followed in some sort of drilled progression'.⁹⁰ The courts tend to view the various factors as evidence affecting the assessment of the relevant risks of harm to the parties.⁹¹ A Canadian writer has noted the dangers inherent in making 'irreparable harm to the plaintiff' the first determining factor: this makes the wealth of the parties the basis for the grant or refusal of relief.⁹² He suggested that the value of *American Cyanamid* in Canada is that an application is no

86 Fox (1972) 422 and 424; Sharpe (1983) 61.

87 *Tedelyne* (1977) 450.

88 Hughes (1993) 264.

89 Fyfe (1995) 30.

90 *Turbo Resources* (1989) 20.

91 Sharpe (1983) 89.

92 *Idem* at 77.

longer dismissed merely because the plaintiff cannot make out a prima facie case. Instead, the application is determined by a consideration of all the relevant factors.⁹³

However, proof of irreparable harm has become a difficult issue in trade mark infringement proceedings. Canadian courts originally viewed the infringement of a proprietary right in a trade mark as sufficient to constitute irreparable harm not compensable in damages. They did not require any proof of actual harm or consider other issues affecting the balance of convenience.⁹⁴ Also, the courts accepted the prima facie validity of the registered trade mark and held that validity could not be attacked in interlocutory proceedings unless a strong case had been made out.⁹⁵

This approach was overturned by the Federal Court of Appeal in the *Syntex* decision.⁹⁶ The court held, first, that evidence concerning irreparable harm must be clear and not speculative, and it was insufficient for a plaintiff merely to allege that he was likely to suffer irreparable harm.⁹⁷ Secondly, the court held that if the validity of the mark is in issue, it cannot assume a valid registration.⁹⁸ The result of this decision is that the threshold for establishing irreparable harm is much higher than was previously required. It appears that a plaintiff must prove irreparable harm separately from his trade mark rights. In a subsequent decision it was held that irreparable harm will not necessarily be inferred from evidence of confusion or from loss of goodwill: it must be proved separately.⁹⁹ It has not yet been decided whether an attack on the validity of a trade mark which is not genuinely in dispute will also be sufficient to require proof of

93 *Idem* at 76.

94 Fyfe (1995) 31.

95 *Ibid.*

96 *Syntex* (1991) 129.

97 At 135.

98 At 138.

99 *Centre Ice* (1994) 53.

irreparable harm unrelated to registered rights.¹⁰⁰

It is clear, however, that before interlocutory relief will be granted in instances of registered trade mark infringement, substantial proof of actual harm, similar to that required for unregistered marks, is required. Also, unlike the position in other jurisdictions, the validity of a registered mark may easily be placed in issue.

2.3.2 Mandatory interlocutory injunctions

Mandatory interlocutory injunctions are difficult to obtain as the risk of harm is usually greater to the defendant than to the plaintiff. However, no principles differing from those used to determine prohibitory interlocutory relief have been identified,¹⁰¹ and the balance of convenience determines the grant or refusal of such relief.¹⁰²

2.4 SOUTH AFRICA

2.4.1 Introduction

An interlocutory interdict, as the name implies, is not a final determination of the rights of the parties. It follows that the requirements which must be met differ from those for a final interdict. Regrettably, the different function of a final and an interlocutory order is rarely emphasised by our courts, and interlocutory interdicts seem to be viewed as merely a lower form of final interdict, rather than a remedy created to serve a completely different purpose.

This view of an interlocutory interdict as merely a lower form of final interdict can be traced back to Van der Linden. The historical development of the remedy of interdict

100 Fyfe (1995) 36.

101 Sharpe (1983) 89.

102 *Gestion Opera* (1975) 193.

is dealt with elsewhere.¹⁰³ It is sufficient to note here that by the time Van der Linden wrote the textbooks which form the basis for the South African law of interdicts, interlocutory interdicts or interdicts *pendente lite* were frequently granted.¹⁰⁴ However, he did not pertinently distinguish between the two forms of relief in his works, or view interlocutory interdicts as a separate form of relief. He merely explained, when discussing the first requirement, that

'en is dat recht twijfelachtig, dan is de zaak ongeschikt, om zonder een volledig onderzoek en Sententie, reeds bij het Mandament, als 't waare, gedetermineert te worden. - Zoo egter de daad, waar tegen Poenaal verzogt word, van dien aart is, dat deszelfs voortgang voor den Requirant onherstelbaar zoude wezen terwijl integendeel het nalaten van de daad aan den Gerequireerden geen irreparabel grief zou toebrengen, vermeenen wij, en hebben 't ook te meermalen bij de Hoven zoo zien practiseeren, dat 't Mandament Poenaal zoo behooren verleend te worden, en aan den Requirant gelegenheid gegeven, om zijn recht (dat echter in allen gevalle *apparent*¹⁰⁵ moet wezen), *in pleniore judicio* te deduceeren'.¹⁰⁶

103 See chapter 3 at 2.2.

104 Van der Linden (1794) 2.19.1: '*de Mandamenten Poenaal*, dat is ... waar bij aan den Gedaagden dadelijk, en dus ook *pendente lite*, op verbeurte eener poenaliteit tegen de Hooge Overheid, het plegen van deeze of geene daad verboden word'.

105 The word 'probable' is used by Nathan as translation of 'apparent' and he states that this means probable or *prima facie*: Nathan (1939) 7 footnote 1. However, while Van der Linden (1794) uses the word 'apparent', Van der Linden (1806) uses the term '*de hoogste waarschyklikheid*' which is translated by both Nathan (1939) 8 and Juta (1891) 297 as 'the greatest probability'.

106 Van der Linden (1794) 2.1.19.1:
'[I]f the right be doubtful, then the case is not suitable to be decided by the interdict (alone), as it were, without complete investigation and judgment - If, however, the thing against which an interdict is sought is of such a nature that its continuance would cause irreparable loss to the applicant, while on the contrary the discontinuance of that act would cause no irreparable injury to the respondent, we hold, and we have also seen that frequently applied in practice by the courts, that the penal interdict should be granted, and an opportunity be afforded to the applicant, to establish his right (which, however, must in all cases be probable) in a more complete judicial proceeding' (translation in Nathan (1939) 6).

Nathan did not deal with interlocutory interdicts and drew no distinction between the requirements that must be met in either instance.¹⁰⁷ He merely stated that in the majority of cases, the remedy is given by way of an interlocutory application, pending an action to determine the rights of the parties.¹⁰⁸

Later works and court decisions draw a clear distinction between interlocutory and final interdicts. The following requirements are generally accepted: (a) a right that is prima facie established though open to some doubt; (b) a well-grounded apprehension of irreparable harm, if the interlocutory relief is not granted and the ultimate relief is eventually granted; (c) the balance of convenience favours the granting of interlocutory relief; and (d) the absence of any other satisfactory remedy.¹⁰⁹

2.4.2 Prohibitory interlocutory interdicts

2.4.2.1 *A prima facie right*¹¹⁰

This concept has raised problems and various approaches have been formulated. The generally accepted view is that the existence of a prima facie right requires prima facie proof of facts that establish its existence in terms of substantive law. However, because this right may be 'open to some doubt', it need not be proved on a balance of probabilities. The approach, when considering the degree of proof required, was that the facts as set out by the applicant, together with any facts set out by the respondent which the applicant could not dispute, had to be considered. The facts raised by the respondent were then considered. The court then decided whether, with regard to the inherent probabilities and ultimate burden of proof, the applicant should on those facts

107 Nathan (1939) 10.

108 Idem at 2.

109 Boshoff (1969) 267; Prest (1996) 50-51.

110 The terms 'prima facie right' and 'prima facie case' are used indiscriminately by the courts. Obviously, the plaintiff has to prove not only a prima facie right but also its prima facie infringement.

obtain final relief at the trial.¹¹¹

More recently, this approach has been eased. The Appellate Division, while not pertinently formulating a different degree of proof to that of *Webster*, confirmed the balancing concept between strength of case and balance of convenience which was first suggested in *Olympic*,¹¹² stating that the stronger the applicant's prospects of success, the less his need to rely on prejudice to himself and conversely, the more the element of 'some doubt', the greater the need for the other factors to favour him.¹¹³ In a recent definition of the term, a full bench described a prima facie right as existing when there is a prospect of success in the claim for principal relief, albeit that the claim may be assessed as weak by the court.¹¹⁴

It is clear that the degree of proof required by the South African courts has been lowered over the years. However, the *American Cyanamid* approach, that all that must be proved is a 'serious question to be tried', was held not to be part of our law in the *Beecham* decision, which reiterated the requirement of at least a prima facie case.¹¹⁵

A prima facie case is easier to prove in respect of trade mark infringement than passing off. Registration is prima facie proof of the exclusive right to use the mark

111 *Webster* (1948) 1189, as qualified by *Goal* (1955) 688.

112 In *Olympic* (1957) 383, the court held: 'The stronger the prospects of success, the less the need for such balance to favour the applicant: the weaker the prospects of success, the greater the need for the balance of convenience to favour him'.

113 *Eriksen* (1973) 691.

114 *Ferreira* (1995) 832. As this was a decision on a constitutional issue, this description can be seen as obiter as regards non-constitutional litigation. The court said as much: 'This court is not bound by the standard which applies in an ordinary application for an interim interdict' (at 836). (See *Henderson* (1996) 179 for a discussion of this decision.) In the subsequent *Spur* (1996) decision, an application for an interlocutory interdict to prevent passing off, the single judge hearing the matter reverted to the *Webster* and *Goal* approach: he referred to proof of a prima facie right as a 'threshold' test (at 714).

115 *Beecham* (1977) 53. Although the *American Cyanamid* approach was accepted as sufficient in respect of constitutional issues, the court did so on the basis that it was not bound by the standard which applies in an ordinary application for an interim interdict: *Ferreira* (1995) 836.

concerned. Although not pertinently decided so by our courts, it is unlikely that an attack on the validity of the registration will be considered during interlocutory proceedings.¹¹⁶ In passing off issues, the plaintiff will have to prove the existence of goodwill.¹¹⁷ In addition, in both instances the plaintiff will have to make out a prima facie case of confusing similarity between his mark and the offending mark.

2.4.2.2 *Apprehension of irreparable harm*

Where the applicant can prove a clear right, it is sufficient for him to show an existing or apprehended injury. However, Van der Linden's original requirement has mutated, as far as interlocutory interdicts are concerned, to the requirement that the apprehension of a prejudicial act¹¹⁸ and the apprehension of 'irreparable harm' must both be shown where all that can be proved is a prima facie right.¹¹⁹ In both instances the apprehension must be objectively reasonable, although the applicant need not show that injury will follow on a balance of probabilities.¹²⁰ In intellectual property matters, this harm will always be economic.

2.4.2.3 *Balance of convenience*

The court here weighs the prejudice to the applicant if the interdict is refused against the prejudice to the respondent if it is granted.¹²¹ This discretionary balance was described by Van der Linden as follows:

116 Webster & Page (1986) 289.

117 Idem at 412. See also *Lorimar* (1981) 1137.

118 This requirement of interference or injury has been dealt with in chapter 3 at 3.3.1.2.

119 *Boshoff* (1969) 267. However, in *CIR Transkei* (1991) 654 the court held that the requirements of irreparable harm and no alternative remedy need not be established if the plaintiff has made out a strong prima facie case.

120 *Free State Gold* (1961) 518.

121 *Eriksen* (1973) 691.

'Zoo egter de zaak, waar tegen Poenaal versogt wordt, van dien aard is, dat deszelfs voortgang voor den verzoeker onherstelbaar zoude wezen, terwijl integendeel het nalaten van die daad aan de partije geen onherstelbaar nadeel zoude toebrengen, behoort het Mandament Poenaal verleend, en aan den versoeker gelegenheid gegeven te worden, om zijn regt, hetwelk in allen gevalle de hoogste waarschyntlykheid voor zig moet hebben, in een vollediger Rechtsgeding te behandelen'.¹²²

South African decisions have based their tests for the balance of convenience on this passage. But it would appear that the equivalent English principle has influenced the application of this requirement in South Africa, as recent cases show a trend towards determining the balance of convenience on equitable considerations, with 'fairness and justice' seen as influencing the discretion of the court.¹²³ This discretion, when the court decides who the balance of convenience favours, usually resolves itself into a consideration of the prospects of success in the main action. The stronger the prospects of success, the less need for the balance of convenience to favour the applicant; the weaker the prospects of success, the greater the need for it to favour him.¹²⁴

Although the damage which the parties will suffer is the primary factor when considering the balance of convenience, the parties' respective ability to pay damages is not a factor which the court takes into account.¹²⁵ The fact that the harm or damage

122 Van der Linden (1806) 3.1.4.7:

'If, however, the thing against which an interdict is sought is of such a nature that its continuance would cause irreparable loss to the applicant, while on the contrary the discontinuance of that act would cause no irreparable injury to the (opposite) party, an interdict ought to be granted, and an opportunity given to the applicant to establish his right, which in any event must have the greatest probability in its favour, in a more formal suit' (translation in Nathan (1939) 8-9).

123 *Marinpine* (1984) 234; *Harnischfeger* (1993) 491.

124 *LAWSA Interdicts* (1981) 300.

125 In *Coalcor* (1990) 360 the court held that the applicants, who were members of a large and powerful group of companies, would suffer damages which were probably irrecoverable. But, despite this and the further consideration that they had offered an undertaking to pay the first

suffered in trade mark infringement and passing off proceedings is economic, has not led South African courts to view financial strength as a major consideration when determining the balance of convenience. This is unlike the English position, of course.¹²⁶

2.4.2.4 No other remedy

Although this requirement is phrased identically to that for the grant of a final interdict, the emphasis differs. First, as pointed out by some writers, the requirement that irreparable harm must be proved, presupposes that no other satisfactory remedy exists: if some other remedy will give adequate relief, the harm cannot be described as 'irreparable'.¹²⁷ Secondly, because the interdict is of limited duration, the courts are more likely to base the exercise of their discretion on the balance of convenience than on a strict view of this requirement.¹²⁸ Courts have held that where a claim for damages will be impractical to enforce or difficult to quantify, this remedy is 'inadequate'.¹²⁹ The 'governing principle' postulated in *American Cyanamid*, which requires the court first to consider whether a plaintiff would be adequately compensated in damages if successful at trial, so that other factors influencing the balance of convenience become relevant only where there is doubt as to the respective remedies in damages available to the parties, has been rejected in South Africa.¹³⁰

It has been stated that the extreme difficulty of ascertaining, quantifying, and proving damages in respect of trade mark infringement militates strongly in favour of the grant

respondent's damages if the interlocutory interdict should not have been granted, this did not affect the balance of convenience as the grant of interlocutory relief would probably lead to the liquidation of the first respondent.

126 See 2.1.2.3.2.3: Extent of damage and financial strength of parties.

127 Jones & Buckle (1996) Act 98.

128 Prest (1996) 241.

129 Van Niekerk (1959) 187; Beecham (1977) 58.

130 Beecham (1977) 54.

of interlocutory relief.¹³¹ Interlocutory interdicts were on occasion granted merely 'because in this way the least damage will be caused and the damage will be most easily ascertained'.¹³²

2.4.2.5 Discretion

The court has a wide discretion to grant or refuse an interlocutory interdict.¹³³ Unlike the limited discretion which a court has in respect of final interdicts once all the requirements have been fulfilled, a court has a discretion to grant or refuse an interlocutory interdict whether or not all the requirements have been proved.¹³⁴ Apart from the discretion exercised in respect of each of the various requirements mentioned above, this general discretion can also relate to the preservation of the status quo.¹³⁵ The current attitude of the courts, as exemplified in the *Beecham* decision, is that the court should view its discretion to grant or refuse an interlocutory interdict in totality, and that the various discretionary considerations should not be viewed in isolation but as a single 'general discretionary jurisdiction' with the preservation of the status quo as merely one of the factors to be taken into account.¹³⁶

Delay can be a ground for the refusal of an interlocutory interdict,¹³⁷ but it is usually linked to the discretion exercised in respect of the balance of convenience.¹³⁸ It has

131 Webster & Page (1986) 317.

132 *CTC Co* (1930) 84.

133 Prest (1996) 234-236.

134 *Beecham* (1977) 61. But see *Knox D'Arcy* (1996) 680 where the court held that this is not a true discretionary power but merely means that the court is entitled to have regard to a number of disparate features when coming to a decision.

135 *Ibid.*

136 At 60.

137 Prest (1996) 214.

138 *Moroka Swallows* (1987) 536.

been argued that if the applicant fails to institute proceedings as soon as possible, he clearly does not regard the situation as being of such gravity that an interlocutory interdict is required.¹³⁹

2.4.3 Mandatory interlocutory interdicts

South African courts and writers have paid no attention to the principles which govern the grant of mandatory interlocutory interdicts. It appears that such interdicts will be governed by the same requirements as for prohibitory interlocutory interdicts.

3 PROCEDURE FOR OBTAINING INJUNCTIVE RELIEF

3.1 ENGLAND

3.1.1 General remarks

The structure of the English High Court means that jurisdiction is not a territorial consideration, but is determined by subject matter. Motions for interlocutory relief in intellectual property cases are heard by the Chancery Division in open court.

Proceedings for interlocutory injunctions are applied for on motion, while proceedings for final injunctions are usually commenced by writ.¹⁴⁰ A plaintiff may not apply for an interlocutory injunction before he has issued a writ for final relief, except in matters of

139 *Crossfield* (1925) 223: 'the applicant company must be the best judge of its needs in the matter, and the applicant has allowed this period of over two years to elapse, which shows that a matter of a few months cannot be so damaging to the applicant as a temporary interdict might be to the respondent'.

140 The other method of commencing proceedings for final relief is by originating summons. These are seldom used in intellectual property matters, however, as they are appropriate when the construction of an Act or other question of law is at issue, or where there is no substantial dispute of fact - RSC Order 5,r.4(2).

extreme urgency.¹⁴¹

3.1.2 Applications on notice

The notice of motion is usually served on the defendant before the filing of the plaintiff's evidence. The matter is then considered by the motions judge, who gives directions by setting a timetable for the exchange of evidence and allocating a hearing date. Only then does the plaintiff serve evidence in chief. This is followed by the defendant's evidence in answer. Finally the plaintiff serves evidence in reply. The matter is then argued before the court.¹⁴²

3.1.3 Ex parte applications

An injunction may be sought ex parte where the matter is extremely urgent or where secrecy is essential.¹⁴³ If the matter is one of urgency, rather than secrecy, a practice has developed of giving the defendant informal notice so that he can attend court and possibly present argument or agree to terms.¹⁴⁴ Such orders are usually granted for a very short time, usually until the next motion day, when the matter can be heard inter partes.¹⁴⁵

3.1.4 Burden of proof

Although the burden of proof as regards the existence of a triable issue and the inadequacy of damages as remedy for the plaintiff lies with the plaintiff, the burden as

141 RSC Order 29,r.1(3). When this occurs, the writ must be left with the court so that it can be issued, or terms imposed for its issue: *Supreme Court Practice* (1993) 512.

142 Wadlow (1995) 525-526.

143 RSC Order 8,r.2(1).

144 Bean (1994) 69-70; Wadlow (1995) 526.

145 *Supreme Court Practice* (1995) 518.

regards the inadequacy of damages as remedy for the defendant lies with the defendant.¹⁴⁶

3.1.5 Orders for speedy trial

Where it appears to the court, at the hearing of an interlocutory application, that it would be preferable to have the matter heard at trial rather than to consider the merits for interlocutory purposes, it may make an order for early trial instead of hearing the application.¹⁴⁷

3.1.6 Undertakings

An interlocutory injunction will seldom be granted unless the plaintiff tenders an undertaking in damages.¹⁴⁸ The undertaking is to pay compensation to the defendant for any loss he has suffered as a result of the grant of interlocutory relief, if such relief is not confirmed at trial.¹⁴⁹ The plaintiff's affidavit containing his evidence in chief must include information on his ability to honour the undertaking. Where he is not financially strong, the court can require either security or a payment into court to fortify the undertaking.¹⁵⁰

The defendant may give an undertaking, without admitting liability, in terms similar to the injunction sought by the plaintiff, if he does not wish to contest the matter at interlocutory stage. He is then obliged to honour it as if it were a court order. But the plaintiff is then required to give a cross-undertaking in damages to safeguard the

146 Odgers (1991) 524.

147 RSC Order 29, r.5.

148 Bean (1994) 27.

149 *Graham* (1878) 494; *Civil Litigation* (1990) 87.

150 Bean (1994) 26-27; Zuckerman (1994) 571.

defendant.¹⁵¹ The parties are bound by these undertakings. Neither party can ask the court to alter them before trial.¹⁵²

3.1.7 Form of order

The plaintiff is required to file a draft order with any *ex parte* application. This must specify the relief sought, provide for the defendant to apply for discharge of the order, and contain an undertaking in damages and an undertaking to notify the defendant of the terms of the order.¹⁵³ This is not a prerequisite in *inter partes* motions.

In trade mark infringement and passing off proceedings, the order is made in as limited a form as possible.¹⁵⁴ In passing off matters, the courts have held that an order should prohibit the defendant from using the mark or get-up 'without distinguishing it'. But it is not their practice to say in advance what is or is not sufficient to be 'distinguishing'.¹⁵⁵ Orders are usually made applicable to the defendant, his servants, workmen, or agents.¹⁵⁶ In a more modern form, they restrain the defendant from 'causing or enabling or assisting others to represent'¹⁵⁷ the prohibited acts.

The undertaking required from a plaintiff seeking interlocutory relief does not form part of the order of court. But the court will not grant the relief unless this undertaking has been tendered by the plaintiff, together with evidence setting out the plaintiff's ability

151 *Civil Litigation* (1990) 88.

152 Kerly (1986) 322.

153 Bean (1994) 75.

154 Kerly (1986) 323; Wadlow (1995) 522.

155 *Brittain Publishing* (1957) 135. The reason for not stating what will be sufficient to distinguish is stated by Harman J as follows: 'The Court cannot in advance say what will be enough and what will not be enough because it is very difficult to know how pig-headed the public may be' (at 135).

156 *Marengo* (1948) 253.

157 *Combe International* (1977) 474.

to honour the undertaking.

A successful party is usually awarded his costs in the cause. This means that he will recover his costs for the interlocutory proceedings if successful at trial but will not be responsible for the other party's interlocutory costs if finally unsuccessful.¹⁵⁸

3.1.8 Appeals against interlocutory decisions

Leave is required to appeal against the grant or refusal of an interlocutory injunction.¹⁵⁹ If leave is granted, the appeal is heard by the Court of Appeal. Where an *ex parte* order has been made, a defendant must apply for its discharge before requesting leave to appeal.¹⁶⁰ An appeal is a form of re-hearing, and the Court of Appeal examines the facts as at the time of the appeal, not of the original order. When hearing appeals from interlocutory orders, the court may agree to receive fresh evidence by way of affidavit.¹⁶¹ But the Court of Appeal has pertinently stated that 'this court does not exist to provide a second bite at each interim cherry' and that there is a heavy burden on the appellant to show that the trial judge erred in principle.¹⁶²

3.2 AUSTRALIA

Interlocutory relief for trade mark infringement and passing off may be sought from either the Federal Court or one of the various Supreme Courts.¹⁶³ The procedure to obtain interlocutory relief is similar to that in England, and so need not be repeated.

158 *Wadlow* (1995) 526.

159 RSC Order 59,r.1B(f).

160 *Bean* (1994) 107.

161 *Idem* at 108. But see the Woolf Report (1996) 158 which recommends that new evidence be allowed only 'exceptionally'.

162 *Elan* (1984) 384. This decision predates RSC Order 59,r.1B(f).

163 Sections 190-192 of the Trade Marks Act 1995 (Aus); *Shanahan* (1990) 486.

Undertakings in damages are required from a plaintiff before a court will grant relief.¹⁶⁴

3.3 CANADA

Where interlocutory relief is sought in respect of a registered trade mark, action may be brought in either the Federal Court or a provincial court. However, common-law rights must be enforced in provincial courts, and a plaintiff seeking to prevent passing off must seek relief from a provincial court, unless he relies on the form of statutory passing off contained in the Trade Marks Act, rather than on passing off at common law.¹⁶⁵

The procedure to obtain interlocutory relief is similar to that in England, with the important addition of a right to oral cross-examination of affidavit evidence.¹⁶⁶ It has been suggested that strength of case remains relevant in Canadian decisions, as disputed facts can be tested by cross-examination, unlike the position in England where oral cross-examination is not possible.¹⁶⁷ Undertakings in damages are required before a court will grant interlocutory relief.¹⁶⁸ If interlocutory relief is refused, the defendant may be ordered to keep an account of sales.¹⁶⁹

3.4 SOUTH AFRICA

3.4.1 General remarks

Trade mark infringement and passing off proceedings are usually brought in the

164 Ricketson (1984) 19; Ricketson (*Study*) 12.

165 Section 7(b) Trade Marks Act 1985 (Cn); Henderson (1993) 22-23 and 206.

166 Sharpe (1983) 70.

167 *Idem* at 70 footnote 30.

168 *Idem* at 80.

169 *Tedelyne* (1977) 453.

division of the High Court which has territorial jurisdiction to hear the matter. The court will have jurisdiction either if the defendant is an incola of its area of jurisdiction or if the cause of action arose within such area.¹⁷⁰

Despite the fact that the jurisdictional limits of the magistrates' courts have been increased and that they may grant interdicts, it is rare for a passing off matter to be instituted in a magistrate's court.¹⁷¹ For this reason, only High Court procedure will be dealt with.

It is trite law that a final interdict must be sought by way of action procedure and an interlocutory interdict by way of motion procedure.¹⁷² In practice, a final interdict is rarely sought without a prior application for an interlocutory interdict. The usual procedure to obtain such relief is for application proceedings to be launched in which an interlocutory interdict is sought, pending the outcome of an action to be instituted in which final relief will be sought.¹⁷³

3.4.2 Applications on notice

A summons for final relief, which usually includes a prayer for both damages and a final interdict, need not be issued prior to an application for interlocutory relief. But it must be alleged that proceedings for final relief will be instituted.¹⁷⁴ The usual application

170 Nathan (1939) 39; Prest (1996) 268-269. Different jurisdictional principles apply if the defendant is neither domiciled nor resident in South Africa: then the plaintiff must be an incola of the area of jurisdiction of the court concerned or the cause of action must have arisen within such area. In both instances arrest of the defendant or attachment of his property within the area must also have taken place.

171 Infringement proceedings may be instituted only in the High Court (section 2(1)(vi) of the Trade Marks Act of 1993 (SA)).

172 Harms (1996) 500 and 503-504; LAWSA *Interdicts* (1981) 295 and 298; Prest (1996) 213.

173 Where no material dispute of fact exists, a final interdict may be sought on motion: *Prinsloo* (1938) 576. This occurs on occasion in intellectual property matters: *Juvena* (1980) 223; *Plascon-Evans* (1984) 634; *Haggart* (1985) 581; *Montres Rolex* (1985) 59; *PPS* (1996) 212.

174 Prest (1996) 214.

procedure is followed.¹⁷⁵ It commences with a notice of motion together with supporting affidavits containing all the facts and evidence the plaintiff wishes to place before the court. The founding affidavits must establish a cause of action.¹⁷⁶ This must be served on the defendant, who then has a set period within which to file an answering affidavit. The plaintiff may file a replying affidavit.¹⁷⁷ The matter is then argued in open court. The Rules place no limits on the evidence which may be included in the affidavits.¹⁷⁸ The only penalty for excessive documentation is an appropriate costs order.¹⁷⁹

3.4.3 Ex parte applications

A further possibility is that an interlocutory interdict is sought on an urgent basis, without notice to the other party.¹⁸⁰ If this is granted, a rule nisi is issued calling on the defendant to show cause on the return day why the interdict should not remain in force pending the outcome of the principal action. The return day of an ex parte order may be anticipated on 24 hours notice.¹⁸¹

South African courts are sympathetic to the problems of protecting intellectual property. They will grant interlocutory relief when the application has been launched without notice or warning, if the matter is sufficiently urgent or secrecy essential, although lack of notice has been held relevant to questions of costs.¹⁸² In instances where relief has

175 Uniform Rule 6.

176 Prest (1996) 218.

177 Prest (1996) 218. Further affidavits may be filed only with leave of the court - Uniform Rule 6(5)(e).

178 Although Uniform Rule 6(15) allows the other party to apply for the striking out of scandalous, vexatious, or irrelevant matter, this is rarely useful where the applicator is merely prolix.

179 Prest (1996) 379.

180 Idem at 220-223.

181 Uniform Rule 6(8).

182 *Kenitex* (1967) 309.

been sought on an urgent basis, the courts have on occasion granted a final interdict on the return day of application proceedings, if there is no factual issue to be resolved.¹⁸³

3.4.4 Burden of proof

The burden of proof in respect of all the requirements which must be met before an interlocutory interdict will be granted rests with the plaintiff.¹⁸⁴

3.4.5 Undertakings

When seeking an interlocutory interdict, plaintiffs have on occasion tendered an undertaking or offered security to pay any damages which the defendant might sustain as a result of the grant of the interdict if the main action fails. The first such order recorded in South Africa was in 1857,¹⁸⁵ but, until recently, relatively few such undertakings have been incorporated in orders for interlocutory interdicts.¹⁸⁶ Undertakings, or security, for damages suffered by the defendant have sometimes been tendered by plaintiffs in intellectual property matters, either in the founding affidavit or during the hearing.¹⁸⁷

183 *Tullen* (1976) 222.

184 *Nathan* (1939) 60; *Prest* (1996) 56.

185 *Kelly* (1857) 6. See also *Natal Land* (1884) 16 where the court viewed this practice as of English origin.

186 *Hillman Bros* (1937) 46: 'the court has power to annex reasonable conditions when exercising its discretion in granting an interim interdict on motion ... I propose granting the interdict subject to the condition that if in the action applicant fails to prove its allegations it agrees to be liable to respondent for any damages suffered by him'; *Chopra* (1973) 379: 'it is rare to impose such a condition. In the present case, the applicant is a *peregrinus*, and has, it would appear, no assets in this country ... If he ultimately fails, the respondents are not likely to be able to recover any damages suffered by them as a result of the interdict, and will certainly face severe and expensive difficulties in attempting to do so. This is, in my opinion, a proper case for me to exercise my discretion'.

187 *Chopra* (1973) 379; *Humphries* (1972) 541; *Stellenbosch Wine* (1977) 254; *Wilrose Timbers* (1980) 302.

Recent decisions on interlocutory interdicts show a tendency by the courts to require an undertaking before an interlocutory interdict will be granted. While the court in *Sibex* held that the balance of convenience favoured the appellants 'in particular because the[y] have offered to make good any damages which the first respondent may suffer',¹⁸⁸ it did not include this offer in the order of court. More recently, the court itself required the plaintiff to provide the defendant with an undertaking to pay any damages which resulted from the grant of the interlocutory interdict if the plaintiffs were unsuccessful in the main action, and granted the interlocutory interdict 'subject to the condition that the applicant agrees and undertakes to be liable to the respondents for any damages proved to have been suffered by them'.¹⁸⁹

The Appellate Division recently approved the practice of requiring an undertaking. In the first instance it held that '[i]n many instances justice dictates that the judge should require the giving of such an undertaking before there can be any question of the grant of an interim order',¹⁹⁰ while conceding that an undertaking might be of little comfort to a defendant who has difficulty proving or recovering damages.¹⁹¹ Later the same year, the Appellate Division held that the appellant's refusal to tender an undertaking to cover the respondents' losses, should it transpire that the interlocutory interdict should not have been granted, ensured that the balance of convenience favoured the respondents.¹⁹² The court stated that such undertakings are 'a very common rider added to the court's order when an interdict is granted'.¹⁹³

The position in South Africa appears to be moving towards that in England, where an interlocutory injunction will not be granted unless the plaintiff furnishes an undertaking.

188 *Sibex* (1991) 512.

189 *Shoprite Checkers* (1994) 185.

190 *Cronshaw* (1996) 690-691.

191 At 691.

192 *Hix Networking* (1996) 685.

193 *Ibid.* The court cited *Hillman Bros* (1937) and *Cronshaw* (1996) as authority.

The converse order, where the refusal of an interlocutory interdict is coupled to an order requiring the defendant to keep records of further transactions to facilitate a possible claim for damages, has also on occasion been made in South Africa.¹⁹⁴

3.4.6 Form of order

It is common practice, although it is not a requirement, for the plaintiff to submit a draft order to the court for approval. In trade mark infringement matters, the order will generally prohibit both the specific infringement complained of and contain a general prohibition against infringement of the registered mark. In passing off matters, the order is frequently qualified: it merely prohibits the defendant from using the mark or get-up 'without clearly distinguishing it' from that of the plaintiff.¹⁹⁵

If summons in the main action has not been issued when the court makes an order granting interlocutory relief, the court will usually include an order that summons be issued within a prescribed period.

Costs are usually in the cause. An award of costs is thus postponed until the merits have been fully canvassed.

3.4.7 Appeals against interlocutory decisions

An appeal may be noted against the refusal of an interlocutory interdict. The grant of an interlocutory interdict will be appealable only if it can be viewed as a judgment or order which is final in effect and definitive of the rights of the parties, and has the effect of disposing of a substantial portion of the relief claimed in the main proceedings.¹⁹⁶

194 *Crossfield* (1925) 224. In *Ndauti* (1947) 37, the court held that either party should, in proper cases, be required to give security.

195 *Boswell* (1985) 485.

196 *Van Streepen* (1987) 587. See *Prest* (1996) 348-355 for a full discussion of the concept 'final and definitive'.

Although early decisions refer to an appeal 'of right',¹⁹⁷ all judgments and orders granted by a division of the High Court are now appealable with leave only, either of the court which gave the judgment or of the Supreme Court of Appeal.¹⁹⁸ The noting of an appeal suspends the operation and execution of the original order, unless the court which made the order directs otherwise.¹⁹⁹

The terms of an interlocutory interdict may be varied, or the interdict may be discharged if circumstances change.²⁰⁰

3.5 OVERVIEW

There are no substantial differences between the procedure to obtain interlocutory relief in the various jurisdictions. The English method of allowing the notice of motion to be filed before the evidence, possibly permits proceedings to be commenced earlier than in South Africa. However, it is debatable whether relief will be granted any sooner than in South Africa. The value of the undertaking required from a plaintiff before the grant of relief is discussed below and will not be canvassed here.²⁰¹

4 DIFFERENCES IN APPROACH TO INTERLOCUTORY RELIEF

4.1 INTRODUCTION

The interlocutory interdict is probably the most useful remedy available in intellectual property litigation. It is for this reason that the current basis on which interlocutory interdicts are granted or refused in the various jurisdictions has been considered in

197 *Setlogelo* (1914) 226.

198 Section 20(4) Supreme Court Act of 1959 (SA).

199 Uniform Rule 49(11). See also Prest (1996) 358.

200 Harms (1996) 508; Prest (1996) 346.

201 See 4.3.3 of this chapter.

some detail. It must now be determined whether the *American Cyanamid* or the South African approach is to be preferred.

To do this, the first issue is to determine whether there is something more than a semantic difference between the two approaches. If a real difference is found, any problems arising from the *American Cyanamid* approach must be identified, and attempts to deal with these problems analysed. The same exercise will then be followed in respect of the South African approach. Finally, the problems attendant on the differing approaches must be compared and it must be decided whether the South African problems could be resolved by adopting the *American Cyanamid* approach.

4.2 DIFFERENCES BETWEEN THE *AMERICAN CYANAMID* AND SOUTH AFRICAN APPROACHES

Although the factors which play a role in the grant or refusal of interlocutory relief are similar in the two jurisdictions, the effect differs completely because of the sequence in which they are considered and the weight which is given to these factors.

In England, once the plaintiff has shown that there is a serious question to be tried, the balance of convenience becomes the most important consideration. In accordance with *American Cyanamid*, the balance of convenience has, as primary test, whether damages will be an adequate remedy for either party. It is only when a court cannot reach a decision based on the adequacy of damages that other factors, including strength of case, are considered.

By contrast, in neither Australia nor Canada is the sequential approach to a determination of balance of convenience followed. This means that financial strength is not given the same importance as in England, but is viewed together with other factors affecting the balance of convenience once a 'serious matter to be tried' has been shown.

In South Africa, strength of case is the primary test, and the plaintiff must always make out some form of prima facie case before the balance of convenience is considered.

The practical effect of the English approach, where adequacy of damages is the primary test, is that the effect of the grant or refusal of relief is the most important consideration; the merits of the case are not considered.²⁰² The same holds true for the Australian and Canadian approaches, as balance of convenience takes precedence over a consideration of the merits, although the financial position of the parties is not afforded the same weight as in England.

The practical effect of the South African approach is that a plaintiff has to prove that there is a prospect of success in the principal case. This necessitates an inquiry into the merits, before the balance of convenience becomes relevant.

So there is a difference in the criteria for interlocutory relief in the various jurisdictions. To determine which approach is to be preferred, the problems arising from the differing approaches must be identified.

4.3 PROBLEMS ARISING IN ENGLAND FROM THE *AMERICAN CYANAMID* APPROACH

4.3.1 Financial strength of parties

As said above, the *American Cyanamid* approach takes the balance of convenience, not the merits of the issue, as primary consideration. However, this approach is taken a step further by viewing the adequacy of damages as first test when determining where the balance of convenience lies.

The major problem arising from the fact that the adequacy of damages determines the

202 *American Cyanamid* (1975) 541: 'its [the court's] greatest object viz abstaining from expressing any opinion upon the merits of the case until the hearing', quoting *Wakefield* (1865) 629.

grant or refusal of relief, is that this test favours the financially stronger party.²⁰³

The *American Cyanamid* test requires first a consideration of whether, if the plaintiff were successful at trial, he would be adequately compensated by an award of damages for the loss sustained by the defendant's continued infringement between the hearing of the application and the final order, *and* whether the defendant is in a position to pay such damages. If damages are adequate compensation and the defendant can pay them, an interlocutory injunction will be refused.

The test then continues: if damages will not provide an adequate remedy for the plaintiff, the court considers whether, if the defendant is successful at trial, he will be adequately compensated under the plaintiff's undertaking in damages for the loss he has sustained in the interim. If damages are an adequate remedy and the plaintiff is in a position to pay them, the injunction will be granted.²⁰⁴ The financial strength of both parties clearly plays a major role in this consideration; in particular, a defendant can avoid the grant of an injunction only by showing that he is in a position to make good any losses suffered by the plaintiff.

It has been shown that the damage suffered in intellectual property matters is always economic, but that damages are viewed as an inadequate remedy since they are so difficult to quantify. These considerations weight the grant of interlocutory relief even more strongly against the financially weaker party in trade mark infringement and passing off litigation.²⁰⁵ This party is usually the defendant, as the plaintiff in a traditional trade mark infringement or passing off matter usually has an established mark or some form of repute to protect, which presupposes a measure of financial

203 This problem is more apparent in England than in Australia or Canada, as neither of the latter countries follows the *American Cyanamid* sequence for determining the balance of convenience.

204 *American Cyanamid* (1975) 541.

205 McKeough & Stewart (1991) 32: 'Put simply, whoever appears to be in a better position to make a subsequent claim for compensation is likely to find themselves on the wrong end of the interlocutory decision.'

strength. In such a situation, various factors make it unlikely that interlocutory relief will be refused. First, damages are seldom viewed as an adequate remedy. Second, even if they are adequate, the defendant must show that he is in a position to pay them. Third, although the plaintiff must tender an undertaking as to damages to compensate the defendant for any loss he may suffer, it is rare for him to be required to honour the undertaking. In these circumstances, the prospects of interlocutory success are weighted against a financially weaker defendant and an injunction will generally be granted, irrespective of the merits.

The converse, although less likely, can also happen. A defendant who is financially stronger than the plaintiff can show greater loss pending trial. He thus makes it impossible for the plaintiff to tender a suitable undertaking as to damages.

4.3.2 Finality of relief

The *American Cyanamid* test presupposes that a trial will take place, when the merits will be fully canvassed, and that the relief will therefore be temporary.

If the relief is merely a temporary measure prior to a trial, the fact that interlocutory relief is largely determined by the parties' relative financial strength would be more acceptable. But in practice, the vast majority of matters do not proceed to trial. As Lord Denning pointed out, in 99 cases out of 100 the proceedings go no further; the parties accept the prima facie view of the court or settle the case.²⁰⁶ This is particularly so in trade mark infringement and passing off matters, which are market related, as it is not financially feasible to revert to a name or get-up which has not been used for a few

206 *Fellowes* (1976) 129. See also *RHM Foods* (1982) 678: 'The plaintiff's case is, on the face of it, a simple passing-off action and it is, of course, frequently the case that in such an action ... the hearing of an application for interlocutory relief may well, in practice, be determinative of the dispute between the parties, not because the interim decision necessarily reflects anything of the court's view of the merits of the case which fall to be heard at the trial but because, commercially, the grant or withholding of injunctive relief pending a trial renders it not worthwhile for one party or the other to continue to prosecute or defend the action for the purpose of obtaining potentially substantial but inevitably speculative damages'.

years. Standard English works state that, in most instances, the grant or refusal of interlocutory relief finally disposes of a matter.²⁰⁷

4.3.3 Inadequacy of undertakings

American Cyanamid also assumes that if the interlocutory order has been wrongly granted, the undertaking as to damages will adequately recompense the defendant. Is this in fact the position in trade mark infringement and passing off matters?

First, the undertaking is given to the court, not the defendant. The entitlement to damages is in the court's discretion, and does not follow automatically upon the plaintiff's failure to obtain final relief.²⁰⁸

Second, the undertaking as to damages is cold comfort to a defendant, as it is usually available only at the end of a trial when a court makes an order refusing to confirm the interlocutory interdict.²⁰⁹ If, therefore, after the grant of an interlocutory order, the plaintiff does not proceed with an action which results in an order refusing a final interdict, the undertaking cannot be enforced by the defendant. Even if such an order is made, damages in trade mark infringement and passing off matters are accepted as difficult to quantify and to prove. If damages are difficult to quantify, an inquiry is usually ordered to determine their extent.²¹⁰ An inquiry as to damages is at the

207 Kerly (1986) 320: 'Experience shows that a successful motion for interlocutory injunction normally puts an end to the litigation and the infringement, with a great saving in expense compared with a full trial'. Wadlow (1995) 521: 'If the plaintiff can obtain an interlocutory injunction that is, in practice, almost always the end of the matter ... It is only slightly less unusual for actions to be ... pursued with vigour after one has been refused.'

208 *Universal Thermosensors* (1992) 383; *Cheltenham* (1993) 1551. See also Zuckerman (1994) 546-547.

209 The defendant may apply for discharge of the injunction before trial, and then ask for enforcement of the undertaking. But even in these circumstances the court will usually postpone enforcement of the undertaking until after trial: see *Cheltenham* (1993) 1545.

210 *Hoffmann-La Roche* (1975) 361; *Cheltenham* (1993) 1557.

defendant's own risk as to costs and he bears the onus of proving his loss.²¹¹ It is seldom that a defendant will embark on this course, as can be seen from the paucity of decisions and the unfortunate results such an inquiry can hold for the party who instituted it.²¹²

4.4 SOLUTIONS TO THE PROBLEMS OF THE *AMERICAN CYANAMID* APPROACH

4.4.1 The 'final effect' exception

Shortly after the *American Cyanamid* decision, Lord Diplock, who had given the judgment, expressly distinguished his views in that decision in instances when the grant or refusal of interlocutory relief would have the practical effect of putting an end to the action. He stated that, in such instances, the likelihood that the plaintiff will succeed in establishing his right to a final injunction at trial is a factor to be brought into the balance.²¹³ So strength of case becomes relevant. In a subsequent decision, the court held that in these circumstances, if the plaintiff cannot present an overwhelming balance on the merits, but merely a triable issue whose outcome is doubtful, the issue should be tried and not pre-empted.²¹⁴ However, these instances all relate to what Lord Diplock viewed as 'exceptional'²¹⁵ instances where the interlocutory relief will render final relief irrelevant, and not to the general form of interlocutory relief where the parties

211 Kerly (1986) 326-327.

212 Zuckerman (1994) 546. An example of the unfortunate consequences that can result from any inquiry as to damages is found in *Spalding* (1918) 119, an instance where the plaintiff was awarded an inquiry as to the damages it had sustained. The court stated: 'The necessary but most regrettable consequence of such a state of things must be that the importance of who shall bear the costs of these proceedings is far greater than the importance of the question of who was right or wrong in the original matter in dispute between the parties.' See also the criticism of inquiries in general in *Wallis* (1889) 356.

213 *NWL Ltd* (1979) 1307.

214 *Cayne* (1984) 236.

215 *NWL Ltd* (1979) 1306.

merely take a pragmatic decision not to proceed to trial. When the 'final effect' argument was raised in passing off proceedings, it was pertinently held that such proceedings are not of the exceptional nature envisaged by Lord Diplock.²¹⁶ Although the English courts therefore require a strong case to be made out by a plaintiff before they will grant an interlocutory injunction which has final effect, interlocutory injunctions in passing off proceedings are not viewed as having final effect and the same probably holds true for trade mark infringement proceedings.²¹⁷ Strength of case, therefore, remains irrelevant, despite the realities of the situation.

In Australia, final effect is not viewed as an exception. The issue has not been considered by the Canadian courts.²¹⁸

4.4.2 Other solutions

Courts are, to a greater or lesser extent, aware of the problems faced by litigants with limited means when the *American Cyanamid* approach is applied. This approach has been described as 'an instrument with which the rich can oppress the poor'.²¹⁹ Thus in a few instances it has been held that a litigant cannot merely cite the financial disparity between the parties as determining the balance of convenience.²²⁰ In Canada and Australia, the problem is not as acute, as the sequence proposed in *American Cyanamid* is not strictly followed. But the ability to pay damages is always a factor which is taken into account. In trade mark infringement and passing off matters, the courts frequently view it as decisive, while they concede at the same time that the grant

216 *Elan* (1984) 386.

217 See 2.1.2.3.6 of this chapter.

218 Berryman (1989) 141 submits that in such instances Canadian courts may require the plaintiff to make out a prima facie case. He argues that if a court views an interlocutory application as dispositive (final) it should state so explicitly and then make an immediate merit adjudication (at 155).

219 *Vernon* (1980) 191.

220 *Apple* (1977) 351 - Performers' Protection Act 1963; *Vernon* (1980) 191 - copyright infringement.

of interlocutory relief will have final effect as it will force the defendant out of business.²²¹

One method of preventing the *American Cyanamid* test from prejudicing weaker defendants is to refuse an injunction on condition that the defendant pay a percentage of sales into a trust account to cover any eventual liability for damages. But this has been ordered very rarely and only after the defendant has tendered to do so.²²² More usually, the court merely notes with regret that the grant of an interlocutory injunction might destroy the defendant's business but that the defendant is not in a position to offer a cross-undertaking as to damages.²²³

4.4.3 Summary: the *American Cyanamid* approach

Clearly, the English courts have not successfully dealt with the problems created by the *American Cyanamid* approach. The danger of allowing financial considerations to take precedence over any consideration of the merits is particularly acute in intellectual property matters, where the usual situation pits a financially strong plaintiff against a much weaker defendant. The courts ignore the realities of the situation - that the grant of an interlocutory injunction is often tactical relief which either destroys the defendant's business or places him in a weak bargaining position, rather than an essential to preserve rights pending trial. It has been said that in this respect legal theory and practice appear to conflict: while the basis of such application is to preserve and not to destroy rights, the latter is often the result.²²⁴

It must now be considered whether, despite these problems, the *American Cyanamid*

221 *Biba* (1980) 420-421; *CPC (UK)* (1986) 533.

222 *Vernon* (1980) - copyright infringement; *CPC (UK)* (1986) 535 - application for stay of order; trade mark infringement and passing off.

223 *Biba* (1980) 420; *CPC (UK)* (1986) 533.

224 *Sofronoff* (1987) 341.

approach should be followed in South Africa. To do so, it is necessary to analyse the problems arising from the South African approach, which views strength of case as the primary criterion.

4.5 PROBLEMS ARISING FROM THE SOUTH AFRICAN APPROACH

4.5.1 Prima facie right

The major problem in South Africa arises from the requirement that some form of prima facie case must be made out by a plaintiff seeking an interlocutory interdict.

The problem lies in determining what is meant by a prima facie case. The recent equation of a prima facie case with 'trying to measure a shadow'²²⁵ is apt. Until the *Setlogelo* decision in 1914, there was not even clarity as to whether a clear right, rather than a prima facie right, had to be proved. Since then, although various permutations of the term have been used, the generally accepted requirement is a right which, 'though *prima facie* established, is open to some doubt'.²²⁶ However, this definition does not answer the question as to how 'some doubt' is to be resolved. It was recently stated obiter that a right which is prima facie established though open to some doubt, exists when there is a prospect of success in the claim for principal relief, even though such prospect may be considered to be weak.²²⁷

4.5.2 Assessment of merits

The next issue relates to the degree of proof needed to show a prima facie case at interlocutory stage and the manner in which the courts must assess this proof. It has been held that, although it may be impossible for a court at this stage of proceedings

225 *Ferreira* (1995) 831.

