



**THE HIGH COURT OF SOUTH AFRICA
(WESTERN CAPE HIGH COURT)**

Case No: 107/13

In the matter between:

MICHAEL DOV TERESPOLSKY

FIRST APPLICANT

KINGA JOLANTA BARANOWSKA

SECOND APPLICANT

and

MORITURI RESTAURANT (LAKESIDE)

FIRST RESPONDENT

MORITURI RESTAURANT (STELLENBOSCH)

SECOND RESPONDENT

ZENFER THIRTY FIVE CC

THIRD RESPONDENT

ZALIOTONE CC

FOURTH RESPONDENT

DONALD BALL

FIFTH RESPONDENT

Coram: ROGERS J

Heard: 15 APRIL 2014

Delivered: 30 APRIL 2014

JUDGMENT

ROGERS J:

Introduction

[1] The present application was launched in order to interdict alleged trade mark infringement and for related relief, including an enquiry into a reasonable royalty for the infringing use. The relevant respondents have admitted the trade mark infringement and consented to the interdictory relief. However, they oppose the ordering of an enquiry into a reasonable royalty. They contend that the remedy of a reasonable royalty is by statute in the discretion of the court and that on the facts of this case the court should exercise its discretion against granting the remedy, thus making an enquiry into the amount of the reasonable royalty unnecessary. Mr Salmon appeared for the applicants and Mr Morrissey for the opposing respondents.

[2] The trade mark in question is the name 'Morituri'. On 25 January 2012 and in terms of s 17 of the Trade Marks Act 194 of 1993 ('the Act') the registrar of trade marks advertised acceptance of an application by the first respondent ('Terespolsky') for registration of the mark in Class 42 in relation to pizzeria restaurants. On 3 August 2012, and in terms of s 27(2) of the Act, the mark was registered in Terespolsky's name, the registration period being ten years as from 21 July 2003. (Whether the registration has been renewed beyond 21 July 2013 does not appear from the papers.)

[3] The first and second respondents are cited in terms of rule 14 as being respectively Morituri Restaurant (Lakeside) and Morituri Restaurant (Stellenbosch). It is now common cause that the fourth respondent ('Zalitone') and the fifth respondent ('Ball') are respectively the owners of the Lakeside business and the Stellenbosch business. In law, therefore, any remedy to which the applicants are entitled lies against Zalitone (in respect of infringement relating to the Lakeside

business) and Ball (in respect of infringement relating to the Stellenbosch business). Zaliotone is a close corporation which is held 50/50 by Ball and a business partner Mr AK Mueller ('Mueller'). The third respondent ('Zenfer') features in the history of the matter but is not controlled by any of the other respondents. In view of the facts as they have emerged, the applicants seek no relief against Zenfer and it was not represented. Reference in this judgment to the 'respondents' is to the respondents other than Zenfer.

[4] It is common cause that prior to, and as at 25 January 2012, Zaliotone and Ball were using the name Morituri in respect of the Lakeside and Stellenbosch businesses respectively. It is also common cause that, in respect of the Lakeside business, Zaliotone continued to use the name until 30 September 2012; and that, in respect of the Stellenbosch business, Ball continued to use the name until 10 January 2013 (the date on which the present interdict application was served on the respondents). There is some dispute as to whether all infringement stopped on these respective dates.

[5] In summary, the respondents' contention is that the remedies for trade mark infringement set out in s 34(3) of the Act confer on the court a discretion whether or not to grant any particular remedy. They rely in that regard on the phrase 'may grant... the following relief'. The respondents say that the court should exercise its discretion against the payment of a reasonable royalty because the respondents had been using the mark for some time prior to the advertising of acceptance of the trade mark application and were in essence after that time innocent infringers who ceased their unlawful use before, or as soon as, they learnt of the registration in Terespolsky's favour.

The facts

[6] Terespolsky and his wife (the second applicant) opened the well-known pizza restaurant 'Col'Cacchio' near the Waterfront in November 1992. They subsequently granted numerous franchises for the conducting of pizza restaurants under this name.

[7] In 1995 the applicants, using a close corporation called Morituri CC ('MC'), opened a pizza restaurant in Claremont with the name 'Morituri by Col'Cacchio'. They also opened a Morituri restaurant in Tygervalley, using another close corporation, Morituri Tygervalley CC ('MT'). They had in mind the possibility of granting further franchises under the Morituri name.

[8] In 1998 the applicants caused MT to sell the Tygervalley restaurant to new proprietors and gave them permission to use the name Morituri (which was not yet registered as a trade mark) in relocated premises in Durbanville. The new proprietors subsequently on-sold the Durbanville Morituri to Patricia Kitson. The Durbanville restaurant closed down several years ago.

