

REPUBLIC OF SOUTH AFRICA



IN THE HIGH COURT OF SOUTH AFRICA
(GAUTENG LOCAL DIVISION, JOHANNESBURG)

CASE NO: 25802/2018

(1)	REPORTABLE: <u>YES</u> NO
(2)	OF INTEREST TO OTHER JUDGES: <u>YES</u> NO
(3)	REVISED. <u>✓</u>
<u>19-9-18</u> DATE	
<u>[Signature]</u> SIGNATURE	

In the matter between:

THE SUGARLESS COMPANY (PTY) LTD

Applicant

and

QUAD AFRICA ENERGY (PTY) LTD

Respondent

JUDGMENT ON APPLICATIONS FOR LEAVE TO APPEAL

VAN DER LINDE, J:

Introduction

[1] This is an application by the respondent for leave to appeal to the Supreme Court of Appeal of South Africa against a judgment which I gave on 24 August 2018. In the judgment I made orders in terms of various prayers in the applicant's notice of motion dated 11 July 2018,

more fully set out at the end of my judgment, and dismissed the respondent's counter-application. There is also a conditional application by the applicant for leave to cross-appeal.

- [2] Applications for leave to appeal are now dealt with in section 17 of the Superior Courts Act 10 of 2013:

"17. Leave to appeal

(1) Leave to appeal may only be given where the judge or judges concerned are of the opinion that –

- (a)(i) the appeal would have a reasonable prospect of success; or*
- (ii) there is some other compelling reason why the appeal should be heard, including conflicting judgments on the matter under consideration;*
- (b) the decision sought on appeal does not fall within the ambit of section 16(2)(a); and*
- (c) where the decision sought to be appealed does not dispose of all the issues in the case, the appeal would lead to a just and prompt resolution of the real issues between the parties."*

- [3] The phrase in section 17(1)(a)(i), "... would have a reasonable prospect of success ..." has been interpreted to raise the bar for the granting of leave to appeal. In *The Mont Chevaux Trust (IT) (2012/28) v Tina Goosen and 18 Others*, Bertelsmann, J sitting in the Land Claims Court held as follows:

"It is clear that the threshold for granting leave to appeal against a judgment of a high court has been raised in the new Act. The former test whether leave to appeal should be granted was a reasonable prospect that another court might come to a different conclusion, see Van Heerden v Cronwright and Others 1985 (2) SA 342 (T) at 343H. The use of the word 'would' in the new Statute indicates a measure of certainty that another court will differ from the court whose judgment is sought to be appealed against."

- [4] This *dictum* was approved by a full court of the Gauteng Division of the High Court of South Africa consisting of Ledwaba, JP and Pretorius, Mothle, JJ in *Acting National Director of Public Prosecutions and*

Others v Democratic Alliance In Re: Democratic Alliance v Acting National Director of Public Prosecutions and Others (19577/09) [2016] ZAGPPHC 489 (24 June 2016), at paragraph [25]. That judgment is binding on me.

- [5] Although the judgment in *MEC Health, Eastern Cape v Nkhitha* (1221/15) [2016] ZASCA 176 (25 November 2016) refers to section 17(1)(a) and discusses it in paragraphs [16] and [17], the language there does not appear in any way to detract from the notion that the bar has been raised. That is accordingly the approach that I adopt in this application.

The respondent's application

- [6] Mr Michau, SC who again appeared for the respondent submitted that the respondent has a reasonable prospect of success and that another court could reasonably conclude that I erred seven respects. They are:
- (1) in dismissing the counterclaim, particularly in failing to grant the disclaimer in respect of the word "*sugarless*" against the trade mark registration;
 - (2) in finding that the new packaging and future packaging (concepts defined in the judgment) constituted copyright infringements;
 - (3) in granting relief in terms of s.34(3)(b) of the ~~Copyright Act 98 of 1978~~ in respect of those infringements;
 - (4) in finding that the future packaging constituted passing off;
 - (5) in interdicting the use of the trade mark "*SUGARLESS*" and "*SUGARLESS CONFECTIONARY*";
 - (6) in granting relief under the Counterfeit Goods Act 37 of 1997 in respect of the new and future packaging;
 - and (7) in granting costs against his client.

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- [7] Mr Michau conceded that the first packaging and the new packaging contained marks that infringed the applicant's registered trade mark, and also that the first packaging (defined in the judgment) constituted counterfeit goods for the purposes of the CGA. He also did not apply for leave to appeal the finding that the first packaging constituted a copyright infringement. I deal with those seven respects in turn.