226 *Eriksen* (1973) 691.

227 *Ferreira* (1995) 832.

to try to resolve difficult factual and legal questions on affidavit, the court cannot for this reason refrain from considering the relative strengths of each party's case.²²⁸ More recently, the degree of inquiry into the merits has been described as preliminary and necessarily superficial.²²⁹

4.5.3 Finality of relief

The further issue which must be considered is the effective finality of interlocutory relief in South Africa. The factual position is the same as in other jurisdictions; the grant or refusal of interlocutory relief in market related fields often makes further litigation irrelevant.²³⁰ The *Universal City* decision, in which Anton Piller relief was sought for the infringement of copyright in films, is one example: the market value of films is temporary, and by the time the matter came before the Appellate Division, the order was of practical relevance to the parties only in respect of costs.²³¹ So it can be accepted, not least of all because interlocutory relief is so frequently sought, that, in South Africa, too, such orders are frequently of final effect in trade mark infringement and passing off matters.

4.6 SOLUTIONS TO THE PROBLEMS IN SOUTH AFRICA

4.6.1 Prima facie right

If the most recent definition of a prima facie right, which merely requires a weak prospect of success, is accepted as correct, it could be argued that South African courts are moving towards an *American Cyanamid* view of the merits. However, this

228 *Beecham* (1977) 55.

229 *Ferreira* (1995) 833.

230 I think that the statement by Prest (1996) 214 - that an interlocutory interdict 'does not involve a final determination of these rights and does not affect their final determination' - is theoretically correct but ignores practical realities.

231 *Universal City* (1986) 747.

has not resulted in the replacement of a consideration of the merits with the *American Cyanamid* primary test - the adequacy of damages.

To deal with the different degrees of strength of case which might be proved at the interlocutory stage, South African courts usually apply the principle formulated in the *Olympic* decision once some form of prima facie right has been shown to exist. In terms of this principle, the stronger the prospects of success, the less need for the balance of convenience to favour the applicant, and vice versa.²³² The balance of convenience is not first determined by a consideration of the adequacy of damages, as in *American Cyanamid*; adequacy of damages is merely one factor which forms part of the court's general discretion.²³³ This balancing exercise offers both parties the best chance of a fair and just decision pending trial.

4.6.2 Assessment of merits

In trade mark infringement and passing off matters, proof of a prima facie right usually involves a factual determination of degrees of confusion or evidence of reputation. Such matters rarely involve difficult questions of fact and law, unlike other forms of intellectual property. Although questions of confusion or reputation are frequently dealt with at length, this need not happen if the preliminary and superficial nature of the inquiry is borne in mind. If the parties do canvass the issues in unnecessary detail, the problem can be dealt with by an appropriate costs order.

232 *Olympic* (1957) 383, approved by the Appellate Division in *Eriksen* (1973) 691 and most recently given in modern terminology in *Ferreira* (1995) 833: 'The strength of one element may make up for the frailty of another. The process of measuring each element requires a holistic approach'.

233 *Beecham* (1977) 57. See also *Coalcor* (1990) 360, where the fact that the defendant would be unable to pay any damages to the plaintiff in the event that the interdict should have been granted, was viewed as less important when determining the balance of convenience than the fact that the grant of the interdict would result in the defendant's liquidation.

4.6.3 Finality of relief

In South Africa, a different test is also applied when interlocutory relief will have final effect because further relief becomes irrelevant. The requirement is then that a clear right, rather than a prima facie right, must be proved.²³⁴ However, as in England, this stricter test does not apply when a final interdict is not sought merely due to financial or other practicalities. In such instances the usual criteria for interlocutory interdicts apply.

In all jurisdictions, the problem of 'final effect' has no easy legally acceptable solution, as the problem is essentially economic rather than juristic.

The *American Cyanamid* approach, where strength of case is of even less importance than under the South African approach, clearly offers no solution.

The South African approach is to be preferred, since a consideration of the merits, albeit perfunctory, coupled with a general assessment of all factors affecting the balance of convenience, ensures a decision which must be fairer than a decision based largely on who can afford to pay any damages arising from the grant or refusal of interlocutory relief.

4.6.4 Undertakings as to damages as a possible solution

The English requirement that an undertaking as to damages should always be offered by the plaintiff has been suggested as a solution to some of the problems identified in the South African approach.²³⁵ The fact that such undertakings are on occasion

234 *Strautz* (1964) 723 - disposal of joint assets; *Cape Tex* (1968) 529 - possessory lien.

235 *Prest* (1996) 206-207.

tendered in trade mark infringement and passing off matters,²³⁶ in imitation of English practice, should not influence our courts. Although Prest argues strongly for their introduction, he concedes that determination of the amount tendered and implementation of the undertaking have not received judicial attention.²³⁷ He has not dealt with two major problems - instances when an action for final relief is never instituted, and the expense of an inquiry or other assessment of damages. The latter was referred to in *Coalcor*,²³⁸ and is dealt with in detail in chapter 6.²³⁹ The former has also not been considered by our courts, and court orders only impose liability for damages should the final action fail.²⁴⁰

His work also deals with interlocutory interdicts generally, and he does not deal specifically with the position regarding intellectual property disputes. As shown above, the bulk of interlocutory relief in trade mark infringement and passing off matters brings an end to litigation; this is coupled with the fact that in such matters, the parties are usually of disparate financial standing. An undertaking should not be viewed by the courts as a suitable substitute for an assessment of the merits; it is of little assistance to an impecunious defendant, who will not be in a position to attempt further litigation to ensure its implementation.

5 CONCLUSION

Although the *American Cyanamid* approach resolves the problem of proof of a prima facie case, it should not be followed by the South African courts.

236 *Humphries* (1972) 541; *Stellenbosch Wine* (1977) 254; *Wilrose Timbers* (1980) 302; see also Webster & Page (1986) 317.

237 Prest (1996) 205-207.

238 *Coalcor* (1990) 360 'respondent will ... in all probability not be in a financial position to pursue a claim for damages'.

239 Chapter 6 at 2.7.

240 *Humphries* (1972) 541: 'in the event of applicant failing to obtain relief from the court in the principal case'; *Shoprite Checkers* (1994) 185: 'should the applicant's action fail'.

The nature and complexity of litigation has changed since Van der Linden set out the requirements for interdicts. He could not have envisaged delays between summons and trial of over two years, costs orders which exceeded any damages award, and the complexities of proving some causes of action. But this does not mean that his requirements, as evolved and adapted over the years in South Africa, should be jettisoned in favour of the *American Cyanamid* approach which derives from a completely different historical base. It must be remembered that the English injunction originated in equity, to assist parties when remedies at common law were inadequate; the South African remedy was evolved to protect rights. When it was said in *American Cyanamid* that the object of the court was to avoid expressing an opinion on the merits, the quotation came from a decision of 1865;²⁴¹ in South Africa it was only since 1914 that anything less than a clear right would suffice for the grant of interlocutory relief.²⁴² Our courts are reluctant to move away from existing Roman-Dutch principles, and in this instance there is no good reason to do so. Current problems should be solved using existing principles, rather than by importing foreign concepts.

No doubt many intellectual property practitioners would welcome the introduction of an *American Cyanamid* type of test for the grant of interlocutory relief. Clients who have marks or reputations to protect are usually financially strong, and face frequent and expensive litigation to protect their rights from the many 'ticks attracted to mongrels' - to paraphrase the view of infringers taken in the *Lorimar* decision.²⁴³ A test where financial strength takes priority over the merits would be viewed as eminently desirable by the many concerns who fight an ongoing battle against infringers, who are generally not even in a position to pay the costs awarded against them.

The realities of these situations are conceded. But, any test for interlocutory relief must be of general application, and be just and fair. The existing South African test is fair to

241 *Wakefield* (1865) 629.

242 *Setlogelo* (1914) 227.

243 *Lorimar* (1981) 113.

both parties; the plaintiff with a strong case facing an instance of blatant infringement will easily prove a strong prima facie right. But where the merits are debatable, the interlocutory interdict in South African law will not become an instrument of oppression used by wealthy traders to put small, and possibly legitimate, competition out of business.

CHAPTER 5

COMPENSATORY DAMAGES

1 GENERAL OVERVIEW

2 DEFINITIONS

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2.1.1 Distinction between damage and damages

2.1.2 Types of damages

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CHAPTER 5

COMPENSATORY DAMAGES

1 GENERAL OVERVIEW

Compensatory damages are rarely sought in trade mark infringement and passing off litigation, supposedly because they are difficult to prove and quantify. In this chapter, the development of the remedy of compensatory damages is set out, and the general principles applicable for obtaining such relief are considered. Trade mark infringement and passing off are then considered to determine whether they, too, are amenable to this remedy.

The English position is dealt with first. The entire English law of damages is coloured by the fact that a common-law remedy has been affected by equitable principles. To analyse current English law, it is, therefore, essential to deal with the common-law development of the remedy in some detail, to ascertain when and why equitable considerations influenced its further development. It is also necessary to trace how the protection of trade marks at common law evolved, as well as the distinction drawn between actions for deceit involving misappropriation of a trade mark and other actions for deceit, as this distinction has influenced the requirements for proof of damage in trade mark infringement matters.

After sketching this background, the influence of equity on the liability of a defendant is addressed. Two issues are considered: the liability of an innocent defendant, and the effect of a plaintiff's fraud. At common law, neither party's motives affected liability for damages; whether this remains the position is considered.

The current English law of damages is then briefly examined. General principles are stated and an attempt is made to determine how damages in instances of trade mark infringement and passing off are quantified. The various heads of damages which may

be claimed are set out and the 'lost profits' and royalty bases of quantification described. An important issue when dealing with quantification is proof of damages. It is attempted to illustrate that the distinction made at common law between the proof of actual damage required for misappropriation of a mark and other actions for deceit has not affected the requirement that proof of actual damage is essential before substantial rather than nominal damages can be obtained.

The positions in Australia and Canada are then dealt with briefly, as there is no substantial difference between the remedy in these jurisdictions and in England.

The South African position is then considered. While English law is complicated by the relationship between common law and equity, the South African law of damages has been similarly complicated by the grafting of English procedure onto Roman-Dutch substantive law. For this reason, it is necessary first to set out the original Roman-Dutch principles and then to consider the effect of English practice on these principles. It is also essential to determine whether the argument that English law does not require proof of actual damage before damages for trade mark infringement and passing off can be recovered, is valid for South Africa. I will argue that in South Africa, too, actual damage must be proved before any award of compensatory damages is made.

It is argued that a defendant's liability in South Africa is firmly linked to the delictual requirement of fault, avoiding the problems of liability arising in English law.

The basic principles of the South African law of damages are stated and their application to trade mark infringement proceedings considered. The accepted heads of damage are set out and the two possible bases for calculating damages are discussed. The introduction of the new method of calculating damages, on the basis of a reasonable royalty, is considered. A distinction is drawn between calculations based on actual royalties, and calculations based on notional royalties. As neither basis has been used in South Africa, English and American views on both actual and notional royalty calculations are set out. Their application in the South African context

is then considered.

Finally, it is argued that the current compensatory principles governing all awards of damages in South Africa do not meet the needs of litigants and that Parliament should create a specific legal basis on which to award damages in intellectual property disputes.

2 DEFINITIONS

Brief definitions of some terms used when discussing damages in the various jurisdictions are required, both because the terminology in these jurisdictions differs and because the meaning ascribed to these terms has changed over time.

2.1 ENGLISH LAW

2.1.1 Distinction between damage and damages

Halsbury defines 'damage' as the disadvantage suffered by a person as a result of the act or default of another, and *injuria* as damage which gives rise to a legal right of recompense.¹ Damages are defined as 'the pecuniary recompense given by process of law to a person for the actionable wrong that another has done him'.²

2.1.2 Types of damages

An early textbook on torts states that three kinds of damages exist: nominal, ordinary,

1 Both McGregor (1988) 7 and Tilbury (1990) 37 state that the terms 'damage', 'loss', and 'injury' are interchangeable.

2 Halsbury *Damages* (1975) 412. The definition given by Tilbury (1990) 37 makes the relationship between damage and damages clearer: he defines damages as the award which is made by a court after translating all the elements of damage in any particular case into monetary terms for the purpose of the judgment.

and exemplary.³ Although the terminology has changed, this division remains useful in defining the various forms of damages which might be awarded to a successful plaintiff.⁴

2.1.2.1 Compensatory damages

Pollock defined ordinary damages as

'a sum awarded as a fair measure of compensation to the plaintiff, the amount being, as far as can be estimated, that by which he is the worse for the defendant's wrong-doing, but in no case exceeding the amount claimed by the plaintiff himself'.⁵

While this definition remains appropriate, such damages are now known as compensatory damages, with a distinction drawn between special and general compensatory damages. Special damages relate to past pecuniary loss calculable at the date of trial. General damages, by contrast, are all other items of damage both pecuniary and non-pecuniary.⁶ This definition addresses the current distinction between specific and general damages: Halsbury points out that in early decisions the term general damages described damages which the law implied in instances when damages were 'at large',⁷ while special damages were those which had to be proved when damages were an essential element of the action.⁸

3 Pollock (1904) 180.

4 Only compensatory damages will be dealt with in this chapter. However, a brief definition of all three types of damages is given, as the other types of damages are referred to in the chapter.

5 Pollock (1904) 184.

6 Halsbury *Damages* (1975) 416. McGregor (1988) 13-17 discusses the various meanings of these terms in some detail.

7 Damages 'at large' is the expression used to describe the damages recoverable in torts actionable *per se*: Tilbury (1990) 38.

8 Halsbury *Damages* (1975) 416.

2.1.2.2 Nominal damages

Nominal damages are defined as a sum of little value which is awarded 'with the purpose of not giving any real compensation'.⁹ Prior to the Judicature Acts, which gave the court a certain discretion in the award of costs, nominal damages were of great importance as they ensured that the plaintiff was also awarded costs.¹⁰ However, where damages constituted an essential element of the action, an award of nominal damages could not be made, as the plaintiff had to prove actual loss.¹¹

2.1.2.3 Exemplary and aggravated damages

In the early twentieth century, the terms 'exemplary' and 'aggravated' damages were used interchangeably.¹² Currently, although both terms refer to an award of more than the normal measure of damages based on the defendant's motives or conduct, a distinction is drawn between aggravated damages, which are viewed as compensatory, and exemplary damages, which are punitive.¹³

2.2 AUSTRALIAN AND CANADIAN LAW

The definitions used in these jurisdictions correspond to those in use in England and will not be repeated.

9 Pollock (1904) 180.

10 *Idem* at 181. The current position is that a plaintiff who has been awarded nominal damages is no longer necessarily regarded as the successful party for purposes of a costs order: see Burrows (1994) 270.

11 Burrows (1994) 269; Pollock (1904) 183.

12 See, for example, Pollock (1904) 185 and 188.

13 Halsbury *Damages* (1975) 416.

2.3 SOUTH AFRICAN LAW¹⁴

2.3.1 Distinction between damage and damages¹⁵

Damage has been defined as the loss sustained by a person as a result of the wrongful invasion of his rights by another.¹⁶ The corresponding Latin terminology is 'damnum', which comprises both actual loss (damnum emergens) and prospective loss (lucrum cessans).¹⁷ Damages is the sum of money payable as compensation for the loss so sustained; the corresponding Latin term is 'interesse'.¹⁸

2.3.2 Types of damages

In delicts under the actio legis Aquilia, which include trade mark infringement and passing off actions, the primary form of damages is compensatory. The concepts 'nominal' and 'exemplary' damages were imported through English influence but their existence in South Africa is no longer certain.

2.3.2.1 Compensatory damages

Although the terms 'general' and 'special' damages derive from English law, they do not bear their traditional English meaning in South African law. While the term 'general

14 Any attempt to provide definitions of the terms used when the South African law of damages is considered is problematic. Not only is there confusion between South African and English terminology, but the translation of terms into English and Afrikaans has caused problems with accurate rendition of the various concepts. In addition, terms derived from Roman law, but no longer bearing their original meaning, are found. The definitions given are thus basic and do not attempt to reflect the theoretical underpinnings of the subject. *LAWSA Damages* (1995) and Visser (1993) contain full discussions.

15 In Afrikaans more comprehensibly known as 'skade' and 'skadevergoeding'.

16 *LAWSA Damages* (1979) 6.

17 Erasmus (1975) 112; Visser (1993) 20.

18 Erasmus (1975) 112-113; *LAWSA Damages* (1979) 6.

damages' is more commonly used in the contexts of liability for breach of contract and delictual liability for bodily injury, in a broader delictual context the term connotes the damage presumed to flow from an unlawful act. The term 'special damages' relates to damage which the law does not presume to be the necessary consequence of the act complained of; such damage must be pleaded specially and established by evidence.¹⁹ It is generally accepted that these terms should be used with circumspection in South Africa.²⁰

The term 'damages at large' is not used in South Africa, although it is sometimes encountered in early decisions: there it bears the same meaning as in English law. The notion of delictual liability without the need to prove damage is unknown in our common law.

2.3.2.2 *Nominal and exemplary damages*

The terms 'nominal' and 'exemplary' damages, when used in South African decisions, connote the same as in English law.

3 DAMAGES IN ENGLISH LAW

3.1 INTRODUCTION

In English law, the historical distinction between common law and equity colours the issue of damages. Originally, action had to be instituted at common law and damages were the only relief available. The rise of the courts of chancery opened the door to injunctive relief, which, in the context of trade mark infringement and passing off, assumed greater importance than an award of damages. In addition, a chancery court could grant pecuniary relief in the form of an account of profits. (Under an account of

19 Visser (1993) 19, where the word 'damage' is used. In his revision of *LAWSA Damages* (1995) 14 the same concepts are described as damages.

20 *LAWSA Damages* (1979) 6 and (1995) 14.

profits, the defendant is compelled to pay the plaintiff any profit that he has made from infringing sales.²¹) In contrast, the common-law basis for an award of damages was compensation for the plaintiff's loss, rather than the disgorgement of the defendant's gains.

The different legal foundations of the action for misuse of a mark in the two courts also affect the choice of remedy. At common law, fraud was an essential requirement of the action, while the chancery view that a property right was being protected meant that relief could sometimes be obtained in equity but not at common law. Also, relief in equity was subject to various equitable defences, which could not be raised in an action at common law.

These distinctions survived the fusion of the two courts at the end of the nineteenth century. Although it has recently been held that damages are available against an infringer who had not acted fraudulently,²² an account of profits cannot be ordered against him.²³ So a plaintiff will seek damages rather than an account of profits if there is a chance that any of the equitable defences can be raised.

All previous trade mark legislation has provided that a plaintiff may 'prevent or recover damages'.²⁴ It has always been accepted that this was not an exhaustive list of remedies and this view is confirmed in current legislation, which provides that 'all such relief by way of damages, injunctions, accounts or otherwise is available to him as is available in respect of the infringement of any other property right'.²⁵ It is clear that

21 However, chancery courts would not grant an account of profits unless this was coupled with an injunction. Therefore, if the need for an injunction had passed, the court would refuse to grant an account: *Jesus College* (1745) 263; *Baily* (1829) 75.

22 *Edenwest* (1994) 279.

23 *Wadlow* (1995) 585.

24 Section 77 of the Trade Marks Act 1883; section 42 of the Trade Marks Act 1905; section 2 of the Trade Marks Act 1938 (UK).

25 Section 14 of the Trade Marks Act 1994 (UK).

English law accepts that damages are a common-law rather than a statutory remedy. It is also trite that the same relief is available where passing off, rather than statutory trade mark infringement, is involved.

3.2 HISTORICAL DEVELOPMENT OF THE REMEDY

3.2.1 Origins of the remedy of damages

In the English legal system, compensatory damages are traditionally viewed as the preserve of common law. Restitution and coercion are, however, the preserve of equity.²⁶ A review of the origins of English common law and the development of the common-law courts is inappropriate for present purposes.²⁷ It is sufficient to state that the earliest common-law courts granted restitution, not damages.²⁸ A shift by the common-law courts from the grant of specific relief to the grant of substitutionary relief occurred in the twelfth and thirteenth centuries.²⁹ This development has been linked to the rise in importance of the writ of trespass,³⁰ under which a wide variety of wrongs could be pursued. As some of the wrongs pursued under this writ could give rise only to substitutionary relief, this gradually came to be the only form of relief available under the writ.³¹ A further reason for the shift from specific to substitutionary relief was the problem of enforcement procedures. At common law, a judgment could not be enforced

26 Sedgwick (1880) 10-11. A common-law court was first empowered to grant an injunction in 1854, in terms of section 79 of the Common Law Procedure Act 1854, while a chancery court could first grant damages in 1858, in terms of section 2 of Lord Cairns' Act 1858. Prior to this legislation, there was a strict division of the relief available, with damages available only at common law and injunctions available only at equity.

27 For a general review of this process, see Baker (1990) 14-111; Kiralfy (1962) 110-135 and 263-343.

28 Washington (1931) 345.

29 Ibid.

30 This writ was later known as action on the case, and most of the law of torts developed from these writs: Kiralfy (1962) 877.

31 Tilbury (1990) 7.

by imprisonment for contempt and an order for specific relief could therefore not always be enforced. In contrast, an order for damages could be enforced by seizure and sale.³²

Actions to recover damages at common law when a mark had been misappropriated were based on the action for deceit; fraud on the part of the defendant had to be proved. There is a paucity of early decisions on such actions in common-law courts. Various reasons can be suggested for the disinclination of plaintiffs to seek the assistance of these courts; some were of general relevance, while others arose from the nature of the right for which protection was sought when the misappropriation of a mark was in issue.

The formality of the procedure and difficulties in drafting pleadings were one reason.³³ A further reason was that, in the eighteenth century, when the jury was either not given directions by the trial judge, or did not consider itself obliged to heed such directions, a new trial could be ordered if the jury award was considered excessive, which meant that the parties could face further litigation.³⁴ The availability of equitable relief meant that chancery courts became the preferred forum. This was particularly so in trade mark infringement matters, when an injunction to prevent further infringement was of primary importance in protecting the mark.

Once damages became the usual form of relief granted at common law, two major conceptual difficulties emerged: the first was the basis on which damages should be awarded, and the second, the assessment of such damages.

3.2.2 Compensation as basis of award

In early common law, little distinction was made between the concepts 'crime' and 'tort',

32 *Ibid.*

33 Baker (1990) and Kiralfy (1962) deal at length with these problems.

34 Washington (1931) 364; *Sharpe* (1774) 943.

and consequently between payment of money as punishment and as compensation.³⁵ Remnants of this attitude can still be found in areas of intellectual property law, with the existence of conversion damages³⁶ and additional damages³⁷ in respect of copyright infringement, and, until the 1964 decision of *Rookes*,³⁸ the general availability of exemplary damages when flagrant infringement had been proved.

Other than the few remaining instances where additional or exemplary damages may be awarded, it has been accepted for well over a century that, in English law, the basis of an award of damages is compensation and the object of such an award is to put the plaintiff in the position he would have been in had the tort not been committed.³⁹

3.2.3 The influence of the jury on the assessment of damages

Before 1854, trial by jury was the only form of trial at common law.⁴⁰ The jury, who were responsible for all findings of fact, also had to determine the amount of damages to be awarded to a successful plaintiff.⁴¹ This meant that until the end of the eighteenth century, the English law of damages was concerned with the limitation and control of jury awards, rather than the general principles to be applied when determining the amount to be awarded.⁴²

35 The distinction between the two concepts took longer to develop than in civil law jurisdictions: Erasmus (1975) 272; Ogus (1973) 4-5.

36 Section 7 of the Copyright Act 1911 (UK).

37 Section 17(3) of the Copyright Act 1956 (UK); section 97(2) of the Copyright Act 1988 (UK).

38 *Rookes* (1964) 1226.

39 Burrows (1994) 21; Ogus (1973) 17; Sedgwick (1880) 34.

40 The Common Law Procedure Act 1854 permitted trial by a judge alone, provided the parties consented. The development of the jury system, from a collection of witnesses to its more modern form, is dealt with by Kiralfy (1962) 240-248; Sedgwick (1880) 24-27.

41 Sedgwick (1880) 25.

42 Washington (1931) 346. He deals fully with this topic in his article.

With the decline in the importance of the jury, general principles for the assessment of damages finally evolved.

3.2.4 The legal foundation of the action for damages in trade mark infringement matters

In the eleventh and twelfth centuries, in proceedings before the King's court, which later became known as the common-law court, action could not be instituted without the issue of a writ, as these writs gave the King's justices the power to hear and determine the rights of the parties.⁴³ There were a limited number of these writs, however, and if a case could not be brought within an existing writ, no remedy was available at common law.⁴⁴ The writ of trespass, which became common in the thirteenth century, is generally viewed as the source of the law of tort.⁴⁵ This writ was based upon an act of violence, initially by 'force of arms' against the person, land, or chattels of the plaintiff,⁴⁶ and later, when actual violence was no longer a prerequisite, became the innominate action on the case, which merely required proof that the damage suffered by the plaintiff was caused by the defendant.⁴⁷ By the end of the thirteenth century, the only remedy which a common-law court would grant in respect of either trespass or the action on the case was damages.⁴⁸

One such action on the case was that of deceit.⁴⁹ This action originated as a remedy for the abuse of legal proceedings, but by the late sixteenth century had developed into

43 Kiralfy (1962) 294.

44 *Idem* at 297.

45 Baker (1990) 455.

46 *Idem* at 376.

47 Baker (1990) 73.

48 Kiralfy (1962) 401.

49 *Draper* (1939) 442; Kiralfy (1962) 307.

the general tort of deceit.⁵⁰ A survey of cases based on deceit during the seventeenth and eighteenth centuries is pointless in the present context, as the recognition of trade marks and their protection commenced only in the late eighteenth century, and relief at common law for misappropriation of a mark was available from 1824 only.⁵¹ Although Wadlow argues that it is simplistic to assume that a legal cause of action based on fraud developed seamlessly from the tort of deceit, and was subsequently superseded by the equitable protection of property rights,⁵² for purposes of the present study it is sufficient to state that early trade mark infringement cases at common law did not protect property rights but were based on fraud by the defendant.⁵³

Southern, a common-law decision dating from 1618, is generally cited as the first decision in which a reference is made to the availability of legal protection for trade mark infringement. It is of value here, because it confirms that the basis of any action founded on trade mark infringement was then viewed as an action on the case for deceit. Although *Southern* concerned the sale of counterfeit jewels, the decision is famous because Doderidge J referred obiter to an earlier decision in which a clothier, or possibly a purchaser, instituted action against another clothier who had fraudulently used the first clothier's mark. Although there is confusion about who instituted action,⁵⁴ those reports which mention Doderidge J's dictum confirm that the clothier's action was

50 Baker (1990) 521; Kiralfy (1962) 428.

51 Rogers (1910) 40.

52 Wadlow (1995) 9.

53 Baker (1990) 522.

54 If action had been instituted by the purchaser, the decision would not be viewed as relevant for trade mark purposes; it is only because one of the five differing reports of *Southern* states that the clothier's action was instituted by the proprietor of the mark that it has assumed such importance for trade mark purposes. Popham's Report of 1659 pertinently states that the clothier whose mark was copied instituted action (at 144); Croke's Report of 1659 states that the purchaser instituted action (at 471); while Rolle's Report of 1676 states that it is not clear who instituted action but that it appeared to be the purchaser - 'mes Mr Justice Dodridge [sic] ne dit per quel deux ceo gist lou per le cloathier que primerment avoit le dit marke, ou pur le vendee, mes semble que gist pur le vendee' (at 28).

an action on the case for deceit.⁵⁵ While it is understandable that an action by a purchaser who had been fraudulently misled would be based on deceit, the report in which the clothier is mentioned as plaintiff also stated that the action was for deceit, despite the fact that the clothier might have been defrauded, but had not been deceived.

When trade mark protection was finally confirmed at common law more than two centuries later in the *Sykes* decision, the foundation of the action remained that of an action on the case for deceit. Despite the fact that, on the reported facts, the plaintiff manufacturer had not been deceived, but had instituted action because his mark had been imitated, the court appeared to have regarded it as settled law that the action was one for deceit.⁵⁶ The action for deceit might appear a strange basis for an action for misappropriation of a mark, as the plaintiff's complaint was that third parties, not he himself, had been deceived. However, it must be remembered that an action could not be instituted at common law unless it fell within an existing writ, and it is generally accepted that this extension of the action for deceit was for pragmatic purposes, to assist plaintiffs, and not based on any legal development. Earlier, in 1783, Lord Mansfield had held that a plaintiff could not prevent trade mark infringement where both parties were using the name of the original inventor, but that the position would differ if the defendant sold a medicine of his own under the plaintiff's name or mark, as 'that would be a fraud for which an action would lie'.⁵⁷

Subsequent cases brought at common law were all instituted as actions on the case for deceit. In 1842, action to prevent use of a mark was again described as 'in the nature of an action for deceit' and the court held that the declaration had to state that 'the defendant was sciens of the matter by which he deceived; and that he did it also

55 *Southern* (Popham) (1659) 144; *Southern* (Croke) (1659) 471; *Southern* (Rolle).2 (1676) 28.

56 *Sykes* (1824) 543; see also the commentary on this decision in Schechter (1925) 138.

57 *Singelton* (1783) 293.

et fraudulenter'.⁵⁸ By 1863, Lord Chancellor Westbury, describing the different basis for the grant of relief at common law and equity, held that

'at law the proper remedy is by an action on the case for deceit: and proof of fraud on the part of the Defendant is of the essence of the action: but this Court will act on the principle of protecting property alone'.⁵⁹

Later that year, he repeated and elaborated on this principle, to alleviate the uncertainty as to the grounds on which an equity court protected trade marks. Interestingly, after confirming that at law the remedy for piracy of a trade mark was by an action on the case in the nature of a writ of deceit and that the remedy was founded on fraud, he proceeded to say that

'originally it seems that an action was given not only to the trader whose mark had been pirated, but also to the buyer in the market, if he had been induced by the fraud to buy goods of an inferior quality'.⁶⁰

This is a strange inversion of the historical development of the action, which was available to a deceived purchaser long before it became available to a defrauded trader.

It can therefore be accepted that all actions at common law to recover damages for the unauthorised use of a trade mark were instituted as actions on the case for deceit, with proof of fraud as an essential element of the action. It must be remembered that, in contrast, proceedings instituted in chancery courts to prevent infringement or unauthorised use of a mark, and to obtain an account of profits, were from 1838 based

58 *Crawshay* (1842) 385.

59 *Edelsten* (1863) 199.

60 *Leather Cloth* (1863) 139.

on the plaintiff's property rights; fraud was not an essential allegation.⁶¹

After the fusion of the two courts in 1875 by the Judicature Acts, the distinction between the common-law action for deceit and the equitable right to protect property was maintained. In 1897 the Court of Appeal described a passing off case as a 'clear case of common law fraud, a case for which the old action of deceit would have lain'.⁶²

In the following year the same court held:

'This is an action for a wrong. It is an action for deceit; for fraudulently pretending that the Defendant's goods were the Plaintiffs' goods, and so trying to pass them off'.⁶³

The distinction between actions at common law and equity, and the remedies available in each instance, remains relevant today, as it affects both the liability of the defendant to pay damages or an account of profits and the defences available to a defendant.⁶⁴

3.2.5 The essential distinction between actions based on misuse of a mark and other actions for deceit

Before registration of marks became possible, no distinction existed at common law between trade mark infringement and passing off. Both were based on the unlawful use of another's mark which was calculated to deceive. Marks were protected against misuse by others through the common-law action for deceit for which fraud was an essential element. In addition to fraud, other forms of actions for deceit required a further essential element - proof of actual damage suffered by the plaintiff. Damages

61 *Millington* (1838) 352.

62 *Magnolia Metal* (1897) 394.

63 *Jamieson* (1898) 191.

64 The modern relevance of the differing bases of the action at common law and equity is discussed under 3.3 of this chapter.

were the 'gist of the action' in actions for deceit and real damage was viewed as the foundation of the plaintiff's right.⁶⁵ This was in contradistinction to torts 'actionable per se' where damages were described as being 'at large'.⁶⁶

In one of the first reported common-law decisions on the grant of damages for misappropriation of a mark, the requirement of proof of damage as an essential element of the action was discarded. The issue was whether special damages had to be proved, or whether damages were 'at large' and therefore assumed. In the lower court, the plaintiff had alleged that he had suffered damage both from lost sales and because the infringing product was of an inferior quality. In his directions the judge had instructed the jury to determine whether the infringing product was inferior; but he had also informed them that even if it was not inferior, 'the plaintiff was entitled to some damages, inasmuch as his right had been invaded by the fraudulent act of the defendants'.⁶⁷ The jury found that the infringing product was not inferior and awarded the plaintiff nominal damages of one farthing. This verdict was upheld by four judges of the King's Bench, one of whom held that 'the act of defendants was a fraud against the plaintiff, and if it occasioned him no specific damage, it was still, to a certain extent, an injury to his right'.⁶⁸

This decision was of great importance, as it was at total variance with the requirements for other actions on the case. The fact that the court referred to no authority when giving this judgment, and gave very brief reasons for its decision, seems to indicate that the distinction between deceit in the form of the misappropriation of a mark, and other forms of the action for deceit, was already recognised and accepted.

Surprisingly, only Wadlow considers this in any detail; other writers merely state that

65 Pollock (1904) 183.

66 Tilbury (1990) 38.

67 *Blofeld* (1833) 411.

68 *Ibid.*

this decision was an 'important advance in trade-mark law'⁶⁹ or cite the decision as authority that mere proof of infringement entitles the plaintiff to nominal damages.⁷⁰ Wadlow argues that the development probably took place because of difficulties in proving damage,⁷¹ which is why it became sufficient to prove that the defendant's misrepresentation was merely calculated to cause damage.⁷²

A further reason for dispensing with proof of special damage can be postulated if the historical division between common law and equity is considered. Before granting an injunction in equity, a chancery court would often refer a plaintiff to common law, first to institute action there to prove that he had a legal right capable of equitable protection.⁷³ In such instances, although a common-law court could grant only damages, the plaintiff had to obtain a verdict there before he could return to chancery for an injunction. A plaintiff would then seek only nominal damages at common law and so avoid the necessity of submitting proof of actual damage. The courts assisted such plaintiffs by holding that proof of actual damage was not essential for an award of nominal damages, as this allowed the court then to order costs in the plaintiff's favour. Without this concession, a plaintiff would have been liable for costs of the action at common law as he had failed to prove any liability for damages, when all he actually sought was an injunction from a chancery court. One example of such a situation is found in *Rodgers*, where the defendant at common law moved for a retrial on the basis that the plaintiff had failed to prove special damages. The court, following *Blofeld*, held that proof of actual damage was not relevant, as the plaintiffs 'did not come to court for the mere purpose of recovering the amount of damage in the particular case, but to try

69 Schechter (1925) 142.

70 Kerly (1986) 326.

71 See *Millar* (1769) 2318 on the difficulties of proving damages at common law in an action on the case for copyright infringement. It can be assumed that similar problems were encountered when misappropriation of a mark was in issue.

72 Wadlow (1995) 148.

73 *Motley* (1837) 17 is one example.

whether the defendants might, with impunity adopt the plaintiffs' mark'.⁷⁴

The principle that actual damage need not be proved before a cause of action existed remains important today. As the cause of action is complete without proof of damage, an injunction can be obtained without such proof. Whether an award of compensatory damages will be granted without proof of actual damage, is dealt with later in this chapter.⁷⁵

It has been shown that the remedy of damages was available only at common law, and that the remedy is governed by common-law principles. But the courts' desire to assist plaintiffs in obtaining equitable relief led to the introduction of equitable concepts. This impacted particularly on the requirement of proof of damage and the liability of a defendant to pay damages.

3.3 LIABILITY FOR DAMAGES

Once trade mark infringement or passing off has been proved, the question of the defendant's liability for compensatory damages arises. Two issues must be considered: the motives of the defendant, and misrepresentation or illegality on the plaintiff's part. Problems surrounding both issues can be traced to conflicts between law and equity. At law, fraud by the defendant was always an element of the action. Once the tort had been proved, a plaintiff had a right to an award of damages. An award of damages would, therefore, not be made against an innocent defendant, as the element of fraud would not have been proved; the entire action would be dismissed. Conversely, the motives of the plaintiff played no part in the determination of liability for common-law damages. In equity, the existence of the tort did not depend on proof of fraud by the defendant. Equitable relief was always discretionary, however, and a court of equity could withhold pecuniary relief to indicate disapproval of the behaviour of either party.

74 *Rodgers* (1847) 123-124.

75 See 3.5.2.1 of this chapter.

As equitable concepts gradually eroded common-law principles after the fusion of the two courts, fraud disappeared as an element of the action. But damages were still viewed as a common-law remedy, and therefore available as of right, not at the discretion of the court. So it must be considered whether the court's equitable discretion to consider the motives of both parties has been introduced in respect of a common-law remedy.

3.3.1 The innocence of the defendant⁷⁶

The position of an innocent defendant as regards statutory infringement and passing off will be dealt with separately, as this requires an examination of the effect of legislation on the remedy of damages.

3.3.1.1 *Trade mark infringement*

The first statute to deal with trade marks dates from 1875. It provided that registration was necessary for the proprietor to 'be entitled to institute any proceedings to prevent infringement'.⁷⁷ An amendment during the following year provided for proceedings to 'prevent or recover damages',⁷⁸ and this phrase is found in every subsequent trade mark statute before 1994.⁷⁹ It has always been accepted that this was not an exhaustive list of the relief available and that the proprietor of an infringed mark could enforce his rights in the same manner as the holder of any other property right. This has now been statutorily confirmed in the Trade Marks Act 1994.⁸⁰

76 See generally, Kelbrick (1996) 204.

77 Section 1 of the Trade-marks Registration Act 1875.

78 Section 1 of the Trade-marks Registration Amendment Act 1876.

79 Section 77 of the Trade Marks Act 1883; section 42 of the Trade Marks Act 1905; section 2 of the Trade Marks Act 1938 (UK).

80 Section 14(2).

The inclusion of the right to recover damages in the various statutes can be interpreted in two ways.

First, it can be argued that the fact that statutory provision is made for the recovery of any damages suffered by the proprietor of a registered mark always entitles him to do so, irrespective of the guilt or innocence of the defendant. Viewed in this light, it is understandable why, before the Trade Marks Act 1994, a court might grant damages against an innocent infringer but refuse an account of profits for which no statutory provision existed.

Second, it can be argued to the contrary that to determine the relief available for trade mark infringement, reference to the common law has always been necessary, despite the existence of legislation. The *Edelsten* decision set out the principles governing relief available in both courts in respect of trade mark infringement before the enactment of legislation.

In equity:

'For although it is well founded in reason, and also settled by decision, that if A has acquired property in a trade mark, which is afterwards adopted and used by B in ignorance of A's right, A is entitled to an injunction; yet he is not entitled to any account of profits or compensation, except in respect of any user by B after he became aware of the prior ownership.'⁸¹

At common law:

'At law the proper remedy is by an action on the case for deceit: and proof of fraud on the part of the Defendant is of the essence of the action: but this Court will act on the principle of protecting property alone, and it is not necessary for

81 *Edelsten* (1863) 78.

the injunction to prove fraud in the Defendant.⁸²

Historically, therefore, fraud has been an essential element of any common-law action to recover damages.⁸³

A brief chronological review of the few decisions on the issue after fusion of the two courts confirms this statement. The first time an innocent trade mark infringer's liability to pay damages was pertinently considered was in 1909, in the *Slazenger* decision.⁸⁴ There it was stated that damages cannot be granted against an innocent infringer. In this decision, Neville J held that the principle of *Edelsten* still held true, despite the statutory rights created by trade mark legislation since that decision. He refused to grant an account of profits or inquiry as to damages. He then considered whether the fact that *Edelsten* dealt with an equitable account of profits, rather than a common-law inquiry as to damages, affected its relevance. He held that 'nowadays, where the right to compensation exists, there is no distinction between an account of profits and an inquiry as to damages, and it rests with the plaintiff to elect whether he will take one form of relief or the other'.⁸⁵ He proceeded to find that, as the defendants were unaware of the plaintiffs' rights, there was no right to compensation but only a right to an injunction. The defendants' innocence protected them against the grant of both equitable and common-law financial remedies.

The following year, in an action for trade mark infringement where damages or an account of profits were requested in the alternative, the court stated:

82 Ibid.

83 The statement in Kerly (1986) 326 - that mere proof of an infringement entitles the plaintiff to damages loses sight of the fact that the common-law case cited as authority, *Blafeld* (1833), based this finding on the fact that the act of the defendants was a fraud against the plaintiff.

84 *Slazenger* (1909) 261.

85 Ibid. While this might be correct in the sense that after the passage of the Judicature Acts of 1873 and 1875 a plaintiff could elect either form of relief, it cannot be intended to mean that there is no distinction between the effect of the two remedies.

'As the law stood under the old Trade Mark Act the cases were quite clear that an innocent infringer was not liable for damages. Since the alteration, under which the registration of a Trade Mark gives the owner of a Trade Mark property in the Trade Mark, it was thought that the law required reconsideration, and it would not be considered to be in accordance with the old decisions; but Mr Justice Neville in the case of *Slazenger v Spalding* held that the new Act of Parliament had not made any difference.'⁸⁶

By 1923 the Lord Constable of Scotland, when hearing an action for trade mark infringement and damages, stated that '[t]here is well settled English authority against the recovery of damages for the innocent use of a Trade Mark by another'.⁸⁷

However, in the 1924 *Henry Heath* decision, the court, without referring to any previous decisions, stated that 'a legal right has been infringed, and prima facie the Plaintiffs are entitled to damages, which, of course, the Plaintiffs take at their own risk as to costs'.⁸⁸ In this instance the defendants had, in all innocence, published an advertisement using the plaintiff's mark and 'sold at least two hats at that price' (14s 11d)!

The next relevant case was a 1926 decision dealing with trade mark infringement and passing off where an inquiry as to damages had been requested. No authority is given for the statement that, because of the innocence of the second defendant, 'it may be that as a result of that no claim for damages may be made against him'.⁸⁹

In the same year, because of lack of proof of damage, an award of damages was refused against an innocent infringer. Nominal damages were also not awarded.⁹⁰

86 *Horsfield* (1911) 178.

87 *Hindhaugh* (1923) 371.

88 *Henry Heath* (1924) 457.

89 *Champagne Heidsieck* (1926) 103.

90 *Société Francaise* (1928) 280.

Later, in 1937, inquiries as to damages were granted in two decisions,⁹¹ in neither instance with any consideration by counsel or the court of whether such an order was justified in the light of earlier case law. In 1982, when the issue was next raised, the court granted an inquiry for trade mark infringement damages only after the plaintiff's counsel had conceded that there was doubt whether such an order would be granted for innocent passing off.⁹²

However, the 1994 *Edenwest* decision stated categorically that damages were available for innocent trade mark infringement.⁹³

The defendant in this matter had conceded that the plaintiffs were entitled to an injunction against it, but opposed the grant of an inquiry as to damages. It submitted that it was an innocent infringer and, as damages were recoverable only where a defendant was shown to have acted dishonestly, the court could not require it to pay damages in respect of either trade mark infringement or passing off. The question of the defendant's innocence, in the sense that it had no knowledge of the infringing nature of the goods, was not disputed by the plaintiffs. They submitted, however, that this innocence was irrelevant to their right to damages.

The court dealt with the liability for trade mark infringement and passing off separately. The liability to pay damages when a registered trade mark has been innocently infringed was discussed first. With Kerly as authority,⁹⁴ and after a brief consideration of some of the decisions referred to above, Blackburne J pronounced it settled law that innocence on the part of an infringer is no defence to a claim for damages for trade mark infringement and ordered an inquiry. I believe that the court was not necessarily

91 *Fialho* (1937) 193; *Ravenhead Brick* (1937) 341.

92 *Sony* (1982) 206.

93 *Edenwest* (1994) 279.

94 Kerly (1986) 327-328: 'whilst knowledge or absence of knowledge does not affect the right to damages'.

correct to rely on Kerly's categorical statement that 'knowledge or absence of knowledge does not affect the right to damages'. Kerly's authority is *Spalding* (which dealt with passing off, not infringement of a registered mark) and *Henry Heath* (an instance of trade mark infringement where an inquiry as to damages was granted but no reasons for judgment were given). While the most recent edition of Kerly cites only the above two decisions as authority, earlier editions mention two further decisions where *Spalding* was not considered - according to Kerly because no decision on the point was necessary.⁹⁵ Interestingly, in the first of these, *Hindhaugh*, a Scottish case dating from 1923, Kerly's fourth edition is cited as authority for the proposition that 'there is well settled English authority against the recovery of damages for the innocent use of a Trade Mark by another'.⁹⁶

The finding by the *Edenwest* court that the point is 'settled law' seems justified when only the most recent decisions are considered. However, the chronological review above of all the decisions on the point illustrates that this finding was actually not justified. *Spalding* is cited as authority by both Kerly and in those decisions in which an inquiry was granted. But it is not authority for the liability of an innocent trade mark infringer, as it deals only with passing off.⁹⁷ The issue of innocent trade mark infringement was not canvassed in any of the above decisions, other than *Slazenger* where it was held that as the defendants did not know of the plaintiffs' rights, there was no right to compensation, only a right to an injunction.

Before *Edenwest*, the available authority on the grant of damages against an innocent infringer of a registered trade mark can be summarised as follows: in the only case in which the issue was pertinently considered, the court refused to order an inquiry. This has subsequently been quoted with approval; the decision relied on by textbooks and some later decisions is inappropriate, as it deals with passing off rather than trade mark

95 Kerly (1972) 344 footnote 30; Kerly (1983) 303 footnote 32.

96 *Hindhaugh* (1923) 371.

97 For this reason, the decision has been discussed below under passing off and not in the section dealing with trade mark infringement.

infringement; and in three decisions an inquiry was granted without the issue being canvassed.

However, unless the *Edenwest* decision is overturned, the position in England is that innocence is not a bar to the grant of damages for statutory trade mark infringement.

3.3.1.2 *Passing off*

In the only reported decision prior to *Spalding*, damages were refused in respect of innocent passing off.⁹⁸ The 1915 House of Lords decision in *Spalding* is generally cited as authority for the proposition that damages are available in respect of innocent passing off. In this matter, the defendant had sold products discarded by the plaintiffs as 'new and improved' stock, and the plaintiffs had instituted action for an injunction and damages. It is clear from comments made by the House of Lords and the lower court that the defendants were not perceived by the courts to be completely innocent in their behaviour;⁹⁹ neither court used the term 'innocent' at any stage to describe the defendants. That part of the *Spalding* judgment¹⁰⁰ relied on as authority for the principle that damages may be granted against an innocent infringer is not completely persuasive. The phrase 'it has long been settled that actual passing-off of a defendant's goods for the plaintiff's need not be proved as a condition precedent to relief in Equity either by way of an injunction or of an inquiry as to profits or damages' must be seen in the light of what precedes it. Lord Parker, dealing with general principles of passing off, was discussing whether misrepresentation is sufficient or whether actual passing off is required. His citation of *Edelsten* illustrates this. Where he then states that the representation need not be fraudulently made, and '[t]he representation is in fact treated as an invasion of a right giving rise at any rate to nominal damages'¹⁰¹ without

98 *Gledhill & Sons* (1911) 451.

99 *Spalding* (1913) 397; *Spalding* (1915) 286 and 288.

100 *Spalding* (1915) 283.

101 *Ibid.*

any authority cited and in a general discussion of principle rather than while considering the specific relief sought by the plaintiffs, his statement must be regarded as obiter.

Not all textbooks view this decision as sufficient authority for the proposition that damages may be granted against an innocent infringer. While the two most recent editions of Kerly rely on *Spalding* as authority, earlier editions, which appeared after *Spalding*, do not refer to this decision and consider the issue to be 'open'.¹⁰² In contrast, Wadlow's interpretation of *Spalding* is that the decision confirmed that at common law a representation must be fraudulently made, while in equity complete innocence of the party making a misrepresentation is a reason for limiting an account of profits to the period after the defendant became aware of the true facts.¹⁰³

The *Spalding* decision did not immediately alter the attitude of other courts. In *Vokes* the defendants were viewed as having 'acted completely innocently'¹⁰⁴ and the court merely stated, without discussion, that the plaintiffs were not entitled to damages. In *Draper*, although the defendants had consented to the order that an inquiry as to damages be held, two of the three judges queried the order on the basis of the absence of fraudulent intent on the part of the defendants. In fact, Goddard LJ seriously doubted 'whether it is the law that damages can be claimed for innocent passing-off',¹⁰⁵ while Clauson LJ queried whether fraud was a necessary element of conduct leading to a judgment for damages.¹⁰⁶ The *Marengo* decision dealt with 'completely' innocent passing off. The claim for damages had been withdrawn by the time the matter reached the House of Lords; some of the bench expressly stated that they were not venturing an opinion on whether damages could be awarded where the defendant was

102 Kerly (1960) 396; Kerly (1966) 444; Kerly (1972) 447.

103 Wadlow (1995) 491.

104 *Vokes* (1932) 145.

105 *Draper* (1939) 443.

106 At 441.

innocent.¹⁰⁷ In a subsequent decision, the court considered the *Draper* headnote and interpreted it as meaning that 'it is an open question whether more than nominal damages could be given in an action for passing-off, without fraud'.¹⁰⁸ In the present case, only nominal damages were sought and granted. The court held that no fraud or dishonesty was involved but it still clearly considered the defendants negligent.¹⁰⁹ Again, as recently as 1982, the court refused to grant an inquiry as to damages in respect of passing off, because it doubted whether such an order could be made against an innocent infringer.¹¹⁰

However, the *Edenwest* court held that damages were also available for innocent passing off, once again relying on Kerly. Kerly cites *Spalding* as authority for the statement that a plaintiff is entitled to an inquiry even though the defendant was completely innocent, but then notes that there is argument to the contrary based on the historical requirement that fraud was a necessary ingredient of an action at common law for the recovery of damages.¹¹¹ In *Edenwest*, Blackburne J, expressing his own view on the topic, surmised that the difficulty in determining whether damages are due in respect of innocent passing off has its origin in the fact that at common law passing off meant dishonest passing off and proof of dishonesty was required; in equity, however, although dishonesty was not an essential requirement for the court to grant injunctive relief, the judge declined to award an account of profits where the passing

107 *Marengo* (1948) 247, 251-252 and 254.

108 *Procea* (1951) 220.

109 Per Roxburgh J at 213:

'I entirely acquit him of all dishonest or improper motives; but he knew that that was untrue. ... [H]e at any rate would have been bound to have realised, had he thought about it - that 'process' and 'Procea' are words likely to introduce the utmost confusion. ... [H]e did not see the danger of the course he was pursuing'.

110 *Sony* (1982) 206.

111 While Kerly relies on *Spalding* in his 1983 and 1986 editions, strangely enough this decision is not referred to in the 1972 edition, in which it is stated:

'A successful plaintiff in a passing-off action is entitled to nominal damages, whether the defendant was fraudulent or not. Whether a plaintiff is entitled to claim more than nominal damages - ie is entitled to an inquiry as to damages - against a defendant who innocently passed-off is an open question' (at 447).

off was merely innocent. He then thought it

'a little unreal that, in respect of a tort which did not achieve its modern form until the early part of this century, the nature of the relief available, where passing off is established, should today be governed by considerations which applied to the cause of action at an earlier stage of its development'.¹¹²

The question of whether damages could be ordered in respect of innocent passing off was not settled before *Edenwest*, as was indeed conceded by Blackburne J. It is also clear that earlier courts found Lord Parker's statements in *Spalding* less persuasive than did Blackburne J. Authors of textbooks also do not agree on the issue. Although Kerly feels that an inquiry may be granted in respect of innocent passing off,¹¹³ Wadlow does not share this view. He argues that although the state of mind of a defendant is irrelevant for the existence of the action, so that fraud is not a requirement and its absence not a defence,¹¹⁴ innocence is a defence to a claim for an account of profits. He argues that it should also be a defence to an inquiry into damages, and that neither remedy should be available to a plaintiff until he has put the defendant on notice, that is, until after the passing off has ceased to be 'innocent'.¹¹⁵

3.3.1.3 Effect of the *Edenwest* decision

The historical position that at common law dishonesty had to be proved, or alternatively that in equity a discretion existed, for the award of financial compensation, prevented a completely innocent defendant from suffering the financial loss of an order for an account of profits or inquiry as to damages. To argue that dishonesty is no longer a requirement, but that damages should still be awarded, is to remove the safeguards

112 *Edenwest* (1994) 293.

113 Kerly (1986) 430.

114 Wadlow (1995) 200.

115 *Idem* at 491-492.

which both common law and equity made available to a defendant.

In the final part of the *Edenwest* judgment, Blackburne J, dealing with the distinction between innocent passing off and innocent trade mark infringement, states that he cannot see why damages should not be equally recoverable, as the two wrongs are closely related and may arise from the same act.¹¹⁶ This view is echoed by Hurdle in her analysis of this judgment:

‘Mr Justice Blackburne’s decision in *Gillette [Edenwest]* is no doubt a sensible one treating trade mark infringement and passing off actions alike and breaking away from 19th century anomalies.’¹¹⁷

However, I believe that the fact that two distinct causes of action may result from a single act, is no reason for the relief afforded to correspond - the same act can also give rise to criminal and civil liability. While the correctness of an award for an inquiry into damages against an innocent trade mark infringer is not as clearcut as was assumed in *Edenwest*, such an award can at least be justified by the statutory nature of the right and the statutory provision for this relief.¹¹⁸

No such justification exists in respect of passing off. A defendant who was neither dishonest nor negligent should enjoy the ‘anomalous’ protection of the law which either requires dishonesty or grants the court a discretion in the award of pecuniary relief.

116 *Edenwest* (1994) 291.

117 Hurdle (1994) 20.

118 The justification for an award of damages in respect of trade mark infringement cannot be sought in the allegation that registration serves as notice to the world and that infringement can therefore never be innocent. *Spalding* (1915) 261 pertinently states that in the absence of express statutory provision, registration does not serve as notice and no Trade Marks Act contains such a provision.

3.3.2 Fraud or misrepresentation by the plaintiff¹¹⁹

The famous maxim that 'he who comes to equity must come with clean hands' is accepted as still applying when a plaintiff approaches a court for equitable relief such as an injunction or an account of profits. But it is not clear whether this defence is limited to equitable relief or whether it also exists at common law and therefore affects the award of damages.

General principles of the law of torts provide that, where a plaintiff's behaviour is clearly a crime or a fraud on the public, and so offends against public policy, recovery of damages may be refused on the principle *ex turpi causa non oritur actio*, provided that the criminality is connected with the loss he suffered.¹²⁰ Therefore, if a plaintiff's business is illegal or fraudulent, an action for passing off in which he seeks to protect the goodwill in such business will not succeed.¹²¹

The more usual situation in trade mark and passing off proceedings, however, is where the plaintiff's mark or get-up contains a material misrepresentation. In such instances an injunction has been refused on occasion because of the equitable 'clean hands' doctrine.¹²² The availability of damages in such an instance has seldom been considered, and the judgments are not consistent.

In one of the earliest common-law cases, the plaintiff was awarded damages although

119 The fraud or misrepresentation of a plaintiff invalidates a registered trade mark in two instances. First, a defendant can allege that the mark was unregistrable, and therefore invalid, as contrary to public policy or to accepted principles of morality, or of such a nature as to deceive the public (section 3(3) of the Trade Marks Act 1994 (UK)). Second, a defendant can allege that the mark is liable for revocation in consequence of the use made of it, by the proprietor or with his consent, as it is liable to mislead the public, particularly as to the nature, quality, or geographical origin of the goods or services (section 46(1)(d) of the Trade Marks Act 1994 (UK)). Note, though, both these grounds of invalidity render the whole action unsustainable, and do not solely affect the grant of damages. They will therefore not be discussed further.

120 Clerk & Lindsell (1989) 96; Tilbury (1990) 100.

121 Wadlow (1995) 471.

122 *Perry* (1842) 76; *Leather Cloth* (1863) 871.

he had marked his goods as patented despite the fact that the patent had expired.¹²³ In an early chancery decision, an injunction was refused because of the plaintiff's misrepresentation but he was given leave to bring an action at common law and, if successful, request an injunction.¹²⁴

Some thirty years later, a chancery appeal court held obiter that, although the point had never been raised at common law, a misrepresentation which was calculated to deceive the public would be a defence to a common-law action on the basis of the principle *ex turpi causa non oritur actio*.¹²⁵ However, shortly thereafter the Court of Appeal held that proof that the plaintiff had been guilty of a misrepresentation to the public and therefore did not have 'clean hands', would 'not afford any answer to his Common Law claim for damages in that action for deceit'.¹²⁶

There are no recent decisions on whether misrepresentation by a plaintiff would be a bar to an award of damages. Wadlow argues that, despite contrary opinion, the better view is that the defence exists at common law as well as in equity, and that a plaintiff who was guilty of fraudulent trade or sufficiently serious misrepresentation should be refused all relief and have his action dismissed with costs.¹²⁷

Wadlow's terminology, though, indicates misrepresentation of a substantially more serious nature than that usually complained of when 'clean hands' is raised as an equitable defence. I believe that serious forms of fraud or misrepresentation have always led to a refusal to entertain the action, whether at common law or in equity, on the basis of the *ex turpi causa* principle. So a misrepresentation by the plaintiff which amounts to serious fraud on the public will prohibit both an award of damages and an

123 *Sykes* (1824) 542.

124 *Perry* (1842) 77.

125 *Ford* (1872) 631.

126 *Jamieson* (1898) 191.

127 Wadlow (1995) 471.

account of profits. But a misrepresentation which is not material will not disbar a plaintiff from a damages award, although an account of profits, which is discretionary, might be refused.

It has been shown that, as regards innocent defendants, the common-law protection they enjoyed against an award of damages in the absence of fraud, has been discarded without the adoption of the equitable discretion of a court to grant pecuniary relief. As regards the plaintiff's conduct, I believe that the equitable 'clean hands' requirement does not affect awards of damages and serious misrepresentation is necessary before the defendant can raise the plaintiff's fraud as a defence.

3.4 ASSESSMENT OF DAMAGES

3.4.1 Introduction

Damages suffered in trade mark and passing off matters are always viewed as pure economic loss - financial damage attributable to the defendant's wrong.¹²⁸

3.4.2 Basic principles

It has always been accepted that the award of damages is intended to put the plaintiff in as good a position as he would have been in had no tort been committed.¹²⁹ The question then arises of how this position is determined.

Various general principles have developed to determine how compensatory damages are assessed.

128 McGregor (1988) 1079; Tilbury (1990) 37. Lawson (1980) 126, commenting on the dearth of authority on economic loss, surmises that '[t]his is apparently a part of law where the problems are either so easily solved as not to cause any trouble or else very difficult'.

129 Burrows (1994) 16.

3.4.2.1 *Form in which damages must be awarded*

English law follows the 'once and for all' rule that a court must assess in a lump sum all past, present, and prospective loss resulting from the tort.¹³⁰ While the purpose of this rule is to prevent endless litigation, the problem arises that any assessment of future loss can be guesswork only.

Damages must also be awarded unconditionally, as, if some condition is attached to the award, this could also lead to further litigation. While it has been argued that this cannot be a general rule,¹³¹ in the field of intellectual property no deviation has ever been suggested.

3.4.2.2 *Date for assessment*

A trial court can take into account evidence of all events that occur up to the date of judgment.¹³² The term 'trial court' must be taken to include an official referee or master, as, in trade mark issues, the trial court usually makes a finding only on the merits and rather than making an award of damages itself, grants an inquiry as to damages, to be heard by a referee or master. In such instances, it is statutorily provided that damages in respect of a continuing cause of action¹³³ are assessed down to the time of assessment.¹³⁴ This is so as the master or referee is in the same position as a trial judge, in that the amount of damages has not been determined. An appeal court is also allowed to hear evidence on matters which have occurred after the date of trial.¹³⁵

130 Burrows (1994) 99.

131 Tilbury (1990) 42.

132 Burrows (1994) 105.

133 If an interlocutory injunction has not been granted, infringement or passing off will frequently be a continuing cause of action: see Kerly (1986) 327.

134 RSC Order 37,r.6.

135 RSC Order 59,r.10.

However, guidelines have been imposed which require this discretion to be exercised with restraint;¹³⁶ new matters will seldom be viewed as of sufficient import to justify further evidence on damages, where the trial court has made an award of damages or they have been determined at an inquiry.

In assessing damages, the time for determining the value of money or property is traditionally either at the date of the loss for which damages are being awarded or at the date of the accrual of the cause of action.¹³⁷ However, it has been held that this is merely a prima facie rule: damages will be assessed at the date necessary to compensate the plaintiff adequately.¹³⁸ Finally, in the territorially limited field of trade marks and passing off,¹³⁹ the different rules which apply to liabilities sounding in foreign money will seldom be relevant.

3.4.2.3 Taxation

Until 1955, English courts did not deduct income tax which a plaintiff would have had to pay on his lost profits. In that year, however, it was held that the amount of income tax which a plaintiff would have had to pay on his lost earnings should be deducted from the amount of damages to which he was entitled.¹⁴⁰ This principle has been criticised on three counts.¹⁴¹ First, it requires judges and practitioners who are not tax experts to argue and decide complex questions of the plaintiff's tax liability. Second, Inland Revenue loses taxes it would otherwise have gained. Third, it can leave the plaintiff undercompensated. But it appears that this principle is now generally accepted

136 *Mulholland* (1971) 679-680; see also *Burrows* (1994) 106.

137 *Burrows* (1994) 107.

138 *McInnes* (1992) 17.

139 A registered trade mark enjoys protection in the United Kingdom only (section 9 of the Trade Marks Act 1994 (UK)); passing off requires a goodwill in the United Kingdom.

140 *Gourley* (1956) 207-208.

141 See *Burrows* (1994) 133-134 for a full discussion of these criticisms.

in English law, unless the award is not subject to taxation.¹⁴²

The basic principles set out above are relevant to all instances of assessment of damages. It must now be determined how they apply when damages are sought for trade mark infringement or passing off.

3.5 QUANTIFICATION OF DAMAGES IN TRADE MARK INFRINGEMENT AND PASSING OFF ACTIONS

Claims for damages for trade mark infringement and passing off share the same basis and are frequently included in the same action.¹⁴³ It is trite that in both instances damages are difficult to quantify. However, a general principle of the law of damages is that if a plaintiff has proved loss but it is impossible to quantify that loss with mathematical accuracy, the court is not absolved from assessing the damages as best it can.¹⁴⁴ The locus classicus in this regard reads:

‘As much certainty and peculiarity must be insisted on, both in pleading and proof of damage, as is reasonable, having regard to the circumstances and to the nature of the acts themselves by which the damage is done. To insist upon less would be to relax old and intelligent principles. To insist upon more would be the vainest pedantry.’¹⁴⁵

To determine how damages are quantified, it is necessary first to state what heads of damages are allowed, then to determine how the plaintiff's losses are calculated, and finally to consider whether any duty rests on the plaintiff to mitigate these losses.

142 Burrows (1994) 133.

143 Kerly (1986) 325; McGregor (1988) 1081.

144 McInnes (1992) 12.

145 Ratcliffe (1892) 532.

3.5.1 Heads of damages

It has been held that a plaintiff is entitled to recover 'any loss of trade actually suffered by the plaintiffs, either directly from the acts complained of, or properly attributable to the injury to the plaintiffs' reputation, business, goodwill and trade and business connection caused by the acts complained of'.¹⁴⁶

3.5.1.1 *Loss of sales*

The first major head of damages for both trade mark infringement and passing off is loss of sales and the profits attendant on such sales. This can include both losses prior to judgment and prospective losses.¹⁴⁷ However, factors which must be taken into account are the existence of lawful competition, special efforts made by the defendant to promote sales, and the possible lowering of prices to counter legitimate competition. None of these will be included in an assessment of lost profits.¹⁴⁸

3.5.1.2 *Injury to goodwill*

The second head of damages is injury to goodwill.¹⁴⁹ While damages for loss of sales are usually available only where the parties are in a competitive situation, injury to goodwill may occur whether or not the parties are in competition. Two forms of injury to goodwill exist. The first is the confusion created by the existence of inferior goods which bear a similar name to the plaintiff's product. The second is the risk of injurious

146 *Spalding* (1918) 117.

147 Cairns (1988) 121.

148 Burrows (1994) 179.

149 Cairns (1988) 121 states that 'loss of profits' and 'damage to goodwill' are two descriptions of the same loss. This view is not generally accepted; already in *Spalding* (1918) 122 they were accepted as separate heads of damages; see Carty (1996) 488 who also views the two as separate heads of loss.

association with a defendant who has a bad reputation.¹⁵⁰

3.5.1.3 *Other heads of damages*

Two further heads of damages have been identified by Carty in a recent article. She states that 'loss of control' by the plaintiff over his own reputation has been accepted in a few instances as a further head of damages, as has restriction on expansion potential.¹⁵¹

3.5.1.4 *Mitigation damages*

Finally, damages incurred when mitigating damage can sometimes be recovered. But very few such instances have come before English courts and only three forms of mitigation damages have been recognised. They are dealt with below.¹⁵²

3.5.2 **Calculation of damages**

There are two methods by which the damages suffered by a plaintiff can be calculated. The first, most commonly used in instances of infringement and passing off, is an assessment based on the lost profits of the plaintiff. The second, which is more common in patent and copyright matters, is an assessment based on a reasonable royalty which the plaintiff would have received for licensing the matter which has been infringed.

3.5.2.1 *Lost profits basis*

This method of calculating damages accords with the compensatory theory on which

150 Carty (1996) 488-489 fully discusses both forms.

151 Carty (1996) 489-491.

152 See 3.5.3 of this chapter.

awards of damages are traditionally based. The measure of damages is the same for trade mark infringement and passing off. Where a court has found both, no distinction is generally made between the damages flowing from infringement and those flowing from passing off.¹⁵³

Some basic principles are usually followed by the courts. The first is that lost sales by the plaintiff cannot be calculated as the equivalent of sales made by the defendant, as matters such as the difference in price and quality will affect this determination.¹⁵⁴ However, this principle is not applied consistently: in some instances the courts have calculated the plaintiff's loss as being all sales made by the defendant.¹⁵⁵

It has also been held that it is inappropriate to equate damages suffered by the plaintiff with profits made by the defendant,¹⁵⁶ and that if this basis of calculation is desired, the plaintiff should not claim damages but seek an account of profits.¹⁵⁷

If the defendant's sales or profits cannot be used as the criterion, how should loss of sales be determined? Most dicta dealing with this aspect are unhelpfully vague. The statement that the court must 'on a consideration of all the evidence in this case, ... award such sum as we think is properly and reasonably shown to be, by taking all proper inferences into account, the damage suffered by the Plaintiff by reason of the wrongful acts of the Defendants'¹⁵⁸ in the leading decision on damages in this field, does not take the matter much further. Probably the most accurate description of how such damages are assessed is that it is the function of the court 'not to make precise calculations on detailed evidence, but rather to decide upon a figure which was, in all

153 *Aktiebolaget Manus* (1954) 246.

154 *Magnolia Metal* (1897) 399; *Draper* (1939) 437.

155 *Alexander* (1895) 366.

156 *Aktiebolaget Manus* (1954) 249.

157 *Leather Cloth* (1865) 301.

158 *Draper* (1939) 437.

the circumstances of the case, of the right order of magnitude'.¹⁵⁹

When loss of sales is assessed, the courts have frequently attempted to exclude profits which would have been lost in any event due to lawful competition or price cuts unconnected with the infringement.¹⁶⁰

A further principle is that proof of actual deception, which has caused the plaintiff's loss, is not required before a court may grant substantial damages. In the leading English decision on damages for trade mark infringement, it was held that ordinary business knowledge permits the assumption that the presence of a large quantity of infringing goods on the market will cause damage, and that to refuse more than nominal damages unless actual infringing sales are proved 'violates common sense'.¹⁶¹ However, this statement should not be seen as implying that actual financial loss need not be proved before a court will grant substantial damages. In this decision, the statement that actual deception need not be proved was made by a court hearing an appeal from an inquiry into damages. The plaintiff had already proved substantial actual damages. All that the court confirmed in this and a subsequent decision¹⁶² was that the causal link between a misrepresentation which was 'calculated to cause damage' and proof of actual financial loss, would be assumed, without requiring proof of actual deception which caused such loss.

The assessment of injury to goodwill has also been described as being determined by 'ordinary business knowledge and common sense' and assessed as a 'rough estimate', as the injury is something which cannot be determined by evidence.¹⁶³

159 *Unik* (1983) 123.

160 *Alexander* (1895) 367; *Spalding* (1918) 121; *United Horse Shoe* (1888) 267 and 269.

161 *Draper* (1939) 436.

162 *Plomien* (1943) 215.

163 *Draper* (1939) 440. However, in *Alexander* (1895) 363 the plaintiff submitted proof of lost income to support a claim for injury to reputation.

When determining the value at which goods would be assessed in tort, it has been held that the market value of the goods, not their replacement cost, is the proper measure.¹⁶⁴

3.5.2.2 *Royalty basis*

No provision is made in any current intellectual property legislation for the determination of damages on the basis of a reasonable royalty. The Copyright Act 1988 merely refers to relief 'by way of damages' in respect of copyright and designs.¹⁶⁵ The Patents Act 1977 uses the same terminology. It is, therefore, somewhat strange that it is commonly accepted that a royalty basis is acceptable in patent and copyright litigation as a method of calculating damages. However, as early as 1867,¹⁶⁶ this was accepted as basis for the calculation of patent damages. By 1914, the House of Lords, in a patent matter where the amount of the award of damages was in issue, considered it perfectly usual that 'a fair test of the loss would be the amount the Appellants would have had to pay to acquire legally the power which they usurped'.¹⁶⁷ This decision confirmed that a royalty basis could be used to assess damages when appropriate, and the proposition has been accepted by authors on damages and intellectual property.¹⁶⁸ In England, a reasonable royalty is thus viewed as a method of calculating damages, not as a separate remedy. When an actual royalty rate exists, this is used to calculate damages. But, when there is no actual rate, the courts have on occasion used a

164 *Smith Kline* (1989) 10.

165 Sections 96(1) and 229(2) respectively.

166 *Penn* (1867) 87.

167 *Watson Laidlaw* (1914) 116. The court's argument at 119-120 was that a plaintiff was entitled to damages on the basis of compensation for sales actually lost, and to damages on the basis of a reasonable royalty for the rest of the defendant's sales. While this argument has been criticised by Burrows (1994) 180 as being closer to an attempt to reverse unjust enrichment than to compensate the plaintiff, it is nevertheless accepted as good law by authors such as Laddie (1995) 925.

168 Annand (1994) 178 - patents and copyright; Burrows (1994) 179 - intellectual property; Clerk & Lindsell (1989) 1594 - patents; Laddie (1995) 925 - copyright; Mayne (1894) 54 - patents; McGregor (1988) 1082 - patents, 1086 - copyright.

notional royalty rate.¹⁶⁹

Two questions arise when the royalty basis is used. The first is whether the calculation of damages on this basis has the effect of franking the infringing items, so that all infringing goods are viewed as legitimate, as the infringer has paid a royalty for their use. This issue was raised before an English court in an instance of copyright infringement and the suggestion rejected. The lower court held that, unlike the position where a plaintiff elects an account of profits, payment of damages on a royalty basis does not 'waive the tort'.¹⁷⁰ This was confirmed by the Court of Appeal. It held that this basis of calculation 'can in no way be considered to be a licence to the defendants after the event to sell the infringing goods, or to raise some form of waiver or estoppel'.¹⁷¹ This approach is supported by the fact that delivery up is available as further independent relief for a plaintiff, whether he elects to calculate damages in the conventional fashion or on a royalty basis.¹⁷² The second query is: on which items can the plaintiff claim a royalty? All items manufactured or all items sold? Although the issue has not been pertinently considered, it seems to be accepted that royalties are payable only in respect of goods which have been sold, as delivery up can be requested in respect of unsold goods.¹⁷³

Although often used in claims for patent and copyright infringement,¹⁷⁴ the calculation

169 *PB Cow* (1961) 240; *Lewis Trusts* (1982) 286.

170 *Lewis Trusts* (1982) 287.

171 *Lewis Trusts* (1983) 464.

172 Neither section 99 of the Copyright Act 1988 (UK) nor section 16 of the Trade Marks Act 1994 (UK) limits the availability of delivery up orders in such instances.

173 *PB Cow* (1961) 239. The court refers to 'the application of the reserved royalty rate to the totality of infringing sales' when dealing with an actual, rather than notional, royalty basis. However, royalties in this instance were granted only on the sales which the plaintiff himself would have made, not on total sales by the defendant (at 241).

174 It is interesting that the court in *Netlon* (1979) 538 viewed it as common knowledge that damages measured on a royalty scale would be very much lower than if measured as manufacturing profits or profits on sales.

of damages on the basis of a reasonable licence fee has been generally regarded as unsuitable for trade mark infringement or passing off, and lost profits have been the starting point for calculating damages.¹⁷⁵ Some of the reasons for viewing the royalty basis as unsuitable have been the illegality of licensing a mark at common law unless the owner retained control over the quality of the product,¹⁷⁶ the disfavour with which English courts viewed character merchandising,¹⁷⁷ and the prohibition in the 1938 Act on trafficking in trade marks.¹⁷⁸

Only one English decision has pertinently addressed the issue. In *Dormeuil* the court had to decide whether a reasonable royalty was a suitable alternative basis for assessing trade mark and passing off damages. The court first noted that there was no reported authority for relief being granted on this basis in such actions.¹⁷⁹ After considering various patent cases, Knox J held that there was a marked difference between patent and trade mark actions, as there was a strong element of property in patent cases, because the state conferred a monopoly on the holder of a patent, and it was on that basis that every sale of an infringing article was accepted as damage to the patentee. In trade mark cases, in contrast, it is not accepted that every sale of infringing matter which a defendant makes can be attributed to the plaintiff,¹⁸⁰ which makes it difficult to accept the proposition that a royalty can be awarded on every transaction which is a trade mark infringement or an instance of passing off.¹⁸¹

However, character merchandising is more favourably viewed under the 1994 Act¹⁸²

175 Annand (1994) 179.

176 *GE Trade Mark* (1973) 297.

177 The leading decision is *Hollie Hobbie* (1984) 189.

178 Section 28(6) of the Trade Marks Act 1938 (UK).

179 *Dormeuil* (1990) 464.

180 *Magnolia Metal* (1897) 399; *Draper* (1939) 437.

181 *Dormeuil* (1990) 464.

182 Annand (1994) 215-217.

and the Act contains no provision which pertinently prohibits trafficking. It has been suggested that, with the deregulation of licensing, loss of opportunity to license might become a recognised head of loss.¹⁸³ If this does become the case, acceptance by the courts of a royalty basis for damages may be more likely. Although one author considers the introduction of a royalty basis in trade mark law as desirable, as it is said to avoid the complexity of assessing injury to goodwill,¹⁸⁴ this is not always so. An English court deducted an amount from the sum due on a reasonable royalty rate in respect of a design infringement - it accepted the argument that certain sales would have been made irrespective of the plaintiff's design, because of the defendant's own goodwill and marketing tactics.¹⁸⁵

3.5.3 Mitigation of damage

In certain circumstances, a plaintiff will not be awarded damages otherwise proved due, because he failed to minimise his losses. This concept is known in English law as mitigation of damage.¹⁸⁶ Two principles are identified by Burrows.¹⁸⁷ First, a plaintiff cannot recover damages for avoidable loss; he is expected to take all reasonable steps to minimise his loss.¹⁸⁸ Second, he should not incur unreasonable expense in an attempt to do so.¹⁸⁹

In the sphere of trade mark litigation, the duty to mitigate has limited application.

183 *Idem* at 179.

184 Cairns (1988) 125.

185 *PB Cow* (1961) 241.

186 'Mitigation' is also the term used when dealing with the issue of whether a defendant's bona fides has the effect of decreasing an award: McGregor (1988) 169 suggests that it not be used in this sense, as such use leads to confusion.

187 Burrows (1994) 69.

188 *Ibid*; see also McGregor (1988) 168.

189 Burrows (1994) 73-74.

3.5.3.1 Avoidable loss

The duty of a plaintiff to take steps to avoid loss is subject to a test of reasonableness; the owner of a mark is expected to respond to infringement or passing off like a reasonable businessman.¹⁹⁰ But the burden to prove that he has not done so rests on the defendant.¹⁹¹ In trade mark infringement matters, the most usual method of avoiding loss is for a plaintiff to take prompt action to protect his mark. While, in the light of general principles of mitigation, it could be expected that damages might be affected if he does not do so, no recent instances of such a reduction are found in English decisions.¹⁹² Kerly, referring to two old passing off decisions where damages were refused on the ground of delay, states that it is not easy to see on what principle they were refused, or how damages could be refused when statutory infringement was in issue.¹⁹³ His view is reinforced by two decisions. In the first, the plaintiff delayed re-entry into the English market because of threats of legal proceedings by the defendant. The court did not consider this delay a reason to refuse or reduce damages.¹⁹⁴ In the second, the Master refused exemplary damages because of the plaintiff's delay, but did not view it as ground for reducing compensatory damages.¹⁹⁵ Clearly, the burden on a plaintiff to mitigate damage is not viewed as substantial in trade mark infringement matters. The only decision where a failure to mitigate has affected the grant of damages is never cited as authority for the limitation of a defendant's liability because of the plaintiff's inaction. In this decision, the court refused to award damages for the period during which the plaintiff failed to advertise its product

190 Cairns (1988) 134.

191 McGregor (1988) 172.

192 An account of profits has been limited because of delay, as it is an equitable remedy: *Ford* (1872) 633. Delay will, of course, affect the grant of interlocutory relief.

193 Kerly (1986) 328.

194 *Aktiebolaget Manus* (1954) 248.

195 *Unik* (1983) 125.

and criticised the plaintiff for not informing its agents of the true position.¹⁹⁶

3.5.3.2 *Expenses incurred in mitigation*

The cost of counter advertisements was accepted as a mitigation expense by the lower court in *Spalding*.¹⁹⁷ The lowering of prices to counteract infringing sales has been recognised as an expense on one occasion¹⁹⁸ but refused on another.¹⁹⁹ Refusal was justified because a price reduction by the plaintiff to counter the defendant's infringement is not usually viewed as a reasonable mitigation expense which can be recouped from the defendant: it can seldom be proved that the price reduction in question was in response to the defendant's conduct, and not to legitimate competition.²⁰⁰

In *Dormeuil*, the court allowed the expenses of notifying foreign suppliers that their actions were infringing, but did not allow the costs of litigation overseas to prevent further infringing transactions, as this was held to be something for which the foreign suppliers, not the local infringer, were liable.²⁰¹

From the above survey of how damages are quantified, it is clear that, once he has determined heads of damages, a plaintiff will usually use the lost profits method of quantification. Here, proof of actual loss must be submitted, although the courts assist plaintiffs by not requiring them to present instances of actual confusion: the causal link between infringement and actual loss is assumed. The assessment of damages on a notional royalty basis is seldom used and is viewed as inappropriate in trade mark

196 *Spalding* (1918) 122.

197 At 117.

198 *Alexander* (1895) 367.

199 *United Horse Shoe* (1888) 268.

200 *Ibid.*

201 *Dormeuil* (1990) 469.

infringement and passing off proceedings.

4 DAMAGES IN AUSTRALIAN LAW

4.1 DEVELOPMENT OF REMEDY

The historical development of the remedy in Australia corresponds to that in England. It has been accepted by the Australian courts that the remedy is of common-law origin, and that the tort had its origins in the action for deceit.²⁰²

Currently, the Trade Marks Act provides that a court may, at the option of the plaintiff, grant either damages or an account of profits against the infringer of a registered trade mark.²⁰³

4.2 LIABILITY FOR DAMAGES

4.2.1 The innocence of the defendant

4.2.1.1 Trade mark infringement

The only reported decision which deals pertinently with the issue of innocent trade mark infringement is *Colbeam Palmer*.²⁰⁴ The innocent defendant had, prior to trial, consented to an account of profits to run from the period after he received notice. Confirming that the remedy of accounts was available only after notice, the court held that an inquiry as to damages might be governed by different considerations. It noted, however, that cases on the point were conflicting.²⁰⁵ Writers also do not agree. Some

202 *Angelides* (1927) 61.

203 Section 126 of the Trade Marks Act 1995 (Aus).

204 *Colbeam Palmer* (1970) 25.

205 At 35.

believe that damages may be awarded even for innocent infringement,²⁰⁶ whilst others support the view that only nominal damages may be awarded where a defendant has acted innocently.²⁰⁷

4.2.1.2 *Passing off*

Whether damages can be awarded when passing off has occurred innocently has also not been pertinently dealt with by an Australian court. In 1929 the High Court held that "fraud" for the purpose mentioned is not necessarily such as would support an action of deceit, but would be constituted by persistence after notice'.²⁰⁸ Although this statement has been cited subsequently when dealing with claims for damages, it must be remembered that the 'purpose' referred to was the grant of an injunction, not the award of damages. In *Henderson*, the High Court held, with reference to the period before the defendants became aware of the existence of the plaintiff, that '[i]n respect of distribution before this time the defendant, as an innocent distributor, will not be made liable in damages'.²⁰⁹ Interestingly, *Spalding* is cited as authority for this statement. The subsequent full court decision did not deal with the issue, as the court found that the claim for damages had not been established.²¹⁰ However, when it discussed the nature of a passing off action, the full court did state that fraud was no longer an element of the action and that, after the Judicature Acts, the practice had been established of awarding an account of profits or inquiry into damages where fraud had not been proved.²¹¹ This finding was based on a quotation from an article by Morison, but the court omitted Morison's subsequent statement - that 'the only question remaining is whether the defendant is liable in damages if he did not know and could

206 McKeough & Stewart (1991) 35; Shanahan (1990) 359.

207 Ricketson (1984) 721.

208 *Turner* (1929) 362.

209 *Henderson* (1969) 229.

210 At 236.

211 At 237.

not reasonably have known the circumstances which rendered confusion likely ... [T]he authorities at present appear to be opposed to the imposition of liability in such circumstances'.²¹²

In 1976 appellants before the High Court argued that an award of damages could not be sustained, as fraud was not sufficiently alleged or proved. The court found it unnecessary to decide the point, as it found sufficient fraud in the appellants' persistence in the use of the offending name after notice of the likelihood of deception.²¹³ The *Henderson* decision was not referred to by the court and is also not referred to by textbook authors. While Shanahan states that substantial damages are not available for innocent passing off and believes that it is unclear whether even nominal damages will be awarded,²¹⁴ Wadlow's interpretation of the *Turner* and *BM Auto Sales* decisions is that, if the conduct was originally innocent, a plaintiff may recover damages only in respect of damage which has arisen after notice has been given.²¹⁵

4.2.2 Fraud or misrepresentation by the plaintiff

No court appears to have pertinently considered the effect of a plaintiff's misconduct on the availability of damages. However, in *Angelides*, the court held obiter that while such conduct might bar a plaintiff from equitable relief, 'such conduct would not, it

212 *Morison* (1956) 55. Morison's view is thus that, while fraud is no longer an essential element, a completely innocent infringer will not be held liable for damages.

213 *BM Auto Sales* (1977) 371.

214 Shanahan (1990) 398, supported by Ricketson (1984) 582.

215 Wadlow (1995) 492. His view is shared by McKeough & Stewart (1991) 284. Wadlow's interpretation reflects the statutory position created by section 68 of the Trade Marks Act 1955 (Aus), which provides that, where passing off has arisen from the use of a mark registered by the defendant, a court will not award damages if the defendant was unaware, and had no reasonable means of ascertaining, that the plaintiff's mark was in use, and immediately ceased use on receipt of this information. This provision has not been repeated in the Trade Marks Act 1995 (Aus).

seems, afford any defence to an action at common law for deceit'.²¹⁶

4.3 ASSESSMENT OF DAMAGES

The basic principles used to assess damages correspond to those followed in England. It is accepted that the object of a damages award is compensation for the plaintiff's loss.²¹⁷ The effect of tax liability on an award depends on whether the award itself is subject to taxation.²¹⁸ Finally, Australian authors on intellectual property state that their courts have been reluctant to formulate 'unnecessarily rigid and technical principles'.²¹⁹ Instead, the courts have preferred the flexibility of assessing each case on its merits, so that the measure of assessment to be adopted depends on the particular circumstances.

4.4 QUANTIFICATION OF DAMAGES

The heads of damages are the same as in England, and English cases are usually cited as authority.²²⁰ In principle, mitigation damages may be recovered.²²¹

4.5 CALCULATION OF DAMAGES

Damages are generally calculated on the lost profits basis. But Australian writers seem less averse to the notion of assessment on a royalty basis, although this has never been canvassed in a trade mark or passing off decision. Ricketson views it as a

216 *Angelides* (1927) 83.

217 *Tilbury* (1993) 390.

218 Kercher (1990) 174; *Tilbury* (1993) 175.

219 McKeough & Stewart (1991) 35. According to Ricketson (1984) 721, the tribunal makes a 'rough estimate'.

220 Ricketson (1984) 722.

221 *Tilbury* (1993) 399.

suitable basis if a plaintiff has been willing to license his mark to the defendant as registered user,²²² while other writers view it as suitable if the infringement consists of conduct that the plaintiff would have been prepared to authorise or license.²²³

The duty to mitigate loss, and the effect of a failure to mitigate on an award of damages, are recognised in Australian tort law²²⁴ although no intellectual property matters have dealt pertinently with the issues.

5 DAMAGES IN CANADIAN LAW

5.1 DEVELOPMENT OF REMEDY

The English development of the remedy has formed the foundation for the Canadian approach to damages.

Currently, the Canadian Trade Marks Act 1953 gives the court a wide discretion to grant relief. It provides that, where any act has been done contrary to the Act, the court 'may make any such order as the circumstances require including provision for relief by way of injunction and the recovery of damages or profits'.²²⁵ The wording of the Act seems to imply a greater discretion than its 1994 English counterpart, which merely states that relief 'is available',²²⁶ without making it clear whether this section gives an English court any discretion to award damages. But the standard Canadian textbook on trade marks appears to support the English approach that a successful plaintiff is

222 Ricketson (1984) 722.

223 McKeough & Stewart (1991) 35. See also Condon (1989) 39 and Wells (1989) 164 on the royalty basis for copyright infringements.

224 Tilbury (1990) 130.

225 Section 53.

226 Section 14(2) of the Trade Marks Act 1994 (UK). In England, the accepted view is that a court does not have a discretion on whether to grant damages to a successful plaintiff, as damages are a common law remedy and equitable considerations do not apply.

entitled to an award of damages and that Canadian courts do not exercise the discretion implied by the Act.²²⁷ This view is supported by section 22(2), which provides that a court may decline to order the recovery of damages or profits in actions for the depreciation of goodwill.

5.2 LIABILITY FOR DAMAGES

5.2.1 The innocence of the defendant

5.2.1.1 *Trade mark infringement*

The position of an innocent infringer of a registered mark has been considered only once by a Canadian court. In *JH Munro* the court, relying on *Slazenger*, held that the plaintiff was entitled to damages against an innocent infringer only after notice.²²⁸ While this appears to reflect the position in Canada, Fox criticises this decision and states that the judge misdirected himself, as *Spalding* was settled law on the point both in respect of passing off and trade mark infringement.²²⁹ As Best says in her article, *Spalding* is a passing off case and Fox's criticism is therefore inconsistent.²³⁰ Cairns is less definite than Fox on the position of the innocent infringer; he merely states that authorities on damages are very confused.²³¹

5.2.1.2 *Passing off*

No Canadian case on innocent passing off has been reported. With reference to

227 Fox (1972) 461. He refers, however, to 'the award of an order for the recovery of damages or profits as of right' which is also problematic, as the grant of an account of profits is always subject to equitable considerations: see Cairns (1988) 145.

228 *JH Munro* (1942) 227.

229 Fox (1972) 462.

230 Best (1985) 228.

231 Cairns (1988) 141.

English decisions, Fox states that there is doubt whether more than nominal damages can be recovered,²³² while Best refers to dicta in a Canadian decision to the effect that a court would have awarded only nominal damages if the defendant had been innocent.²³³

5.2.2 Fraud or misrepresentation by the plaintiff

Canadian courts have not dealt with this issue. Cairns is of the opinion that fraudulent trade or misrepresentation are defences to an action at law,²³⁴ but gives no authority for this statement.

5.3 ASSESSMENT OF DAMAGES

The basic principle that damages are compensatory in nature is accepted.²³⁵ It has been pertinently held that damages may be assessed right up to the completion of the reference or enquiry by the Master as to the amount of damages or profits.²³⁶ In Canada, the effect of income tax on an award of damages is not taken into account.²³⁷ The approach to the assessment of damages is the same as in England - a 'rough estimate' on the facts of the case.²³⁸

5.4 QUANTIFICATION OF DAMAGES

The heads of damages recognised in Canadian law are the same as those recognised

232 Fox (1972) 648.

233 Best (1985) 225, referring to *Seagoing Uniform* (1975) 216.

234 Cairns (1988) 145.

235 *Idem* at 119; Fox (1972) 465.

236 *Dubiner* (1966) 433.

237 Burrows (1994) 134.

238 Fox (1972) 466.

by English law.²³⁹ It is also stated that mitigation damages may be recovered, although the courts usually include these damages under the head of loss of profits.²⁴⁰

5.5 CALCULATION OF DAMAGES

The usual basis for the calculation of damages is that of lost profits. However, Fox states that if a plaintiff would have made no sales, the royalty basis is applied when quantum is assessed.²⁴¹ Cairns suggests that such an approach is suitable when the defendant makes his sales in a different product or geographical market, but points out that a plaintiff may then have difficulty establishing misrepresentation or loss of royalties.²⁴² Neither author deals with the discrepancy between using a royalty basis when there is no actual loss to the plaintiff, and general compensatory principles which apply to claims for damages. The royalty basis of calculation has been used in a Canadian case for wrongful appropriation of personality, where the court held that the measure of damages would be the amount the plaintiff should reasonably have received for permission to publish the drawing in issue.²⁴³ But the court held that the act complained of was wrongful appropriation of personality, not passing off, despite the fact that the parties shared a common field of activity, as the act would not give rise to confusion between the two businesses.²⁴⁴

The duty to mitigate loss is recognised and damages have on occasion been reduced

239 *Idem* at 465-466.

240 Cairns (1988) 121 footnote 109. In *Pro Arts* (1980) 379, the court estimated damages at the standard rate of sales, despite the fact that a number of sales had been made at a lower rate, on the basis that the plaintiff should not suffer because of its attempt to mitigate its loss.

241 Fox (1972) 468.

242 Cairns (1988) 126 footnote 153.

243 *Athans* (1977) 596.

244 At 591; see also *Krouse* (1973) 24 where the appeal court rejected the finding of the trial court that passing off had occurred by use of the plaintiff's photograph, as the parties did not share a common field of undertaking.

because of unjustifiable delay in instituting action.²⁴⁵

It is clear that both Australian and Canadian courts follow the English approach to damages for infringement and passing off, and it is therefore unnecessary to view them as separate jurisdictions when comparing the English position with the South African.

6 DAMAGES IN SOUTH AFRICAN LAW

6.1 INTRODUCTION

When discussing the South African law of damages, Erasmus notes the strange dichotomy in South African law in that 'whereas the existence of liability is determined in accordance with the substantive law which is Roman-Dutch in origin, the quantification of liability is largely governed by rules and concepts derived from English law'.²⁴⁶ In addition, when comparing South African and English principles, it must be remembered that other bases for pecuniary relief in respect of trade mark infringement and passing off are available in England, while in South African law the only form of pecuniary relief is compensatory damages.

In this section, basic principles of Roman-Dutch law are set out and English influences on them considered. The requirement of actual loss is considered when dealing with a possible distinction between actions based on misuse of a mark and other Aquilian actions. The effect of fault as a requirement for Aquilian liability on the liability for damages follows. Basic principles used when assessing damages are dealt with, and, finally, the different methods for quantifying damages and the effect of the statutory introduction of a royalty basis is analysed.

245 Cairns (1988) 135.

246 Erasmus (1975) 280.

6.2 HISTORICAL DEVELOPMENT OF THE REMEDY

6.2.1 Roman and Roman-Dutch origins of the remedy

What we today understand by damages is not the meaning this term bore in classical Roman law. Roman law did not have a general concept of damages or general liability for damages.²⁴⁷ Liability for damages arose only in certain specified instances. The judge was then required to determine the extent of liability in accordance with set formulae.²⁴⁸ In these instances a judgment sounding in money had to be given, but this was either a fixed sum, a sum determined by the judge in his discretion, or a sum which could not exceed a specified amount.²⁴⁹ In all instances,²⁵⁰ the amount awarded was determined objectively without any correlation between the amount awarded and the actual loss suffered by the plaintiff.²⁵¹

It was only in the Middle Ages that *interesse* was viewed as compensatory, in terms of loss suffered by the individual plaintiff. However, Erasmus points out that the development of this concept was weakened by the failure to develop general criteria for the method of assessment and limitations on the extent of liability.²⁵²

Roman-Dutch jurists showed little interest in determining the fundamental rules of

247 Erasmus (1975) 105.

248 Ibid.

249 Idem at 106.

250 Erasmus (1975) 107 states that one of the earliest shifts from an objective to a subjective method of assessment occurred in respect of Aquilian actions for the loss of slaves or animals, when the loss suffered by the individual plaintiff was taken into account when assessing value, but that details of further development are obscure.

251 Erasmus (1975) 107 and Visser (1993) 9 both note that in Roman law *id quod interest* did not denote a method of assessing the plaintiff's loss, but the freedom given to the judge to assess the amount of liability without regard to the value of the object concerned.

252 Erasmus (1975) 113.

damages, and the principles they stated were based on medieval antecedents.²⁵³ The principles accepted in this period as governing the assessment of damages include the following which are of particular relevance:²⁵⁴ (a) *interesse* is defined in terms of actual loss suffered; (b) liability for damages includes liability for loss of profits, if the expectation of profits was certain; (c) the Aquilian action is available only when there is proof of actual damage, and adequate proof of loss must be adduced; and (d) in Aquilian actions, damages have no penal function: the defendant is liable only for the actual damage sustained. The notion of non-compensatory damages was unknown in such actions.

6.2.2 English influences on the South African law of damages

Although the Cape came under British rule in 1806, Roman-Dutch law remained the common law, and was accepted as the common law in Transvaal, Orange Free State, and Natal.²⁵⁵ However, changes were made to procedural law and the rules of court were altered in accordance with British practice.²⁵⁶ The imposition of a foreign system of adjective law on Roman-Dutch common law had an enormous influence on further development.

Procedural changes meant that the terminology of the English law of damages was introduced, which in turn led to the assimilation of substantive English concepts such as 'nominal' and 'punitive' damages, and the blurring of the distinction between the compensatory nature of Aquilian actions and compensation under the *actio iniuriarum*.²⁵⁷

253 *Idem* at 269.

254 Erasmus (1975) 269; Visser (1993) 11.

255 Hahlo & Kahn (1960) 17-21.

256 A full discussion of these developments is found in Hahlo & Kahn (1973) 566-578.

257 Visser (1993) 12.

Changes to the law of evidence resulted in changes to the evidentiary material which could be introduced.²⁵⁸ From 1852, the possibility of a civil trial by jury introduced the distinction between the functions of judge and jury, which resulted in the assessment of quantum on a purely factual basis with no articulation of general principle.²⁵⁹

After 1910, the establishment of the Appellate Division led to a general resurgence of Roman-Dutch principles. In the area of delictual damages, the distinction between the Aquilian action and the *actio iniuriarum* was recognised and the basic principle of Aquilian liability as patrimonial loss restated.²⁶⁰ However, as a result of the strong system of precedent, a complete rejection of English concepts was problematic in the field of damages, as the courts were faced with judicial decisions in which English principles had been approved and adopted. In addition, detailed rules of assessment are a modern development and South African courts still refer to English decisions in this regard.²⁶¹

As a result, while the existence of liability for damages is determined in accordance with Roman-Dutch principles, the quantum of liability has been substantially affected by English law.

6.2.3 Legal foundation of the action for damages for trade mark infringement and passing off

The current Trade Marks Act provides that a successful plaintiff is entitled to damages.²⁶² However, as with other forms of intellectual property, it is accepted that both the basis of liability and its factual determination must be established in terms of

258 Erasmus (1975) 279.

259 Ibid.

260 Erasmus (1975) 366.

261 LAWSA *Damages* (1995) 6.

262 Section 34(3)(c) of the Trade Marks Act of 1993 (SA).

the South African common law.²⁶³ Both trade mark infringement and passing off are viewed as species of delict, and general delictual principles govern the award of damages.

A delict is described as a wrong which can be redressed by civil proceedings. In contrast with the English situation where specific torts are recognised, each with its own requirements, all delicts share the same basic requirements; conversely, if all these requirements are met, the act complained of will be viewed as a delict, despite the fact that it has not previously been recognised as such by the courts.²⁶⁴ The requirements for Aquilian liability²⁶⁵ are conduct, wrongfulness, causation, fault, and patrimonial loss.²⁶⁶ The fault element can take the form of intention (*dolus*) or negligence (*culpa*). Intention is defined as the direction of the will at causing a particular consequence in the knowledge that it is wrongful, while a person is negligent if his conduct does not conform to the standard of care required by the law - that of the reasonable man.²⁶⁷

As indicated earlier, damages for patrimonial loss suffered by the commission of a delict are recovered by the *actio legis Aquiliae* or Aquilian action.²⁶⁸ The purpose of this action is to obtain damages for the wrongful and culpable causing of patrimonial damage.²⁶⁹

263 Visser (1993) 348; Webster & Page (1986) 311.

264 *Dun & Bradstreet* (1968) 218.