(1) The counter-application

- [8] Mr Michau did not attack the registration of the applicant's trade mark *per se*. But he submitted that I erred in reasoning that the correct inquiry in determining whether a disclaimer should be ordered is not whether as an adjective "*sugarless*" could ever be more than descriptive, but rather whether the mark viewed as an integrated whole, with its adjective included, is inherently capable of distinguishing the applicant's product. His submission was that the correct approach was to consider the word "*sugarless*" on its own, and had I done that, I would have concluded that it was descriptive rather than distinctive, and I should then have granted the counter-application for the disclaimer.
- [9] In the section of my judgment (paragraph [47]) to which Mr Michau referred, I was dealing with what I had perceived as the respondent's central argument, which was that the applicant's trade mark was descriptive rather than distinctive, and that being so, the applicant's entire trade mark in its current form could not sustain an action for infringement. See too paragraphs [39] ff of my judgment.

- [10] I had understood the respondent's argument to be an attack on the enforceability of the applicant's trade mark on that basis; compare respondent's attorney's letter dated 13 June 2018 page 331, paragraph 6, as well as the respondent's argument that whether or not the disclaimer is entered is of no moment, since a respondent is entitled to raise the invalidity of the trade mark as a defence.
- [11] It will be recalled too in this regard that the respondent proclaimed candidly in its answering affidavit that it would continue to use what it called "*the first SUGARLEAN logo*" appearing at annexure JJ22 page 235 for a further "*approximately 2 months*", a period that was driven by the respondent's own parochial exigencies. The respondent did not accept that its user of that logo during that period was unlawful, and no concession was made by counsel in this regard, not at the main hearing, nor now at the application for leave to appeal.
- [12] My judgment at paragraph [17] therefore also explains that as far as the respondent itself was concerned the first issue that remained for determination in the main hearing was whether its user for the further approximately two months of the "*S.Sugarlean*" logo, aka "*the first packaging*", now conceded to be an infringement of the applicant's trade mark, would be unlawful.
- [13] At the hearing for leave to appeal I laboured under the impression that I dismissed the respondent's counter-application on the basis that he did not approach the court with clean hands. But the negative remarks in my judgment concerning the respondent's conduct did not in fact relate to the counter-application. They related to the issue of whether or not

final relief could be granted on affidavit, and to the special costs order made against the respondent.

- [14] I did not dismiss the respondent's counter-application on the basis of unclean hands; I in fact dismissed the respondent's counter-application on its merits, as appears from the express language in the penultimate paragraph of my judgment. In the context of my judgment, that implies that I judged the counter-application on the basis of the broader view I took about the function of "*sugarless*" in the context of the trade mark as a whole. I did not make a special costs order on the counter-application, fortifying the fact that the opprobrium I expressed related to the respondent's conduct in relation to the application in convention.
- [15] In the course of the reasoning earlier in my judgment I did point to the fact that "*sugarless*" as an adjective appeared in reputable dictionaries locally, and thus had an accepted descriptive function.
- [16] Against this background Mr Michau's argument was simply that the word "*sugarless*" taken on its own is descriptive rather than distinctive and that therefore the disclaimer should have been granted. I viewed the matter too broadly. The trade mark was conceded to be entirely enforceable and unassailable in its terms and presentation.
- [17] I accept - despite Ms Southwood's submission to the contrary - that another court could reasonably hold that for purposes of the disclaimer relief I ought to have approached the matter quite differently, and ought not to have considered "*sugarless*" within the broader context in which it appeared within the registered trade mark.

(2) The new and future packaging are not copyright infringements

- [18] The submission was that whereas annexure JJ22 at page 22 – the first packaging – was admittedly a direct copy of the applicant's packaging, the same could not be said of the two examples on page 629, the one on the right (in landscape) being the respondent's packaging, and that on the left the applicant's packaging. They were objectively dissimilar.
- [19] And even if they were objectively similar, there can be no copyright infringement unless in addition a causal connection is shown between the infringing article and the infringed article, ran the argument. Neither has been shown, and that destroyed the case for copyright infringement.
- [20] The applicant, again represented by Ms Southwood, submitted that the test suggested by the applicant was wrong. The appropriate test, which she submitted I had correctly applied, given that I was dealing with an adaptation and not a direct copy, was not concerned with objective similarity, but rather with whether the substantial features of the infringed article were present in the infringing article.
- [21] The assessments that are required to reach a conclusion on such matters are very often subjective. My finding that the conceptual template of the artwork remained present throughout, even applying Ms Southwood's test, falls into such a subjective category, and another court may well come to a conclusion different to the one that I came.
- (3) Delivery-up relief for the copyright infringements in respect of the new and future packaging*
- [22] Here the argument was even if the copyright declarations as regards the new packaging and the future packaging were correctly granted,

the delivery-up relief was incompetent. The reason was that the respondent could always have stuck a sticker across the prominent yet offensive inverted "S", rendering delivery-up inappropriate.