265 Although a delict can give rise to both Aquilian liability and liability under the *actio iniuriarum*, only the former will be discussed as the *actio iniuriarum* is not aimed at the recovery of patrimonial loss, but designed as remedy for non-patrimonial loss: *LAWSA Damages* (1995) 5 and 13.

266 Wille (1991) 647.

267 *Kruger* (1966) 430.

268 At 645-646.

269 Van Heerden & Neethling (1995) 56.

In Roman law, this remedy was available first for physical damage of a specified nature; later it developed into a more general liability for patrimonial loss.²⁷⁰ While some writers doubt that in Roman-Dutch law it had developed into a general remedy for all culpable and wrongful acts causing patrimonial damage,²⁷¹ by the nineteenth century our courts viewed it as such,²⁷² and the question is not in issue.

Although the influence of English law during the late nineteenth and early twentieth centuries led to the introduction of such concepts as the 'tort' of passing off²⁷³ and damages 'at large'²⁷⁴ in South African decisions, the resurgence of Roman-Dutch law after that period has resulted in the acceptance of purely Roman-Dutch principles when substantive rights must be determined.

In delictual actions, it is accepted that Aquilian liability will also exist for damage to incorporeal objects. As early as 1922 the Appellate Division recognised the Aquilian action as being available for all forms of unlawful competition, provided that the general delictual requirements are present.²⁷⁵ This obviously included such traditionally recognised forms of unlawful competition as trade mark infringement and passing off.

6.2.4 Possible distinction between delicts based on misuse of a mark and other delicts in Aquilian actions

The next issue is whether the requirements for proof of damage when trade mark infringement or passing off has occurred differ from those for other delicts. It was

270 *Idem* at 57.

271 Van Heerden & Neethling (1995) 58.

272 *Cape of Good Hope Bank* (1886) 376.

273 *Policansky* (1935) 97.

274 *Stuurman* (1893) 37; *Nicolson* (1897) 387; see also the discussion of these decisions by Erasmus (1975) 282.

275 *Matthews* (1922) 507.

illustrated above²⁷⁶ that, in English law, development of the tort resulted in actions for infringement or passing off being sustained without proof of any actual damage. It became sufficient to prove that the misrepresentation was calculated to cause damage for a cause of action to exist both in equity and at common law; nominal damages could be awarded without proof of any actual damage.

This notion seems to have found a measure of acceptance in South Africa. The standard South African textbook on passing off and infringement, in its discussion of damages as a remedy, states that our courts have accepted the proposition that confusion in itself imports a sufficient risk of damage to support the action.²⁷⁷ Writers on unlawful competition share this view. Van Heerden and Neethling state that '[i]f the court is convinced, on the ground of the probabilities revealed by the evidence, that damage has actually been suffered - and in this regard proof of a (reasonable) likelihood of deception or confusion seems to be accepted by the courts as sufficient indication of "a real possibility of damage being done to the plaintiff" - it must assess the damages to the best of its abilities'.²⁷⁸

It appears from these works that it is considered possible that, if a reasonable likelihood of confusion can be proved, some damages will be awarded without any proof of actual damage.

This cannot be a correct reflection of the South African position. Damage is an essential element of any delictual claim, whether the relief sought is an interdict or damages. It is trite that actual damage can be difficult to prove in instances of trade mark infringement and passing off. This is especially so when an interdict is sought to prevent further infringement or passing off: very often the acts complained of are threatened or have only just started but will clearly cause substantial loss if allowed to

276 At 3.2.5 of this chapter.

277 Webster & Page (1986) 464, relying on *Capital Estate* (1977) 932 and *Old Apostolic Church* (1975) 689.

278 Van Heerden & Neethling (1995) 195-196.

occur or continue. For this reason our courts have assisted plaintiffs seeking an interdict by holding that proof of confusion will suffice to meet the requirement that damage must have occurred or be imminent. But the purpose of this remedy must not be forgotten: an interdict is granted to prevent damage, not as compensation for damage which has already occurred.

In the field of Aquilian liability, the basic principle is that 'there should have been actual *damnum* in the sense of loss to the property of the injured person by the act complained of'.²⁷⁹ The Appellate Division has held that 'under the *lex Aquilia* there is only an action for *damnum injuria datum* - for pecuniary loss inflicted through a legal injury, and the defendant is not called upon to answer the plaintiff's case before the plaintiff has proved both the pecuniary loss and that it directly results from what is, in the eye of the law, an *injuria*'.²⁸⁰ From this excerpt it is clear that for the existence of Aquilian liability, proof of pecuniary loss is essential. This approach is correct, as the purpose of an Aquilian action is to compensate for past losses, or definite future loss.

The confusion as to what proof of damage a court requires has probably arisen due to the paucity of decisions dealing with claims for damages in respect of trade mark infringement and passing off. The passages cited above which imply that actual damage need not be proved for the grant of damages, all rely on decisions in which the court had been asked to grant an interdict, not damages.²⁸¹ The two decisions which are relied on to support the proposition that a South African court will award substantial damages without proof of 'special damage' are unconvincing.²⁸² In *Mills*, the plaintiff alleged damages of a thousand pounds for unauthorised use of a trade mark, but was awarded twenty-five pounds. The court held that '[t]he small amount of damages is owing to the want of proof of specific damage, for although there might have been other

279 *Union Government* (1911) 665.

280 *Matthews* (1922) 507.

281 *Volkscas* (1952) 347 (see also 351); *Old Apostolic Church* (1975) 689; *Capital Estate* (1977) 932.

282 See for this proposition Van Heerden & Neethling (1995) 195; *LAWSA Damages* (1995) 60.

cases, the only ones before us are those of Tucker and Locke'.²⁸³ In *Gertzen*, the plaintiff claimed a hundred pounds as damages for passing off. The court found for the plaintiff and awarded five pounds. It stated:

'the fact that a sale of the goods as being the goods of the plaintiff has taken place is proof of some damage, however small the quantity may have been of the false article that was sold. The conclusion one arrives at is, that if that had not been sold, the right article would have been sold, and to that extent profit would have been made. Some damages have been proved.'²⁸⁴

In both instances the court awarded such damages as the plaintiff had proved; in neither instance can the damages award be viewed as 'substantial' when the amount claimed is considered.

There is no doubt that damages are available for trade mark infringement or passing off.²⁸⁵ But there is only one recent instance of an award of damages by a South African court in this field.²⁸⁶ In the *Atlas Organic* decision, dealing with unlawful competition including passing off, damages were awarded, after careful quantification by the court.²⁸⁷ I believe that our courts will not easily grant substantial damages without actual proof of loss, and that confusion has arisen only because of the lack of decisions on damages in this field.

283 *Mills* (1863) 234. The persons referred to are two purchasers who had both bought a number of bags of the misleadingly labelled flour.

284 *Gertzen* (1910) 30.

285 *Moroka Swallows* (1987) 536: '[i]n the very nature of the delict of passing off the only remedies ... damages to compensate the victim for what he has lost through the wrongdoer's interference with his goodwill'; *Atlas Organic* (1981) 202.

286 No reported decision exists in which damages have been awarded for trade mark infringement per se: Dean (1986) 117; Job (1995) 27.

287 *Atlas Organic* (1981) 204-206.

6.3 LIABILITY FOR DAMAGES

Once infringement or passing off has been proved, the issue arises of whether the defendant is always liable to pay damages. In South African law it is accepted that Aquilian liability arises only if fault on the defendant's part exists.²⁸⁸ However, it is necessary to establish whether this principle has been altered by legislation or deviated from in the light of conflicting English views.

Then it must be determined whether the doctrine of 'clean hands' has been adopted from English law or exists independently in South Africa.

6.3.1 Fault as essential element for Aquilian liability

6.3.1.1 *Trade mark infringement*

No South African decision has been reported in which the position of an innocent trade mark infringer has been pertinently considered. Interdicts have been awarded against innocent infringers,²⁸⁹ but damages have never been sought.

In the absence of specific judicial authority, the relevant legislation must be considered. Before the implementation of the 1993 Trade Marks Act in South Africa, where for the first time the various remedies available to a successful plaintiff are detailed, legislation was silent on the subject, except to provide that registration was a precondition for the institution of proceedings 'to prevent, or to recover damages for' infringement.²⁹⁰ In accordance with a possible interpretation of the similar absence of stated remedies in

288 Van Heerden & Neethling (1995) 195.

289 *Apollinaris Co* (1911) 237; *adidas* (1976) 540.

290 Section 43 of the Trade Marks Act of 1963 (SA); section 124 of the Trade Marks and Copyright Act of 1916 (SA).

British legislation,²⁹¹ it could be argued that the statutory provision for the recovery of damages entitles the proprietor of a registered mark to an award of damages, irrespective of the defendant's guilt or innocence. However, when considering the 1963 Act, our courts have held that the failure of Parliament to make specific provision for various types of relief 'serves as an indication that the lawmaker never intended to alter the remedies available for infringement under our common law'.²⁹² At common law, infringement is viewed as a species of delict and the recovery of damages would be by way of an Aquilian action, for which fault, in the form of intent or negligence, is required. This view is strengthened by our courts' interpretation of the nature of other forms of statutory damages. Dealing with the award of damages in terms of the Designs Act of 1967, the Appellate Division held:

'The measure of damages is not mentioned in the Act. Since the wrong is a species of delict, the measure will be delictual'.²⁹³

Similarly, when considering the award of damages in terms of the Copyright Act of 1978, the court held that '[t]he damages claimable under s 24(1) of the Act are ordinary delictual damages regulated by the common law'.²⁹⁴ In the light of these decisions, I think that it is extremely unlikely, despite the similar legislative provisions, that a South African court will follow the English courts and award damages if infringement has been completely innocent - neither intentional nor negligent. It also seems unlikely that the 1993 Trade Marks Act will be interpreted differently. Section 34(3) states that, where a trade mark has been infringed 'the court *may* grant ... (c) damages ... (d) in lieu of damages, a reasonable royalty'.²⁹⁵ Even if it could be argued that relief is now founded on some basis other than that of the common-law delict, a court will hesitate to exercise

291 See 3.3.1.1 of this chapter.

292 *Montres Rolex* (1985) 66; *LAWSA Trade Marks* (1995) 120.

293 *Omega* (1978) 471.

294 *Priority Records* (1988) 292.

295 Emphasis added.

the discretion provided by the Act contrary to basic common-law principles.

6.3.1.2 *Passing off*

A plaintiff need not show fault on the part of the defendant to obtain an interdict and therefore neither intent nor negligence need be proved.²⁹⁶ However, any action for damages for passing off is Aquilian in nature,²⁹⁷ and all the requirements of Aquilian liability must be met,²⁹⁸ including fault in the form of intent or negligence.²⁹⁹ It is relatively easy to prove intentional passing off. However, unlike the position in England, negligence on the part of the defendant is also viewed as fault.³⁰⁰ Our courts have formulated the lower fault requirement as follows: '[i]t was enough for the appellant to prove negligence on the respondent's part ... coupled with objective foresight of a reasonable likelihood of deception or confusion with consequent impairment of the appellant's goodwill'.³⁰¹ It follows that innocent passing off will never found an action for damages in South Africa, as complete innocence presupposes the absence of fault in the form of intention or negligence.

6.3.2 **Misconduct by plaintiff**

The only South African cases dealing with the plaintiff's behaviour as a factor affecting the grant of relief, have all been applications for interdicts, not actions for damages. In the earliest such decision, *Zyp Products*, the court held that a material false representation would debar a plaintiff from relief, relying on an English chancery

296 *Kenitex* (1967) 309; *William Grant* (1990) 920.

297 *Geary* (1964) 440.

298 *Dun & Bradstreet* (1968) 218.

299 *Van Heerden & Neethling* (1995) 195.

300 *Ibid.* See also *Link Estates* (1979) 281.

301 *Link Estates* (1979) 281.

decision.³⁰² Subsequent decisions held that this was not a correct reflection of our law and that mala fides, fraud, or dishonesty had to be proved before a plaintiff would be debarred from relief.³⁰³ The principles laid down in these decisions apply equally to actions for damages.

6.4 ASSESSMENT OF DAMAGES

6.4.1 Introduction

As in England, the damages suffered in trade mark and passing off matters are viewed as pure economic loss - patrimonial loss not resulting from a physical injury to property.³⁰⁴

6.4.2 Basic principles

The traditional method of assessing damage is by the sum-formula approach, in which damage is determined by subtracting the plaintiff's present patrimonial position from the hypothetical patrimonial position he would have been in had the delict not been committed.³⁰⁵ This approach is reflected in judicial decisions. The locus classicus states that a successful plaintiff is entitled 'to recover the difference between that universitas as it was after the act of damage, and as it would have been if the act had not been committed'.³⁰⁶

302 *Zyp Products* (1926) 232, relying on *Leather Cloth* (1865) 137.

303 *Volkscas* (1952) 349; *Rusmarc* (1975) 631; *Tullen* (1976) 221; *Scott and Leisure Research* (1985) 220-221; *Cambridge Plan* (1987) 842.

304 *Visser* (1993) 55 footnote 103.

305 *LAWSA Damages* (1995) 18-19.

306 *Union Government* (1911) 665.

6.4.2.1 *Form in which damages must be awarded*

The 'once and for all' rule applies and has the effect that a plaintiff may institute only one claim for all damage arising from a single cause of action.³⁰⁷ Both existing patrimonial loss and future loss must therefore be included in a single action.

6.4.2.2 *Date for assessment of damages*

It is frequently stated that the date for determining damage is the date of the commission of the delict.³⁰⁸ However, the date for determining the damages which have resulted from the delict, should be the latest stage in the litigation when evidence may be presented to the court - immediately before judgment.³⁰⁹ It appears that, while the market value of property is used to assess damages,³¹⁰ the market value is determined at the date of commission of the delict.³¹¹ As far as judgments sounding in foreign currency are concerned, there is debate about the time when currency conversions must be made.³¹²

6.4.2.3 *Taxation*

While there is debate about the effect of income tax on awards for damages in the general delictual sphere,³¹³ and the English *Gourley* doctrine had been applied on

307 LAWSA *Damages* (1995) 23. On the application of this rule in South Africa generally, see Van der Walt (1977) 425-485.

308 LAWSA *Damages* (1995) 20; Visser (1993) 76.

309 Visser (1993) 76. Boberg (1989) 487 discusses these times for assessment from a different perspective and views events after the date of commission of the delict as relevant supervening events.

310 Visser (1993) 329.

311 *Idem* at 332.

312 *Idem* at 151; see also discussion at footnote 44.

313 Boberg (1989) 543-545.

occasion by provincial divisions,³¹⁴ the Appellate Division refused to deduct tax from an award of damages which it ordered in respect of registered design infringement. It held that the damages awarded would probably still be income and therefore taxable.³¹⁵ While criticism has been levelled at this decision for 'once again avoiding the issue',³¹⁶ it can be assumed that any attempt to reduce an intellectual property damages award by arguing that it is not subject to taxation, will be futile unless proof can be furnished to the court that it is actually not taxable.

6.5 QUANTIFICATION OF DAMAGES IN INFRINGEMENT AND PASSING OFF ACTIONS

It is accepted in South African law that there is no significant difference in the principles governing damages for trade mark infringement and for passing off.³¹⁷ However, this does not make a consideration of the principles used to determine quantum in these matters any easier, since there is no reported decision on damages for infringement of a registered trade mark,³¹⁸ and very few decisions on damages for unlawful competition, including passing off. Despite this paucity of authority, our courts echo the English view that damages in these matters are extremely difficult to determine.³¹⁹ It is accepted as general principle that a plaintiff who has produced the best available evidence in court should not be non-suited merely because his loss is difficult to quantify: the court must do the best it can with the materials to hand.³²⁰ As regards unlawful competition, it has been said that too much emphasis should not be placed on mathematically precise proof of loss; instead, the court should, on the probabilities revealed by the evidence,

314 *Pitt* (1957) 287; *Oberholzer* (1970) 342.

315 *Omega* (1978) 476.

316 See generally *Boberg* (1989) 545.

317 *Webster & Page* (1986) 327.

318 *Dean* (1986) 117; *Job* (1995) 27.

319 See, for example, *Kenitex* (1967) 308; *Tullen* (1976) 220; *Cambridge Plan* (1987) 847-848.

320 *Boberg* (1989) 477-478.

make an assessment of the loss and estimate an amount of damages.³²¹

6.5.1 Heads of damages

Although the matter has never been considered pertinently in the context of a claim for damages, it appears that the two accepted heads of damages in trade mark infringement and passing off matters are diversion of custom from the business of the aggrieved party, and injury to his business reputation.³²² The possibility of mitigation damages is mentioned in the standard South African text on trade marks,³²³ and is recognised as available when appropriate.³²⁴

6.5.2 Calculation of damages

As stated above, there are very few reported decisions on damages in this or related areas. It is therefore somewhat futile to attempt to extrapolate any general principles on the calculation of damages. It must also be remembered that our courts and textbooks tend to refer to English authority when discussing actions for damages in this field. This is despite the fact that in respect of both statutory trade mark infringement and passing off the measure of damages is delictual and must therefore be determined in accordance with the general principles of Aquilian liability.³²⁵

Prior to the 1993 Trade Marks Act, the lost profits basis was viewed as the only method of calculating damages in instances of trade mark infringement and passing off. However, the 1993 Act introduced the possibility of a claim for a reasonable royalty in

321 Visser (1993) 346; see also *International Tobacco* (1955) 17.

322 *Lorimar* (1981) 1138.

323 Webster & Page (1986) 464.

324 Visser (1993) 233.

325 *Omega* (1978) 471.

lieu of damages,³²⁶ so that both methods of calculation must be considered. In respect of both methods of calculation, the Act also provides that damages can be recovered for infringements which took place after acceptance but before registration.³²⁷

6.5.2.1 *Lost profits basis*

The measure of damages is the same for trade mark infringement and passing off. It can be assumed that if both are found, a court will not distinguish between them.

Various methods of calculation have been attempted to determine loss of sales or profits. In one decision where damages were claimed for unlawful competition, the plaintiff hedged his bets and claimed damages on three alternative bases. The first was the difference between expected profits and actual sales. In *casu*, this basis was rejected, because the calculations were unreliable.³²⁸ (But in an earlier decision the plaintiff's calculations had been accepted as correct.³²⁹) The second proposed basis was by reference to the defendant's sales. This was rejected in *casu*³³⁰ and in an earlier decision,³³¹ as it could not be assumed that all sales made by the defendant would have been made by the plaintiff. It has been held that, for this basis of calculation to be accepted, a plaintiff must prove on a balance of probabilities, the extent of the infringement, the proportion the plaintiff would have sold but for the infringement, and the profit that would have been made on such sales.³³² The third, and ultimately successful, basis of calculation was to take proven unlawful sales as basis and

326 Section 34(3)(d) of the Trade Marks Act of 1993 (SA).

327 Section 34(3)(c) and (d).

328 *Atlas Organic* (1981) 205.

329 *International Tobacco* (1955) 21-22.

330 *Atlas Organic* (1981) 205.

331 *Omega* (1978) 471.

332 At 472.

calculate the profit the plaintiff would have made on these sales.³³³ This last method does not accord with previous dicta to the effect that the plaintiff will not merely recover damages for proven infringements, but was apparently justified in the circumstances.

It is accepted that a court must make an assessment that will not necessarily be completely accurate: in this regard it has been held that the benefit of the doubt must be given to the plaintiff and that 'this does not mean that there is a bias against the wrongdoer but only that he cannot be heard to complain if in the circumstances created by himself damages may have been over-estimated against him'.³³⁴

A court will award damages for future loss of sales if there is some probability, not a mere possibility, of such damages. These damages need not be proved with any accuracy; the court will then attempt a 'fair estimate' of probable loss.³³⁵

When claiming damages for lost profits or sales, the burden of proof is always on the plaintiff to establish these damages.³³⁶ The Appellate Division has held, in a defamation action by a trading corporation, that where the defendant has raised the possibility that a general recession would have resulted in a lower turnover than projected, the burden remains on the plaintiff to prove that it would not have been affected by the recession.³³⁷ However, an earlier decision on a similar cause of action confirmed that in the absence of evidence to the contrary, it may be assumed that market conditions remained unchanged during the relevant times. It would consequently appear that the defendant must furnish some evidence of changed market conditions before a plaintiff is expected to shoulder a burden of rebuttal.³³⁸

333 *Atlas Organic* (1981) 205.

334 *International Tobacco* (1955) 17.

335 At 25-26.

336 *Omega* (1978) 471.

337 *Caxton* (1990) 573.

338 *International Tobacco* (1955) 19.

When damages are claimed for injury to goodwill as well as for lost profits, it has been held that there is a measure of overlap, as injury to reputation is usually reflected in lower profits, and that this is a factor to be taken into account when computing damages.³³⁹

6.5.2.2 *Royalty basis*

The possibility that damages may be calculated on the basis of a reasonable royalty has recently been introduced in all intellectual property legislation.³⁴⁰

Prior to statutory provision for this formulation of damages claims, no attempt had ever been made to claim damages for trade mark infringement or passing off on a royalty basis. Similarly, no attempt has been made to formulate a damages claim on this basis in a patent action.³⁴¹ In a claim for damages based on infringement of a registered design, it was attempted to claim damages based on reasonable royalties for all the infringing products. The attempt was later abandoned. In this instance, the Appellate Division held that, although this type of claim is recognised in England, in the present case it was not necessary to decide whether it was available in South Africa.³⁴²

Damages have also been awarded on what has been termed a royalty basis in a few instances of copyright infringement. However, a study of these decisions reveals that in all recent instances, action was instituted by a society which was authorised to licence performance of copyright material. What was awarded was in fact actual

339 *Caxton* (1990) 574-575.

340 Section 65(6) of the Patents Act of 1978; Section 24(1)A of the Copyright Act of 1978 (SA); section 34(3)(d) of the Trade Marks Act of 1993 (SA); section 53(3) of the Designs Act of 1993.

341 *Burrell* (1986) 384; *LAWSA Patents* (1984) 64.

342 *Omega* (1978) 476.

damages in the form of lost licence fees, not some form of notional royalty.³⁴³

The above decisions show that the notion of a royalty basis for damages claims was unknown in South African intellectual property law before 1988. When assessing the effect of its introduction, three issues must be considered. First, is it a new substantive remedy in the field of intellectual property law? Second, why was this innovation introduced? And finally, how should it be calculated?

6.5.2.2.1 *The legal basis of a claim for royalties*

To determine the legal basis of a claim for reasonable royalties, it is necessary to study the wording of the various statutes. The concept was first introduced in the Patents Act by the 1988 amendment. This provided that 'damages ... may be calculated on the basis of the amount of a reasonable royalty'.³⁴⁴ Next was the Copyright Act. The draft Bill of 1991 did away with all references to an account and provided that a copyright owner was entitled to 'damages or ... in lieu of damages, relief by way of notional royalties'. It also provided that, as against an innocent infringer, a plaintiff 'shall not be entitled under this section to any damages or notional royalties'.³⁴⁵ The Bill was not passed in this form. In the amending Act, references to an account of profits were deleted and the following relief was introduced: 'damages ... may, at the option of the plaintiff, be calculated on the basis of the amount of a reasonable royalty'.³⁴⁶ The Act

343 *Performing Right* (1966) 356; *Performing Right* (1973) 565; *SA Music Rights* (1978) 1056. The *Searelle* (1893) 172 decision cannot be viewed as an award on a royalty basis; the court merely ordered a percentage of the gross proceeds of the infringing performance to be retained by the deputy sheriff pending an action for damages.

344 Section 65(6) of the Patents Act of 1978 as inserted by section 3(c) of the Patents Amendment Act of 1988.

345 Copyright Bill of 1991.

346 Section 24(1)(A) of the Copyright Act of 1978 (SA) as inserted by section 21(b) of the Copyright Amendment Act of 1992. Section 24(1)(B) provided that, when calculating the amount of damages in terms of section 24(1)(A), the court had to take the nature and extent of the infringement into account and the amount which could be payable to the copyright owner in respect of the exercise of copyright by some other persons. This has not been retained in the 1977 amending Bill.

also provided that a plaintiff was not entitled to damages against an innocent infringer.³⁴⁷ No mention was made in this section of whether a plaintiff was entitled to a royalty against an innocent infringer, presumably because a reasonable royalty was viewed as a method of calculating damages. The Trade Marks Act of 1993 followed, with a provision that 'in lieu of damages, a reasonable royalty which would have been payable by a licensee for the use of the trade mark concerned ...'.³⁴⁸ The Designs Act of 1993 contained a provision similar to that of the Trade Marks Act.³⁴⁹ While the first two Acts clearly refer to a method of calculating damages, the latter Acts can be interpreted as creating a new substantive remedy. This was also clearly the intention of the 1991 copyright Bill.

The draft Bill on amendments to intellectual property will alter all the above provisions. The amendments to the patent, copyright, and design legislation will provide that in lieu of damages, a plaintiff may be awarded 'an amount calculated on the basis of a reasonable royalty'.³⁵⁰ But the Trade Marks Act of 1993 provides that a plaintiff may recover 'in lieu of damages ... a reasonable royalty'.³⁵¹ One assumes that Parliament does not intend to create two different versions of the same relief and that the differing wording of the Trade Marks Act is an oversight, or is not viewed as of any relevance.³⁵²

Whether 'an amount calculated on the basis of a reasonable royalty' in lieu of damages is a substantive remedy, is uncertain in the absence of any judicial authority. It is possible to interpret these proposed amendments as creating a substantive remedy,

347 Section 24(2) of the Copyright Act of 1978 (SA).

348 Section 34(3)(d) of the Trade Marks Act of 1993 (SA).

349 Section 35(3) of the Designs Act of 1993.

350 Clauses 46, 54, and 76 of the Intellectual Property Laws Amendment Bill of 1997.

351 Clause 63.

352 This assumption is supported by the stated intention in the preamble to the Bill, as regards the Copyright Act, to 'amend the provisions relating to damages and other compensation for the infringement of copyright in order that it corresponds with [sic] the Trade Marks Act, 1993 and the Designs Act, 1993'.

when the proposed changes to the wording of the Patents and Copyright Acts are considered. However, support for the opposite point of view can also be found in the fact that section 34(5) of the Trade Marks Act has not been altered by the 1997 Bill: it still provides that a registered user can recover damages, without mention of a reasonable royalty. One can argue that this omission indicates that a reasonable royalty is viewed as falling within the concept 'damages'.

The issue is relevant because the creation of a new statutory form of pecuniary relief can be interpreted as doing away with the delictual requirements which traditionally must be met before pecuniary relief is granted. In particular, it can then be argued that fault is not a requirement before an award of a reasonable royalty can be made. It can also be argued that the object of relief is no longer merely compensation for patrimonial loss.

In particular, when considering whether fault is a requirement before 'an amount calculated on the basis of a reasonable royalty' can be awarded to a plaintiff, the changes to copyright legislation clearly indicate that the issue was not considered. Where the original Bill excluded the liability of an innocent infringer for both damages and notional royalties, the amendments exclude only liability for damages. This omission can support either point of view: the first argument is that, to replace an account of profits which in English law does not require fraud, a new substantive remedy has been introduced which does not require fault in the Aquilian sense. The opposite, equally valid argument, is that a reasonable royalty is not viewed as a substantive remedy but as a method of calculating damages, which is why it was unnecessary to exclude it when amending section 24(2) of the Copyright Act.

I believe that neither the amending Bill nor previous legislation can be scrutinized for guidance, as the various discrepancies between them can support either point of view. To determine whether a new remedy has been created, guidance must be sought from the attitude of our courts to other forms of pecuniary relief unknown to Roman-Dutch law. In the first half of this century, the courts frequently granted relief which was of

English, rather than Roman-Dutch, origin. However, the resurgence of Roman-Dutch law and the emphasis on Aquilian principles, which was particularly evident in the field of delictual damages,³⁵³ has resulted in the courts no longer granting relief which does not accord with delictual principles. Neither nominal nor exemplary damages are currently recognised in South African law.³⁵⁴ When considering additional damages in terms of the Copyright Act, our courts have held that it was not the intention of Parliament 'to empower the court to award any form of damages unrecognised by South African common law'.³⁵⁵ An account of profits, available in terms of copyright legislation until 1992, was given equally short shrift: a court held that, to determine what was meant by an account, 'one must look to the ordinary remedies available in our law for the infringement of proprietary rights generally'.³⁵⁶ In the light of the attitude of the courts to the introduction of foreign concepts and remedies, and their refusal to interpret statutory relief other than in accordance with Roman-Dutch principles, it is unlikely that any submission that a 'reasonable royalty' is a substantive remedy which does not require compliance with Aquilian principles will be viewed favourably.

6.5.2.2.2 *Possible reasons for the introduction of a reasonable royalty*

No reports by the committees which drafted the above legislation exist to explain the reasons for this innovation. The first suggestion that the introduction of reasonable royalties would be appropriate came from Burrell in 1986, when he suggested the amendment of the Patents Act to authorise an award of damages on a royalties basis.³⁵⁷ Its introduction in the Copyright Act was viewed with approval by Dean in 1992.³⁵⁸ No

353 Erasmus (1975) 365.

354 LAWSA *Damages* (1995) 16-17.

355 *Priority Records* (1988) 293.

356 *Video Parktown* (1986) 640. In this decision, the judge also stated that 'it irks me to discover in South African legislation doctrines and concepts which are foreign to us, imported holus bolus into the body of our law'.

357 Burrell (1986) 384.

358 Dean (1992) 757.

other calls for its general introduction have been made, and no reasons given for why it is necessary. It can only be assumed that the oft-cited difficulties in proving damages in intellectual property proceedings encouraged Parliament to attempt to formulate an easier method for determining damages. The royalty basis has now been available, in instances of patent infringement, for nearly ten years. No reported decision exists in which it has been used as a method of calculating damages, and one can only query whether the problems concerning the recovery of damages have actually been alleviated by its introduction.

6.5.2.2.3 *The calculation of a reasonable royalty*

The method of calculating a reasonable royalty has not been considered by the South African courts in any area of intellectual property. It is thus necessary to look elsewhere for guidance on the basis for such a calculation. While it is futile to undertake a full survey of all permutations of such calculations, as they are more generally appropriate in other areas of intellectual property, now that the remedy has been given statutory recognition in respect of trade mark infringement in South Africa, some general guidelines which could be applied here will be attempted.

The English position as regards patents and copyright will be taken as starting point, and compared with the position in America, where royalties form a more common basis for calculating damages. However, it must be remembered that in both jurisdictions, other pecuniary relief, not based on the plaintiff's loss, is also available. In England, a plaintiff can elect an account of profits, rather than damages,³⁵⁹ the Copyright Act 1988 also provides for additional damages in instances of flagrant infringement.³⁶⁰ In America, both the Lanham Act and the Copyright Act allow a plaintiff to recover both damages and profits,³⁶¹ while the Patents Act allows a plaintiff to receive damages

359 Section 96(2) of the Copyright Act 1988 (UK); section 61(1)(d) read with section 61(2) of the Patents Act 1977 (UK).

360 Section 97(2) of the Copyright Act 1988 (UK).

361 Title 15 USC § 1117; Title 17 USC § 504.

'adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use of the invention'.³⁶² Therefore, while in both jurisdictions the purpose of a damages award, whether based on lost profits or a reasonable royalty, is viewed as compensatory, other pecuniary relief which can serve a different function also exists. By contrast, in South Africa, with the exception of the Copyright Act which still provides for additional damages in instances of flagrant infringement,³⁶³ compensatory damages are the only form of pecuniary relief available.

In both England and America, damages are calculated on an existing licence or royalty basis and, where this does not apply, on a notional royalty basis. I believe that the concept 'reasonable royalty' can include both notional and actual royalties: where an actual licence which was presumably viewed as reasonable by the parties does not exist, a notional royalty basis can be used as long as the plaintiff can demonstrate that it is reasonable.

6.5.2.2.3.1 *The actual licence basis*

6.5.2.2.3.1.1 *England*

In England, the actual licence basis is commonly used to calculate damages in instances of patent infringement. It is viewed as a method of determining actual lost profits, in other words, as purely compensatory. Writers on the issue state that this basis is available only where a plaintiff actually licenses his invention. The royalty basis then determines the amount that a plaintiff has lost by not licensing the invention.³⁶⁴ This basis applies where the parties are in a competitive situation and the plaintiff grants licences.³⁶⁵ The measure of damages is then what he would have charged for

362 Title 35 USC § 284.

363 Section 24(3) of the Copyright Act of 1978 (SA).

364 McGregor (1988) 1081.

365 Cornish (1996) 61.

a licence. However, in a competitive situation where the plaintiff does not normally grant licences, the usual lost profits basis, not a notional royalty basis, will be used.³⁶⁶ This approach is supported by the House of Lords who viewed the actual rates at which use had been licensed, as a correct basis for assessing damages and refused to allow a higher rate of a notional royalty which the infringer 'ought fairly to have paid' for use of the invention.³⁶⁷ The court reaffirmed the proposition that 'the measure of damages is the loss suffered by the plaintiff' and held that a higher rate 'reflected an inclination towards punitive damages'.³⁶⁸

6.5.2.2.3.1.2 America

The English view is criticised in America³⁶⁹ and not followed by the courts there in instances of patent infringement. The courts argue that to limit damages to an actual royalty does not dissuade infringement, as all that the infringer runs the risk of paying is what he would in any event have been liable to pay. While some courts have dealt with the problem by working on the basis of a reasonable royalty 'for an infringer' which is much higher than the usual negotiated royalty basis, other courts have merely increased what they consider a reasonable royalty.³⁷⁰ This approach clearly does not accord with stated compensatory principles.³⁷¹

A stricter approach is followed by courts in instances of trade mark infringement. In *Boston Hockey*, the defendant had offered the plaintiff a sum for an exclusive licence

366 *Idem* at 62.

367 *General Tire* (1975) 832-833.

368 *Ibid.*

369 Skenyon (1988) 767.

370 *Panduit Corp* (1978) 1158-1159; see also Skenyon (1988) 768.

371 See in this regard Title 35 USC § 284 (patents) - 'damages adequate to compensate'; Title 15 USC § 1117 (trade marks) - 'such sum ... shall constitute compensation and not a penalty'; Title 17 USC § 504 (copyright) - 'to recover the actual damages suffered by him or her as a result of the infringement'.

and a lower sum for a non-exclusive licence. Both were refused and the defendant proceeded to infringe the mark. The district court based damages on the amount offered for an exclusive licence. However, the Court of Appeal held that the existence of a prior licensee meant that the plaintiff could not have granted an exclusive licence and reduced the award of damages to the lower amount tendered for a non-exclusive licence.³⁷² A subsequent court stated that this decision 'stands for the proposition that any royalty-based measure of damages must exhibit a strictly rational correlation between the rights appropriated and the measure of damages applied' and proceeded to hold that '[r]oyalties normally received for the use of a mark *may* be a proper measure, *if* that measure comports with the equitable limitations of section 1117 and bears a rational relationship to the rights appropriated'.³⁷³

6.5.2.2.3.2 *The notional royalty basis*

6.5.2.2.3.2.1 *England*

The other possible basis for calculating damages is the notional or reasonable royalty rate. In England this basis is found only in instances of copyright infringement. Although this method of calculation is sometimes used, it can be seen as a contradiction of the actual royalty basis which attempts to determine the plaintiff's real loss. No English court or writer has dealt with this discrepancy. English decisions are therefore not of much assistance, in particular because a notional royalty basis has usually been agreed between the parties before or during litigation.³⁷⁴ However, English courts have emphasised the compensatory principle, stating that it is necessary to consider, first, whether the infringing material was a material factor in inducing the infringing sales, and, second, whether the plaintiff would have made all those sales

372 *Boston Hockey* (1979) 76.

373 *Bandag* (1984) 920 (emphasis added).

374 *PB Cow* (1961) 240; *Lewis Trusts* (1982) 286.

himself.³⁷⁵ This approach regrettably introduces evidentiary problems which the royalty basis was intended to overcome.

6.5.2.2.3.2.2 *America*

The notional royalty basis is also used in America, where there is uncertainty about the extent of its application, as it remains linked to the concept of compensatory damages. It has seldom been used in the trade mark field. It occasionally finds application in an existing franchise relationship where, although termed a reasonable royalty, it bears closer resemblance to an actual royalty basis.³⁷⁶ However, in one instance of infringement where the defendant created the false impression that he was a franchisee, the court refused to use the royalty rate payable by franchisees as basis; it held that the defendant did not use everything for which a franchisee pays.³⁷⁷ In the only other application of a royalty basis for trade mark infringement, the court also used an existing fee previously offered by the defendant, to determine the royalty basis.³⁷⁸ Clearly, although termed a reasonable royalty, the American courts have never used a purely notional royalty as basis in instances of trade mark infringement. Some authors view it as helpful, and suggest basing the calculation of a notional royalty on the prevailing rates for analogous rights, on the differences in price between branded and unbranded consumer goods, or on the plaintiff's advertising/sales ratio.³⁷⁹ However, McCarthy criticises the royalty basis. He states that it in effect compels the plaintiff to license the defendant at a rate that the defendant proposed and the plaintiff originally

375 *PB Cow* (1961) 239-240. The suggestion in *Watson Laidlaw* (1914) 120 by the House of Lords - that a plaintiff was entitled to not only his actual damages but, on the principle of 'price or hire', also to royalties for sales he would not have made himself - has not been followed. See McGregor (1988) 1085 for criticism of this earlier approach.

376 McCarthy (1996) 30.127.

377 *Bandag* (1984) 920.

378 *Boston Hockey* (1979) 71.

379 Koelemay (1982) 543-545.

refused.³⁸⁰ The courts have also described a royalty basis as 'little more than nominal damages' in a trade mark counterfeiting matter.³⁸¹

The notional royalty basis finds greater application in instances of damages for patent infringement, as the Act provides that damages may not be less than a reasonable royalty.³⁸² Two bases are usually used here: either the '25 per cent rule' or the 'willing buyer/willing seller' rule. The first accepts that 25 per cent of the profits earned by the licensee is a reasonable royalty for the licensor.³⁸³ This method of calculation has been criticised as, at best, crude, and ignoring aspects such as investment risk and return.³⁸⁴ The second method of calculation is the 'amount which a prudent licensee ... would have been willing to pay as a royalty and yet be able to make a reasonable profit and which would have been acceptable by a prudent patentee'.³⁸⁵ It has been argued that the words 'reasonable' and 'prudent' in this citation indicate a more objective test for the determination of a royalty.³⁸⁶ But this approach is also open to criticism as it indicates to an infringer that he will not be liable to pay more than he would have negotiated in any event.³⁸⁷ Various other, more sophisticated (and complicated), methods of calculation have been proposed or used on occasion.³⁸⁸

380 McCarthy (1996) 30-128. This objection is based on the facts of *Boston Hockey* (1979), where the court awarded, as damages, an amount previously tendered by the defendant as royalty.

381 *Playboy Enterprises* (1982) 1272; see also the discussion by McCarthy (1996) 30.128.

382 Title 35 USC § 284.

383 Lee (1992) 126 discusses this rule in detail.

384 Parr (1993) 171.

385 *Georgia-Pacific* (1970) 1120 approved by the Court of Appeal in *Georgia-Pacific* (1971) 297. The decision of the district court sets out fifteen criteria which are relevant when determining the willing buyer licence amount; the quotation is the last of these criteria. An analysis of all the criteria can be found in Culbertson (1988) 756-757.

386 Baker (1987) 128.

387 Parr (1993) 119.

388 A discussion of these methods falls outside the ambit of this thesis, but can be found in Parr (1993) 123-200.

However, whatever the method of calculation used, the essential problem when looking to American law for assistance is that the Federal Circuit has required that reasonable royalties have to be calculated by in-depth analysis. It requires a trial court to articulate fully the reasons for determining a certain royalty rate,³⁸⁹ if the assessment is not supported by specific findings, the Federal Circuit remands appeals for explanation.³⁹⁰

6.5.2.2.3.3 *South African application*

It has been suggested that the intention of the South African legislature when introducing the 'reasonable royalty' was to make it easier to obtain damages for intellectual property infringements.³⁹¹ From the above it is clear that reference to other jurisdictions will not be of much assistance. The actual royalty rate, if one exists, is merely a method of calculating actual damages. As such, legislative provision need not have been introduced to use this method of calculation. The notional royalty rate has been used very seldom in trade mark infringement and passing off proceedings, and is generally viewed as inappropriate. When used or referred to, it is clear that it is based on general compensatory principles³⁹² and that questions of proof are every bit as complicated as proof of actual damages. I believe that, in the light of these problems, it is unlikely that a reasonable royalty will be of any assistance to a plaintiff in trade mark infringement or passing off proceedings, and that this innovation does not address the problem traditionally experienced in obtaining pecuniary relief in South Africa.

389 Baker (1987) 128.

390 Ropski (1990) 189.

391 Dean (1992) 756; Rutherford (1995) 7.

392 However, Parr (1993) 120 argues that in America the current trend is towards a higher rate than would have been negotiated.

6.5.3 Mitigation of damage

A plaintiff is not expected to mitigate damages by changing a mark or ceasing manufacture of the product concerned, and our courts have rejected any assessment of damages which would in effect require such mitigation.³⁹³

Mitigation damages have never been considered in a trade mark context. However, in a copyright decision, the court was prepared to award as damages the expenses incurred in establishing infringement.³⁹⁴ As damages in all areas of intellectual property law are considered to have the same delictual basis, mitigation damages will presumably be available if the issue ever arises in respect of trade mark infringement or passing off.

7 CONCLUSION

7.1 INTRODUCTION

In this chapter the substantive law which governs awards of compensatory damages has been set out. Some differences between the remedy in English jurisdictions and in South Africa have been highlighted, and problems arising from these differences identified. These problems will be briefly considered and an attempt made to determine whether solutions exist. Then the value of compensatory damages will be considered and alternatives suggested.

393 *International Tobacco* (1955) 21.

394 *SA Music Rights* (1978) 1057. The court distinguished between investigations which were incurred after infringement, to prove the infringement in court, and investigations to establish whether infringement was taking place. The former would be recoverable, if at all, as part of the costs of action; the latter were damages flowing from the defendant's unlawful conduct.

7.2 PROBLEMS ARISING DUE TO THE DIFFERENT LEGAL SYSTEMS

A strong English influence pervades South African intellectual property. Where South African authority is lacking, there has been a tendency to cite English authority, without due consideration of whether the basic principles of the two legal systems correspond. Three issues where differences between the legal systems have resulted in problems in the South African law of compensatory damages as it applies to instances of trade mark infringement and passing off require consideration. These issues are: whether fault remains a requirement for the award of damages; whether proof of actual loss is necessary before an award of compensatory damages will be made; and whether the introduction of a royalty basis for the calculation of damages is appropriate.

7.2.1 Fault as requirement for damages

No claim for damages has ever been instituted in South Africa against an innocent trade mark infringer. I believe that, in the light of general delictual principles, any such claim would be unsuccessful and the English *Edenwest* decision would not be followed by our courts.

However, it is likely that most English decisions prior to *Edenwest* which are cited as authority for awards of damages against innocent infringers, would have been decided in similar fashion in South Africa: our legal system considers negligence as sufficient to meet the requirement of fault. In the majority of English decisions, the courts criticised the defendant's behaviour. In South Africa such behaviour would be viewed as negligent and therefore sufficiently blameworthy to justify an award of damages. The South African position is thus that a completely innocent defendant will not be liable for damages. However, a defendant cannot escape an award of damages by alleging that his behaviour was not fraudulent or intentional if it is viewed as negligent in the specific circumstances.

7.2.2 The necessity of proving actual damages

In all jurisdictions, proof of actual damage is not required for the grant of injunctive relief. However, in addition, actual damages need not be proved before an award of nominal damages will be made in England. These two facts have resulted in the suggestion that actual loss need not be proved in South Africa before an award of compensatory damages will be made.

I believe that this is not a correct reflection of the South African position. Damage is an essential element of any delictual claim, whether the relief sought is an interdict or damages. It is trite that actual damage can be difficult to prove in instances of trade mark infringement and passing off. This is especially so when an interdict is sought to prevent further infringement or passing off: very often the acts complained of are threatened or have only just commenced but will clearly cause substantial loss if allowed to occur or continue. It is for this reason that both the South African and the English courts have assisted plaintiffs seeking injunctive relief by holding that proof of confusion will suffice to meet the requirement that damage must have occurred or be imminent. However, the purpose of the interdict remedy must not be forgotten: an interdict is granted to prevent damage, not as compensation for damage which has already occurred.

In England, the extension to claims for damages of this concession as to the form of proof required took place for historical reasons. Plaintiffs frequently had to establish their legal right at common law before they could obtain an injunction in equity. To assist them, the common-law courts would grant nominal damages without requiring proof of actual damage, as this was not a requirement for equitable relief.

This historical distinction does not exist in South Africa. The passages cited above,³⁹⁵ which imply that actual damage need not be proved for an award of damages, all rely

395 See 6.2.4 of this chapter.

on decisions in which the court had been asked to grant an interdict, not damages.³⁹⁶ These decisions rely to some extent on English authority for holding that proof of actual damage is not essential before damage will be assumed and an interdict granted.³⁹⁷ While these principles can be accepted for injunctive relief, they cannot be accepted unquestioned for Aquilian relief, where the object of relief is compensation for patrimonial loss.

In the field of Aquilian liability, the basic principle is that 'there should have been actual *damnum* in the sense of loss to the property of the injured person by the act complained of'.³⁹⁸ The Appellate Division has held that

'under the *lex Aquilia* there is only an action for *damnum injuria datum* - for pecuniary loss inflicted through a legal injury, and the defendant is not called upon to answer the plaintiff's case before the plaintiff has proved both the pecuniary loss and that it directly results from what is, in the eye of the law, an *injuria*'.³⁹⁹

From these excerpts, it is clear that for the existence of Aquilian liability, proof of pecuniary loss has always been viewed as essential. It has been shown that the assumption that English law allowed a claim for substantial damages without proof of

396 *Volkscas* (1952) 347 (see also 351); *Old Apostolic Church* (1975) 689; *Capital Estate* (1977) 932.

397 One example is the reliance in *Old Apostolic Church* (1975) 689 on Kerly (1972) 364; the identical quotation will be found in Kerly (1986) at 346. However, this quotation was taken from a discussion of the foundation and nature of the action for passing off, not from that section where damages are discussed. When discussing damages for trade mark infringement, Kerly (1986) states at 326 that, at common law, mere proof of infringement entitles a plaintiff to nominal damages; but if the plaintiff claims substantial damages, the onus of showing what loss he has actually sustained lies upon him. At 430, dealing with damages for passing off, it is stated that a court may award more than nominal damages without proof of special damage, relying on *Draper* (1939). However, it must be remembered that this decision was an appeal from an inquiry as to damages; the plaintiffs had shown substantial losses but had not proved that these losses were necessarily due to the defendant's passing off - see *Draper*.1 (1939) 239.

398 *Union Government* (1911) 665.

399 *Matthews* (1922) 507.

any actual loss is incorrect: all that was usually awarded was nominal damages. Thus, even if English rules for the assessment of damage are accepted in the absence of South African authority, it cannot be stated that an Aquilian action for damages will be successful without proof of actual loss. To hold otherwise could lead to the clearly impossible situation that a plaintiff who had obtained an interdict preventing infringement or passing off, would be entitled, on the same evidence, to demand compensatory damages provided that he could show fault. This is the logical conclusion if the proposition is accepted that, by proving confusion, a plaintiff has proved damage, and is therefore entitled to some damages.

7.2.3 The royalty basis of quantification

The award of damages on the basis of a reasonable royalty was introduced to assist a plaintiff in proving intellectual property damages.⁴⁰⁰ In South Africa, the only foundation for Aquilian damages is compensatory, and an award on a royalty basis will therefore also be determined on compensatory principles. The concept 'reasonable royalty' can include both an actual royalty basis and a notional royalty. If an actual licence agreement exists, it is clearly appropriate to use it to assess damages, so that the introduction of a royalty basis by the legislature was unnecessary. However, calculation on a notional royalty basis is problematic. In England and America this basis is viewed as unsuitable for trade mark infringement and passing off matters. Also, when the notional basis has been applied in England and America in respect of other forms of intellectual property, the courts have imposed strict evidentiary requirements. These requirements are as onerous as those to prove actual damages. It must also be remembered that in England and America a plaintiff has other pecuniary relief available which is not based on compensatory principles. In England, a plaintiff can recover the defendant's profits, rather than his losses, while in America he can recover both his losses and the defendant's gains, and have a possible claim for increased damages.⁴⁰¹

400 Dean (1992) 757; Rutherford (1995) 7.

401 See Title 15 USC § 1117(b).

For this reason, a plaintiff's need for assistance in proving damages is not as pressing in these jurisdictions.

In South Africa, it is fairly certain that a court will view the royalty basis of quantification as having its basis in Aquilian compensatory principles. It is therefore unlikely that the courts will accept a purely speculative notional royalty suggested by a plaintiff, as a suitable basis for the calculation of damages. If the courts then import similar evidentiary requirements to those in other jurisdictions to determine a reasonable royalty, a plaintiff will find this basis even more problematic than the lost profits basis. I believe that, if Parliament wishes to assist plaintiffs in obtaining damages for intellectual property infringements, it is necessary to create another form of damages by statute and to state pertinently that it is not based on compensatory principles.

7.3 ALTERNATIVES TO COMPENSATORY DAMAGES

A possible alternative to compensatory damages is the introduction of the concept 'statutory damages', available in America for copyright infringement and now introduced in the new Canadian Copyright Act 1997. Statutory damages are described as a monetary remedy elected by the plaintiff in place of proving actual damages and awarded at the discretion of the court within a specified monetary range.⁴⁰²

While this is a uniquely American remedy, there is nothing new to it. Its legislative history can be traced back to the Statute of Anne, the first English copyright legislation, which provided for damages of one penny per infringing sheet.⁴⁰³ According to decisions under that statute, this remedy was introduced because the common-law remedy of damages was inadequate and proof difficult.⁴⁰⁴ The first American federal

402 Hay (1985) 241.

403 Section 1 of the Statute of Anne 1709.

404 *Millar* (1769) 2350.

copyright statute also contained a fixed damages rate for unpublished works.⁴⁰⁵ The 1909 Copyright Act introduced statutory damages into federal legislation, by providing that a court could award statutory damages in lieu of actual damages and profits, in an amount which appeared to the court to be just, but within certain limits.⁴⁰⁶ The 1976 Copyright Act improved on these provisions to address problems encountered by the courts in the interpretation of the previous statute, and the current American provisions⁴⁰⁷ have been adopted verbatim in the Canadian Copyright Act 1997.⁴⁰⁸

Statutory damages were introduced in America specifically because proof of damages was viewed as difficult in instances of copyright infringement.⁴⁰⁹ While various problems were experienced with interpretation of the 1909 provisions, it is stated that the majority of these have been clarified by the 1976 Act.⁴¹⁰

The purpose of such damages is described as both to compensate the injured copyright owner and to deter the copyright infringer.⁴¹¹ However, the deterrent function is emphasised, and while the 1909 Act pertinently stated that these damages were not to be awarded as penalty,⁴¹² the current Act acknowledges this deterrent function.⁴¹³

Various problems have been experienced by the American courts when considering

405 Section 2 of Act of 31 May 1790.

406 Title 17 USC § 101(b) (1976) (repealed 1978).

407 Title 17 USC § 504(c).

408 Section 38.1.

409 Ferch (1984) 491-492.

410 Not all these problems are relevant in the South African context: a full discussion can be found in Ferch (1984) and Hay (1985).

411 Hay (1985) 250.

412 Title 17 USC § 101(b) (1976) (repealed 1978).

413 Title 17 USC § 504(c). See also Simensky (1987) 28.

awards of statutory damages.⁴¹⁴ The first relevant problem pertains to proof of damage. Under the 1909 Act, some courts argued that the purpose of such damages was to compensate a plaintiff who could establish the fact of injury but not the amount of damages. Other courts held that an award of the minimum amount was mandatory, even though the existence of actual damages had not been proved.⁴¹⁵ The second, and related, problem was whether a plaintiff could elect statutory damages when actual profits or damage were ascertainable.⁴¹⁶ The 1976 Act dealt with both these problems by giving the plaintiff an absolute right to elect statutory damages and making the minimum award compulsory.⁴¹⁷ The minimum award was also problematic as it was uncertain whether it was to be made against an innocent infringer.⁴¹⁸ This was dealt with in the current Act by setting a lower minimum award for innocent infringers.⁴¹⁹ This is viewed as striking a reasonable balance between the parties' respective rights while remaining consistent with the deterrent function of the provisions.⁴²⁰

It is stated that the factors which a court considers when determining the amount of an award satisfy both the compensatory and the deterrent aims of these provisions.⁴²¹ Factors mentioned by the courts include the extent of infringement, volume of infringing business, revenue lost by plaintiff, culpability of the infringer, and the need to deter other infringers.⁴²²

414 Only those problems which might be relevant in South Africa will be mentioned here: a full discussion can be found in Ferch (1984) 485 and Hay (1985) 241.

415 Ferch (1984) 491-492.

416 *Idem* at 492.

417 Title 17 USC § 504(c)(1) - 'in a sum of not less than \$250'.

418 Ferch (1984) 497.

419 Title 17 USC § 504(c)(2).

420 Ferch (1984) 506.

421 Hay (1985) 251.

422 *Idem* at 252. See also Keenon (1986) at 827.

When a minimum amount is awarded, an award of statutory damages clearly shows traces of the English concept of nominal damages. It can also be viewed as having a punitive effect, as it is linked to blameworthiness on the defendant's part.⁴²³ Neither of these concepts is unknown to South African law, although they have been rejected here as being of English origin. The two primary functions of statutory damages, compensation and deterrence, are both acknowledged in South African law, although only the compensatory function is relevant for delictual damages. The adoption of statutory damages by the new Canadian Act, which states that '[b]ecause the extent of infringement is particularly difficult to prove ... [this remedy] ... would effectively guarantee a minimum award once infringement is proven and would serve to deter future infringements'⁴²⁴ shows that the remedy is not unacceptable in jurisdictions which have an English background. The fact that this remedy exists for copyright infringement only is by historical accident, as the history of the remedy shows. I believe that it is equally appropriate in trade mark proceedings and will serve the deterrent function required by TRIPS.⁴²⁵

I believe that the introduction of such a remedy would help to alleviate the problems experienced by South African plaintiffs.

However, it is apparent that for this or any other remedy which purports to assist plaintiffs in obtaining pecuniary recompense to be successful, Parliament will have to state clearly that the remedy is not based on Aquilian principles and must not be assessed on a compensatory basis. Parliament will also have to deal with the amount of evidence required before such a remedy is granted, as otherwise evidentiary requirements will make any innovation less accessible to litigants.

423 This is acknowledged in the wilfulness provisions of Title 17 USC § 504(c)(2); see also Hay (1985) 256-257.

424 News Release Canadian copyright legislation (1996).

425 See chapter 8 at 3.1.2 below.

CHAPTER 6

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CHAPTER 6

INQUIRY¹ AS TO DAMAGES

1 INTRODUCTION

Awards of damages for trade mark infringement or passing off are not uncommon in England. By contrast, no South African court has ever made such an award for trade mark infringement, and damages for passing off have been awarded in one or two decisions only.

In this chapter, the procedure which must be followed when damages are sought is investigated to determine whether this affects the incidence of damages awards. Damages for trade mark infringement or passing off are always viewed as unliquidated, and so only the procedure to obtain unliquidated damages is considered.

This chapter starts with a study of the English procedure. The historical reasons for the separation of merits and quantum are briefly sketched, and an attempt is made to distinguish between a separation of issues and an inquiry as to damages.

An inquiry is the usual order given when damages are sought in intellectual property proceedings. The current procedure before and on inquiry is detailed. The status of a judgment after an inquiry and matters incidental to such a judgment are set out. Finally, problems encountered in England with the implementation of inquiry procedure are considered.

The differences between English inquiries and their Australian and Canadian equivalents are then determined.

In South Africa unliquidated damages are usually obtained by way of action procedure. This procedure is dealt with in general terms, after which orders for a separation of

¹ English legislation and decisions use the spelling 'inquiry' while South African legislation refers to an 'enquiry'. The English form is used except in quotations.

issues are considered.

The 1993 Trade Marks Act makes statutory provision for inquiries as to damages.² Before this legislation, some attempts were made to introduce inquiries into South African practice. They are briefly described. The distinction between inquiries and a separation of issues in South Africa is considered. Finally, the advantages of the inquiry procedure and legislative changes required to ensure its local acceptance are discussed.

2 ENGLAND

2.1 HISTORICAL DEVELOPMENT

2.1.1 Common Law

Before the Judicature Acts of 1873 and 1875, an award of damages could be made only by a common-law court. These courts consisted of a judge and jury. The judge decided issues of law, the jury issues of fact. The amount of damages to be awarded to a successful plaintiff, as distinct from issues of liability for damages, was viewed as an issue of fact and so was determined by a jury, not by the judge deciding the legal issues. When issues of fact were tried by a jury, the jury would simultaneously also assess damages.³ However, when a judge merely made a finding on an issue of law, and held that the plaintiff was entitled to damages without specifying an amount, the judgment was viewed as interlocutory and a writ of inquiry was issued to the sheriff, directing him to have the question of damages tried by a jury.⁴ The sheriff then furnished a return to the court stating the amount of damages found due, and the court

2 Section 34(4) of the Trade Marks Act of 1993 (SA).

3 Stephen (1860) 98.

4 Millar (1952) 368-369; Stephen (1860) 98.

entered final judgment in this amount.⁵

The first move away from the assessment of damages by a jury is found in the Common Law Procedure Act 1852, which provided that when it appeared to the court that the amount of damages sought by a plaintiff was 'substantially a matter of calculation',⁶ the court could direct that the amount be ascertained by a master of the court. This was viewed as the equivalent of 'the finding of a jury upon a writ of inquiry'.⁷

The Common Law Procedure Act 1854 permitted these courts to grant injunctions,⁸ previously the prerogative of chancery courts. It also set in motion the decline of jury trials, by providing that the parties could agree in writing to leave 'the decision of any issue of fact'⁹ to the court, and that damages could be assessed 'where necessary, in open court, ... by any judge who might otherwise have presided at the trial thereof by jury'.¹⁰

So the position at common law from 1854 was that when damages were awarded, they could, depending on the circumstances, be assessed by a judge, a jury, or a master.

2.1.2 Equity

Chancery courts traditionally granted injunctive relief, together with an account of profits when appropriate. Lord Cairns' Act 1858 granted these courts the power to

5 Ibid.

6 Section 94 of the Common Law Procedure Act 1852.

7 Ibid; see also Stephen (1860) 98 footnote (I).

8 Section 82 of the Common Law Procedure Act 1854.

9 Section 1.

10 Ibid.

award damages.¹¹ Damages could be assessed either by the chancery court itself¹² or by a jury constituted on the same basis as a jury at common law.¹³ The assessment of damages could also be referred to a common-law court for assessment by a jury.¹⁴

The position in equity from 1858 was therefore that a chancery court could order an injunction and account of profits, which was assessed by a master,¹⁵ or an injunction together with damages, which were assessed either by the court itself, by a common-law jury, or by a jury constituted in chancery.¹⁶

2.1.3 Development after fusion of the courts

The Judicature Acts of 1873 and 1875 did not simplify matters. The 1873 Act created the office of official referee,¹⁷ and gave this official the power to conduct investigations and examinations, and conduct trials on issues of fact or questions of account.¹⁸ It is clear from decided cases of the time, that official referees were entrusted with both inquiries as to damages and the determination of accounts of profits.¹⁹

11 Section 2 of Lord Cairns' Act 1858.

12 Section 5.

13 Section 3.

14 Section 6.

15 Eichengrun (1985) 467; Stoljar (1964) 220; see also *Crosley* (1838) 428 for the problems of taking an account before a master. The office of master in chancery was abolished in 1852. These officials were subsequently known as chief clerks until 1897, when the title of master was reintroduced: see *Halsbury Courts* (1975) 449 footnote 1 and Kerly (1890) 283. This was merely a change in name and did not affect the allocation of work to such officials.

16 In *Penn* (1867) 85, the chancery court, when itself determining damages on an existing royalty basis, stated that if the plaintiff had not granted licences, the question of damages would have been one of great difficulty. The judge added: 'I do not hesitate to say I should not have attempted to grapple with it, but I should have sent it to a jury to settle the amount of damages' (at 85).

17 Section 83 of the Judicature Act 1873.

18 Section 57.

19 *Siddell* (1892) 163 - accounts; *Alexander* (1895) 362 - inquiry; *Ashover Fluor* (1911) 356 - inquiry.

Neither Act, however, affected the availability of trials by jury²⁰ or methods of procedure in force at common law or in equity before their enactment.²¹ Although the Rules of Court promulgated together with the 1875 Judicature Act contain references to inquiries, these were to inquiries in the context of default judgments. The rules provided that interlocutory judgment could be entered and a writ issued to assess damages, but also that the court could, instead of a writ of inquiry, order that damages 'shall be ascertained in any way in which any question arising in an action may be tried'.²² While no pertinent provision was made for inquiries after trial,²³ it can be assumed that similar procedures applied in respect of such inquiries. It consequently appears that after fusion of the two court systems, damages could be assessed by either a court official, the court itself, or a jury. An inquiry could be ordered by any of the newly created divisions of the High Court.²⁴

Unlike subsequent legislation,²⁵ the Judicature Acts did not grant the chancery division exclusive jurisdiction to hear intellectual property matters. However, such matters were traditionally brought in this division, where jury trials were a rarity, and where the court was accustomed to referring accounts and inquiries to court officials. Assessment of damages by the court itself, or by a jury, became increasingly less common, and the current situation is that assessment of damages by a court is the exception, rather than

20 Section 72 of the Judicature Act 1873; sections 20 and 22 of the Judicature Act 1875.

21 Section 73 of the Judicature Act 1873; section 21 of the Judicature Act 1875.

22 Orders 13(6) and 24(4) of the Rules of Court 1875.

23 Order 33 of the Rules of Court 1875, titled 'Inquiries and Accounts', dealt with interim proceedings, not inquiries after a judgment.

24 Sections 16 and 24(3) of the Judicature Act 1873.

25 Currently section 61(1), read with schedule 1 paragraph 1(i) of the Supreme Court Act 1981 (UK), assigns all causes and matters relating to patents, trade marks, registered designs, copyright, or design rights to the chancery division. The Court of Appeal held in *McCain International* (1981) 82 that passing off matters should be brought in the chancery division; see also Kerly (1986) 431.

the rule.²⁶

2.2 THE ORDER OF AN INQUIRY AFTER JUDGMENT

There is a greater acceptance of the separate determination of liability and quantum in English law than in South African law. This may be ascribed to both common-law and chancery practice. The traditional approach at common law, whereby a judge determined liability and then referred assessment of damages to a jury, has resulted in the view that damages are not determined at a trial on the merits, but at a later stage. In chancery proceedings, the calculation of damages is frequently complicated.²⁷ These courts have also assumed that the calculation of damages will be postponed for later determination.²⁸

2.2.1 Distinction between a split trial and an inquiry

The separation of issues, for separate trials on the issues of liability and damages, is usually determined before trial by order of court²⁹ or in terms of a summons for directions.³⁰ It is usually granted only if there is a clear indication that the issues of liability and damages are sufficiently distinct.³¹

26 Both Kerly (1986) 327 and Wadlow (1995) 580 assume that if anything other than nominal damages are awarded, the order will be for an inquiry, and the court will not itself assess damages. See also *Smith Kline*.¹ (1989) 403, where the defendant's request for the court to order payment of a sum rather than an inquiry was described as 'somewhat unusual'.

27 Odgers (1991) 374.

28 In the *British Thomson-Houston* (1925) patent decision, the court, after postponing judgment to canvass the issue with other judges, held as follows: 'The proper form of order in these cases, as in all other motions for judgment in the Chancery Division, where damages are given, will be:- Direct an inquiry as to damages' (at 306). See also Blanco White (1974) 427 footnote 62: 'It is, of course, normal Chancery procedure, that the court does not assess damages at the trial but orders an inquiry.'

29 RSC Order 33,r.3.

30 RSC Order 25,r.1 read together with RSC Order 33,r.4(2).

31 *Supreme Court Practice* (1995) 593; *Halsbury Practice and Procedure* (1982) 369.

An inquiry as to damages also presupposes that merits and quantum are not considered together. However, this is not viewed as a splitting of trials, and it is not necessary to obtain leave to have damages determined at an inquiry once the merits have been decided. The reason for this is not clear, but is probably linked to the historical development of the inquiry procedure at common law and in equity.³²

This is not the only distinction between a separation of issues and an inquiry. While a split trial presupposes two distinct trial actions, an inquiry may follow after a motion or summons for summary judgment.³³ Also, trial procedure is not necessarily followed at an inquiry, as the evidence is frequently presented on affidavit. Finally, the request for an inquiry, rather than damages, in the document commencing proceedings, has the effect that no pre-trial disclosure of information relating to damages need be made during preparations for a trial or other hearing on the merits.

2.2.2 Discretion of the trial court to order an inquiry

When an injunction is granted in trade mark infringement and passing off proceedings the plaintiff is usually also granted an inquiry as to damages. However, this is not a fixed rule and the court may refuse an inquiry if satisfied that it would be fruitless. In an early instance of infringement, the court refused an inquiry on the basis that there was insufficient evidence of sales to justify such an order.³⁴ In *Spalding*, the court held that the minimal evidence of actual damage was not sufficient reason to deprive the plaintiffs of an inquiry, as '[t]he improbability of their proving much is not the same thing as the legal certainty that they can prove nothing'.³⁵ In both these decisions, the evidence on damage presented to support actions for an injunction appeared

32 In the early *Wallis* (1889) 356 decision, the court objected to the 'splitting up of the trial into two inquiries - first as to the right; and secondly, as to the amount of damages'.

33 *Sony* (1982) 202-203; *Edenwest* (1994) 280.

34 *Sanitas* (1887) 533.

35 *Spalding* (1915) 289.

sufficiently slight to justify the court's finding.

However, this must not be interpreted as confusing proof of damage with proof of the quantum of damages. This is illustrated by the *McDonald's* decision, where the court pertinently considered its discretion to order an inquiry. The court held that if a plaintiff has an arguable case for claiming damages, the court will as a matter of ordinary justice, make an order for an inquiry.³⁶ It distinguished between issues relating to proof of damage and proof of quantum as follows:

'There is no need to prove damage at the trial; the statement of claim made it quite clear that what was being asked for was an enquiry; the risk of damage justified the grant of an injunction, and it was not necessary, according to normal practice, to establish the precise damage relied upon at the trial.'³⁷

The court has also on occasion granted a small sum as damages rather than an inquiry when it felt that an inquiry would be futile.³⁸ It therefore appears that, although the court has a discretion as to whether to order an inquiry, this will be exercised against the plaintiff only in the most extreme instances.

2.3 PRE-INQUIRY PROCEDURE

The Supreme Court Rules which govern inquiries are not limited to inquiries as to damages after trial but deal with all forms of inquiries. Inquiries can relate to purely formal matters, or can be indistinguishable from a full trial with witnesses.³⁹ It is for this reason that no standard procedure is imposed by the rules, which allows the procedure

36 *McDonald's* (1987) 118.

37 At 120. *Wadlow* (1995) 580-581 confirms this view: 'discovery in the action does not cover quantum of damage, and the plaintiff does not come to court prepared to prove how much damage he may have suffered'.

38 *Samuelson* (1931) 590.

39 *Supreme Court Practice* (1995) 725.

to be adapted to suit the subject-matter of the specific inquiry.

2.3.1 Pleadings and procedure before the inquiry order

In England, although a plaintiff must specifically state the relief or remedy he claims in his statement of claim,⁴⁰ he is not required to specify or quantify general damages in his pleadings.⁴¹ Most damages in trade mark infringement and passing off proceedings, including loss of profits,⁴² are classified as general damages (damages which are a result of damage which is the 'necessary and immediate consequence of the wrongful act').⁴³ This has the effect that the plaintiff need not canvass damages in his writ or statement of claim, or furnish further particulars as to the damages he claims. The plaintiff merely includes a prayer for an inquiry as to damages in his writ, and the issue of damages is then not considered further until a finding on the merits has been made.

There is statutory provision that discovery need not be made regarding certain issues where other issues or questions are to be determined first.⁴⁴ The practical effect of an inquiry or a postponement of a consideration of quantum is, therefore, also that, before the hearing on the merits, there is no need for discovery or other pre-trial procedures relating to the assessment of damages.⁴⁵ The court, when ordering an inquiry, may give directions for compliance with these procedures; if it does not, a summons for directions must be taken out.

40 RSC Order 18,r.15(1).

41 Halsbury *Damages* (1975) 483; McGregor (1988) 1119-1120; *Supreme Court Practice* (1995) 309.

42 McGregor (1988) 1121; Wadlow (1995) 582.

43 *Perestrello* (1969) 485.

44 RSC Order 24,r.2(5)(b); RSC Order 24,r.4.

45 Fellner (1991) 1; Halsbury *Practice and Procedure* (1982) 367; *Supreme Court Practice* (1995) 438.

2.3.2 Summons for directions

The first step after a trial or other hearing at which the court has ordered an inquiry as to damages,⁴⁶ is to obtain directions on how the inquiry must be carried out, to regulate matters such as discovery, evidence, and the presentation of particulars of special damages.⁴⁷ If the court does not itself give directions when ordering the inquiry,⁴⁸ a summons for directions must be taken out. The summons for directions procedure was first introduced in 1954 to shorten trials and cut costs by ensuring a thorough stock-taking of the issues in an action and the manner in which evidence should be presented at trial.⁴⁹ This procedure is very useful as the specific issues of fact and law arising in a particular instance are considered, and the prescribed procedure can be adapted to suit the specific circumstances. The order provides that such directions may be given as 'appear best adapted to secure the just, expeditious and economical'⁵⁰ disposal of the action. In trial actions a summons must be taken out after close of pleadings;⁵¹ where an inquiry has been ordered, summons may be taken out whenever the plaintiff wishes to proceed.⁵² A variety of considerations which could shorten proceedings may be dealt with in a summons for directions, while in directions on inquiries, matters such as discovery, the question of whether evidence will be presented orally or on affidavit, and the filing of documentary proof are addressed.⁵³

46 The procedure created by RSC Order 43,r.3 is not relevant, as the inquiry has been ordered after, not during, trial.

47 Halsbury *Practice and Procedure* (1982) 370.

48 RSC Order 44,r.3(1)(a).

49 *Supreme Court Practice* (1995) 471.

50 RSC Order 25,r.1(1)(b).

51 RSC Order 25,r.1.

52 *Nicols* (1985) 447; *Wadlow* (1995) 564. See also RSC Order 37,r.4(3).

53 *Nicols* (1985) 447.

2.3.3 Discovery and documentary proof

As the summons for directions allows a wide latitude in the directions which may be given, the court or master giving directions may order discovery of anything which assists proof of quantum. The same principles prevail as apply to discovery in respect of any other issue.⁵⁴ The defendant may even be ordered to make discovery and lodge evidence on affidavit before the plaintiff is required to serve his evidence in support of his claim.⁵⁵ This is of great value to a plaintiff, who frequently requires information which is specifically within the defendant's knowledge to formulate his claim for damages. The courts do attempt to protect the defendant to some extent. In one instance the court stated obiter that, had the defendant not admitted supplying infringing goods, it would not have granted discovery to the extent requested by the plaintiff until he had formulated the particulars of infringement he was intending to rely on at the inquiry.⁵⁶

The defendant will usually be ordered to make full discovery of documents showing infringing production and sales, and can be ordered to set out names and addresses of purchasers of infringing goods.⁵⁷ If the plaintiff alleges loss of profits, he may be ordered to make discovery of documents showing his business records.⁵⁸ In all instances the test is whether discovery is relevant to the issue at hand - the determination of damages. Discovery will not be ordered against either party if the relevance of the documents cannot be shown.⁵⁹ The court may also impose safeguards

54 *British United Shoe* (1929) 317. The general principles governing discovery fall outside the ambit of this work. A useful summary of them is contained in O'Hare (1993) 403-439.

55 This was done in *Nicols* (1985) 447. In *Aktiebolaget Manus* (1949) 288, the court stated that, in general, discovery by the defendant before the plaintiff had given particulars of the infringement which were to be relied on at the inquiry, would be discouraged, as it amounted to a fishing expedition, although in the particular circumstances the court was prepared to order discovery.

56 *Aktiebolaget Manus* (1949) 288.

57 *Blanco White* (1974) 434; *Terrell* (1994) 458.

58 *Ibid.*

59 *British United Shoe* (1929) 320; *Aktiebolaget Manus* (1949) 290.

on the inspection of documents to ensure that the documents are viewed only by persons who need the information they contain for the stated purpose.⁶⁰

The defendant cannot avoid the obligation to discover by alleging that information is unavailable or has been destroyed. In *General Tire*, the Court of Appeal held that 'deliberate destruction of records or, in particular circumstances, a failure to keep records may give rise to unfavourable inferences'.⁶¹ In a subsequent decision, the court held that as a consequence of the defendants having lost or destroyed relevant documents after the action commenced, the court would not give them the benefit of any doubt about the extent of sales; it would, in the absence of any contrary documentation, presume that sales were made after the date from which knowledge was assumed. This was so despite the fact that the burden of proving loss rested on the plaintiffs.⁶² The unfavourable inferences which will be drawn from a defendant's failure to make full disclosure or discovery ensure that a defendant does not attempt to evade liability by refusing to disclose information which could assist the plaintiff in quantifying his claim.

2.3.4 Notice to parties and witnesses

The party entitled to an inquiry must give notice of the date of hearing to the party against whom judgment was given.⁶³ This notice is compulsory, whether or not the defendant appeared in the action, and the master has no power to dispense with its service.⁶⁴

60 *Aktiebolaget Manus* (1949) 290; Kerly (1986) 338.

61 *General Tire*.1 (1975) 267.

62 *Infabrics* (1985) 81.

63 RSC Order 37, r.1.

64 *Supreme Court Practice* (1995) 635.

Witnesses may be subpoenaed to attend the proceedings.⁶⁵

2.4 PROCEDURE ON INQUIRY

An inquiry normally takes place in chambers, rather than in open court, unless a judge is hearing it in the form of an action where oral evidence is led.⁶⁶

2.4.1 Pleadings and evidence

Evidence may be placed before the master either on affidavit, or, if disputes of fact or law arise, by oral evidence.⁶⁷ The decision on the form in which evidence will be presented is usually made during the summons for directions.

If the evidence is to be presented on affidavit, the plaintiff files an affidavit in support of his claim, followed by the defendant's evidence in reply.⁶⁸ The matter is then argued before the master by the parties' legal representatives.⁶⁹

When evidence is presented orally, the procedure is very similar to that of a civil trial. The plaintiff's legal representative opens the proceedings and then calls the plaintiff and any witnesses. This is followed by the defendant's evidence. In *Draper*, the court stated that when inquiries involve the consideration of a number of questions of mixed fact and law, it would be of assistance to the court if the issues were defined with precision by points of claim and defence.⁷⁰ This procedure has now been adopted. If oral evidence is to be led, the master directs the service of points of claim and points

65 RSC Order 37,r.1(3).

66 *Cleveland Graphite* (1951) 182. See also RSC Order 37,r.4(1).

67 *Odgers* (1993) 376.

68 See *Nicols* (1985) 447-448.

69 *Odgers* (1993) 376.

70 *Draper.1* (1939) 231.

of defence, which have the same function as pleadings in an action.⁷¹

A combination of the two procedures can also be used with evidence on affidavit supplemented by cross-examination where necessary.⁷²

It is clear that the procedure can be adapted to suit the complexity of the matter; simple inquiries being conducted by the less expensive motion procedure and more complex inquiries by trial procedure.

2.4.2 Proof of damages

The plaintiff has to prove both the fact and the amount of damage before he can obtain substantial damages.⁷³ A failure to prove either the fact of damage or its extent will result in an award of nominal damages where a right has been infringed.⁷⁴ Trade mark infringement and passing off proceedings are 'one of the class of cases in which the law presumes that the plaintiff has suffered damage',⁷⁵ as a right has been infringed. This quotation is sometimes relied on to allege that more than nominal damages can be obtained without proof of actual loss. The contrary argument was made above⁷⁶ - this quotation cannot be read as implying that substantial damages will be awarded because of this presumption. McGregor cautions that it is unwise of a plaintiff to rely on such presumptions, as a failure to produce evidence of damages may result in an award of small or nominal damages.⁷⁷ McGregor's view is supported in the paragraph following the *Draper* quotation above:

71 Odgers (1993) 376. An example of these points appears in *Lewis Trusts* (1982) 283-285.

72 *Draper*.1 (1939) 231; *Cleveland Graphite* (1951) 182; *General Tire*.1 (1975) 207.

73 McGregor (1988) 1134.

74 *Idem* at 1134 footnote 1.

75 *Draper* (1939) 442.

76 Chapter 5 at 3.5.2.1.

77 McGregor (1988) 1137.

'That does not mean that the plaintiff cannot give evidence showing that he has suffered damage in fact. The more he can show that he has suffered damage in fact, the larger the damages he can recover. The more the defendant can show that he has suffered no damage in fact, the less he will recover.'⁷⁸

Decided cases also confirm McGregor's view: in an early inquiry the court held that 'it lies on the Plaintiffs to prove some distinct damage from the use of their trade-mark by shewing loss of custom or something of that kind',⁷⁹ and refused to grant any damages. In a more recent decision, where the facts showed that the plaintiffs would be unlikely to produce evidence of actual lost sales, the court, although granting an inquiry, referred to it as a 'weak' case. It was not, however, prepared to deprive the plaintiffs of 'the opportunity - which may turn out to be wholly unsuccessful, but that is a matter for them - of seeking to establish that the exposure of this advertisement caused them some assessable damage'.⁸⁰ This does not imply that a plaintiff must always submit evidence from purchasers who were actually deceived;⁸¹ merely that some evidence of quantifiable damages is required. Finally, the House of Lords has held, on appeal from an inquiry as to damages, that there are two essential principles when assessing a claim for damages:

'first, that the plaintiffs have the burden of proving their loss: second, that the defendants being wrongdoers, damages should be liberally assessed but that the object is to compensate the plaintiffs and not punish the defendants'.⁸²

In some inquiries, detailed calculations based on the parties' evidence and on

78 *Draper* (1939) 442.

79 *Leather Cloth* (1865) 302.

80 *McDonald's* (1987) 122.

81 *Plomien* (1943) 215-216.

82 *General Tire* (1975) 824.

discovery, are presented to the master or court,⁸³ who then decides which heads of damage may be allowed. In other instances, agreed calculations by accountants, based on information obtained on discovery and from evidence, form the basis for assessment.⁸⁴ The court once again decides which damages will be allowed, but awards these damages on the basis of figures previously agreed upon by the parties. But in all instances the minimum information which must be presented includes the turnover of both parties and the number of infringing items manufactured or sold by the defendant.⁸⁵ It is only after adequate information has been submitted that the courts sometimes state that a robust approach must be taken and that precise or exact calculations cannot be made.⁸⁶ Such statements are not made where only minimal information has been tendered.

If the trade mark infringement or passing off has not ceased before the inquiry, it may be viewed as a continuing cause of action. Damages may then be assessed to the date of the inquiry finding.⁸⁷

2.5 JUDGMENT

2.5.1 Order of the master or court

An order as to quantum of damages is viewed as replacing a jury finding on damages. References to the manner in which a jury would assess damages are frequently encountered.⁸⁸ It is accepted that it is impossible to assess damages with mathematical

83 See *Spalding* (1918) 106 where particulars of various heads of damage are detailed; also *United Horse Shoe* (1888) 262; *P B Cow* (1961) 239.

84 *Plomien* (1943) 210; *Gerber Garment* (1995) 392.

85 *PB Cow* (1961) 239; *Lewis Trusts* (1982) 284-286; *Unik* (1983) 124; *Gerber Garment* (1995) 392.

86 *PB Cow* (1961) 239; *Unik* (1983) 123.

87 RSC Order 37, r.6.

88 *Watson Laidlaw* (1914) 113; *Juggi Lal-Kamlapat* (1928) 79; *PB Cow* (1961) 239.

accuracy in any inquiry. The calculation of damages is described as a rough, or a reasonably accurate estimate made on the evidence before the master or court.⁸⁹ However, because the court is assessing a question of fact, it has also been held that before making a finding on damages the master or judge should 'express in detail the manner of his approach to his estimation of amount'.⁹⁰ The master or judge is therefore expected to set out the basis on which he reached his conclusions, and not merely to state the amount he has found due. It is clear, however, that he is not expected to be satisfied that the amount he awards is mathematically correct but merely that it is, 'in all the circumstances of the case, of the right order of magnitude'.⁹¹ If the inquiry has been conducted before a master, he then certifies the amount of damages he has found due and files this certificate in the chancery division office.⁹² The decision of a judge is delivered in the normal fashion.

2.5.2 Costs and payment into court

If there were no sanction against a plaintiff, an inquiry would often be requested despite the unlikelihood of any substantial award, or inflated claims would be made. It is for this reason that costs of an inquiry are always reserved. This means that these costs will not be allowed on taxation; each party must pay its own costs unless the court makes a specific order dealing with them.⁹³ The plaintiff who proceeds with an inquiry is, therefore, at risk of being liable for at least his own costs. Inquiries can often be as or more expensive than the preceding trial,⁹⁴ and even if a plaintiff obtains some damages, the court's refusal to make a costs order, or the grant of a costs order

89 *United Horse Shoe* (1888) 267; *Aktiebolaget Manus* (1949) 250; *Gerber Garment* (1995) 396.

90 *P B Cow* (1961) 239; see also *Alexander* (1895) 368.

91 *Unik* (1983) 123.

92 RSC Order 37, r.2.

93 *Halsbury Practice and Procedure* (1982) 547.

94 See, for example, *Aktiebolaget Manus* (1949) 291, where counsel for the defendant informed the court that the costs of appeal against a discovery order preceding an inquiry would be less than the expense of making discovery of more than 200 000 documents.

against him, may result in expenses in excess of any damages he has recovered.⁹⁵

The costs of all proceedings in the High Court and the Court of Appeal are in the discretion of the court, which has the full power to determine by whom and to what extent the costs are to be paid.⁹⁶ Although a party has no right to a costs order and the discretion of the court is described as unfettered and absolute, this discretion must be exercised judicially in accordance with reason and justice.⁹⁷

When applied to the costs of an inquiry, the court's discretion has on occasion resulted in conflicting costs awards. Although an award of costs has sometimes been made in favour of a plaintiff who has been granted a fraction of his original claim for damages, on the basis that he has had substantial success in the inquiry,⁹⁸ in other similar instances the court has either made only a partial costs order in the plaintiff's favour,⁹⁹ or has ordered the plaintiff to pay the inquiry costs.¹⁰⁰ But, a defendant cannot be certain that he will escape a costs order against him, even if he feels that the claim is grossly exaggerated.

However, the position changes where a defendant makes a payment into court. The rules provide that, when a court exercises its discretion as to costs, it must take

95 *Spalding* (1918) is a good example: the inquiry lasted for ten days with more than 50 witnesses and two subsequent appeals against the inquiry lasted a further fifteen days, which lead the court to remark that '[t]he necessary but most regrettable consequence of such a state of things must be that the importance of who shall bear the costs of these proceedings is far greater than the importance of who was right or who was wrong in the original matter in dispute between the parties' (at 119).

96 Section 51(1) and (3) of the Supreme Court Act 1981 (UK).

97 *Halsbury Practice and Procedure* (1982) 549-550.

98 *Plomien* (1943) 216 - 7 406 pounds claimed but 750 pounds awarded; *Aktiebolaget Manus* (1954) 250 - more than 67 000 pounds claimed but 10 000 pounds awarded.

99 *Draper* (1939) 444 - 48 000 pounds claimed but 2 000 pounds awarded; the plaintiffs were granted half their costs.

100 *Spalding* (1918) 123 - over 20 000 pounds claimed but 250 pounds awarded.

account of any payment into court and the amount of such payment.¹⁰¹ The general practice is that if a plaintiff accepts a payment into court, he is entitled to his costs to date. If he refuses the payment and the amount of the judgment is larger than the payment, he will usually be entitled to all costs of action. If, however, the court finds the defendant liable for an amount less than that paid into court, the plaintiff is entitled to costs up to date of payment, but becomes liable for the defendant's costs after that date.¹⁰² This is also accepted practice when costs of an inquiry are in issue.¹⁰³ The existence of the procedure allowing payments into court protects a defendant against a plaintiff who makes inflated or unjustified claims.

2.5.3 Interest on the award of damages

2.5.3.1 *Statutory provisions*

General provisions for the payment of interest on damages awards were first enacted in 1934.¹⁰⁴ Such payment is currently regulated by section 35A of the Supreme Court Act 1981. This statute gives a court a discretion whether to award interest at all, and, if so, at what rate, on what part of the damages, and for what period between the accrual of action and the date of judgment.¹⁰⁵ Different provisions apply after judgment, when the judgment debt carries interest at a statutorily determined rate from the time of entering judgment until the judgment has been satisfied.¹⁰⁶

The basis for an award of interest is seen as compensatory: the defendant has

101 RSC Order 62,r.9(1)(b).

102 Odgers (1991) 444-445; O'Hare (1993) 352.

103 *P B Cow* (1961) 241.

104 Section 3(1) of the Law Reform (Miscellaneous Provisions) Act 1934.

105 McGregor (1988) 370-371.

106 Section 17 of the Judgments Act 1838.

deprived the plaintiff of the use of his money and has been able to use it himself.¹⁰⁷

A claim for interest must be specifically pleaded,¹⁰⁸ and the statute in terms of which interest is claimed must also be mentioned.¹⁰⁹ An order for interest in terms of section 35A runs until the date of final judgment - the date on which the damages are assessed, not the date on which the inquiry was ordered. After that date, interest on a judgment debt can be recovered in terms of the Judgments Act 1838.¹¹⁰ Despite the existence of legislation from 1934, interest was until relatively recently not usually requested on awards of damages in instances of intellectual property infringement.

2.5.3.2 *Period for which interest is granted*

In an instance of patent infringement, the trial court awarded interest for the whole period between the date when the cause of action arose and the date of judgment, on the basis that the plaintiffs had been kept out of some of their money from the onset of infringement.¹¹¹ On appeal, the House of Lords held that in normal commercial practice, royalties in respect of use before grant of a patent are not expected to be paid before grant. Also, as no evidence of interest being paid for this period had been submitted, the Law Lords allowed interest to run only from grant of patent, not from the earlier date allowed by the trial court.¹¹² In an instance of copyright infringement, the court granted interest from the date on which the defendant was held to have had knowledge of

107 Halsbury *Damages* (1975) 490.

108 RSC Order 18,r.8(4).

109 *Supreme Court Practice* (1995) 299; see also *McDonald's* (1987) 113, where it is stated that the claim need appear only in the prayer, not in the body of the pleading.

110 Section 17.

111 *General Tire* 1 (1975) 233 - the interest awarded by the court a quo from the commencement of infringement in 1958 until judgment in 1973 amounted to 459 000 pounds on an award of 930 000 pounds.

112 *General Tire* (1975) 837.

infringing behaviour.¹¹³ The normal practice is to award interest on damages awards for economic loss from the date on which the loss occurred.¹¹⁴ However, if the loss cannot be quantified until judgment, as when an inquiry is ordered, the court has a discretion to award interest from the date upon which the cause of action arose or any later date.¹¹⁵

2.5.3.3 Rate of interest

Various rates of interest are used, the most common being the commercial rate, which is the rate which the plaintiff would have had to pay to borrow the money,¹¹⁶ or the 'ordinary' interest rate, which is the rate of interest available on monies invested in court on special account during the relevant period.¹¹⁷

2.6 APPEALS FROM AN INQUIRY

An appeal from the decision of a chancery master on an assessment of damages lies directly to the Court of Appeal.¹¹⁸ The appeal is 'by way of rehearing',¹¹⁹ which does not mean that the witnesses are heard afresh, but that the court considers all the evidence presented in the lower court.¹²⁰ The grounds on which a court of appeal will interfere with an assessment of damages are

113 *Infabrics* (1985) 86.

114 *Supreme Court Practice* (1995) 40.

115 *Ibid.*

116 *Gerber Garment* (1995) 420.

117 *Supreme Court Practice* (1995) 40; see *General Tire*.1 (1975) 233 for how this is calculated if the rate fluctuates.

118 RSC Order 58,r.2(b). Before 1982 appeals from chancery masters lay to a single judge, not the Court of Appeal.

119 RSC Order 59,r.3(1).

120 *Supreme Court Practice* (1995) 962.

'that this court should be convinced either that the judge acted upon some wrong principle of law, or that the amount awarded was so extremely high or so very small as to make it, in the judgment of this court, an entirely erroneous estimate of the damage to which the plaintiff is entitled'.¹²¹

This general view is reflected by courts hearing appeals against inquiry findings in intellectual property matters. A court will not alter the award unless persuaded that the master was wrong, and not merely because the court would itself have assessed damages at a different figure.¹²²

2.7 PROBLEMS RELATING TO INQUIRIES

From an early stage, complaints have been voiced about the cost of inquiries. In 1889, the Court of Appeal described the practice of referring cases to the official referee for the assessment of damages as 'a melancholy spectacle to see a common law cause which might have been heard in one day transformed and inflated into a Chancery suit which had lasted Heaven knew how long'.¹²³ It proceeded to hold that

'[i]t must not be taken ... that in every case in the Chancery Division the Court ought to direct an inquiry as to damages instead of assessing the damages itself. Cases ought only to be referred to other persons to assess the damages where the inquiry involved questions of detail which it would be wasting the time of the Court to investigate'.¹²⁴

In 1918, referring to an inquiry before an official referee, it was remarked that 'as a rule, the matters in dispute are contested with the utmost elaboration and at great

121 *Flint* (1935) 360.

122 *Unik* (1983) 122.

123 *Wallis* (1889) 356.

124 *Ibid.*

consequent expense to the parties'.¹²⁵

On occasion, the court has itself been asked to assess damages. The parties bluntly stated that 'if one has an inquiry in a case of this kind it is going to involve a great deal of time and money'.¹²⁶ In this instance, the court stated that it would not have been prepared to deal with the question of damages on this basis unless the defendants had requested it.¹²⁷ This was despite the fact that the determination of damages was merely a computation based on the prices charged in different countries for sales of an agreed amount of infringing goods.

The complaints about the duration and expense of an inquiry must, however, be seen in the context of a normal trial action where damages must be quantified. I think that any attempt to quantify unliquidated damages will be time-consuming and expensive, and that the inquiry procedure, where proceedings can be tailored to suit the facts of the matter, will usually be less expensive than trial proceedings. However, where the amount of damages is easy to establish, the procedure exists for the parties to ask the trial court to assess damages. This facility should be better utilised. It is, in any event, probable that where the extent of damages does not require judicial determination, the parties themselves will settle on a figure. There are for this reason very few reported cases where the court has been asked to assess damages at the end of a hearing on the merits.

3 AUSTRALIA

The inquiry procedure is available in Australia¹²⁸ and is substantially similar to that in

125 *Spalding* (1918) 119.

126 *Smith Kline*.1 (1989) 403.

127 *Ibid.*

128 Interestingly, the Designs Report (1995) 271 refers to submissions by the Institute of Patent Attorneys of Australia as to the frustration of having to undertake separate proceedings to quantify costs after a finding of liability. Other submissions were that this led to a risk of delay

England. English decisions form the bulk of the authority referred to by the Australian courts.

However, there are some important points of difference. First, the court may itself give special directions as to the inquiry and set out particular circumstances relevant to the inquiry.¹²⁹ These are included in the order of court and the proceedings must then be conducted in accordance with the order. The court order also specifies which matters are to be the subject of the inquiry; matters not covered by the order cannot be raised at the inquiry.¹³⁰ The order made in the leading Australian decision on accounts, where the same procedure is followed, shows that the order deals with matters more commonly included in an English summons for directions.¹³¹ But a summons to proceed, the equivalent of the English summons for directions, is also available to the parties.¹³²

A notice of judgment ordering an inquiry need be served only on parties who have an interest in the proceedings but were not formally parties to the action. Failure to serve the notice on a party will result in his not being bound by the outcome of the inquiry.¹³³

An inquiry is usually conducted before a registrar or master.¹³⁴ But the court may also decide to hear the matter itself. In one instance the judge making the order already had knowledge of the case and expressed the hope that by taking the account himself he

tactics and the danger of a defendant entering liquidation so that the remedy was no longer available.

129 *Laws of Australia Civil Procedure* (1994) 19.

130 *Ibid.*

131 *Colbeam Palmer* (1968) 48.

132 *Laws of Australia Civil Procedure* (1994) 21.

133 Cairns (1992) 573.

134 *Idem* at 574.

would limit expenses for the parties.¹³⁵

Where a master or registrar has heard the inquiry, the result is communicated to the court in a certificate which merely states the result of the inquiry, not the evidence on which the result is based. Unlike the position in England, a procedure exists for a party against whom the matter has been decided to seek a judge's opinion.¹³⁶ The judge may give an opinion but will not interfere with the master's decision unless it is clearly wrong.¹³⁷ Once settled and filed in court, the certificate becomes binding and can then be appealed.¹³⁸

The most important, and most useful, differences between Australian and English procedure are that the judge hearing the case on the merits may give directions on the inquiry procedure and may himself conduct the inquiry if he regards this as necessary or helpful.

4 CANADA

The position is substantially the same as in England. The decided cases referred to by Canadian authors are primarily English, and no difference in approach is evident.¹³⁹ If the damages are more than nominal, the assessment of quantum is almost invariably postponed to a post-trial reference.¹⁴⁰ The reference is to a registrar or referee, not a master.¹⁴¹ A Canadian court has approved the assessment of damages for intellectual

135 *Colbeam Palmer* (1968) 46.

136 Cairns (1992) 576.

137 *Ibid.*

138 *Ibid.*

139 See Cairns (1988) 101-106; Fox (1972) 459-466.

140 Cairns (1988) 109 footnote 46.

141 Section 40 of the Exchequer Court Act 1952.

property infringement as a continuing cause of action, until the date of inquiry.¹⁴² It has also been held that, where a plaintiff has already elected to take an inquiry rather than an account of profits, he cannot after trial attempt to change the basis of recovery because he is unable to prove damages.¹⁴³ The decision of a registrar or referee can be appealed to the trial division, and from where a further appeal lies to the Court of Appeal.¹⁴⁴

5 SOUTH AFRICA

5.1 GENERAL PROCEDURE TO OBTAIN DAMAGES

It is generally accepted that a claim for unliquidated damages may be brought only by action¹⁴⁵ and that a combined summons must be used.¹⁴⁶ Although the court has on occasion held that where the facts are not in dispute there is nothing in law prohibiting a creditor from claiming money owing to him by notice of motion, it was pertinently held in the same decision that this did not apply to unliquidated claims for damages.¹⁴⁷

It is possible for the merits and quantum to be assessed separately. Uniform Rule 33(4) provides that, on application by any party to a pending action, the court may decide a question of law or fact separately from any other question. The court may refuse such an application only if it appears that the questions cannot conveniently be decided separately. The party desiring separation must apply on notice before or during the trial.¹⁴⁸ When considering the meaning of the word 'convenient' in the rule, it has been

142 *Dubiner* (1966) 427.

143 *Cadbury Schweppes* (1995) 132.

144 Section 27(1) of the Federal Court Act 1970; *Gastbled* (1974) 430.

145 *Visser* (1993) 431.

146 Uniform Rule 17(2)(a).

147 *Regal Trading* (1956) 767.

148 *Erasmus* (1994) B1-237.

held that it is not used in the narrow sense of 'facility or ease or expedience'¹⁴⁹ but rather as 'fitting, and fair' to the parties concerned.¹⁵⁰ The court must weigh up the advantages and disadvantages likely to follow from the grant of this order, and although not called upon to give a decision on the merits, must consider the cogency of the point because, unless it has substance, a separate hearing will be a waste of time and costs.¹⁵¹

This procedure is frequently used to obtain separate trials on merits and quantum of damages. The court may, when giving judgment on the merits, give directions with regard to the hearing on damages.¹⁵² The usual procedure is for the court to make a finding on the merits and postpone the other issues sine die.¹⁵³ The separation of issues is usually requested shortly before or during the trial on the merits, and this procedure does not relieve the plaintiff from quantifying damages in his pleadings or from making discovery and complying with other pre-trial requirements on the issue of quantum, until separation of issues has been ordered. There is no statutory provision that excuses the parties from the obligation of complying with pre-trial requirements as regards the postponed issue, although compliance with these requirements might be difficult to enforce.

5.2 PLEADINGS

5.2.1 Statutory provisions

Uniform Rule 18(10) provides that 'a plaintiff suing for damages shall set them out in such a manner as will enable the defendant reasonably to assess the quantum thereof.'

149 *Minister of Agriculture* (1976) 363.

150 *Ibid.*

151 *Malinde* (1990) 68.

152 Uniform Rule 33(5).

153 *Swisstool* (1977) 606.