- [23] This factual dimension to the respondent's defence was not dealt with in the papers nor in argument at the time. It was raised at the Bar in this application for the first time. I therefore did not deal with it in my judgment. By definition, it has not been shown that another court could reasonably come to a conclusion different than mine.

(4) Passing-off not shown

- [24] Here the argument was that both as regards reputation and as regards presentation – but particularly as regards reputation – another court could come to a different conclusion. My finding was that the deponent to the applicant's founding affidavit was appropriately qualified to depose to a reputation. That was a factual finding on affidavit.

- [25] As to presentation, I held: *"The slight adaptation of the new packaging, by inserting an oblique purple background on the top or bottom of the packaging, does not changes this conclusion. If anything, it served to underscore the offending logo and its similarity with the applicant's mark.*

As regards the future packaging, in respect of which I concluded that the respondent's mark does not deceive or confuse in relation to the applicant's mark, the photograph at p631 still evidences, in my view, the strong similarity in the overall impression created by the two packages."

[26] The views reflected here, as opposed to the factual finding, are findings that involve subjective assessments, and in my view another court could reasonably come to a conclusion different than mine.

(5) The interdicts against user of the trade marks "SUGARLESS" and "SUGARLESS CONFECTIONARY".

[27] This ground of appeal is in paragraph 1 of the respondent's supplementary notice of application for leave to appeal dated 11 September 2011. It is explained in paragraph 2 of that notice as being founded on the basis that I made no finding that the respondent used or intended to use the word "*sugarless*" or "*sugarless confectionary*" as trade marks.

[28] Ms Southwood attacked this on the basis that the respondent's conduct in giving undertakings not kept formed the basis of the relief granted. That was indeed the basis; after all the respondent itself eschewed – beyond the "*approximately two months*" – an association with the sugarless mark.

[29] Mr Michau explained that the respondent had a dormant webpage of that name and might very well want to use it in the future. And although that comes from the Bar, if the disclaimer sought is granted on appeal, I cannot see that these interdicts would hold.

[30] I accordingly intend to grant leave to appeal in respect of this ground.

(6) The counterfeit relief

[31] Here the submission was that this relief could not have been granted in respect of the new and future packaging. I did not deal with this argument in my judgment, again because it formed no part of the focus

of the argument before me at the main hearing. I mention in passing that given that it was an urgent application that had to be dealt with in compressed times – some the reply was received not viva voce but in writing - this is understandable.

- [32] But it is a law point and another court may thus very well upheld the respondent's point.

(7) Costs

- [33] I made a special costs order against the respondent. I held that the respondent's conduct in the conventional application had been *"surreptitious and in flagrant disregard of the applicant's rights. The bland denials of the deponent, coupled with his assertions of innocence, are unconvincing; the undertakings that were given but breached show the slip. In my view the respondent's version can be rejected on the papers and final relief in favour of the applicant is justified, as is a special costs order."*

- [34] If the applicant's appeal fails, I do not believe that the costs order would change.

- [35] In all therefore, I would grant leave to appeal on all the points barring (3) and (7) above.

The applicant's application

- [36] The applicant has applied conditionally for leave to cross-appeal. The condition was that this court granted the respondent leave to appeal. Since that order will be made below, the condition has been fulfilled. The main basis of the applicant's application is my finding that the word

mark "SUGARLEAN" did not infringe the applicant's registered trade mark, "S SUGARLESS".

[37] My finding in that respect was a marginal judgment call, given the close grammatical affinity; the aural similarity; the conceptual similarity; and the presentation of the two words – both featuring dominantly in their capped form, and both presented on a black island. In my view another court may reasonably come to a different conclusion.

[38] In the result I make the following order (deliberately leaving out points (3) and (7)):

(a) Leave is granted to the respondent to appeal to the Supreme Court of Appeal against the following orders pursuant to my judgment of 24 August 2018: (1) dismissing the counterclaim, specifically in failing to grant the disclaimer in respect of the word "sugarless" against the applicant's trade mark registration; (2) declaring that the new packaging and future packaging (as defined) constituted copyright infringements; (4) declaring that the future packaging constituted passing off, (5) interdicting the use of the trade mark "SUGARLESS" and "SUGARLESS CONFECTIONARY"; and (6) granting relief under the Counterfeit Goods Act in respect of the new and future packaging.

(b) Leave is granted to the applicant to cross-appeal to the Supreme Court of Appeal against my orders insofar as the SUGARLEAN logo was excluded from the relief sought and granted in prayers 2, 3 and 11 of the notice of motion.

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including the grant of the relief in prayers 2 and 3 of the notice of motion

(c) Costs of both applications for leave to appeal are costs in the appeals.



WHG van der Linde
Judge, High Court
Johannesburg

Date argued: 18 September 2018

Date judgment: 19 September 2018

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