The decisions which deal with information required in terms of this rule must be read in the light of the abolition of further particulars for purposes of pleading in 1988.¹⁵⁴ It has been suggested that the effect of the abolition of further particulars is that the particularity to which the other party is entitled for the purpose of pleading will now have to be included in the initial pleading.¹⁵⁵ Although it was held in a subsequent decision that the ultimate test remains whether the pleadings comply with the general rule,¹⁵⁶ the court stated that the absence of an opportunity to clarify an ambiguity by way of further particulars might encourage greater particularity in the initial pleading.¹⁵⁷

5.2.2 General and special damages

A distinction has traditionally been drawn between the particularity required for general and special damages. Some decisions have held that a party need not furnish particulars of general damages,¹⁵⁸ while a defendant is entitled to be told how special damages are computed.¹⁵⁹ The problem with this approach is that the distinction between general and special damages is not always clear.¹⁶⁰ In broad terms, it can be stated that, in delict, special damages relate to pecuniary loss of which the quantum

154 Before this amendment to the rules, Uniform Rule 21(1) provided that a party was entitled to request such particulars as were strictly necessary to enable him to plead or to tender an amount in settlement.

155 *Loots* (1988) 152.

156 Uniform Rule 18(4): 'Every pleading shall contain a clear and concise statement of the material facts upon which the pleader relies for his claim, ... with sufficient particularity to enable the opposite party to reply thereto'.

157 *Trope* (1992) 210.

158 *Israel* (1942) 166.

159 *Durban Picture* (1976) 337.

160 *Durban Picture* (1976) 337: 'the distinction is artificial and of limited assistance'. The use of these terms in English tort law is influenced by the fact that damages need not be pleaded and by the existence of torts actionable *per se*; this has resulted in the attribution of different meanings to these terms for purposes of pleading and for burden of proof (see McGregor (1988) 14-15). South African law does not draw these distinctions but the terminology of English law has been used, which has resulted in the confusion as to the meaning of these concepts.

can be reasonably assessed,¹⁶¹ while general damages relate to claims which a party cannot substantiate with any accuracy.¹⁶² It appears to be accepted that loss of profits founds special damages, as it is viewed as an actual loss,¹⁶³ while injury to reputation gives rise to general damages.¹⁶⁴

5.2.3 Information required in pleadings

The general requirement is that damages must be set out in a way which enables the defendant reasonably to assess their quantum.¹⁶⁵

Traditionally, special damages had to be set out in some particularity and an indication had to be given of how the various amounts had been calculated.¹⁶⁶ It has been held that even if a defendant had knowledge of how the various amounts were calculated, he was entitled to have these calculations recorded in the plaintiff's pleadings to define the issues clearly and bind the plaintiff.¹⁶⁷ In contrast, it was held in a subsequent decision that the plaintiff need not provide particulars of general damages, as all the defendant requires is the ground on which the claim is based to enable him to establish the true nature of the claim against him.¹⁶⁸ The defendant was, however, not entitled to an 'advance abridged edition' of the plaintiff's evidence and could also not expect to be supplied with all the information he might require to make an adequate tender.¹⁶⁹

161 *Sasol* (1992) 472.

162 *Simmonds* (1980) 758.

163 *Durban Picture* (1976) 337; *Caxton* (1990) 561.

164 *Caxton* (1990) 561.

165 Uniform Rule 18(10).

166 *Durban Picture* (1976) 337.

167 *Ibid.*

168 *Simmonds* (1980) 758.

169 At 759.

More recent decisions no longer draw a strict distinction between special and general damages in delictual actions, but merely hold that a defendant is entitled to be furnished with sufficient evidence about the plaintiff's case to enable him reasonably to assess the quantum of the damages.¹⁷⁰

5.2.4 Amendment

A party may amend a pleading at any stage before judgment.¹⁷¹ A plaintiff may therefore increase a claim for damages after close of pleadings when discovery has placed him in a better position to quantify damages, or even during the hearing. In both instances the amendment is subject to a costs order.¹⁷² The other party is entitled to object to a request for amendment,¹⁷³ but the court will usually allow an amendment unless the application is mala fide, or the amendment will cause the other party an injustice which cannot be compensated for by a costs order.¹⁷⁴ An amendment which is merely a fresh quantification of the original claim or the addition of a further item of damages, will therefore seldom be refused.¹⁷⁵ Although, if the prescriptive period has expired,¹⁷⁶ a plaintiff may not introduce a claim for damages based on a new cause of action in an amendment, this will seldom happen in trade mark infringement and passing off proceedings where there is usually a single cause of action. Amendment is a valuable procedure for a plaintiff who will often discover the extent of infringement at a late stage after discovery, or after cross-examination of the defendant, and who can at that stage adjust his claim accordingly, either by re-quantifying the original claim

170 *Bell, Van Niekerk* (1985) 131; *Sasol* (1992) 472.

171 Uniform Rule 28(10).

172 Uniform Rule 28(9) and (10).

173 Uniform Rule 28(3).

174 *Corbett* (1995) 78; *Moolman* (1927) 29.

175 *Evins* (1980) 836.

176 *Ibid.*

or by adding a further item of damages.¹⁷⁷

5.3 PRE-TRIAL PROCEDURE

After close of pleadings, the parties are entitled to take certain steps to prepare for trial, some of which are relevant to assessing a claim for damages.¹⁷⁸

5.3.1 Further particulars

A party may request further particulars strictly necessary to enable him to prepare for trial. A party who fails to supply these particulars may be compelled to do so, or risk having his claim or defence dismissed or struck out.¹⁷⁹ The purpose of permitting further particulars is to prevent surprise and to enable a party to prepare his case once he knows what his opponent intends proving.¹⁸⁰ However, the purpose is not to obtain evidence or information which will be given in cross-examination.¹⁸¹ Through further particulars a party may therefore ascertain the type of information his opponent will lead to prove or deny allegations regarding quantum.¹⁸²

5.3.2 Discovery and inspection

After close of pleadings,¹⁸³ parties can request discovery of any document which is or

177 *Custom Credit* (1972) 475.

178 These steps will not be discussed in any detail, as they are relevant to all trial preparation.

179 Uniform Rule 28(2) and (4).

180 *Schmidt* (1990) 402.

181 *Von Gordon* (1961) 213. However, in this decision the court seemed to be guided more by a reluctance to set a precedent in divorce actions than by the merits of the request.

182 See *Omega* (1978) 470.

183 Uniform Rule 35(1) provides that discovery can be requested before close of pleadings with leave of a judge.

has been in the other party's possession or control,¹⁸⁴ and can request inspection of such document.¹⁸⁵ Discovery need be made only of documents which may advance the case of the party requesting discovery or damage the case of the party making discovery. Documents which merely advance the case of the party making discovery but which he does not intend using at trial need not be discovered.¹⁸⁶ The claim or defence of a party who fails to give discovery may be dismissed or struck out,¹⁸⁷ and further discovery can be requested if it is suspected that other relevant documents have not been disclosed.¹⁸⁸ A further sanction for failure to discover is that the party who failed to disclose a document may not use the non-discovered document at trial, although other parties may do so.¹⁸⁹

Limited discovery of specified documents is also available before close of pleadings, after intention to defend has been filed.¹⁹⁰ The rule provides for production of a clearly specified document which is relevant to a reasonably anticipated issue. When damages are claimed annual statements showing loss of profits and the like may be requested by the defendant.¹⁹¹

5.3.3 Other methods of obtaining information before trial

Courts usually view the discovery procedure as providing a plaintiff in trade mark infringement or passing off proceedings with sufficient information to quantify his

184 Uniform Rule 35(1).

185 Uniform Rule 35(6).

186 Erasmus (1994) B1-250.

187 Uniform Rule 35(7).

188 Uniform Rule 35(3).

189 Uniform Rule 35(4).

190 Uniform Rule 35(14). Uniform Rule 35(12) will seldom be relevant, as it is unlikely that a party will refer to a specific document relating to issues of damages in trade mark infringement or passing off pleadings.

191 This procedure is also available to a plaintiff who wishes to file a replication.

damages.¹⁹² However, on rare occasions courts have been prepared to give plaintiffs in such matters other assistance. In one instance, when refusing an interlocutory interdict, the court ordered that, pending the action, the respondent 'keep an account of all its sales so as to enable the applicant, if it is so advised, to claim, in addition to an absolute interdict, damages'.¹⁹³ In certain instances the Anton Piller order for preservation of evidence can also be used to obtain advance discovery.¹⁹⁴

5.4 TRIAL

5.4.1 Proof of damage

The plaintiff must prove both the fact of damage, its extent, and the amount of compensation to which he is entitled.¹⁹⁵ All of these must be proved on a preponderance of probabilities.¹⁹⁶ Where the amount of compensation is not capable of precise calculation, for example in instances of loss caused by trade mark infringement or passing off,¹⁹⁷ the court must estimate the amount of damages as best it can on the available evidence.¹⁹⁸ It has been held, in an instance of copyright infringement, that once a plaintiff has produced all the evidence he can reasonably be expected to produce, a court will, in assessing the damages, do the best it can with the material before it.¹⁹⁹ So a plaintiff may not be non-suited because damages cannot be

192 *Rectifier* (1981) 288; *Video Parktown* (1986) 642.

193 *Waddington* (1968) 48.

194 See, generally, Prest (1996) 188-189.

195 *LAWSA Damages* (1995) 86. See also *Swisstool* (1977) 608; *Omega* (1978) 471.

196 *Ibid.*

197 *Visser* (1993) 438.

198 *Corbett* (1995) 76.

199 *CCP Record* (1989) 449. This view was also confirmed by the court of the commissioner of patents when conducting an inquiry in *Reeves* (1975) 338.

exactly computed, provided that he has produced the best available evidence.²⁰⁰

When lost profits are claimed, a plaintiff may be expected to furnish evidence of gross annual profit, as well as non-factory expenses including increases in selling charges, delivery charges, and advertising charges so that nett profit can be calculated.²⁰¹ In other instances, lost profits have been calculated on the basis of extrapolated sales minus actual sales minus cost of lost sales and other expenses.²⁰² From the very few decisions dealing with the calculation of lost profits in instances similar to those of trade mark infringement or passing off, it is clear that no general guidelines can be given and that the required information will vary depending on the circumstances. Damages based on loss of reputation of a trading concern are usually roughly estimated taking the value of the goodwill as starting point.²⁰³

5.4.2 Evidence

Generally, evidence must be presented orally and witnesses may be cross-examined. Witnesses may be subpoenaed to be present in court.²⁰⁴ Although provision exists for evidence to be presented on affidavit, on commission or by interrogatories,²⁰⁵ such evidence is usually of a formal nature.

200 Corbett (1995) 76. In *International Tobacco* (1955) 22 the court held: 'Since the plaintiff has put forward evidence on which damages can be assessed it should not fail in its claim in my view because there might have been still more evidence which might or might not have assisted.' This appears to be a less onerous requirement than that of 'best evidence'. A substantial amount of evidence had, however, been presented to the court.

201 *International Tobacco* (1955) 22.

202 *Caxton* (1990) 568.

203 *International Tobacco* (1955) 20; *Caxton* (1990) 574.

204 Uniform Rule 38(1)(a).

205 Uniform Rule 38(2), (3) and (5).

5.5 JUDGMENT

5.5.1 Order of the court

The order of the court is that of a judge following on a trial in open court. The court will usually give reasons for its decision.

5.5.2 Costs and offers to settle

Although the court has a discretion in any award of costs, the general rule is that a successful litigant in a claim for damages is entitled to his costs.²⁰⁶ This remains the position even if the plaintiff recovers much less than actually claimed, although claims for unrealistic amounts have been penalised by a refusal of costs or a costs order on magistrates' courts scale.²⁰⁷

However, in one instance of copyright infringement, the court awarded costs on Supreme Court scale despite the fact that the plaintiff recovered an amount of R1,50 only, because of the complexity of the issues involved, particularly those relating to the question of damages.²⁰⁸

The danger of a costs order can be minimised by an offer to settle.²⁰⁹ This procedure is derived from the English payment into court and the object of the rule is to limit costs and act as deterrent against unnecessary litigation by a plaintiff.²¹⁰ The procedure is less satisfactory than its English equivalent where an actual payment into court is made, as there is no guarantee that the defendant has the funds to pay in accordance

206 *Visser* (1993) 442.

207 *Idem* at 443.

208 *Priority Records* (1988) 295.

209 Uniform Rule 34.

210 *Erasmus* (1994) B1-239.

with his offer. This is of particular relevance in trade mark infringement and passing off proceedings where the defendant is often financially weak. Although the court retains a discretion as to any costs order,²¹¹ the general rule is that if the court awards a lesser amount than that offered, the plaintiff has to pay costs from the date of offer.²¹² If a greater amount is awarded, the plaintiff is awarded his costs.²¹³

5.5.3 Interest on the award of damages

At common law a debtor is liable for interest on a monetary debt when he is in wrongful default of making payment.²¹⁴ But where a claim for unliquidated damages is ascertained only after 'long and intricate investigation',²¹⁵ the defendant is not in mora until the amount has been assessed by the court.²¹⁶ A claim for interest as an item of special damages, distinct from mora interest, has also not been allowed.²¹⁷ A plaintiff is, however, entitled to interest from the date of judgment,²¹⁸ and interest runs despite the noting of an appeal.²¹⁹ South African law also has the rule that interest will run only until it reaches an amount equal to the capital sum due.²²⁰

In 1994, when refusing pre-judgment interest on an unliquidated claim, the Appellate Division held that if this refusal was 'contrary to commercial realities and inequitable,

211 Uniform Rule 34(12); *Omega* (1978) 477.

212 *Omega* (1978) 478.

213 Harms (1996) 439; see also *Omega* (1978) 471.

214 *Standard Chartered* (1994) 777.

215 *Victoria Falls* (1915) 31.

216 *Standard Chartered* (1994) 779.

217 At 778. See also *Swisstool* (1977) 607.

218 Section 2 of the Prescribed Rate of Interest Act of 1975; see also *International Tobacco* (1955) 28.

219 Visser (1993) 166.

220 *Ibid.*

then the only remedy is appropriate legislation'.²²¹ The Prescribed Rate of Interest Act has now been amended and provides that unliquidated debts can bear interest from date of service of summons, although the part of the debt consisting of the present value of a future loss does not bear interest before the date on which quantum is determined.²²² A court may now make such order as appears just in respect of the payment of interest, its rate, and the date from which it accrues.²²³

5.6 APPEALS AGAINST AN AWARD OF DAMAGES

Any High Court judgment is appealable only with leave from the court concerned or, failing that, the Supreme Court of Appeal.²²⁴

When hearing an appeal, a court is slow to interfere with an award of damages which was a matter of estimation and discretion, and will not merely substitute its own award.²²⁵ But an appeal court is bound to interfere where there has been irregularity or misdirection,²²⁶ where no sound basis exists for the award of the trial court, or where there is a substantial variation between the award made by the trial court and that which the appeal court considers appropriate.²²⁷ In *Caxton*, the appeal court reduced the amount of damages awarded as lost profit because the trial court had dismissed the effect of a general recession on profits as irrelevant.²²⁸ It also reduced the amount awarded for loss of reputation because of the disparity between the amount it would

221 *Standard Chartered* (1994) 779.

222 Section 2A(1)-(3) of the Prescribed Rate of Interest Act of 1975 as amended by the Prescribed Rate of Interest Amendment Act of 1997.

223 Section 2A(5).

224 Section 20(4) of the Supreme Court Act of 1959 (SA).

225 Corbett (1995) 78; *LAWSA Damages* (1995) 89.

226 *Omega* (1978) 474-475.

227 Corbett (1995) 78; *LAWSA Damages* (1995) 89.

228 *Caxton* (1990) 573.

have awarded and the amount awarded by the trial court.²²⁹

5.7 THE EXISTENCE OF INQUIRIES IN SOUTH AFRICA

The general trial procedure which must be followed to obtain unliquidated damages has been set out. It must now be determined whether the English inquiry procedure exists in our law. Attempts to introduce this procedure prior to legislative intervention will be dealt with first. Current statutory provision for the inquiry procedure will then be detailed, and the implementation of this procedure in the light of general statutory provisions regulating litigation will be considered. Finally, the advantages of the introduction of the inquiry procedure will be considered.

5.7.1 Attempts to introduce inquiry procedure

The first reference to an inquiry dates from a 1924 trade mark decision, where the court held that 'if the court thinks that substantial damage has occurred, it ought to order an inquiry, following the principal English cases'.²³⁰ Neither the form of order, nor its correctness appears to have been considered, and the order was clearly made in imitation of existing English procedure, not because it was considered available in terms of South African law.

A request for an inquiry was next made in 1975.²³¹ An exception was raised to a counterclaim in which the defendant alleged that he had suffered damages due to breach of contract, but was unaware of its quantum and so entitled to an inquiry as to the quantum of damages and payment of such damages as were found due.²³² It was

229 At 575.

230 *Goddard* (1924) 323.

231 An inquiry was ordered prior to this in *Dan River* (1969); see the reference to this decision in *Harvey Tiling* (1977) 328.

232 *Victor Products* (1975) 962.

alleged by the defendant that this procedure was appropriate in a claim for damages for breach of contract, because it was standard practice in English infringement actions, it had been followed in such an action in a South African court, and because there was no reason in principle why the procedure could not be used in an action for contractual damages.²³³ The court was, not surprisingly, unpersuaded by this reasoning and found no grounds to justify 'such an innovation'.²³⁴

The issue was considered in more detail in *Harvey Tiling*, an action for damages for breach of confidential information. An inquiry had been requested. The court, after considering the comparable English position, held that the form of English order was not apt under South African procedure, as the trial judge, not a master, decides all issues in an action.²³⁵ However, the court viewed the substance of such an order as being in accordance with South African procedure, as it was merely an order for the postponement of the action so that the damages suffered by the plaintiff could be investigated and determined as a separate issue by the trial court.²³⁶ The court accordingly ordered that the action be postponed for determination of the question of damages in terms of Uniform Rule 33(4).²³⁷

An inquiry was requested in a number of intellectual property actions following this decision. In the *Swisstool* design infringement action, an inquiry was requested and a postponement of the hearing on damages granted in the trial court.²³⁸ During the subsequent appeal this procedure was described by the Appellate Division as an

233 At 963.

234 At 964.

235 *Harvey Tiling* (1977) 328.

236 *Ibid.*

237 At 330. This procedure was subsequently approved in *Hudson & Knight* (1979) 228; *Harchris* (1983) 555 and *Video Parktown* (1986) 642.

238 *Swisstool* (1977) 605-606.

'inquiry into damages'.²³⁹ In another instance, the postponement of application proceedings for the question of damages to be investigated and determined by the court, was refused on the basis that a claim for damages should be pursued by action.²⁴⁰ A request for the court to order an inquiry, made during application proceedings, has also been refused for the same reason.²⁴¹ But where action proceedings were instituted on a statement of agreed facts, the court was prepared to grant a postponement for the question of damages to be determined.²⁴² This was approved by the Appellate Division during the subsequent appeal.²⁴³

The inquiry procedure was considered in some detail in *Montres Rolex*. This was an instance of trade mark infringement where an application was brought for a final interdict and an account of profits, or alternatively, an order directing an inquiry into the damages suffered by the applicant and payment of the damages found due. After holding that an account of profits was not available in trade mark infringement proceedings, the court held that an inquiry can be accepted in principle, since 'the remedy is directed to a determination of the damages actually sustained by the plaintiff, can serve a useful purpose and is not inconsistent with any fundamental tenet of our legal system'.²⁴⁴ The court then discussed the absence of specific regulatory procedures to govern an inquiry. It viewed an inquiry as a type of reference to a referee in terms of section 19bis of the Supreme Court Act, rather than subscribing to the more common view that it was merely a separation of issues in terms of Uniform Rule 33(4).²⁴⁵ Finally, the court refused to grant such an order in the context of motion

239 *Omega* (1978) 476.

240 *Atlas Organic* (1978) 698.

241 *Haggart* (1985) 582.

242 *Sodastream* (1984) 432.

243 *Berman Bros* (1986) 246.

244 *Montres Rolex* (1985) 68-69. See *Dendy* (1986) 291: 'a need exists for machinery enabling the court to come to the assistance of the applicant'.

245 At 69.

proceedings, and suggested that the applicant could pursue this remedy by way of action.²⁴⁶

These cases indicate that while an inquiry is viewed as a procedure which can be accommodated in the South African legal system, it is generally viewed as differing little from an order for a separation of issues, and will not be granted on motion.

5.7.2 Statutory provision for inquiries

The Trade Marks Act of 1993 makes specific provision for an inquiry for the purposes of determining the amount of any damages or reasonable royalty. It states that the court may prescribe such procedures for conducting an inquiry as it deems fit.²⁴⁷ The regulations promulgated under this Act contain no reference to this procedure. Draft legislation envisages a similar provision in the Copyright Act of 1978.²⁴⁸

Prior to the introduction of this procedure in the Trade Marks Act, it was recognised in the patent regulations,²⁴⁹ although the Patents Act of 1978 makes no provision for the remedy. Earlier patent legislation and regulations did not mention inquiries. It was merely stated that all proceedings had to be instituted before the commissioner of patents and who was given powers equivalent to those of a single judge.²⁵⁰ Despite this, inquiries were ordered by the court of the commissioner of patents from at least 1971. In the *Harvey Tiling* decision, Nicolas J stated that it was common practice to order inquiries in this court and referred to a decision he had made in his capacity as

246 At 70.

247 Section 34(4) of the Trade Marks Act of 1993 (SA).

248 Clause 54(1B) of the Intellectual Property Laws Amendment Bill of 1997, amending section 24(1B) of the Copyright Act of 1978 (SA).

249 Regulation 98.

250 Sections 76(1) and 77(1) of the Patents Act of 1952.

commissioner.²⁵¹ The inclusion of inquiries in the patent regulations merely seems to have confirmed an existing practice in the commissioner's court. The High Court has approved this procedure in the court of the commissioner²⁵² and held parties bound to an agreement to postpone proof of damages to a later date,²⁵³ and a number of orders in terms of regulation 98 have been granted.²⁵⁴

5.7.3 Application of inquiry procedure in South Africa

The inquiry procedure in trade mark infringement proceedings has now received statutory recognition in South Africa. But the danger exists that it could meet the same fate as the account of profits, which was available in South Africa in terms of previous copyright legislation,²⁵⁵ but was rejected by the courts as contrary to Roman-Dutch principles.²⁵⁶

To determine whether it will be accepted by the courts, it is necessary to consider whether this is a substantive remedy or a procedural aid. The problems foreseen by our courts in the implementation of the procedure will then be discussed. The differences between an inquiry and a separation of issues will finally be considered.

5.7.3.1 Substantive or procedural remedy

In English law, when an inquiry as to damages is ordered, it is assumed that this order

251 *Harvey Tiling* (1977) 328-329. Burrell (1972) 210 also states that inquiries are commonly ordered. See also *Reeves* (1975) 328, where the action in the commissioner's court was postponed sine die; subsequent proceedings were referred to as an inquiry as to damages.

252 *CIL Inc* (1988) 192.

253 *Selero* (1982) 217.

254 *T J Smith* (1986) 524; *National Bolts* (1988) 209.

255 Section 24(1) of the Copyright Act of 1978 (SA) - prior to amendment by Copyright Amendment Act of 1992; section 18(1) of the Copyright Act of 1965 (SA).

256 *Video Parktown* (1986) 642; see also *Montres Rolex* (1985) 64-65.

includes a further order to pay any amount found due to the plaintiff at the inquiry. The remedy can, therefore, be viewed as a substantive remedy which grants damages to a successful plaintiff. South African legislation makes provision for a procedural, not a substantive, remedy. Both the Trade Marks Act and the proposed amendment to the Copyright Act state that a court may award damages or a reasonable royalty, and, 'for the purpose of determining the amount of damages or a reasonable royalty',²⁵⁷ the court may direct that an inquiry be held. An inquiry in South Africa is thus a procedural aid to quantifying damages, not a substantive remedy. No objection to its introduction can be raised on this basis. This has also been confirmed by our courts.²⁵⁸

5.7.3.2 *Procedural problems foreseen by courts*

When considering inquiries, South African courts have on occasion raised queries concerning the implementation of this procedure.

The first, and one that is often referred to as making implementation of the procedure unlikely,²⁵⁹ is the fact that in England inquiries are conducted before a master, not the court, while no equivalent official exists in South Africa. I think that this is not a serious hurdle. In both England and Australia, inquiries may be heard before a master or adjourned into court to be heard by a judge. In the court of the commissioner in South Africa, where inquiry procedure is used, the commissioner, who is a judge of the High Court, conducts the inquiry. The criticism levelled at accounts of profits in *Montres Rolex* as an 'additional burden on our already strained judicial resources'²⁶⁰ cannot be raised against inquiries, as a postponement of the investigation of damages would also

257 Section 34(4) of the Trade Marks Act of 1993 (SA); clause 54 of the Intellectual Property Laws Amendment Bill of 1997.

258 *Montres Rolex* (1985) 69: 'the remedy is directed to a determination of the damages actually sustained by the plaintiff, can serve a useful purpose and is not inconsistent with any fundamental tenet of our legal system'.

259 *Harvey Tiling* (1977) 328; *Montres Rolex* (1985) 67.

260 *Montres Rolex* (1985) 67.

require judicial attention. The suggestion made in *Montres Rolex* - that an inquiry should be conducted by a referee, not the court - is inappropriate.²⁶¹ Section 19bis provides that matters which require 'extensive investigation of documents or scientific, technical or local investigation which in the opinion of the court cannot be conveniently conducted by it', or matters relating to accounts, may be referred to a referee for inquiry and report.²⁶² The determination of damages has always been conducted by a court, and it is difficult to imagine a referee who is more competent to assess damages than a judge of the High Court. In addition, as Erasmus points out, section 19bis covers to some extent the same ground as RSC Order 36,²⁶³ which is not viewed as governing inquiries as to damages in English law.

The other problem raised by the courts is the absence of provisions to regulate the inquiry procedure in the Uniform Rules.²⁶⁴ Section 34(4) of the Trade Marks Act of 1993 merely provides that when ordering an inquiry the court may prescribe such procedures as it deems fit. Uniform Rule 33(5), which regulates procedure on separation of issues, also merely states that the court may give any direction with regard to the hearing of any other issues which may be necessary. So this perceived problem is not confined to the inquiry procedure.

5.7.3.3 *Differences between postponements and inquiry procedure*

Our courts have usually viewed an inquiry as akin to a separation of issues in terms of Uniform Rule 33(4) and ordered separation rather than an inquiry, when an inquiry was sought. There are, however, some important differences between a separation of

261 *Montres Rolex* (1985) 69.

262 Section 19bis(1) of the Supreme Court Act of 1959 (SA).

263 Erasmus (1994) A1-38.

264 *Omega* (1978) 476; *Montres Rolex* (1985) 69. The absence of rules to which the Appellate Division referred in *Omega* (1978) 476 actually related to postponements in terms of Uniform Rule 33(4), not inquiries. Although an inquiry had been requested in the particulars of claim, the hearing of the plaintiff's other claims were merely postponed sine die. See *Swisstool* (1975) 385; *Swisstool* (1977) 606.

merits and quantum in South African practice, and the English form of inquiry.

First, in England an inquiry as to unliquidated damages may take any form. It can be conducted on affidavit alone, on affidavit with cross-examination, or by presentation of oral evidence. The master is at liberty to give any directions which he thinks appropriate to the given facts of the particular case.

In South Africa it has always been held that unliquidated damages must be determined on action, and that motion proceedings are inappropriate.²⁶⁵ This means that an inquiry will have to be conducted in the form of action proceedings, as is currently the case when the quantification of unliquidated damages is postponed for later hearing.

Second, in England an inquiry may be ordered after any other proceedings, and need not be ordered only after a trial.

The requirement that unliquidated damages must be determined by way of action in South Africa has resulted in the refusal of requests for orders postponing the assessment of damages, or for inquiries, when they are requested during motion proceedings. Our courts have held that relief of this nature must be sought by way of action, not on motion.²⁶⁶

Third, an English inquiry is requested in the original writ or summons that commences proceedings. This has as a result that, although damages are claimed, no specific amount is stated. No pre-trial procedures such as discovery, expert witness statements, and the like need be followed as regards quantum of damages. Compliance with these procedures is necessary only after a decision on the merits has been reached and a summons for directions issued.

265 *Room Hire* (1949) 1161.

266 *Atlas Organic* (1978) 699 - postponement for assessment of damages; *Paramount* (1983) 262 - account; *Montres Rolex* (1985) 70 - inquiry; *Ara Oy* (1990) 375 - postponement for determination of profits payable or additional damages.

In South Africa, the particulars of claim must contain a claim for damages in a specific sum, although that sum can later be amended. A claim for damages must also be of sufficient particularity to enable the defendant reasonably to assess quantum. A separation of issues is usually requested just before trial or during trial.²⁶⁷ Pre-trial discovery, further particulars and other procedures must, therefore, cover both merits and quantum. The whole issue of quantum is accordingly not postponed; what is postponed, is the hearing of that issue. In this regard it should be noted that the rules contain no provision that pre-trial procedures as regards quantum need not be complied with even after a separation of issues has been granted.

The same holds true of the inquiry procedure contained in the Trade Marks Act of 1993. Section 34(3), which details the relief a court may grant, provides that damages or a reasonable royalty, may be granted. Section 34(4) then provides that, to determine this amount, the court may direct that an inquiry be held. The whole issue of quantum is not postponed, merely the hearing. Quantum will have to be covered in the pleadings and pre-trial disclosure.

5.8 ADVANTAGES AND ACCOMMODATION OF INQUIRY PROCEDURE IN SOUTH AFRICA

It has been shown that there are crucial differences between the English inquiry procedure and the South African separation of issues. It must now be determined whether there are any advantages to the introduction of the English inquiry procedure in South Africa. If advantages exist, can our procedures accommodate such inquiries? If not, what changes must be introduced?

267 *Harvey Tiling* (1977) 329: 'Ordinarily an application for an order under Rule 33(4) will be made at the beginning of the trial, but an order in terms thereof can be made at any time up to judgment'.

5.8.1 Possible advantages

I think that there are two major advantages to the English inquiry. The first relates to costs. When all consideration of the issue of quantum is postponed, as in England, substantial savings can be effected. If a plaintiff is unsuccessful on the merits, no expenses have been incurred on the issue of quantum. If a plaintiff is successful and an inquiry is ordered, the parties have greater information on the extent of infringement and a defendant has more knowledge of his possible liability for damages. In addition, a plaintiff has some idea of whether a claim for damages is viable and whether the defendant's circumstances make such a claim worth instituting. This means that if an inquiry is ordered, there will be a likelihood of a substantial amount being recovered as damages, as our courts have the same discretion as an English court to refuse the grant of an inquiry if there appears to be no prospect of success.

The second advantage of an inquiry is that it can be ordered after motion proceedings. While our courts refuse to hear the issue of unliquidated damages on motion, they occasionally grant a final interdict on motion.²⁶⁸ The introduction of the English form of inquiry would mean that a plaintiff who obtained a final interdict on motion could at that stage be granted an inquiry. The view of our courts that inquiries should be sought on action²⁶⁹ makes the procedure ineffective; if action proceedings must be used, why request an inquiry rather than damages per se?

I believe that these advantages make an attempt to introduce the English form of inquiry worthwhile.

5.8.2 ACCOMMODATION OF THE ENGLISH INQUIRY PROCEDURE

The procedural problems identified by South African courts when considering whether

268 *United Tobacco* (1909) 157; *Montres Rolex* (1985) 59.

269 *Montres Rolex* (1985) 70.

the inquiry procedure can be implemented here have already been discussed. The three major distinctions between the English form of inquiry and a separation of issues in terms of Uniform Rule 33(4) have been identified. It must now be determined whether these distinctions make the English form of inquiry inappropriate in the South African context.

5.8.2.1 *Grant after motion proceedings*

The first distinction is that South African courts have refused to grant an inquiry or postponement for damages to be assessed when it is requested in motion proceedings. It is possible to obtain on motion a final interdict prohibiting trade mark infringement or passing off.²⁷⁰ It is at that stage that a plaintiff will want an order for an inquiry; if he is required to institute action procedure merely to obtain an order for an inquiry, he might as well sue for damages instead. An inquiry, as described in South African legislation, is a procedural aid, not a substantive remedy. So there is no reason why it cannot be granted after motion proceedings. I believe that this is so even if the general view that damages cannot be awarded on motion is subscribed to, as the order of an inquiry is not the equivalent of the grant of unliquidated damages.

The further problem that can be raised - that damages can be awarded only if the requirements for an interdict have been met, together with the additional requirement that fault in the sense of intention or negligence must be proved - is also not insurmountable. When granting final interdicts on motion, our courts have on a number of occasions made a finding as to the defendant's state of mind on affidavit evidence.²⁷¹

270 *Plascon-Evans* (1984) 634 - trade mark infringement; *Haggar* (1985) 581 - passing off; *Montres Rolex* (1985) 59 - trade mark infringement.

271 In *Stellenvale* (1957), the trade marks were held not sufficiently similar for an interdict to be granted on motion but the court held that 'it is nonetheless abundantly clear that the respondent deliberately copied the applicant's label' (at 243). In *Plascon-Evans* (1984), where a final interdict had been granted by the court of first instance, the Appellate Division held that the mark had been used 'with the ulterior object of deceiving or confusing and of making use of the goodwill attaching to the Micatex mark' and confirmed the interdict (at 646). In *Haggar* (1985), the court granted a final interdict on motion; it held that 'the inference that in doing so the first respondent had as its object the fraudulent deception of the purchaser for use, is not only justified, but

I believe that there is accordingly no valid reason why a court cannot grant an inquiry at the close of motion proceedings, if the court is prepared to grant a final interdict and also has found that the defendant acted intentionally or negligently.

5.8.2.2 Damages to be assessed by way of action

The next distinction between the English inquiry and our practice is the requirement in South Africa that unliquidated damages can be sought by way of action only. This would have the effect that all inquiries must be conducted as trials and can never take place on affidavit, as is the position in England. Our courts base this requirement on the *Room Hire* dictum to that effect.²⁷² This full bench decision was, however, not an application for damages, but for cancellation of a contract and ejection. The statement that damages had to be sought by way of action was therefore obiter.²⁷³ The real ratio of this decision is that a material dispute of fact cannot be determined on affidavit,²⁷⁴ and that affidavit evidence is unsuitable for the ascertainment of 'genuinely disputed facts'.²⁷⁵

In most instances the quantum of unliquidated damages will give rise to material disputes of fact and trial proceedings will be necessary. However, in intellectual property disputes, this is not always the position. Loss of profits can be proved by

inescapable' (at 574). In *Montres Rolex* (1985), a final interdict was granted on motion; the court found that 'the conclusion is inescapable that respondent knowingly infringed applicant's rights' (at 58).

272 *Room Hire* (1949) 1161: 'There are on the other hand certain classes of case (the instances given by Dowling J, are matrimonial causes and illiquid claims for damages) in which motion proceedings are not permissible at all.'

273 The dictum on which Murray AJP relied in the *Room Hire* decision, that of Dowling J in *Williams* (1949) ('in contemporary practice any dispute, save matrimonial causes and claims for damage, but not excluding money counts, may be decided by motion proceedings in an appropriate case' (at 839)), was also obiter, as what was being heard was an application for a money judgment - liquidated damages.

274 *Room Hire* (1949) 1162; see also Harms (1996) 197.

275 *Room Hire* (1949) 1161; see also *R Bakers* (1948) 631.

affidavit, or settled by accountants, as is done in England.²⁷⁶ The introduction of a reasonable royalty as a basis for damages can make quantification a mere calculation, which is capable of determination on affidavit. As was said in *Room Hire*, 'it is (with respect) difficult to appreciate what greater advantages are derived by a judicial officer from viva voce evidence, than from affidavits when he has to ascertain only the law to be applied'.²⁷⁷ I believe that if an inquiry is granted, it is not essential that it should be conducted by way of action. In all instances the test whether action or motion procedure is appropriate is that of a 'material dispute of fact'; and it is for the court giving directions on the conduct of the inquiry to determine the correct procedure.

5.8.2.3 *Postponement of whole issue of quantum*

The final distinction between the English inquiry and South African procedure is that if an inquiry is sought in the writ commencing action, the issue of damages is not addressed further until after a finding on the merits. In South Africa, a claim for damages must be set out with particularity and pre-trial procedures complied with, despite the fact that the plaintiff might have very little knowledge of the extent of his damages at that stage. Webster and Page deal with this problem and state that this has as result that a genuine claim for damages may fail because it cannot be adequately pleaded, while once a trial on the merits has been completed, the plaintiff has knowledge of the extent of the defendant's misconduct.²⁷⁸

This is the one problem that does require legislative intervention. I believe that this could be done by way of amendment to Uniform Rule 33(5) to cover both a separation of issues and inquiries as to damages. This subrule could then contain this sentence:

'Where a postponement is granted for the issue of damages to be investigated

276 This was done in the *Reeves* (1975) 329 inquiry proceedings in the commissioner's court.

277 *Room Hire* (1949) 1161.

278 Webster & Page (1986) 468.

and determined by the court, the court may order that the parties need not comply further with the provisions of rules 21(2), 35, 36 or 37 in so far as they pertain to this issue, and where an inquiry as to damages is requested, these rules and the provisions of rules 18(4) and 18(10) need not be complied with in so far as they relate to the issue of damages'.

Another option is to amend section 34(4) of the Trade Marks Act of 1993 to read as follows:

'Where a proprietor seeks damages or, in lieu of damages, a reasonable royalty, and he requests an inquiry as to damages in the summons or notice of motion commencing proceedings for infringement, the provisions of rules 18(4), 18(10), 21(2), 35, 36 and 37 of the Uniform Rules need not be complied with in so far as they relate to the amount of damages and the manner in which such damages are computed. The court may then, after an order on liability is made, give directions regarding compliance with these rules.'

This has the added advantage of indicating that an inquiry may be sought by way of motion proceedings.

Webster and Page submit that the defendant will not be prejudiced by any shortcomings in the pleadings relating to damages, since these will be rectified before that issue comes to trial.²⁷⁹ Also, this will result in a saving of litigation costs: if the plaintiff is unsuccessful on the merits, or, even if he is successful but he decides not to seek damages, no costs on the issue of damages will have been incurred.²⁸⁰

This is not an unknown procedure. The patent regulations provide that if a plaintiff claims an inquiry, he need not specify in his pleadings the amount of the damages

279 Webster & Page (1986) 468.

280 See also *Harvey Tiling* (1977) 329 which mentions the further advantage that premature or unnecessary disclosure of confidential information is avoided.

allegedly suffered or the manner in which they are computed.²⁸¹

5.8.2.4 *Procedural guidelines*

The final problem, and one that our courts have raised when refusing to grant an inquiry, is the absence of procedural guidelines on how the inquiry should be conducted. As pointed out above, the same objections hold true when a separation of issues is granted, and yet such orders are frequently made without inconvenience to the court or the parties. I believe that one of the values of an inquiry is the absence of procedural requirements. This makes it possible for the court hearing the merits to give guidelines on further conduct of the matter, as it will usually have a good idea of the possible complexity of any claim for damages. If this court feels unable to do so, which is possible if the suggested amendment to the Uniform Rules is made, a procedure akin to that introduced by Uniform Rule 37A can be used to require the parties to attend a conference before a judge to determine the further conduct of the proceedings. The sanctions of dismissal, striking out, or a costs order as contained in this rule²⁸² should ensure co-operation between the parties.

6 CONCLUSION

An order for an inquiry will not always be appropriate. As stated in the discussion on problems experienced with this procedure in England, it can be both expensive and time-consuming. Where damages are easy to quantify, the court should order a short postponement and then itself assess damages. However, there is no single instance of an award of damages for trade mark infringement in South Africa. Parliament presumably introduced the inquiry procedure in an attempt to make damages easier to obtain and it will be regrettable if this innovation is merely ignored or found to be unworkable.

281 Regulation 98(2) of the patent regulations.

282 Uniform Rule 37A(8).

CHAPTER 7

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CHAPTER 7

DELIVERY UP

1 INTRODUCTION

The South African Trade Marks Act of 1993 provides for the remedy of delivery up, but does not set out what this remedy entails.

To determine this, it is necessary to refer to its equitable origins. It will be shown that the equitable remedy of delivery up was an ancillary to an injunction, granted by chancery courts to protect the plaintiff against further use of existing infringing goods. The meaning of the term delivery up, as developed by the English courts, encompassed both erasure or destruction by the defendant on oath and delivery up to the plaintiff for erasure or destruction.

I will then argue that the current English Trade Marks Act 1994 alters the meaning of the term delivery up. What was always understood as delivery up is now known as an erasure order; and a statutory delivery up order bears more resemblance to the old remedy of conversion.

Delivery up orders were routinely granted in South Africa before their existence was questioned in the *Cerebos* decision. Although current intellectual property statutes provide for such orders for the first time, it remains necessary to determine whether they can be justified in terms of our common law.

I will argue that a delivery up order in South Africa can be seen as a form of mandatory interdict, and should not be described as merely 'procedural relief'. I will also argue that removal of the infringing mark must be a court's first choice of order, and that delivery up to the plaintiff should be granted in exceptional circumstances only. No attempt should be made to introduce the current statutory English form of delivery up in South

Africa, as this has no basis in our common law and may result in the rejection of the remedy by our courts.

2 ENGLAND

2.1 HISTORICAL DEVELOPMENT

2.1.1 Origin of the remedy

Delivery up, which originated as a remedy for fraud, was a form of relief peculiar to equity.¹ In the nineteenth century the courts' jurisdiction to make such orders was described as 'founded upon the administration of a protective or preventative justice',² and, more recently, as 'founded upon the desirability of preventing the public being deceived by the free circulation of invalid documents'.³ Delivery up was therefore ordered if a document appeared valid but was actually void or voidable, as the existence of the document could be embarrassing, either because some claim could at a later stage be founded on it or because a third party could be deceived by it.⁴ Story states that delivery up and cancellation of agreements and other instruments would be ordered, inter alia, where there was actual fraud by the defendants or where there was constructive fraud against public policy. This was so because 'a party ought not to be permitted to avail himself of any agreement, deed or other instrument procured by his

1 Story.1 (1877) 679. Another theory is that the remedy originated from the penalty created by section 1 of the Statute of Anne (1709), which provided that, in actions for copyright infringement, 'then such offender or offenders shall forfeit such book or books, and all and every sheet or sheets, being part of such book or books, to the proprietor or proprietors of the copy thereof, who shall forthwith damask, and make waste paper of them'. See in this regard Cairns (1988) 59. I think that his argument is questionable, as he states that delivery up is 'peculiar to intellectual property law'. It has always been viewed as a generally available equitable remedy. Although the Statute of Anne might be the origin of the remedy in respect of copyright and patents, which were both viewed as proprietary rights (see Laddie (1995) 924), trade marks were viewed as the subject of property rights by equity courts only from 1838.

2 Story.1 (1877) 677.

3 Meagher (1992) 684.

4 Snell (1973) 608; see also Halsbury *Equity* (1976) 856.

own actual or constructive fraud ... to the prejudice of an innocent party'.⁵ The remedy was therefore originally viewed as serving two purposes: to prevent the guilty party from further use of the fraudulent document, and to protect third parties from deception.

Story also debated whether a permanent injunction restraining use of the document would not be a more appropriate remedy than a delivery up order. He concluded that the court's function was not solely remedial but was also aimed at preventing injustice, and that on this basis the order was justified.⁶

2.1.2 Application to trade mark proceedings

Although in 1877 Story referred only to title deeds, wills, contracts, and other similar documents in his discussion of the remedy,⁷ it is clear from early cases that the remedy was available in trade mark infringement and passing off litigation from the first half of the nineteenth century, not only in respect of documents and printed matter, but also for goods and other articles. This was presumably because equity courts originally granted protection to trade marks only if the action could be founded on fraud.⁸ As early cases in equity were based on fraud, the relief afforded when fraud was proved remained available to a successful plaintiff, both after trade mark misuse was recognised as a specific type of fraud and subsequently when intellectual property rights were accepted as deserving of protection.

Delivery up was requested in equity proceedings based on trade mark misuse from as early as 1838. In *Millington*, delivery up to the plaintiff for destruction of all steel bearing

5 Story.1 (1877) 680.

6 Idem at 682-683: 'If an instrument ought not to be used or enforced, it is against conscience for the party holding it to retain it; since he can only retain it for some sinister purpose'.

7 Story.1 (1877) 677.

8 *Blanchard* (1742) 485.

the marks complained of and all instruments used to make such marks was requested.⁹ The earliest reported judgment in which delivery up in trade mark litigation was successfully requested was in 1855 in *Farina*. There a prayer for the delivery up to the plaintiff of the offending labels and the plates used for making such labels was granted.¹⁰ As neither party argued the merits of the order, it can be assumed that it was not uncommon at that date.

From then on, delivery up orders were granted in intellectual property infringement proceedings, despite the absence of legislation authorising their use.¹¹ The validity of delivery up orders was seldom questioned. Although courts have in the past questioned the availability of this remedy in instances of passing off,¹² this is not the current position and delivery up will be granted against retailers if the goods in question are not sufficiently distinguished, and even against traders who do not have contact with the public where the goods complained of can be viewed as instruments of deception.¹³

2.1.3 Nature of the equitable remedy

2.1.3.1 *Ancillary to injunction*

Historically, a plaintiff would approach a court of equity to obtain an injunction, which was not available from a common-law court. To prevent a 'multiplicity of suits'¹⁴ the equity court would then grant other relief. It is unclear why it became accepted that

9 *Millington* (1838) 340.

10 *Farina* (1855) 511.

11 *Dent* (1861) 1007 - trade mark infringement; *Slazenger* (1889) 538 - trade mark infringement and passing off; *Mergenthaler* (1927) 383 - patent infringement; *Delavelle* (1946) 111 - passing off.

12 In *Lissen* (1929) 11, the court held that a plaintiff in a passing off action was entitled to an injunction, but not delivery up, as the plaintiffs had no property in the goods which were the subject of the order. No authority was given for this view and it has not been followed.

13 *Wadlow* (1995) 587.

14 *Jesus College* (1745) 263.

delivery up in intellectual property proceedings, which in other equitable instances was viewed as substantive relief,¹⁵ would be granted only as ancillary to an injunction. A possible reason is that the grant of an injunction was the only confirmation available that the items to be delivered up actually infringed the plaintiff's rights. But it was generally accepted from the beginning of the twentieth century that an order for delivery up was made 'to assist the plaintiff and as relief ancillary to an injunction'.¹⁶ This view has been accepted by later courts and textbooks. Consequently, in a subsequent decision, the court described delivery up as 'collateral relief'¹⁷ to an injunction and it is generally accepted that a delivery up order may be granted only together with an injunction.¹⁸

Although an injunction will usually be requested when a delivery up order is sought, it is possible to imagine instances in which a delivery up order is required but a prohibitory injunction is unnecessary. However, the grant of a delivery up order without the grant of an injunction has never been considered by an English court.

2.1.3.2 *Ownership of infringing articles*

In various intellectual property infringement decisions dealing with delivery up it has been clearly indicated that the goods in respect of which delivery up has been ordered do not become the property of the plaintiff.

In an instance of patent infringement, it was stated that a delivery up order is not made to punish the infringer but to assist the plaintiff. In this way the infringer is not tempted to commit a breach of the injunction. While the infringing articles remain the property of the infringer, the court assists the plaintiff by ordering their destruction or the removal

15 Story.1 (1877) 677.

16 *Mergenthaler* (1927) 382.

17 *Killick* (1958) 33.

18 See Cornish (1996) 60; Kerly (1986) 325; Wadlow (1995) 587.

of the offending part.¹⁹ For this reason, in an action for passing off of bottles of brilliantine, delivery up for destruction was ordered only in respect of the labels, not the containers or their contents.²⁰ By contrast, in an action based on breach of confidence where the articles of clothing themselves, not the name or get-up, offended, the defendants were granted the option of delivery to the plaintiff or themselves destroying the garments (unpicking them), as the garments contained expensive materials which could possibly have been salvaged.²¹

These cases illustrate that British courts have always viewed delivery up as serving a preventative function by removing temptation from the defendant.

2.1.3.3 *Effect of the order on parties*

The plaintiff is not viewed as having any proprietary right to the items which form the subject of a delivery up order.²² The order is made to prevent the defendant from using the items concerned, not because he is viewed as having lost his proprietary rights in those items.²³ English courts hold the view that the order is not made to punish the defendant,²⁴ and that the plaintiff should not obtain pecuniary benefit from these articles. The courts have therefore tried to ensure that such orders cause the minimum financial loss to the defendant as owner of the articles concerned.²⁵

Generally, therefore, they will grant the defendant the option of erasure or destruction under oath or delivery to the plaintiff for destruction. The term delivery up as used by

19 *Mergenthaler* (1927) 382-383.

20 *Delavelle* (1946) 112.

21 *Peter Pan* (1963) 409.

22 *Vavasseur* (1878) 360; *Wadlow* (1995) 587.

23 *Vavasseur* (1878) 360.

24 *Mergenthaler* (1927) 382.

25 *Mergenthaler* (1927) 383; *Delavelle* (1946) 112; *Peter Pan* (1963) 409.

English writers and courts includes these options.²⁶

2.1.4 Previous trade mark legislation

The Trade Marks Registration Act 1875, which established a register of trade marks, did not deal with the remedies available in infringement actions. Neither did subsequent Acts, including the Trade Marks Act 1938.

2.2 CURRENT TRADE MARK LEGISLATION

The position as regards delivery up in passing off proceedings remains is set out above. It is governed by equitable principles and granted as ancillary to an injunction.²⁷

However, as regards trade marks, the 1994 Act now contains detailed provisions on destruction and delivery which differ from the traditional view of delivery up. The Act provides for two substantive remedies: orders for erasure and orders for delivery up.

2.2.1 Erasure orders

Section 15 of the Act states that a court may order a person who has infringed a registered trade mark to erase, remove, or obliterate the offending sign from any infringing goods, material, or articles²⁸ in his possession, or, if this is not practicable, to destroy the goods in question.²⁹ If such an order is not complied with, or if it appears

26 Comish (1996) 60; Halsbury *Trade Marks* (1995) 200; Kerly (1986) 325; Wadlow (1995) 587.

27 Halsbury *Trade Marks* (1995) 200; Wadlow (1995) 587.

28 Section 17(2) of the Trade Marks Act 1994 (UK) states that goods are infringing goods if they bear a sign identical or similar to the registered mark; section 17(4) states that material is infringing material if it bears a sign similar or identical to the registered trade mark and is used for labelling or packing goods, as a business paper, or for advertising goods or services; while section 17(5) states that infringing articles mean articles which are specifically designed or adapted for making copies of a sign similar or identical to the registered mark. See Annand (1994) 181 for a discussion of these definitions.

29 Section 15(1) of the Trade Marks Act 1994 (UK).

likely that it will not be complied with, the court may order delivery to someone for erasure or destruction.³⁰

The order can be made only against the infringer, and the remedy is in the court's discretion.³¹

This form of order corresponds to the traditional view of delivery up and actually appears to be a statutory restatement of this remedy.

2.2.2 Delivery up orders

Section 16 of the Act provides for delivery up. The proprietor of a registered trade mark may apply for delivery up of any goods, material, or articles which a person has in his possession, custody, or control in the course of a business. This section is wider than the previous one; delivery up can be ordered against anyone, not only the defendant, as long as the person possesses such goods in the course of a business.³² The request must be made by the proprietor, a requirement which does not appear in section 15. Provision is made in the Act for a cut-off date after which delivery up cannot be requested.³³

Section 19 of the Act allows for a further order. It provides that where infringing goods, material, or articles have been delivered up, a further application must be made for

30 Section 15(2).

31 Annand (1994) 180.

32 Section 16(1) of the Trade Marks Act 1994 (UK) states that the proprietor 'may apply to the court for an order for the delivery up to him, or such other person as the court may direct, of any infringing goods, material or articles *which a person has in his possession, custody or control in the course of a business*' (emphasis added). This contrasts with section 15(1), which states that '[w]here a person is *found to have infringed* a registered trade mark, the court may make an order requiring *him*' (emphasis added) to erase or delete the mark. Section 99(1), the equivalent provision in the Copyright Act 1988 has been interpreted by the court as meaning that delivery up can be ordered against an innocent retailer: *Lagenes* (1991) 493.

33 Section 18 of the Trade Marks Act 1994 (UK).

their destruction or forfeiture. An application may also be made, presumably by the defendant or possessor of the goods, that no such order be made. Before making any order under this section, the court must consider whether other remedies could adequately compensate the proprietor and licensee and protect their interests. Anyone who may have an interest in the goods must be notified of such an application, may oppose it, and may appeal against an order made pursuant to it.³⁴

It is clear from sections 16 and 19 that, despite the use of the term delivery up, we are here not dealing with delivery up in the equitable sense, but rather with a new substantive remedy.

The remedy is available against third parties and it is not directly connected to the grant of an injunction against the infringer. Although it grants persons with an interest in the goods the opportunity to be heard,³⁵ it makes it clear that forfeiture of the goods may be ordered for the plaintiff's benefit, as the court is required to consider whether other remedies 'would be adequate to compensate the proprietor and any licensees'.³⁶

Neither of these sections has been considered by the courts or by writers on the new Act. But it would appear that what the legislature intended was a remedy differing from what has previously been understood as delivery up. This contention is supported by the fact that the traditional form of delivery up has been retained but is now termed an erasure order. The assumption is strengthened if the equivalent provisions of the Copyright Act 1988 are considered.³⁷

34 Section 19(3) of the Trade Marks Act 1994 (UK).

35 Ibid.

36 Section 19(2).

37 See 2.3 of this chapter.

2.3 DELIVERY UP IN TERMS OF THE COPYRIGHT ACT 1988

Section 99 of the Copyright Act provides that, if a person has an infringing copy in his possession in the course of business, the owner of copyright in the work may apply to court for an order compelling that person to deliver up the infringing copy. Section 114 then provides for a further order forfeiting the infringing copy to the copyright owner, or for destruction of the copy.

Section 99(1) has been held to apply against third parties.³⁸ Laddie, relying on Hansard,³⁹ states that the intention of the legislature with these provisions was to compensate the copyright owner for the abolition of conversion damages.⁴⁰ The problem foreseen by the legislature was that, with the abolition of conversion damages, a copyright owner could be left with inadequate relief if the infringer were unable to pay an award of damages.⁴¹ The new provisions allow the court, in appropriate circumstances, to order delivery up for the benefit of the copyright owner. As Laddie points out, the equitable remedy of delivery up has always been available to a copyright owner.⁴² Therefore, unless the statutory provisions have created a different remedy, they are tautologous.⁴³

2.4 OVERVIEW

It is clear that a distinction must now be made between the traditional form of delivery up and that described by the two statutes above. The equitable and the statutory form

38 *Lagenes* (1991) 492: 'I do not feel able to read the reference to "a person" at the beginning of section 99(1) as a reference to "an infringer"' (at 504).

39 House of Lords Official Report (1987); House of Commons, Standing Committee E (1988).

40 Laddie (1995) 934.

41 *Idem* at 934-935.

42 *Idem* at 924.

43 *Idem* at 934.

of delivery up bear very little resemblance to each other, and it can be argued that the remedy termed delivery up contained in the Trade Marks Act 1994 is intended to serve the same purpose as its counterpart in the Copyright Act 1988.

3 AUSTRALIA

In Australia, delivery up has never been included in the statutory remedies available for trade mark infringement. However, obliteration or erasure of offending marks is described as 'part of [the] inherent equitable jurisdiction'⁴⁴ of Australian courts. It is generally accepted by writers that erasure is the preferred relief, but that delivery up may be ordered if erasure is impractical.⁴⁵ In one instance an Australian court refused to order delivery up or destruction of the goods to which the trade mark was affixed. It stated that although the defendant could not lawfully sell such goods with the trade mark affixed, if he expunged the mark from the goods, he could do what he liked with them.⁴⁶

Delivery up in Australia corresponds to the traditional English approach, not the statutory innovation.

4 CANADA

In Canada, section 53 of the Trade Marks Act 1953 provides that, in trade mark infringement proceedings, a court may give directions with regard to the disposal of offending wares, packages, labels, and advertising material and dies used in connection with them. Such disposal can include orders for erasure or destruction by the defendant, or delivery to the plaintiff. The form of such an order and the

44 Ricketson (1984) 720.

45 McKeough & Stewart (1991) 34; Ricketson (1984) 720; Shanahan (1990) 359.

46 *Colbeam Palmer* (1968) 39.

circumstances in which it will be granted are still governed by English practice.⁴⁷ Canadian writers emphasise the necessity of balancing the plaintiff's right to protection of his mark with the defendant's property rights, and argue that the plaintiff is not entitled to be enriched by the order.⁴⁸

The traditional English view of delivery up is therefore followed in Canada.

5 SOUTH AFRICA

5.1 HISTORICAL DEVELOPMENT

5.1.1 Pre-Union decisions

The first legislation dealing with trade marks, Act 22 of 1877 in the Cape Colony, was based largely on the 1875 English Act. The remedies were also similar. The Act provided that registration was a prerequisite to 'prevent or recover damages'⁴⁹ for infringement.

In the light of the English influence on trade mark litigation, and bearing in mind that provision was made in the Act for remedies other than pecuniary damages, it is remarkable that in all early Cape trade mark litigation only one request was made for an order for delivery up. In this decision an interdict was granted, but not the prayer for delivery up.⁵⁰ However, the prayer was neither canvassed nor disputed by counsel or by the court.

The first legislation in the Transvaal was based not on equivalent English legislation,

47 Fox (1972) 458.

48 Cairns (1988) 61; Fox (1972) 458.

49 Section 1 of the Cape Colony Act 22 of 1877.

50 *Lever Bros* (1900) 660.

but on legislation in force in the Netherlands. It provided for damages as the only remedy.⁵¹ Legislation⁵² following annexation of the Transvaal was based on English legislation and was substantially similar to that in force in the Cape Colony.

Although the English influence in the field of trade mark legislation and litigation was less noticeable in the Transvaal than in the Cape, delivery up orders were routinely granted in the Transvaal despite the lack of statutory provision for this remedy. The first reported trade mark infringement action in which an order for delivery up was granted, was in 1904.⁵³ Here, without argument or consideration, the defendant was ordered to hand over under oath, to the sheriff of the Transvaal, all labels in his possession bearing the word 'Khedive'. Delivery up was requested in two further instances. In the first, a final interdict was granted but it is not stated whether the court also granted delivery up.⁵⁴ In the second, the plaintiffs were not able to prove infringement and so delivery up was not ordered.⁵⁵ In neither instance was the correctness of such an order queried.

5.1.2 Legislation after Union

Neither the 1916 nor the 1963 Trade Marks Act dealt specifically with delivery up as a form of relief. Both merely provided that proceedings could be instituted to prevent or recover damages for the infringement of a trade mark.⁵⁶ Despite this, a number of requests were made for delivery up under both Acts.

51 Section 14 of Transvaal Act 6 of 1892.

52 Transvaal Proc 23 of 1902.

53 *Le Khedive* (1904) 65.

54 *United Tobacco* (1909) 155.

55 *Distilleerderij* (1913) 3.

56 Section 124 of the Trade Marks and Copyright Act of 1916 (SA); section 43 of the Trade Marks Act of 1963 (SA).

5.1.3 Court decisions after Union

In the first case under the 1916 Act, the court granted a delivery up order, despite the fact that, according to the case notes and argument, all that was sought was a final interdict. The court based its order on the fact that 'there is no evidence before the court that there may not be other labels and packets in the possession of the respondents'.⁵⁷ Delivery up was subsequently granted in two further instances, in both of which trade mark infringement and passing off were found to be present.⁵⁸ The remedy was requested in a number of other trade mark infringement and passing off cases, where the plaintiffs were unsuccessful for other reasons.⁵⁹ In all these proceedings, the correctness of a delivery up order was never queried. It is also possible that more such orders were granted than appears from decided cases, as very often all that was asked for, and granted, was an interdict and ancillary relief, which could have included delivery up.

Delivery up was also granted in litigation under the 1963 Act. Despite the absence of legislative provision for the remedy, South African courts routinely granted such orders in varying forms. Before the Anton Piller type decisions which will be discussed later, the correctness of such an order was never doubted.

The first order for delivery up in trade mark infringement proceedings in terms of the 1963 Act was made in 1976. This was an action for an interdict based on infringement of a registered trade mark. The mark consisted of three stripes and a heel patch applied to shoes. An order for delivery up of the infringing shoes was requested. Although the correctness of such an order was not disputed in principle by the defendant, he asked for the order to be amended to compel the defendant to remove the offending marks from the shoes concerned. The eventual order was for removal of

57 *Glenton & Mitchell* (1918) 267-268.

58 *Goddard* (1924) 324; *Peter Jackson* (1938) 457.

59 *Com Products* (1922) 163; *Crossfield* (1925) 217; *Zyp Products* (1926) 225; *Lasar* (1954) 132.

the offending mark from the shoes by the defendant or alternatively, at his option, delivery to the plaintiff.⁶⁰

The next case in which an order for delivery up was made was based on infringement of a registered trade mark with an alternative claim for passing off. Infringement was found and an order was granted calling upon the respondent to remove the offending mark from all products, packaging, and printed matter; alternatively, at his option, to destroy all such items; or alternatively, again at his option, to deliver them to the applicant. Compliance with either of the first two options was to be confirmed under oath.⁶¹

In a Natal decision, the defendant was ordered to deliver up to the plaintiff for destruction or erasure bottles of oil and various types of printed matter bearing the infringing trade mark. Here the defendant was granted no alternative and nothing was stated in the order about the subsequent fate of the bottles of oil.⁶²

In the only case in which delivery up was ordered where both infringement and passing off were found, the respondent was ordered to deliver up to the applicant for destruction all containers and printed matter bearing the offending mark or get-up. Again, the respondent was not afforded the option of himself destroying the items or erasing the mark or get-up.⁶³

Delivery up for destruction of documents was ordered in *Zenith Clothing*,⁶⁴ while in 1983 the Appellate Division confirmed, without discussion, a similar order granted by the trial

60 *adidas* (1976) 540-541.

61 *John Craig* (1977) 159.

62 *Hudson & Knight* (1979) 227.

63 *Juvena* (1980) 224.

64 *Zenith Clothing* (1981) 68.

court.⁶⁵

5.1.4 Other authority

The correctness of delivery up orders has seldom been questioned by South African writers on intellectual property.⁶⁶ When the only South African textbook on trade marks first appeared in 1964 it stated that, in addition to an interdict, in both infringement and passing off cases the following relief could be sought:

- '(i) delivery up for destruction, or for erasure of the trade mark, name, label or get-up, as the case might be, of all goods bearing the trade mark, name, label or get-up and in the possession of or under the control of the defendant;
- (ii) delivery up for destruction of all boxes, cartons, wrappers or other containers and all advertising matter or other literature in the possession of or under the control of the defendant upon or in which the trade mark, name, label or get-up appears;'⁶⁷

In neither this, nor the second edition of this work,⁶⁸ was any South African authority furnished to substantiate the statement that the remedy was available in South Africa.

Subsequent writers on trade marks and passing off also assumed the existence of such an order without questioning its correctness. Van Heerden and Neethling⁶⁹ state that delivery to the plaintiff for either erasure or destruction is available to prevent continued

65 *Triang* (1985) 463.

66 But see Kelbrick (1987) 12.

67 Chowles & Webster (1964) 285.

68 Chowles & Webster (1972) 240.

69 Van Heerden & Neethling (1995) 194-195.

infringement in passing off actions, a view shared by Naude.⁷⁰ Hertzog,⁷¹ too, states that the remedy was available in instances of trade mark infringement.

5.1.5 Overview

The position as illustrated by the decisions and writers discussed above was that, before 1984, delivery up was accepted as a remedy by South African courts in intellectual property infringement proceedings. But the form of such an order, the items to which it related, and the circumstances in which it was granted were uncertain. This position was in all likelihood occasioned by the adoption, without due consideration, of the equivalent English remedy.

5.2 THE EFFECT OF ANTON PILLER ORDERS ON THE REMEDY

5.2.1 Anton Piller orders

An Anton Piller order is an *ex parte* order, usually granted *in camera*, authorising search, seizure, and disclosure.

These orders originated in England. They authorised a search of the defendant's premises and seizure of incriminating evidence to preserve it for use in subsequent proceedings.⁷² The first such order was an interlocutory order made during the course of an action for copyright infringement, in which, *inter alia*, delivery up of infringing material had been requested.⁷³ The interlocutory order included an order entitling the plaintiff's solicitors to retain in their custody tapes which infringed the plaintiff's

70 *LAWSA Competition* (1977) 314; *LAWSA Competition* (1993) 274.

71 Hertzog (1981) 239.

72 Bean (1994) 138-139; Cornish (1989) 47.

73 *EMI Ltd* (1975) 420.

copyright.⁷⁴ These items were not delivered up to the plaintiff in the traditional sense of such orders, but were to be held in safekeeping until final determination of the parties' respective rights. The order was therefore not one for delivery up for erasure or destruction by either party, but merely for safekeeping to ensure that the items were not destroyed or disposed of before the determination of the main action. Subsequent British decisions dealing with this type of order all draw the same distinction.⁷⁵

5.2.2 South African Anton Piller orders⁷⁶

In South Africa the distinction between delivery up and interim attachment orders was blurred in the very first reported decision in which an Anton Piller type order was granted. In *Roamer Watch*, Anton Piller type interim relief - search, disclosure, and attachment - and an interim interdict were granted ex parte on an urgent basis.⁷⁷ Unfortunately the prayer and order dealing with attachment directed 'that the respondent deliver up to the Deputy Sheriff of this court for removal and safekeeping'⁷⁸ the watches which allegedly infringed the applicants' trade mark. The order was obviously not for delivery up as traditionally understood in intellectual property matters, but merely for interim attachment.⁷⁹

On the return day Cilliers AJ, in deciding whether to confirm the order, considered the justification for the interim attachment order. He sought to distinguish between an attachment order in Anton Piller type proceedings and an interim order for delivery up, presumably because he felt that an Anton Piller order was not necessary to preserve

74 At 425.

75 *Anton Piller* (1976) 783; *Universal City* (1976) 570; *Gates* (1982) 341.

76 See Du Plessis (1984) 156, Erasmus (1984) 324, and Rutherford (1984) 149 generally for these orders in South African practice. See also Coetzee (1985) 634 for criticism of these orders.

77 *Roamer Watch* (1980) 261.

78 *Ibid.*

79 See *Shoba* (1995) 19, where the court held that an Anton Piller order is not an interim interdict but grants instant procedural relief; see also Erasmus (1996) 4.

evidence, as this could be done by means of photographs and inventories of the infringing articles.⁸⁰ I think that this approach is incorrect. The court, although itself distinguishing between procedural and substantive relief,⁸¹ did not appreciate that although the relevant prayer requested delivery up, in the present case this was not the substantive relief afforded as part of a permanent interdict, but merely procedural relief designed to preserve the relevant articles.⁸² An order for delivery up can never be granted on an interim basis, as its purpose is to dispose finally of the infringing marks or articles.

The incorrect use of the term delivery up, with its specific meaning which encompasses erasure or destruction by the defendant or delivery to the plaintiff of the infringing items for destruction, was perpetuated in subsequent Anton Piller type proceedings, particularly those concerning intellectual property. While in certain reported decisions attachment and removal for safekeeping were requested,⁸³ in others delivery up for safekeeping by the deputy sheriff was requested.⁸⁴

This confusion was further compounded by the fact that Anton Piller type relief was often coupled to an interim interdict in which it was stated that on the return day a permanent interdict and delivery up would be requested.

5.2.3 The *Cerebos* decision

It was presumably these considerations which led Van Dijkhorst J, in the leading decision on the justification or otherwise of the existence of Anton Piller type orders in South Africa, to include in his description of the components of such an order

80 At 284.

81 At 268.

82 See Erasmus (1984) 331.

83 *Wilrose Timbers* (1980) 288; *Petre & Madco* (1984) 852.

84 *Continental Wholesalers* (1983) 686; *Easyfind* (1983) 921; *House of Jewels* (1983) 825.

'[o]rders for the production and handing over of a thing to which no right is claimed, but as part of an interdict to make the interdict effective, for example by erasure of a trade mark from the defendant's goods.'⁸⁵

The original notice of motion in this application contained no prayer for delivery up; all that was requested in prayer 7 was authorisation for the deputy sheriff to remove and retain in his possession the documents specified in a previous prayer.⁸⁶ It was not even specifically stated in the notice that delivery up would be requested when proceedings for a final interdict were instituted.⁸⁷ Delivery up was also not canvassed in the heads of argument by either counsel for the applicant or counsel for the court. It can therefore only be assumed that the court viewed delivery up as one of the components of an Anton Piller type order by reference to previous similar decisions, specifically that given in *Roamer Watch*⁸⁸ where the term delivery up was, as illustrated above, incorrectly used when what was actually requested was an interim attachment order.

5.2.4 Interpretation of *Cerebos* decision

I believe that the court erred in holding that an order for delivery up is a component of an Anton Piller type order. The court's own description of such an order - 'as part of an interdict to make an interdict effective'⁸⁹ - presupposes the grant of a final interdict, as only after final determination of the parties' respective rights may an order such as that mentioned by the court as an example - erasure of an offending trade mark - be granted. It follows that such an order can never be granted in interlocutory or anticipatory proceedings such as Anton Piller type orders. In no English or South African decision has delivery up for erasure or destruction ever been ordered except

85 *Cerebos* (1984) 164.

86 Notice of motion filed in case no 4340/84 TPD 3.

87 Prayer 10.1.1 of case no 4340/84 TPD 4.

88 *Roamer Watch* (1980) 284-285.

89 *Cerebos* (1984) 164.

as part of a final, as opposed to an interlocutory, interdict.

5.2.5 Effect of the *Cerebos* decision on delivery up orders

Although the judgment was clearly obiter as regards delivery up as a final order, it introduced uncertainty as to whether South African courts would continue to order delivery up in intellectual property infringement cases.⁹⁰

The *Cerebos* court used as example of delivery up the erasure of a trade mark, despite the fact that the issue before it was one of unlawful competition, not trade mark infringement. Although it held that delivery up should not be ordered as it presupposed that an interdict would be ignored, it appears that delivery up to a plaintiff for erasure, as an alternative to erasure of the offending mark by the defendant, at the defendant's option, was viewed as an acceptable order.⁹¹ Why such an order was not also viewed as presupposing that a prohibitory interdict would be disregarded,⁹² is unclear.

The validity of Anton Piller orders was considered by the Appellate Division in 1986. The court did not consider the correctness of the *Cerebos* finding that a delivery up order formed part of an Anton Piller order.⁹³ But in the same year, when the validity of a delivery up order was challenged on appeal, the Appellate Division ordered that infringing marks be removed by the defendant under the plaintiffs' supervision.⁹⁴

The correctness of such orders was next considered in *Stauffer*, an instance of patent infringement. Although section 65(3) of the Patents Act of 1978 makes specific provision for delivery up as competent relief, the court stated that such relief had been

90 See *Job* (1995) 27.

91 At 173, citing *adidas* (1976) and *John Craig* (1977) as authority.

92 At 173.

93 *Universal City* (1986) 753 and 756.

94 *Berman Bros* (1986) 247.

granted as a matter of course prior to this enactment and held, relying on *Cerebos*, that the purpose of such an order was to make an interdict more effective.⁹⁵ The court held that section 65(3) merely codified existing practice and that the English rules should be followed, which meant that a delivery up order could not be granted except as an adjunct to an interdict. Consequently, if an interdict could not be granted because the patent had expired, a delivery up order was likewise excluded.⁹⁶

In a subsequent instance of unlawful competition, where the plaintiff had requested delivery up or alternatively destruction on oath, the court ordered the defendant to destroy all advertising material.⁹⁷

Interestingly, when that part of the *Cerebos* decision which dealt with delivery up was considered in an instance of copyright infringement, the court held that this did not constitute authority for the submission that delivery up was no longer available, as the court in *Cerebos* was 'not concerned with the remedies of, or the relief available to, the holders of rights of a proprietary nature'.⁹⁸ The court held that as section 24(1) of the Copyright Act of 1978 provides that delivery up is available to the plaintiff 'as [it] is available in any corresponding proceedings in respect of infringements of other proprietary rights', and as owners of other proprietary rights were entitled to delivery up orders, it could grant such an order.⁹⁹ No authority was given for the finding that delivery up is generally available to owners of proprietary rights. Most recently, delivery up was ordered in an instance of copyright infringement without consideration of the correctness of such an order.¹⁰⁰

95 *Stauffer* (1988) 810.

96 *Ibid.*

97 *William Grant* (1990) 926.

98 *Ara Oy* (1990) 370.

99 *At* 369.

100 *Nintendo* (1995) 250.

The most recent edition of the textbook by Webster and Page, which appeared after the *Cerebos* decision, deals with delivery up in more detail than previous editions. The authors view the decision in *Cerebos* as incorrect as regards delivery up: they argue that it is a procedural remedy falling within the court's inherent jurisdiction to regulate its procedure.¹⁰¹ Van Heerden and Neethling, writing on unlawful competition in 1995, also view the remedy as available and describe it as follows: 'the plaintiff may also ask for ancillary relief to prevent the possibility of the continuation of the passing off, such as an *order for the delivery up* of the goods concerned for the purpose of destruction thereof, or for erasure of the offending mark'.¹⁰²

5.3 CURRENT INTELLECTUAL PROPERTY LEGISLATION

5.3.1 Trade Marks Act of 1993

The current Trade Marks Act provides that the proprietor of a registered mark is entitled to an order 'for removal of the infringing mark from all material and, where the infringing mark is inseparable or incapable of being removed from the material, an order that all such material be delivered up to the proprietor'.¹⁰³ Strangely, no provision is made for the subsequent fate of the material if it is delivered up to the plaintiff, in contrast to the extensive disposal order provisions in the current English legislation.¹⁰⁴ This provision has not been judicially considered.

5.3.2 Copyright and patent legislation

Provision is made for statutory delivery up in both current statutes.

101 Webster & Page (1986) 325.

102 Van Heerden & Neethling (1995) 194-195 (emphasis added). Interestingly, while all the cases cited above in which delivery up was granted for either trade mark infringement or passing off are cited as authority, the authors do not refer here to the *Cerebos* decision.

103 Section 34(3)(b) of the Trade Marks Act of 1993 (SA).

104 Section 19 of the Trade Marks Act 1994 (UK).

The Patents Act of 1978 provides that 'a plaintiff in proceedings for infringement shall be entitled to relief by way of an interdict, delivery up of anything involving infringement'.¹⁰⁵

The Copyright Act of 1988 provides that 'in any action for such an infringement all such relief by way of damages, interdict, delivery of infringing copies or plates used or intended to be used for infringing copies or otherwise shall be available to the plaintiff as is available in any corresponding proceedings in respect of infringements of other proprietary rights'.¹⁰⁶

5.3.3 Counterfeit Goods Bill

This Bill authorises a court in civil or criminal proceedings relating to counterfeit goods to order delivery up in certain circumstances. If the subject matter of an intellectual property right has been unlawfully applied to goods, and the goods have been found to be counterfeit, the court may order delivery up to the owner of the right, irrespective of the outcome of the proceedings.¹⁰⁷ If delivery up has been ordered, the goods may not be released into the channels of commerce upon mere removal of the infringing mark or other subject of an intellectual property right, unless the court orders otherwise.¹⁰⁸ The Bill does not clearly indicate what is to be done with the counterfeit goods after delivery up. The reference to removal of the infringing mark cannot be viewed as an erasure order, if the goods may not be released for commercial reuse. The memorandum on the objects of the Bill states that the court may decide what is to be done with the counterfeit goods and order that the alleged offender forfeit the goods even though a claim against him cannot be substantiated.¹⁰⁹

105 Section 65(3).

106 Section 24(1).

107 Clause 10(1)(a) of the Counterfeit Goods Bill of 1997.

108 Clause 10(2)(a).

109 Counterfeit Goods Bill of 1997 42.

'Forfeiture' has a different meaning to 'destruction', which is what would usually be ordered in respect of infringing goods. Forfeiture is also the word used in section 19(1)(a) of the English Trade Marks Act 1994 and section 114(1)(a) of the English Copyright Act 1988. It is unclear whether Parliament intends to introduce something akin to the statutory delivery up of these English statutes, but I think that the Bill as presently drafted is too vague for our courts to make such an order. If this is the intention of Parliament, it is advisable specifically to provide that a court may in appropriate circumstances order forfeiture of counterfeit goods to the owner of the intellectual property right as recompense for infringement. If Parliament does not intend to introduce this remedy, I think that clause 10(1)(a) of the Bill should be amended to refer to 'delivery up for destruction'.

5.4 CONTINUED EXISTENCE OF THE REMEDY IN SOUTH AFRICA

5.4.1 Potential problems

The provisions for erasure or delivery up in current legislation would appear to guarantee the availability of this remedy in South African intellectual property proceedings. This is not necessarily so.

First, as regards trade mark practice, the legislative provisions apply to registered trade marks only, and the availability of the remedy is therefore not guaranteed in instances of passing off.¹¹⁰

Second, the *Cerebos* decision did not prohibit delivery up as remedy only in respect of trade mark infringement proceedings; it merely used such proceedings as an example. The court's objection was to the assumption that a prohibitory interdict would not be obeyed.¹¹¹ Although the judgment was obiter as regards delivery up as final relief, the

110 See also *Roamer Watch* (1980) 285, where the court held that it was not necessary to decide whether delivery up was competent in cases of passing off.

111 *Cerebos* (1984) 173.

court's objection can be viewed as equally relevant to statutory delivery up.

Third, the ambit and availability of the remedy has never been thoroughly canvassed in intellectual property proceedings. It is possible that, if this ever occurs, delivery up might meet the same fate as an account of profits.

It is, therefore, necessary to determine whether any basis for such a remedy exists in South African common law.

5.4.2 South African basis for the remedy

There is no doubt that the traditional English delivery up order was viewed as procedural relief and would be granted only together with a prohibitory injunction. This has its basis in history and can be traced to the equitable development of the remedy.

As set out above, this equitable remedy was granted by South African courts without any consideration of its right to existence in this country. When considering the remedy, our courts and writers have, in accordance with the English approach, viewed it as a form of procedural relief.¹¹² This view was strengthened by the description of the traditional English form of delivery up in *Roamer Watch* as 'ancillary to relief granted by way of injunction and in order to render the injunction effective'.¹¹³

5.4.2.1 *Procedural or substantive relief*

There is no reason to regard delivery up as procedural relief in South Africa. The remedy will not be accepted by our courts on the basis of its equitable origin, but must be shown to be acceptable in terms of South African common law. If it is argued that it is procedural relief, the danger arises that a court will decide that the specific

112 *Cerebos* (1984) 173; *Stauffer* (1988) 810; *Ara Oy* (1990) 369; *Webster & Page* (1986) 325; *Van Heerden & Neethling* (1995) 194.

113 *Roamer Watch* (1980) 284.

circumstances do not fall within its inherent jurisdiction to grant such relief. While it is feasible that a court will view an order for the removal by a defendant of some labels from goods as within its inherent jurisdiction to regulate its procedure, it is less likely to grant an order for the destruction of large amounts of valuable goods as falling 'within its inherent jurisdiction'.

The court in *Roamer* made this distinction clear. Cilliers AJ described Anton Piller orders as 'extraordinary procedural relief' when contrasting them with interim traditional delivery up orders as 'protection against infringement of his substantive rights'.¹¹⁴ He clearly viewed delivery up, as final relief, as a substantive remedy.¹¹⁵

When considering the distinction between substantive and procedural law, the Appellate Division quoted the following from Salmond:

'Substantive law is concerned with the ends which the administration of justice seeks; procedural law deals with the means and instruments whereby those ends are to be attained'.¹¹⁶

It held that '[i]t is difficult to compose a closer definition of the distinction than this'.¹¹⁷

In the light of this definition, delivery up for erasure or destruction should not be described as merely an order 'to make the interdict effective'.¹¹⁸ A plaintiff seeking an order for erasure or delivery up for destruction does not merely wish to ensure that the

114 *Roamer Watch* (1980) 275. The court also stated that the Anton Piller order 'should go no further than is necessary for the preservation of the evidence ... it should not, as far as may be practicable, afford an applicant the substantive relief which he may be entitled to at a later stage' (at 273).

115 This interpretation is confirmed by Erasmus (1984) 331.

116 Salmond (1957) 504.

117 *Universal City* (1986) 755.

118 *Cerebos* (1984) 173.

prohibitory interdict against future infringement is obeyed; he requires that existing infringing goods be disposed of.

5.4.2.2 *Delivery up as mandatory interdict*

There is another basis on which such orders can be justified in terms of the South African common law.

Delivery up can be described as a form of mandatory final interdict which, in appropriate circumstances, may be granted together with or in lieu of a prohibitory final interdict. As regards trade mark infringement, a mandatory interdict is necessary to deal with acts of infringement which have already occurred, while in respect of passing off such an interdict is necessary to deal with articles which pose a potential threat to the plaintiff's goodwill.

The standard form of interdict applied for in trade mark litigation, which orders the defendant to cease use of the mark, and grants a delivery up order for erasure or destruction of infringing articles, combines a prohibitory and a mandatory interdict. The prohibitory interdict relates to future injury as the defendant cannot be ordered to refrain from doing something which has already been done. The mandatory interdict, ordering him to erase or dispose of the offending mark or hand it over to the plaintiff for destruction, is therefore necessary to deal with acts of infringement which have already occurred.¹¹⁹

In the case of registered trade marks, an act of infringement occurs immediately the offending mark is applied without authorisation, as the proprietor of a trade mark has

119 Jones & Buckle (1996) Act 87 states that 'an interdict is not a remedy for a past invasion of rights'; its authors rely on *Stauffer* (1988) 805. This was an instance where an interdict was requested in respect of an expired patent; the court proceeded to hold that an interdict 'is for the protection of an existing right' (at 809). The right to exclusive use of a registered trade mark, or to protection of goodwill, are continuing rights.

the exclusive right to the use of his mark.¹²⁰ The prejudice remains potential, not actual, if the infringing articles are still in the defendant's possession, but must nevertheless be averted by some form of court order.

In cases of passing off, both the infringement and the prejudice are potential rather than actual if the articles have not yet been made available to the public, since public deception or confusion is an essential element of the delict.¹²¹ However, once articles which will cause deception exist, the plaintiff is entitled to ask the court for an order dealing with such articles, as an interdict may be obtained on the basis of threatened, not only actual, injury.

The view that such an order is a substantive remedy is confirmed by the current Trade Marks Act, which grants an order for removal or delivery up as a separate remedy, and does not make it conditional on the grant of a prohibitory interdict.¹²²

5.4.2.3 *Support for argument*

Although our courts have never described a delivery up order as a form of mandatory interdict, support for this view is obtained from various writers on allied branches of law.

Textbooks on delict state that an interdict may include an order requiring a person to do some positive act to remedy a wrongful state of affairs for which he was responsible.¹²³ When dealing with the right to privacy, Neethling specifically states that apart from a prohibitory interdict preventing disclosure of private information, a

120 *Shalom Investments* (1971) 706.

121 Van Heerden & Neethling (1995) 186.

122 Section 24(3)(b) of the Trade Marks Act of 1993 (SA).

123 Neethling (1994) 248. Neethling uses as examples of a mandatory interdict, the command to destroy copies of a book that infringe copyright or labels that constitute delivery up (at 248 footnote 20). See also Van der Merwe & Olivier (1989) 259.

mandatory interdict should be granted ordering destruction of the embodiments of such information, as without such an order the threatened or continued invasion of privacy cannot be effectively prevented.¹²⁴ Wiehahn, dealing with boycott as a form of delict,¹²⁵ and Van Heerden, dealing with competition,¹²⁶ also hold the view that a mandatory interdict is necessary to render an existing unlawful position innocuous. As Van Heerden says, the function of an interdict, whether prohibitory or mandatory, is preventative, and the plaintiff is entitled to protection against ongoing or further injury, both in respect of existing and future acts.¹²⁷

Support for this view can also be found in a textbook on copyright. Copeling, discussing interdicts as remedy in copyright litigation, argues that a mandatory interdict for destruction of infringing copies would be justified although, as he points out, in copyright matters the same result could be achieved through the statutory form of delivery up.¹²⁸

6 CONCLUSION

Delivery up for erasure or destruction can be justified as a mandatory interdict only if the plaintiff obtains no benefit from the goods. Delivery up for the plaintiff himself to obtain financial advantage from the infringing goods has no basis in our common law.

The form of order suggested by Webster and Page, while dealing with infringing goods as well as printed material, also confirms that the order is one for erasure or disposal, and that the goods do not become the plaintiff's property.¹²⁹

124 Neethling (1996) 261 footnote 154.

125 Wiehahn (1973) 207.

126 Van Heerden (1961) 195.

127 *Idem* at 196.

128 Copeling (1978) 60 footnote 1 and 63.

129 Webster & Page (1986) 325.

A delivery up order does on occasion cause conflict between the plaintiff's intellectual property rights and the defendant's property rights. I have suggested that, for this reason, the traditional English form of order, in which the defendant is always given the option of himself erasing the mark or otherwise altering or destroying the goods rather than delivering the items concerned to the plaintiff, should be followed in South Africa.¹³⁰ This is in accordance with our common law and offers the defendant the opportunity of minimising any financial loss he may suffer. The plaintiff is protected if he is afforded the opportunity of either supervising the erasure or destruction by the defendant, or of having these actions confirmed on oath, should the defendant elect to deal with the relevant items himself.

The new copyright and trade mark legislation in England alters the concept of delivery up. It is clear that the statutory delivery up for which provision is made in English copyright and trade mark infringement proceedings is not viewed as the equitable form of delivery up (for erasure or destruction) but may on occasion serve as recompense to the plaintiff. It more closely resembles the conversion remedy than delivery up in the equitable sense.

It is essential that South African courts and writers do not confuse the traditional English remedy with the statutory English innovation. Any attempt to introduce the statutory innovation in South Africa is doomed to failure, in the absence of express statutory provisions. It is clear that what our legislature intended by reference to delivery up is the traditional form of this remedy.

The South African Trade Marks Act of 1993 fails to state what will become of goods which have been delivered up to a plaintiff. To ensure that delivery up orders are not rejected by our courts as in conflict with our common law, I believe that section 34(3)(b) of the Act requires amendment by the insertion of the words 'for destruction' at the end

130 Kelbrick (1987) 22.

of the subsection, and that requests for such orders are phrased accordingly. I also think that section 34(3)(b) should be strictly applied, and that delivery up to the plaintiff, rather than removal by the defendant, should be granted only if the mark is truly incapable of removal, or if the defendant has been shown to be untrustworthy.

CHAPTER 8

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CHAPTER 8

COMPLIANCE WITH THE REQUIREMENTS OF TRIPS

1 INTRODUCTION

The General Agreement on Tariffs and Trade (GATT) was signed in April 1994. This agreement includes an annexure on trade-related aspects of intellectual property (TRIPS). The history of the inclusion of intellectual property concerns in an agreement on international trade policy is not relevant for purposes of this work.¹ It is sufficient to note that although intellectual property rights were first included in negotiations to deal with the problems of counterfeiting,² the eventual agreement was expanded to create a minimum international standard of intellectual property protection.³ This included core principles governing enforcement of intellectual property rights, both internally and to regulate border controls.⁴ The enforcement of rights is viewed as one of the most important aspects of TRIPS, as no matter how extensive the protection of rights, if enforcement procedures are inadequate or ineffective, the rights are of little value.⁵

Part III of TRIPS deals with the enforcement of intellectual property rights. This part of the agreement consists of a section on general obligations, followed by sections dealing with particular remedies. These remedies are minimum requirements and do not prevent countries from making additional remedies available.

1 See, generally, De Koning (1997) 68-69; Emmert (1990) 1319-1329; Uchtenhagen (1990) 768-770.

2 Emmert (1990) 1325.

3 Cohen (1994) 33; Slaughter (1990) 419.

4 Hill (1990) 20; Slaughter (1990) 420.

5 Cohen (1994) 36.

2 TERMINOLOGY

The language of part III must be noted. The word 'shall' is frequently used, and the word 'may' on occasion. Clearly, when provision is made that 'a member shall' ensure that an enforcement procedure is available, this is a command to the member to do so. But when it is provided that the 'judicial authorities shall have the authority to order', the judicial authority presumably retains the discretion to make such an order only in appropriate circumstances. When a member 'may authorise the judicial authorities to order', such remedies are optional rather than compulsory.

3 RELEVANT TRIPS PROVISIONS

Only those remedies for which specific provision is made in the Trade Marks Act of 1993 will be dealt with. The relevant parts of this agreement will be considered in the sequence followed in the thesis. To date, very little discussion on the interpretation of these remedies is generally available.⁶ The discussion on each provision is my interpretation from a South African perspective.

3.1 PREAMBLE AND GENERAL OBLIGATIONS

The preamble to TRIPS states that the agreement has been concluded 'taking into account the need to promote effective and adequate protection of intellectual property rights', and that the need for new rules and disciplines is recognised concerning 'the provision of effective and appropriate means for the enforcement of trade-related intellectual property rights'.

The words 'effective' and 'appropriate' are neither defined nor elaborated on in the agreement. Presumably, they should be interpreted in the light of the specific enforcement provisions contained in part III.

6. When there is a dispute about the interpretation of TRIPS, it should be referred to the TRIPS Council, whose interpretation is binding on all members (article 68).

3.1.1 Functions of enforcement procedures

Part III deals with the enforcement of intellectual property rights. The general obligations set out in article 1 include the requirement that '[m]embers shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements'.⁷

Of interest here is the requirement that remedies must serve not only to prohibit or prevent infringement, but also to deter. It is not clear whether this is a general requirement applicable to all remedies, or whether it is limited to specific remedies.

The article dealing with criminal remedies includes the requirement that they should include 'imprisonment and/or monetary fines sufficient to provide a deterrent'.⁸ But criminal sanctions need be available only 'in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale', although members may provide for criminal procedures and penalties to be applied in other instances of infringement, in particular when committed 'wilfully and on a commercial scale'.⁹ Criminal remedies need not be available, and so are not a deterrent, in all instances of infringement.

One civil remedy, disposal, also should 'create an effective deterrent to infringement'.¹⁰

It is not clear whether article 41 creates a general obligation in that all remedies should serve a deterrent purpose, or whether the fact that the deterrent function is mentioned on occasion means that only these remedies must serve this purpose. One

7 Article 41.1.

8 Article 61.

9 Ibid.

10 Article 46.

multinational proposal¹¹ made during the negotiation phase, suggested that when dealing with civil remedies, monetary awards should be 'adequate to compensate the owner of the intellectual property rights fully and *serve as an effective deterrent to infringement*'.¹² The fact that this suggestion was not included in the final agreement can be interpreted as limiting the deterrent function to specified remedies.

The interpretation to be placed on the requirement that remedies must serve a deterrent function is unclear. But it is an important innovation as regards civil remedies. National trade mark legislation in England, Australia, Canada, and South Africa has never treated deterrence as a function of civil remedies, which, traditionally, are intended to serve only compensatory and preventative functions.

3.1.2 Other requirements

A further requirement included under this heading is that enforcement procedures 'shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays'.¹³

It is tempting to argue that the procedures for obtaining damages, in all jurisdictions, can be criticised as complicated and costly. But as these procedures are the same for all damages claims, not only those relating to intellectual property infringement, they are no doubt covered by the statement in article 41.5, which is discussed in the following paragraph.

The general obligations also contain a statement that

'[i]t is understood that this Part does not create any obligation to put in place a

11 Basic framework of GATT provisions on intellectual property: Statement of views of the European, Japanese and United States Business Communities 1988.

12 Beier (1989) 401 (emphasis added).

13 Article 41.2.

judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general, nor does it affect the capacity of Members to enforce their law in general'.¹⁴

It can be argued that this statement allows members to refrain from implementing a specific remedy if it conflicts with their domestic law. But if the history of this provision is considered, this interpretation is incorrect. During the GATT negotiations, a number of the less-developed countries objected to the enforcement provisions on the ground that compliance with them would strain already inadequate judicial and administrative resources.¹⁵ The statement merely provides that intellectual property enforcement procedures are to be accommodated in the existing judicial system: this view is reinforced by the further statement that part III does not create 'any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general'.¹⁶

3.2 FINAL INTERDICTS

The following is included under the heading 'Injunctions':

'The judicial authorities shall have the authority to order a party to desist from an infringement. ... Members are not obliged to accord such authority in respect of protected subject matter acquired or ordered by a person prior to knowing or having reasonable grounds to know that dealing in such subject matter would entail the infringement of an intellectual property right.'¹⁷

It appears that this article provides that members are not obliged to grant interdicts

14 Article 41.5.

15 GATT Activities (1989) 65; see also De Koning (1997) 74.

16 Article 41.5.

17 Article 44.1.

against innocent infringers. But the enforcement procedures are minimum measures and members are free to impose more onerous procedures.¹⁸

3.3 INTERLOCUTORY INTERDICTS

The following is included under the heading 'Provisional Measures':

'The judicial authorities shall have the authority to order prompt and effective provisional measures:

- (a) to prevent an infringement of any intellectual property right from occurring'.¹⁹

The article also states that the judicial authorities shall have the authority to adopt provisional measures *ex parte* where appropriate.²⁰ Also, they

'shall have the authority to require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the ... applicant's right is being infringed or that such infringement is imminent, and to order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse'.

Provision is also made that where provisional measures were found to have been inappropriate,²¹ the applicant can be ordered 'to provide the defendant appropriate

18 Article 1.1.

19 Article 50.1.

20 Article 50.2. See also article 50.4 which states that the affected parties must be given notice without delay after the execution of the measures at the latest.

21 Article 50.7 refers to instances where the measures were revoked, lapsed due to an act or omission by the applicant, or where it is later found that there has been no infringement or threat of infringement.

compensation for any injury caused by these measures'.²²

This article is intended to deal with Anton Piller type relief. Whether interlocutory interdicts are included here or are viewed as a form of injunction, is arguable. But it must be noted that when a provisional remedy is sought, even ex parte, the plaintiff is required to satisfy the court 'with a sufficient degree of certainty' that his right has been infringed or that infringement is imminent. In addition, the plaintiff should provide some form of security or undertaking.

3.4 DAMAGES

The requirements as to compensatory damages against infringers are as follows:

'The judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person's intellectual property right by an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity'.²³

The article also states that '[t]he judicial authorities shall have the authority to order the infringer to pay the right holder expenses, which may include appropriate attorney's fees'.²⁴

As regards innocent infringers, provision is made that

'[i]n appropriate cases, Members may authorise the judicial authorities to order recovery of profits and/or payment of pre-established damages even where the

22 Article 50.7.

23 Article 45.1.

24 Article 50.2.

infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity'.²⁵

Damages are viewed as a compensatory remedy. But as provision is made for an innocent infringer to be liable for an account of profits or for statutory damages, the question can be raised of the intended level of compensation.

It is generally accepted that the United States of America was the prime mover behind the inclusion of intellectual property rights in GATT.²⁶ American trade mark legislation provides for an award of damages²⁷ which includes actual damages and the defendant's profits. Actual damages may be awarded in an amount 'not exceeding three times such amount'. In addition, if the court finds that the amount of recovery based on profits is inadequate, it may enter judgment for an amount it thinks just. Despite this, it is stated that the sum constitutes compensation and not a penalty.²⁸

Is this the form of compensation intended, or the traditional English and South African form which merely places the plaintiff in the position he would have been in had the defendant acted legally?

The availability of profits or statutory damages against an innocent infringer would seem to indicate the former. In many instances, profits or statutory damages may exceed any actual damages the plaintiff can prove. It would be inconsistent if a plaintiff could recover a larger financial amount against an innocent infringer than against one who acted intentionally. It is also unclear whether a plaintiff may request an account or statutory damages against an intentional infringer, if available under national legislation, rather than compensatory damages, if the former appears more

25 Ibid.

26 De Koning (1997) 65-68; Hill (1990) 20; Uchtenhagen (1990) 771.

27 Title 15 USC § 1117(a).

28 Ibid.

advantageous.

3.5 DELIVERY UP

This remedy is dealt with under the heading 'Other Remedies'. It is provided that

'[i]n order to create an effective deterrent to infringement, the judicial authorities shall have the authority to order that goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or, unless this would be contrary to existing constitutional requirements, destroyed'.²⁹

Materials and implements used to create infringing goods may also be disposed of outside the channels of commerce. The article provides that 'the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties' must be taken into account when considering a request for disposal.³⁰

The article concludes by stating that, in regard to counterfeit trademark goods, 'the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce'.³¹

The meaning of the phrase 'disposed of outside the channels of commerce'³² is unclear. It is clearly not destruction, as separate provision is made for that. It can be argued that it includes mere removal of a trade mark from the goods, as this remedy is held

29 Article 46.

30 Ibid.

31 Ibid.

32 This phrase does not appear in current trade mark legislation in England, Australia, Canada or the United States of America.

insufficient in instances of counterfeiting. However, mere removal of an infringing mark cannot be viewed as serving a deterrent function.

3.6 COMPENSATION FOR ABUSE OF ENFORCEMENT PROCEDURES

Section 2, which deals with final civil remedies, also provides that the judicial authorities

'shall have the authority to order a party at whose request measures were taken and who has abused enforcement procedures to provide to a party wrongfully enjoined or restrained adequate compensation for the injury suffered because of such abuse'.³³

The plaintiff may also be ordered to pay the defendant expenses, which may include attorney's fees.³⁴

I suggest that this implies that, whether or not an undertaking or other form of security has been given by a plaintiff, he may be ordered to pay some form of compensation to the defendant if a final interdict is not granted.

4 NATIONAL COMPLIANCE WITH TRIPS REQUIREMENTS

4.1 ENGLAND

It appears to be generally accepted by English writers that the 1994 Act complies with TRIPS,³⁵ as no mention is made of any amendments to the Act which are necessary to

33 Article 46.1. A similar provision is contained in section 3, which deals with provisional measures. Article 50.3 states that the applicant may be required to 'provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse'.

34 Article 48.2.

35 See Annand (1994) preface.

bring it into line with TRIPS. This is largely correct. But there are a few instances where English practice does not correspond precisely to the TRIPS requirements for civil remedies.

4.1.1 Injunctions

The requirements for final interdicts correspond to English practice, and are available against innocent infringers. The requirements for interlocutory interdicts as regards undertakings are also met. But the *American Cyanamid* test for interlocutory interdicts,³⁶ which uses balance of convenience as the primary test for relief, would appear not to comply with the requirement that a plaintiff must show an infringement of his rights with 'a sufficient degree of certainty'.³⁷

4.1.2 Damages

The provisions on damages are also met, as both compensatory damages and an account of profits are available when infringement is proved. But I think that the *Edenwest* decision, which held that damages are available even in instances of innocent infringement,³⁸ is contrary to article 45.1, which grants compensatory damages only against infringers who knowingly engaged in infringing activity.

4.1.3 Delivery up

The disposal and delivery up provisions are in accordance with TRIPS.

36 See chapter 4 at 2.1.2.3.

37 Article 50.3.

38 See chapter 5 at 3.3.1.3.

4.2 AUSTRALIA

The new Australian Trade Marks Act 1995 was drafted with TRIPS in mind.³⁹ Despite this, the Act does not specify the civil remedies available in respect of infringement. It merely provides for an injunction, subject to any condition that the court thinks fit, and damages or an account of profits, at the plaintiff's option.⁴⁰ As regards injunctive relief, the courts generally require an undertaking before interlocutory relief will be granted, and the *American Cyanamid* approach is not followed to the same extent as in England.⁴¹ The damages requirements are met, although it is debatable whether the availability of damages or accounts against innocent infringers conflicts with TRIPS. No statutory provision is made for civil delivery up or disposal, but this remedy has always been viewed as available.

4.3 CANADA

The civil remedies contained in the Canadian Trade Marks Act have not been amended since 1953. The Act provides for injunctions, damages, or profits, and disposal of offending wares.⁴² As other legislation has been passed to comply with various GATT provisions,⁴³ it appears that the legislature considers that the TRIPS requirements on civil remedies have been met. The availability of injunctions, damages or profits, and disposal results in substantial compliance, while compliance with other details depends on the courts.

39 See Recommended Changes Report (1992) 1.

40 Section 126 of the Trade Marks Act 1995 (Aus).

41 See chapter 4 at 3.2.

42 Section 52 of the Trade Marks Act 1953 (Cn).

43 Intellectual Property Law Improvement Act 1993; World Trade Organisation Act 1994.

4.4 SOUTH AFRICA

Although South Africa was party to neither the negotiations nor the drafting process of GATT, the country has acceded to the agreement.⁴⁴ As a member of the world Trade Organization, South Africa has also become party to TRIPS. TRIPS membership carries with it the obligation on member states to bring their municipal legislation into line with the requirements of the agreement.⁴⁵ However, as in South African law international agreements find municipal application only once they have been incorporated into the law by legislation,⁴⁶ until such time as the GATT, and with it TRIPS, has been incorporated, this obligation must be regarded as inchoate.⁴⁷ It should also be borne in mind that the municipal application of an international agreement is further subject to the agreement not conflicting with the Constitution or an Act of Parliament. It is therefore necessary to determine whether the current South African trade mark legislation complies with the country's minimum international obligations in terms of TRIPS and, if not, whether amendments to ensure compliance will not run foul of the Constitution or an Act of Parliament.⁴⁸

It is generally accepted that the Trade Marks Act of 1993 complies with the minimum

44 On 2 December 1994.

45 Article 1.1.

46 See *Pan American* (1965) 161; *Tshwete* (1988) 606 and section 231(4) of the 1996 Constitution. The Constitution makes provision for certain exceptions. In terms of section 231(4) 'self executing' treaties or parts of treaties may be applied municipally without specific incorporation. The relevant provisions of TRIPS do not, however, fall within this category and the regular incorporation process must be followed.

47 By acceding to an international treaty, the state undertakes in terms of article 18(a) of the Vienna Convention (1969) to refrain from any act which would defeat the object and purpose of the treaty.

48 The inclusion of the phrase 'or an Act of Parliament' in section 231(4) is not without problems. As the incorporation is itself by Act of Parliament, the presumption that the more recent statute prevails in case of conflict comes into play. Furthermore, the provisions of section 233, in terms of which every court of law interpreting any legislation 'must prefer any reasonable interpretation ... that is consistent with international law over any alternative interpretation that is inconsistent with international law', leaves little space for municipal legislation to prevail over international provisions incorporated by statute.

TRIPS requirements.⁴⁹ While this is correct in broad terms, there are areas where legislation or practice are not completely in line with the TRIPS requirements.

4.4.1 Interdicts

Final interdicts are available against intentional and innocent infringers. Interlocutory interdicts are also available for all infringements or threatened infringements, irrespective of the intention of the infringer. The South African requirement of a prima facie right for interlocutory interdicts accords with the TRIPS requirement that infringement of a right 'with a sufficient degree of certainty' must be shown for the grant of interlocutory relief.

But the requirement that 'security or equivalent assurance' must be provided is not contained in any intellectual property legislation and is not consistently applied by our courts. It has been argued above that our courts should not view the offer of an undertaking as a safety measure which allows balance of convenience to become the paramount test for the grant of interlocutory relief.⁵⁰ It has also been argued that the *American Cyanamid* approach, which emphasises balance of convenience and the parties' ability to pay damages, conflicts with the TRIPS requirements. But it is clear that to comply fully with TRIPS it is necessary for an undertaking to be obtained from a plaintiff who seeks an interlocutory interdict. I submit that the refusal of interlocutory relief because a party is financially unable to furnish an undertaking is unconstitutional. The Bill of Rights provides that everyone is equal before the law and has the right to equal protection and benefit of the law.⁵¹ If a plaintiff is able to show a prima facie right which justifies the grant of interlocutory relief, his financial position cannot be a ground for the refusal of such relief. So an undertaking to pay damages cannot be an absolute requirement for the grant of interlocutory relief, but should be viewed as advisable if the

49 Job (1996) 36; Rutherford (1995) 7; Standing Committee (1997) 6.

50 See chapter 4 at 4.6.4.

51 Section 9(1) of the 1996 Constitution.

plaintiff is financially able to tender it.

4.4.2 Damages

The provisions of the Act regarding damages comply with the minimum TRIPS requirements in article 45. A successful plaintiff is entitled to compensatory damages from a negligent or intentional infringer, while damages will not be awarded against an innocent infringer. The requirement that statutory damages or an account of profits be granted against an innocent infringer is not compulsory. But to state that our Act complies with the requirements for damages ignores the preamble to TRIPS and the general obligations imposed in respect of enforcement procedures. In both these clauses, remedies are required to be 'effective'. As no successful claim for damages for trade mark infringement has been instituted in South Africa during the century that such protection has been available, this remedy cannot be considered effective. It has been shown that the introduction of a reasonable royalty basis for quantifying damages holds its own problems.⁵² It has also been argued that, without amendment, the inquiry procedure will not assist a plaintiff seeking damages.⁵³ I submit that the TRIPS requirements offer further support for the suggestion that statutory damages should be introduced in South African intellectual property legislation,⁵⁴ as they can offer a plaintiff an effective and expeditious, although limited, form of compensation.

4.4.3 Delivery up

The Act makes provision for the removal of an infringing mark, or, if that is impossible, delivery up of infringing goods. It has been argued above⁵⁵ that the Act should be amended to provide that, if delivery up is ordered, it is for purposes of destruction and

52 See chapter 5 at 7.2.3.

53 See chapter 6 at 5.8.

54 See chapter 5 at 7.3.

55 See chapter 7 at 6.

not for forfeiture to the plaintiff. TRIPS requires that infringing goods be disposed of outside the channels of commerce, or, unless contrary to constitutional requirements, destroyed, and that this procedure should create 'an effective deterrent to infringement'.

Our Constitution provides, in the Bill of Rights, that no one may be deprived of property 'except in terms of law of general application, and no law may permit arbitrary deprivation of property'.⁵⁶ The limitation clause provides that a fundamental right may be limited only in terms of law of general application to the extent that the limitation is reasonable and justifiable, taking into account factors which include the purpose and extent of the limitation and whether there are less restrictive means to achieve the purpose.⁵⁷

I submit that the form of delivery up for which provision is made in our Act is not contrary to the Constitution. The Act is of general application and the deprivation of property is not arbitrary but occurs after a finding of infringement. The purpose of section 34(3)(b) is to prevent further infringement and for that reason the infringing mark is removed from goods. It is only when this cannot be done that property is destroyed. But amendment of our Act to comply fully with the TRIPS requirements may be unconstitutional. A remedy which is intended to serve a deterrent function by destroying goods is unlikely to be viewed as using the 'least restrictive means'. As it is not clear what is meant by disposal 'outside the channels of commerce', the constitutional acceptability of this remedy cannot be considered further. In any event, TRIPS provides that destruction need not be available if it is contrary to constitutional requirements, and South Africa can be said to comply with TRIPS if removal, or, if that is not possible, destruction, is available.

56 Section 25(1) of the 1996 Constitution.

57 Section 36(1) of the 1996 Constitution.

4.4.4 Abuse of enforcement procedures

The requirement in article 48 of TRIPS, that a party who has abused enforcement procedures must pay a party who has been wrongfully 'enjoined or restrained' adequate compensation, is difficult to interpret. This requirement must relate only to final interdicts, as separate provision is made for security in respect of provisional proceedings. In terms of both statute and common law, a judgment or order may be set aside in certain circumstances,⁵⁸ one of them being that the plaintiff was guilty of fraud which led to the grant of the judgment.⁵⁹ But if an order is set aside, or if a court on appeal finds that the plaintiff abused an enforcement procedure, the court merely rescinds or amends the order. The court does not during such proceedings order that the defendant be compensated. A defendant will have to institute substantive new proceedings to recover any damages suffered as a result of the plaintiff's abuse of process. As the defendant is theoretically able to obtain compensation, it is difficult to imagine why any provision should be included, in intellectual property legislation only, which grants a defendant an automatic right to recover damages if a final interdict is overturned on appeal or set aside because of an abuse of procedure.

5 CONCLUSION

It has been shown that our legislation and court practice do not accord completely with the TRIPS requirements. The minor changes that are necessary, and constitutionally acceptable, will be dealt with in the chapter containing recommendations for change.⁶⁰

But our legislature should not merely look at the letter of the TRIPS requirements. TRIPS details three functions that intellectual property remedies must serve: prevention, compensation, and deterrence.

58 Uniform Rule 42(1); Erasmus (1994) B1-306; Harms (1992) 421.

59 Swart (1924) 189-190.

60 Chapter 9.

The preventative function is well implemented in South Africa. Both final and interlocutory interdicts are available and frequently granted. While provision is made for compensation in the form of damages, no such award for trade mark infringement has ever been made. It is apparent that this function is not implemented effectively. No provision is made in our legislation or common law for a civil remedy that serves a deterrent function, and I think that our Constitution does not permit the remedy of removal or delivery up to serve this purpose. It is true that criminal remedies serve a deterrent function. But in the current South African situation, it is unlikely that criminal action against trade mark infringement will be viewed as a priority. Criminal remedies were available under previous legislation, but were for various reasons seldom used. They are even less likely to be used in the near future. The only remedy which currently serves a deterrent function is a costs order: this is the only way in which an infringer is forced to pay an amount greater than he would have had to pay had he acted legally. South Africa has rejected the remedy of accounts, which forces an infringer to disgorge his profits, and the old copyright remedies of conversion and detention were never accepted as part of our general intellectual property remedies and have been omitted from current legislation.

I submit that the compensatory and deterrent functions required by TRIPS demand greater attention from our legislature and our courts. Trade mark infringement will continue as a growth industry until it is made unprofitable. Currently, reliance cannot be placed on criminal remedies to stop infringement. What is needed are easier procedures to obtain compensatory damages or reasonable royalties, the introduction of statutory damages which will serve as a deterrent and is an inexpensive and speedy alternative to compensatory damages, and the creative use of mandatory interdicts (which could also serve a deterrent function).

CHAPTER 9
RECOMMENDATIONS

- 1 INTRODUCTION**
- 2 FINAL INTERDICTS**
- 3 INTERLOCUTORY INTERDICTS**
- 4 COMENSATORY DAMAGES**
- 5 STATUTORY DAMAGES**
- 6 INQUIRIES AS TO DAMAGES**
- 7 REMOVAL AND DELIVERY UP**
- 8 OTHER TRIPS REQUIREMENTS**
- 9 CONCLUSION**

CHAPTER 9

RECOMMENDATIONS

1 INTRODUCTION

Trade mark infringement and passing off occur regularly in South Africa. Since reacceptance by the international community, the problem appears to have increased, despite new legislation detailing the remedies available to rightholders.

The problems experienced under previous legislation were in a large part due to English influence in the intellectual property field, coupled with references to English remedies in our intellectual property legislation. These attempts to introduce English remedies, without an adequate description of the remedy concerned and a consideration of whether it accorded with our common law, led to a rejection by the courts of any assistance to trade mark owners which was not firmly based on Roman-Dutch principles.

To some extent, this problem has been perpetuated in current trade mark legislation. The Act refers to remedies such as delivery up and inquiries as to damages, which have specific meanings in England. In their English form, these remedies do not necessarily dovetail with traditional Roman-Dutch principles, and risk rejection by our courts if incorrectly applied. The introduction of the concept of a reasonable royalty, without clarifying whether it is a substantive remedy or a method of calculating damages, and without due consideration of the evidentiary problems it poses, will possibly result in the rejection of a further remedy intended to assist plaintiffs in the recovery of damages.

In this thesis, the various remedies named in the 1993 Trade Marks Act have been placed in their historical context. Existing or future problems in their application in the South African legal system have been identified. Their compliance with TRIPS has also been considered. To conclude the thesis, some suggestions to make these remedies

more useful to South African litigants are made, and the introduction of a further remedy, which might serve the deterrent function required by TRIPS, is suggested.

2 FINAL INTERDICTS

Prohibitory interdicts are often granted by our courts. No particular problems regarding the requirements for or procedure to obtain such interdicts have been identified.

Mandatory interdicts are seldom requested in trade mark infringement and passing off proceedings. The value of such interdicts is discussed in chapter 3.¹ There is nothing in our common law or in legislation which prevents our courts from granting such orders. Mandatory orders can serve a deterrent function, both because the defendant is forced to spend money to correct the misconceptions he created, and because mandatory orders, such as corrective advertising, cause him embarrassment. These orders can also serve a compensatory function by alleviating the expense which the plaintiff would have incurred to minimise the problems occasioned by a defendant's infringement. I suggest that practitioners include requests for corrective advertisements in appropriate instances of trade mark infringement and passing off. Where action is taken against parallel imports, requests for warning labels, similar to those in the Consumer Code for Electronic Advertising, should be included in the prayers for final relief. Other forms of mandatory orders which have been identified in America as appropriate in instances of trade mark infringement and passing off, are telephone answering messages, product recalls, customer refunds, and name changes. None of these orders is outside the jurisdiction of our courts and they all serve the deterrent function emphasised by TRIPS.

3 INTERLOCUTORY INTERDICTS

The primary problem which is identified in chapter 4, is the possible introduction in

¹ See chapter 3 at 8.5. See also the same chapter at 8.3.

South Africa of an *American Cyanamid* type of test for the grant of interlocutory relief. I have argued that a test which primarily considers the parties' strength of case rather than their financial means is to be preferred and that the South African approach should be retained. Acceptance of the *American Cyanamid* approach appears to be on the wane in England, and it is debatable whether it is in accordance with the TRIPS requirement that infringement of a right must be shown 'with a sufficient degree of certainty'.

The further problem identified in this chapter is the increasing reliance by the courts on the tender of an undertaking as to damages by the plaintiff, before they will grant interlocutory relief. I have argued that our courts should not view an undertaking as a substitute for a consideration of the merits. But TRIPS demands that the courts require a plaintiff to 'provide a security or equivalent assurance sufficient to protect the defendant'. Despite this, a court retains a discretion to impose such a requirement, and I have argued that to make this an absolute requirement is unconstitutional. Still, to comply with TRIPS, our courts may request an undertaking before granting interlocutory relief when a plaintiff is financially able to tender it, but they should not view the undertaking as making a consideration of the merits unnecessary.

4 COMPENSATORY DAMAGES

Some problems arising from the English influence on our intellectual property law and which impact on the award of compensatory damages have been identified.

The first is the requirement of fault, in the form of intention or negligence, before compensatory damages will be awarded in South Africa. I have argued that, irrespective of English decisions, this requirement is firmly entrenched in our common law and must be maintained. Also, it is in accordance with TRIPS, which provides for awards of damages only against infringers who 'knowingly, or with reasonable grounds to know' engage in infringing activity.

The second problem is the misconception that awards of damages are made in England without proof of actual damages, and the suggestion that this is also the position in South Africa. I have shown that this is not correct, and that our law will award only proved loss as compensation for infringement.

A plaintiff in South Africa has to prove both fault on the part of the defendant, and actual loss, before an award of compensatory damages will be made. The evidentiary difficulties attendant on proving loss, coupled with procedural difficulties, have resulted in no plaintiff ever obtaining an award of damages for trade mark infringement.

It was to address this problem that a damages award based on the concept of a reasonable royalty was introduced in the 1993 Trade Marks Act. A consideration of this concept leads to the conclusion that our courts will probably view it as being based on compensatory principles. A study of its application in English and American intellectual property proceedings also leads to the conclusion that it is subject to the same evidentiary problems experienced when attempting to recover compensatory damages.

It appears that any attempt to recover damages awarded on compensatory principles will be expensive and time-consuming.

5 STATUTORY DAMAGES

Since compensatory damages are difficult to obtain, they will not be sought unless a large amount is at stake and unless the defendant is in a position to pay such damages and the costs attendant on their proof. So compensatory damages will rarely fulfil their compensatory function, and will serve no deterrent function.

I have suggested that to deal with this problem, a form of statutory damages similar to that in the new Canadian Copyright Act should be introduced in South Africa for all intellectual property legislation. This should clearly state that the purpose of the remedy is not compensatory. The plaintiff should have the option of using this remedy rather

than pursuing compensatory damages. If he elects to seek statutory damages, the court should be obliged, after a finding of infringement and together with the grant of a final interdict, to order the defendant to pay the plaintiff an amount, within set parameters, in lieu of damages. Although such an amount will rarely serve a compensatory function, it is viewed in both Canada and America as serving a deterrent function. It is a fast and inexpensive way of giving a plaintiff some relief, while creating a deterrent to infringement.

The English concepts of nominal and punitive damages have been rejected by our courts. To ensure that statutory damages do not meet a similar fate, their purpose and ambit will have to be clearly described in legislation. Parliament will have to make it clear that the remedy is not Aquilian, must not be assessed on a compensatory basis, and does not require proof of actual damage.

6 INQUIRIES AS TO DAMAGES

The introduction of the inquiry procedure in South Africa is welcome. It is possible that the inquiry procedure will alleviate some of the procedural problems which have made compensatory damages so difficult to obtain. But until this procedure is detailed in legislation, our courts will continue to view it as merely a separation of merits and quantum, which will reduce its usefulness. It is essential that statutory provision be made that no evidence or pre-trial procedures concerning quantum need attention until after a determination of the merits. For the procedure to be of any value, it must be possible to order an inquiry when a final interdict is granted, even if this is granted on application, provided that fault has been proved.

I have suggested two options for legislative amendment. The first is to amend Uniform Rule 33(5) to include the following sentence:

'Where a postponement is granted for the issue of damages to be investigated and determined by the court, the court may order that the parties need not

comply further with the provisions of rules 21(2), 35, 36 or 37 in so far as they pertain to this issue, and where an inquiry as to damages is requested, these rules and the provisions of rules 18(4) and 18(10) need not be complied with in so far as they relate to the issue of damages'.

The second option is to amend section 34(4) of the Trade Marks Act of 1993 to read as follows:

'Where a proprietor seeks damages or, in lieu of damages, a reasonable royalty and he requests an inquiry as to damages in the summons or notice of motion commencing proceedings for infringement, the provisions of rules 18(4), 18(10), 21(2) 35, 36 and 37 of the Uniform Rules need not be complied with in so far as they relate to the amount of damages and the manner in which such damages are computed. The court may then, after an order on liability is made, give directions regarding compliance with these rules'.

7 REMOVAL AND DELIVERY UP

While both these orders can be viewed as being based on the assumption that a prohibitory interdict will not be obeyed, I have argued that they are forms of mandatory interdict and as such acceptable in terms of our common law. Removal orders, unlike orders for delivery up, were not criticised in the *Cerebos* decision.

It is argued that the term delivery up, as used in our Act, does not bear the meaning ascribed to the term in current English intellectual property legislation, where it has been described as a form of forfeiture for the plaintiff's benefit. I suggest that, to avoid confusion, our Act should be amended to provide specifically that, if delivery to the plaintiff is ordered, it is for the destruction of goods from which infringing marks cannot be removed.

The TRIPS requirements on this remedy are not clear. Although TRIPS states that this

remedy must serve a deterrent purpose, our Constitution provides that persons may not be deprived of property if less restrictive means are available. A removal order, when possible, will presumably be viewed as less restrictive.

8 OTHER TRIPS REQUIREMENTS

I do not think that it is feasible to include a provision only in intellectual property legislation indemnifying a defendant against the wrongful grant of a final interdict. Such interdicts are granted only after a full consideration of the facts. In the unlikely event of the grant of an order based on fraud or abuse of process, the defendant can apply to have the judgment set aside and institute a fresh action for damages.

9 CONCLUSION

It is essential to have legal clarity on what trade mark rights encompass and what behaviour constitutes infringement or passing off. Yet a plaintiff does not institute legal proceedings to obtain a well-reasoned judgment on the nature of trade mark rights or the similarity between two marks. A plaintiff in trade mark infringement and passing off proceedings wants immediate cessation of infringement or passing off, a permanent prohibition against such actions, and compensation for his losses. The whole body of law dealing with trade marks and passing off is intended to offer a plaintiff with such rights enforceable protection for these rights. Despite this, legislation, courts, and writers pay scant attention to the remedies which are available to prevent, compensate for, or deter infringement. Even the most comprehensive rights are futile if a right-holder cannot enforce them, or cannot be told what the extent of his protection is.

Parliament and our courts have paid too little attention to the enforcement of rights relating to trade marks or goodwill. The introduction in legislation of the English terminology used to describe remedies, and the swift rejection by the courts of such remedies because of their English origin, have left plaintiffs with no effective remedy other than an interdict. While this remedy is of inestimable value in preventing

infringement, it neither compensates a plaintiff nor deters further infringement.

I hope that this thesis will, to some extent, show the way towards redressing the balance.

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CASES

ABBREVIATION	FULL CITATION
<i>Adcock-Ingram</i> (1977)	<i>Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd</i> 1977 (4) SA 434 (W)
<i>adidas</i> (1976)	<i>adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd</i> 1976 (1) SA 530 (T)
<i>Airoadexpress</i> (1986)	<i>Airoadexpress (Pty) Ltd v Chairman, Local Road Transportation Board, Durban</i> 1986 (2) SA 663 (A)
<i>Aktiebolaget Manus</i> (1949)	<i>Aktiebolaget Manus v JR Fullwood & Bland Ld</i> (1949) 66 RPC 285
<i>Aktiebolaget Manus</i> (1954)	<i>Aktiebolaget Manus v RJ Fullwood & Bland Ltd</i> (1954) 71 RPC 243
<i>Alexander</i> (1895)	<i>Alexander & Co v Henry & Co</i> (1895) 12 RPC 360
<i>American Cyanamid</i> (1975)	<i>American Cyanamid Co v Ethicon Ltd</i> [1975] RPC 513
<i>Angelides</i> (1927)	<i>Angelides v James Hendersons Sweets Ltd</i> (1927) 40 CLR 43
<i>Anton Piller</i> (1976)	<i>Anton Piller KG v Manufacturing Processes</i> [1976] 1 All ER 779
<i>Apollinaris Co</i> (1911)	<i>Apollinaris Co Ltd v Vasco Mineral Water Co Ltd</i> 1911 CPD 234
<i>Apple</i> (1977)	<i>Apple Corps Ltd v Lingasong Ltd</i> [1977] FSR 345
<i>Ara Oy</i> (1990)	<i>Ara Oy v Pascall</i> 364 Judgments on Copyright (W)
<i>Ashover Fluor</i> (1911)	<i>Ashover Fluor Spar Mines Limited v Jackson</i> [1911] 2 Ch 355
<i>Athans</i> (1977)	<i>Athans v Canadian Adventure Camps Ltd</i> 80 DLR (3d) 583
<i>Athletes Foot</i> (1980)	<i>The Athletes Foot Marketing Associates Inc v Cobra Sports Ltd</i> [1980] RPC 343

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- Petre & Madco* (1984) *Petre & Madco (Pty) Ltd t/a T-Chem v Sanderson-Kasner* 1984 (3) SA 850 (W)
- Philip Morris* (1991) *Philip Morris Inc v Marlboro Shirt Co SA Ltd* 1991 (2) SA 720 (A)
- Pitt* (1957) *Pitt v Economic Insurance Co Ltd* 1957 (3) SA 284 (D)
- Plascon-Evans* (1984) *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 (3) SA 623 (A)
- Playboy Enterprises* (1982) *Playboy Enterprises Inc v Baccarat Clothing Co* 692 F.2d 1272, 216 USPQ 1083 (9th Cir 1982)
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- Policansky* (1935) *Polikansky Bros Ltd v L & H Polikansky* 1935 AD 89
- PPS* (1996) *Professional Provident Society of South Africa v PPI Makelaars* 1996 (2) All SA 206 (W)
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- Prinsloo* (1938) *Prinsloo v Shaw* 1938 AD 570

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| <i>Priority Records</i> (1988) | <i>Priority Records (Pty) Ltd v Ban-nab Radio and TV</i> 1988 (2) SA 281 (D) |
| <i>Pro Arts</i> (1980) | <i>Pro Arts Inc v Campus Crafts Holdings Ltd</i> 110 DLR (3d) 366 |
| <i>Procea</i> (1951) | <i>Procea Products Ltd v Evans & Sons Ltd</i> (1951) 68 RPC 210 |
| <i>Prudential</i> (1874) | <i>Prudential Assurance Co v Knott</i> (1874) LR 10 Ch 142 |
| <i>R Bakers</i> (1948) | <i>R Bakers (Pty) Ltd v Ruto Bakeries (Pty) Ltd</i> 1948 (2) SA 626 (T) |
| <i>Rajshree Films</i> (1979) | <i>Rajshree Films v Oriental Film Distributors</i> 24 Judgments on Copyright (D) |
| <i>Ratcliffe</i> (1892) | <i>Ratcliffe v Evans</i> (1892) 2 QBD 524 |
| <i>Ravenhead Brick</i> (1937) | <i>Ravenhead Brick Co Ltd v Ruabon Brick & Terra Cotta Co Ltd</i> (1937) 54 RPC 341 |
| <i>Rectifier</i> (1981) | <i>Rectifier and Communication Systems (Pty) Ltd v Harrison</i> 1981 (2) SA 283 (C) |
| <i>Redland Bricks</i> (1970) | <i>Redland Bricks Ltd v Morris</i> [1970] AC 652 |
| <i>Reeves Bros</i> (1975) | <i>Reeves Brothers Incorporated v Furpile (Pty) Ltd</i> 1975 BP 326 |
| <i>Regal Trading</i> (1956) | <i>Regal Trading Co (Pty) Ltd v Coetzee</i> 1956 (1) SA 766 (O) |
| <i>RHM Foods</i> (1982) | <i>RHM Foods Ltd v Bovril Ltd</i> [1982] 1 All ER 673 |
| <i>Ripley</i> (1902) | <i>Ripley v John Arthur & Co</i> (1902) 19 RPC 443 |
| <i>Roamer Watch</i> (1980) | <i>Roamer Watch Co SA v African Textile Distributors</i> 1980 (2) SA 254 (W) |
| <i>Rodgers</i> (1846) | <i>Rodgers v Nowill</i> 6 Hare 325 (67 ER 1191) |
| <i>Rodgers</i> (1847) | <i>Rodgers v Nowill</i> 5 CB 109 (136 ER 816) |
| <i>Rookes</i> (1964) | <i>Rookes v Barnard</i> [1964] 1 All ER 367 |

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| <i>Room Hire</i> (1949) | <i>Room Hire Co (Pty) Ltd v Jeppe Street Mansions (Pty) Ltd</i> 1949 (3) SA 1155 (T) |
| <i>Rose & Co</i> (1890) | <i>Rose & Co v Miller</i> (1890) 4 SAR 123 |
| <i>Rusmarc</i> (1975) | <i>Rusmarc (SA) (Pty) Ltd v Hemdon Enterprises (Pty) Ltd</i> 1975 (4) SA 626 (W) |
| <i>SA Music Rights</i> (1978) | <i>SA Music Rights Organisation Ltd v Trust Butchers (Pty) Ltd</i> 1978 (1) SA 1052 (EC) |
| <i>Samuelson</i> (1931) | <i>Samuelson v Producers Distributing Co Ld</i> (1931) 48 RPC 580 |
| <i>Sanitas</i> (1887) | <i>Sanitas Company Limited v Condry</i> (1887) 4 RPC 530 |
| <i>Sasol</i> (1992) | <i>Sasol Industries (Pty) Ltd v Electrical Repair Engineering (Pty) Ltd</i> 1992 (4) SA 466 (W) |
| <i>Schmidt</i> (1990) | <i>Schmidt Plant Hire (Pty) Ltd v Pedrelli</i> 1990 (1) SA 398 (D) |
| <i>Scott and Leisure Research</i> (1985) | <i>Scott and Leisure Research and Design (Pty) Ltd v Watermaid (Pty) Ltd</i> 1985 (1) SA 211 (C) |
| <i>Seagoing Uniform</i> (1975) | <i>Seagoing Uniform Corp v U S Dungaree Seafarers Ltd</i> (1975) 22 CPR (2d) 199 |
| <i>Searelle</i> (1893) | <i>Searelle & Gilbert & Sullivan v Bonamici & Perkins</i> (1893) 3 CTR 171 |
| <i>Selero</i> (1982) | <i>Selero (Pty) Ltd v Chauvier</i> 1982 (2) SA 208 (T) |
| <i>Series 5</i> (1996) | <i>Series 5 Software Ltd v Philip Clarke</i> [1996] FSR 273 |
| <i>Setlogelo</i> (1914) | <i>Setlogelo v Setlogelo</i> 1914 AD 221 |
| <i>Shalom Investments</i> (1971) | <i>Shalom Investments (Pty) Ltd v Dan River Mills Inc</i> 1971 (1) SA 689 (A) |
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- Shoprite Checkers* (1994) *Shoprite Checkers Ltd v Blue Route Property Managers (Pty) Ltd* 1994 (2) SA 172 (C)
- Sibex* (1991) *Sibex Engineering Services (Pty) Ltd v van Wyk* 1991 (2) SA 482 (T)
- Siddell* (1892) *Siddell v Vickers* (1892) 9 RPC 152
- Simmonds* (1980) *Simmonds v White* 1980 (1) SA 755 (C)
- Singelton* (1783) *Singelton v Bolton* 3 Dougl 293 (99 ER 661)
- Singer* (1882) *Singer Manufacturing Company v Hermann Loog* (1882) 8 App Cas 15
- Slazenger* (1889) *Slazenger & Sons v Feltham & Co* (1889) 6 RPC 531
- Slazenger* (1909) *Slazenger & Sons v Spalding & Bros* [1910] 1 Ch 257
- Smith Kline* (1989) *Smith Kline & French Laboratories Ltd v Long* [1989] 1 WLR 1
- Smith Kline.1* (1989) *Smith Kline & French Laboratories Ltd v Doncaster Pharmaceuticals Ltd* [1989] 1 FSR 401
- Société Francaise* (1928) *Société Francaise Radio-Electrique v West Central Wireless Supplies* (1928) 45 RPC 276
- Sodastream* (1984) *Sodastream Ltd v Berman Brothers (Pty) Ltd* 1984 (4) SA 425 (T)
- Sony* (1982) *Sony Corporation v Anand* [1982] FSR 200
- Sony* (1983) *Sony KK v Saray Electronics (London) Ltd* [1983] FSR 302
- Sony of Canada* (1984) *Sony of Canada Ltd v Sherway Appliances Ltd* (1984) 4 CIPR 273
- Southern (Bridgman)* (1659) *Southern v How Bridgman* Rep 125 (123 ER 1248)

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| <i>Southern (Croke)</i> (1659) | <i>Southern v How</i> Cro Jac 468 (79 ER 400) |
| <i>Southern (Popham)</i> (1659) | <i>Southern v How</i> Popham 143 (79 ER 243) |
| <i>Southern (Rolle).1</i> (1676) | <i>Southern v How</i> 2 Rolle 5 (81 ER 621) |
| <i>Southern (Rolle).2</i> (1676) | <i>Southern v How</i> 2 Rolle 26 (81 ER 635) |
| <i>Spalding</i> (1913) | <i>AG Spalding & Bros v AW Gamage Ltd</i> (1913) 30 RPC 388 |
| <i>Spalding</i> (1915) | <i>AG Spalding & Bros v AW Gamage Ltd</i> (1915) 32 RPC 273 |
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| <i>Spier</i> (1988) | <i>Spier Estate v Die Bergkelder Bpk</i> 1988 (1) SA 94 (C) |
| <i>Spur</i> (1996) | <i>Spur Steak Ranches Ltd v Saddles Steak Ranch</i> 1996 (3) SA 706 (C) |
| <i>Standard Chartered</i> (1994) | <i>Standard Chartered Bank of Canada v Nedperm Bank Ltd</i> 1994 (4) SA 747 (A) |
| <i>Stauffer</i> (1988) | <i>Stauffer Chemicals v Monsanto Company</i> 1988 (1) SA 805 (T) |
| <i>Stellenbosch Wine</i> (1977) | <i>Stellenbosch Wine Trust Ltd v Oude Meester Group Ltd</i> 1977 (2) SA 221 (C) |
| <i>Stellenvale</i> (1957) | <i>Stellenbosch Farmers' Winery Ltd v Stellenvale Winery (Pty) Ltd</i> 1957 (4) SA 234 (C) |
| <i>Strausz</i> (1964) | <i>Strausz v Strausz</i> 1964 (1) SA 720 (W) |
| <i>Strix</i> (1995) | <i>Strix Ltd v Otter Controls Ltd</i> [1995] RPC 655 |
| <i>Stuurman</i> (1893) | <i>Stuurman v van Rooyen</i> (1893) 10 SC 35 |
| <i>Swart</i> (1924) | <i>Swart v Wessels</i> 1924 OPD 187 |
| <i>Swisstool</i> (1975) | <i>Swisstool Manufacturing Co (Pty) Ltd v Omega Africa Plastics (Pty) Ltd</i> 1975 (4) SA 379 (W) |

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| <i>Swisstool</i> (1977) | <i>Swisstool Manufacturing Co (Pty) Ltd v Omega Africa Plastics (Pty) Ltd</i> 1977 (2) SA 605 (W) |
| <i>Sykes</i> (1824) | <i>Sykes v Sykes</i> 3 B & C 541 (107 ER 834) |
| <i>Syntex</i> (1991) | <i>Syntex Inc v Novopharm Ltd</i> (1991) 36 CPR (3d) 129 (FCA) |
| <i>TJ Smith</i> (1986) | <i>TJ Smith and Nephew Ltd v Surgipod (Pty) Ltd</i> 1986 BP 519 |
| <i>Teledyne</i> (1977) | <i>Teledyne Industries Inc v Lid Industrial Products Ltd</i> 79 DLR (3d) 446 |
| <i>Triang</i> (1985) | <i>Triang Pedigree (SA) (Pty) Ltd v Prima Toys (Pty) Ltd</i> 1985 (1) SA 448 (A) |
| <i>Trope</i> (1992) | <i>Trope v South African Reserve Bank</i> 1992 (3) SA 208 (T) |
| <i>Tshabalala</i> (1987) | <i>Tshabalala v Minister of Health</i> 1987 (1) SA 513 (W) |
| <i>Tshwete</i> (1988) | <i>Tshwete v Minister of Home Affairs</i> 1988 (4) SA 586 (A) |
| <i>Tullen</i> (1976) | <i>Tullen Industries Ltd v A de Sousa Costa (Pty) Ltd</i> 1976 (4) SA 218 (T) |
| <i>Turbo Resources</i> (1989) | <i>Turbo Resources Ltd v Petro Canada Inc</i> (1989) 24 CPR (3d) 1 |
| <i>Turner</i> (1929) | <i>Turner v General Motors (Australia) Pty Ltd</i> (1929) 42 CLR 352 |
| <i>Unik</i> (1983) | <i>Unik Time Co Ltd v Unik Time Limited</i> [1983] FSR 121 |
| <i>Union Government</i> (1911) | <i>Union Government v Warneke</i> 1911 AD 657 |
| <i>United Horse Shoe</i> (1888) | <i>United Horse Shoe & Nail Co Ltd v Stewart and Co</i> (1888) 5 RPC 260 |
| <i>United Telephone</i> (1886) | <i>United Telephone Company v Donohoe</i> (1886) 31 ChD 399 |

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- Universal Thermosensors* (1992) *Universal Thermosensors Ltd v Hibben* [1992] FSR 361
- Universal City* (1976) *Universal City Studios Inc v Mukhtar & Sons Ltd* [1976] 1 WLR 568
- Universal City* (1986) *Universal City Studios Inc v Network Video (Pty) Ltd* 1986 (2) SA 734 (A)
- Van Niekerk* (1959) *Van Niekerk v Van Rensburg* 1959 (2) SA 185 (T)
- Van Streepen* (1987) *Van Streepen & Germs (Pty) Ltd v Transvaal Provincial Administration* 1987 (4) SA 569 (A)
- Vavasseur* (1878) *Vavasseur v Krupp* (1878) 9 ChD 351
- Vernon* (1980) *Vernon & Co (Pulp Products) Ltd v Universal Pulp Containers Ltd* [1980] FSR 179
- Victor Products* (1975) *Victor Products (SA) (Pty) Ltd v Lateulere Manufacturing (Pty) Ltd* 1975 (1) SA 961 (W)
- Victoria Falls* (1915) *Victoria Falls & Transvaal Power Co Ltd v Consolidated Langlaagte Mines Ltd* 1915 AD 1
- Video Parktown* (1986) *Video Parktown North (Pty) Ltd v Paramount Pictures Corporation* 1986 (2) 623 (T)
- Vokes* (1932) *Vokes CG Ltd v SJ Evans and Marble Arch Motor Supplies Ltd* (1932) 49 RPC 140
- Volkskas* (1952) *Volkskas Beperk v Barclays Bank (D, C & O)* 1952 (3) SA 343 (A)
- Von Gordon* (1961) *Von Gordon v Von Gordon* 1961 (4) SA 211 (T)
- Waddington* (1968) *John Waddington Ltd v Arthur E Harris (Pty) Ltd* 1968 (1) SA 38 (T)
- Wakefield* (1865) *Wakefield v Duke of Buccleugh* (1865) 12 LT (NS) 628
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| <i>Wayne Myers</i> (1954) | <i>Wayne V Myers Coy Ld v LE Fields Auto Services Ld</i> (1954) 71 RPC 435 |
| <i>Webster</i> (1948) | <i>Webster v Mitchell</i> 1948 (1) SA 1186 (W) |
| <i>William Grant</i> (1990) | <i>William Grant & Sons Ltd v Cape Wine & Distillers Ltd</i> 1990 (3) SA 897 (C) |
| <i>Williams</i> (1949) | <i>Williams v Tunstall</i> 1949 (3) SA 835 (T) |
| <i>Wilrose Timbers</i> (1980) | <i>Wilrose Timbers (Pty) Ltd v CE Westergaard (Pty) Ltd</i> 1980 (2) SA 287 (W) |
| <i>Young</i> (1948) | <i>Edward Young & Coy v Stanley Silverwood Holt</i> (1948) 65 RPC 25 |
| <i>Zenith Clothing</i> (1981) | <i>Zenith Clothing Industries (Pty) Ltd v Carducci Clothing Corporation (Pty) Ltd</i> 1981 (2) SA 62 (T) |
| <i>Zyp Products</i> (1926) | <i>Zyp Products Co Ltd v Ziman Bros Ltd</i> 1926 TPD 224 |

LEGISLATIVE INSTRUMENTS
ABBREVIATION**FULL CITATION****AUSTRALIA**

Trade Marks Act 1905 (Aus)	Trade Marks Act of 1905 (Cth.)
Trade Marks Act 1955 (Aus)	Trade Marks Act of 1955 (Cth.)
Copyright Act 1968 (Aus)	Copyright Act 1968 (Cth.)
Trade Practices Act (1974) (Aus)	Trade Practices Act 1974 (Cth.)
Trade Marks Act 1995 (Aus)	Trade Marks Act 119 of 1995

CANADA

Trade Mark and Design Act 1868	Trade Mark and Design Act 1868 31 Vic c 55
Trade Mark Act 1879	Trade Mark and Design Act 1879 42 Vic c 22
Trade Mark Act 1890	Trade Mark and Design Act 1890 53 Vic c 14
Trade Mark Act 1927(Cn)	Trade Mark and Design Act RSC 1927 c 201
Unfair Competition Act 1932(Cn)	Unfair Competition Act RSC 1932 c 10
Exchequer Court Act 1952	Exchequer Court Act RSC 1952 c 98
Trade Marks Act 1953(Cn)	Trade Marks Act RSC 1953 c 49
Federal Court Act 1970	Federal Court Act RSC 1970 c 10 (2nd Supp)
Trade Marks Act 1970(Cn)	Trade Marks Act RSC 1970 c T-10
Business Corporations Act 1985 (Cn)	Canada Business Corporations Act RSC 1985 c C-44

Copyright Act 1985 (Cn)	Copyright Act RSC 1985 c C-42
Trade Marks Act 1985(Cn)	Trade-Marks Act RSC 1985 c T-13
Intellectual Property Law Improvement Act 1993	Intellectual Property Law Improvement Act SC 1993 c 15
World Trade Organisation 1994	World Trade Organisation Agreement Implementation Act SC 1994 c 47
Copyright Act 1997 (Cn)	Copyright Act SC 1997 c 24

ENGLAND

23 Eliz c 8	23 Elizabeth 1581 c 8
9 & 10 Wm III c 28	9 & 10 William III c 28
13 Geo I c 26	13 George I 1726 c 26
41 Geo III c 97	41 George III 1801 c 97
Licensing Act 1662	Licensing Act 1662 (13 & 14 Charles II c 33)
Statute of Anne 1709	Statute of Anne 1709 (8 Anne c 19)
Judgments Act 1838	Judgments Act 1838 (1 & 2 Vict c 110)
Chancery Practice Amendment Act 1852	Chancery Practice Amendment Act 1852 (15 & 16 Victoria c 86)
Common Law Procedure Act 1852	Common Law Procedure Act 1852 C 76 (15 & 16 Victoria c 76)
Common Law Procedure Act 1854	Common Law Procedure Act 1854 (17 & 18 Victoria c 125)
Lord Cairns' Act 1858	Chancery Practice Amendment Act 1858 (21 & 22 Victoria c 27)
Merchandise Marks Act 1862	Merchandise Marks Act 1862 (25 & 26 Victoria c 88)

Sir John Rolt's Act 1862	Sir John Rolt's Act 1862 (25 & 26 Victoria c 27)
Judicature Act 1873	Judicature Act 1873 (36 & 37 Victoria c 66)
Judicature Act 1875	Supreme Court of Judicature Act 1875 (38 & 39 Victoria c 77)
Trade-Marks Registration Act 1875	Trade-Marks Registration Act 1875 (38 & 39 Victoria c 91)
Trade-marks Registration Amendment Act 1876	Trade-marks Registration Amendment Act 1876 (39 & 40 Victoria c 33)
Trade Marks Act 1883	Patents, Designs and Trade Marks Act 1883 (46 & 47 Victoria c 57)
International Copyright Act 1886 (UK)	International Copyright Act 1886 (49 & 50 Victoria c 33)
Trade Marks Act 1905	Trade Marks Act 1905 (Edward 7 c 15)
Copyright Act 1911 (UK)	Copyright Act 1911 (1 & 2 George 5 c 46)
Trade Marks Act 1919	Trade Marks Act 1919 (9 & 10 George 5 c 79)
Law Reform (Miscellaneous Provisions) Act 1934	Law Reform (Miscellaneous Provisions) Act 1934 (24 & 25 George 5 c 41)
Trade Marks Act 1938 (UK)	Trade Marks Act 1938 (1 & 2 George 6 c 22)
Copyright Act 1956 (UK)	Copyright Act 1956 (4 & 5 Elizabeth 2 c 74)
Performers' Protection Act 1963	Performers' Protection Act 1963 c 53
RSC Order	Rules of the Supreme Court 1965
Patents Act 1977	Patents Act 1977 c 37
Supreme Court Act 1981 (UK)	Supreme Court Act 1981 c 54
Companies Act 1985 (UK)	Companies Act 1985 c 6
Copyright Act 1988 (UK)	Copyright, Designs and Patents Act 1988 c 48

Trade Marks Act 1994 (UK) Trade Marks Act 1994 c 26

SOUTH AFRICA

Cape Colony Act 22 of 1877 Act 22 of 1877: An Act to Establish a Register of Trade Marks in this Colony

Natal Law 4 of 1885 Law no 4 of 1885: To establish a Register of Trade Marks in Natal

Cape Colony Act 27 of 1891 Act 27 of 1891: An Act to Amend the Trade Mark Registration Act, 1877

Transvaal Act 6 of 1892 Wet no 6, 1892: Houdende Bepalingen op de Handels- en Fabrieksmerken in deze Republiek

Cape Colony Act 12 of 1895 Act 12 of 1895: An Act to Amend the Trade Mark Registration Act, 1877

Transvaal Proc 23 of 1902 Transvaal Proclamation No 23 of 1902 to Amend the Law relating to the Registration of Trade Marks in this Colony

OFS Chapter CXIII Law Book Orange Free State Chapter CXIII of the Law Book: Registration of Trade Marks

Trade Marks and Copyright Act of 1916 (SA) Patents, Designs, Trade Marks and Copyright Act 9 of 1916

Magistrates' Courts Act of 1944 Magistrates' Courts Act 32 of 1944

Supreme Court Act of 1959 (SA) Supreme Court Act 59 of 1959

Business Names Act of 1960 (SA) Business Names Act 27 of 1960

Trade Marks Act of 1963 (SA) Trade Marks Act 62 of 1963

Copyright Act of 1965 (SA) Copyright Act 63 of 1965

Designs Act of 1967 Designs Act 57 of 1967

Trade Marks Amendment Act of 1971	Trade Marks Amendment Act 46 of 1971
Companies Act of 1973 (SA)	Companies Act 61 of 1973
Prescribed Rate of Interest Act of 1975	Prescribed Rate of Interest Act 55 of 1975
Copyright Act of 1978 (SA)	Copyright Act 98 of 1978
Patents Act of 1978	Patents Act 57 of 1978
Patent regulations	Patent regulations published in GNR 2470 GG 6247 (Reg Gaz 2709) of 15 December 1978, as amended
Close Corporations Act of 1984 (SA)	Close Corporations Act 69 of 1984
Harmful Business Practices Act of 1988 (SA)	Harmful Business Practices Act 71 of 1988
Patents Amendment Act of 1988	Patents Amendment Act 76 of 1988
Copyright Bill of 1991	Bill to amend the Copyright Act 98 of 1978 published in GG 13328/28-6-1991
Copyright Amendment Act of 1992	Copyright Amendment Act 125 of 1992
Trade Marks Act of 1993 (SA)	Trade Marks Act 194 of 1993
Designs Act of 1993	Designs Act 195 of 1993
1996 Constitution	Constitution of the Republic of South Africa Act 108 of 1996
Intellectual Property Laws Amendment Bill of 1997	Intellectual Property Laws Amendment Bill 1 of 1997
Prescribed Rate of Interest Amendment Act of 1997	Prescribed Rate of Interest Amendment Act 8 of 1997

UNITED STATES OF AMERICA

Act of 31 May 1790	Act of 31 May 1790, ch 15, 1 Stat 124 (repealed 1947)
Title 17 USC (1909)	Title 17 USC §§1-126 (1909 Copyright Act)(repealed 1978)
Title 15 USC Chapter 2	Title 15 USC chapter 2 - Federal Trade Commission Act (1970)
Title 15 USC Chapter 22	Title 15 USC chapter 22 - Trademarks (Lanham Act)
Title 17 USC	Title 17 USC - Copyrights
Title 35 USC	Title 35 USC - Patents