[9] On 13 April 2001 the applicant and MC (their vehicle for the Claremont Morituri) concluded a written agreement for the sale of that business to Zenfer, a close corporation at that time controlled by Paul Leslie, who co-signed the agreement as surety. The sale included the goodwill of the Claremont business and the right to use the name Morituri, subject to the limitations contained in clause 11. Clause 11 recorded that there was another restaurant business trading under the name Morituri (presumably the Durbanville business – the applicants state in their founding papers that no Morituri franchises apart from Claremont and Durbanville have as yet been granted); that the goodwill attaching to the name was an asset of that business; and that the seller (MC) retained the right to use the name in respect of that other business and any other business it might create. Zenfer was only permitted to use the name Morituri in respect of the business conducted at specified premises in Claremont. Clause 12 recorded that MC's members intended, either personally or through MC or through another entity, to franchise the 'concept and style' of the business then conducted at the Claremont premises. Zenfer was thus to limit its conduct of the business to the leased premises and was not permitted, directly or indirectly, to 'deal in any know-how or concept relating to the business (which shall include without limitation, the name, the menu, the method of production and presentation of the food served at the business)'.

[10] During 2003, and unbeknown to the applicants, Patricia Kitson's son, Justin, filed an application for registration of the mark Morituri. The applicants allege in the

present proceedings that this trade mark application was unlawfully made, since as at 2003 MC was the owner of the Morituri mark.

[11] Following the sale of the Claremont business, the applicants placed MC in voluntary liquidation, prior to which all its rights and obligations were allegedly assigned to the applicants. MC was deregistered in 2004.

[12] Paul Leslie, Zenfer's original controller, died during March 2005. The corporation was taken over by his widow Frances. It appears that the applicants took the view, first with Paul Leslie and later with his widow, that Zenfer was not permitted to use the name 'Col'Cacchio' with reference to the Claremont restaurant. The Leslies were willing to give up the use of the name Col'Cacchio provided they could have the right to open a further outlet under the Morituri name. The applicants refused because they had in mind to franchise Morituri restaurants. In 2005 the applicants launched an application to prevent Zenfer's use of the Col'Cacchio name. Zenfer subsequently terminated its use of that name, after which the Claremont business traded simply as Morituri.

[13] In November 2009 Knysna Hamlet & Recreation CC ('KHR'), a corporation owned by Ball's wife, purchased the Claremont Morituri from Zenfer. This was the Balls' first connection with Morituri. Ball managed the Claremont business for KHR. According to Ball, the Claremont business was not profitable at the time of its purchase. He says that he was not aware at that stage of the agreement which MC had concluded with Zenfer in April 2001.

[14] By December 2010 the Claremont Morituri had become profitable. Ball thus decided to open a Morituri outlet in shop 15 at the Old Bakery complex in Lakeside together with a business partner (Mueller), using Zaliotone as the corporate vehicle.

[15] In early 2011 the applicants heard reports that a pizza restaurant had been opened in Lakeside under the name Morituri. They were not aware that Zenfer had sold the Claremont Morituri. They assumed that the Lakeside restaurant was operated by Zenfer. On 14 April 2011 attorneys Knowles Husain Lindsay Inc ('Knowles'), acting for the applicants and MC (though the latter had by then been

deregistered), wrote to Zenfer, alleging that the opening of the Lakeside restaurant under the Morituri name contravened the agreement of April 2001. An undertaking to desist was requested. On 19 April 2011 Chennells Albertyn Attorneys ('Chennells') replied that Zenfer was not operating any restaurant business and in particular was not operating any such business in Lakeside. Zenfer was thus not in a position or under a legal obligation to give the requested undertaking.

[16] As it subsequently transpired, Chennells were also the attorneys for Ball and Zaliotone. Ball says that he had learnt of the April 2001 agreement by 19 April 2011, when his attorneys (acting for Zenfer) responded to Knowles.

[17] On 20 April 2011 Knowles wrote to Chennells enquiring whether anyone directly or indirectly related to Zenfer was conducting the Lakeside Morituri restaurant. Chennells notified Knowles on 26 April 2011 that they were seeking instructions from Zenfer.

[18] One cannot help but see this as a stalling tactic by Ball. He knew that his wife's close corporation, KHR, had purchased the Claremont Morituri from Zenfer in November 2009. Moreover, behind the scenes Ball (through KHR) was taking steps to see whether he could register the Morituri trade mark. From a document attached to the answering affidavit, it emerged that on 21 April 2011 trade mark attorneys engaged by Chennells on behalf of Ball had reported to Chennells that there was a pending trade mark application in the name of Justin Kitson, which might be problematic for a trade mark application in Ball's name. Notwithstanding this warning, KHR filed a trade mark application on 26 April 2011. This was the same date on which Chennells informed Knowles that they were taking instructions on the question whether there was any connection between Zenfer and the Lakeside business.

[19] Having not heard further from Chennells, and on the assumption that Zenfer was party to the use of the name Morituri in connection with the Lakeside business, Knowles on 27 June 2011 wrote directly to Zenfer alleging an infringement of the April 2001 agreement and giving formal notice under that agreement to remedy the breach. The applicants then ascertained that Mueller was managing the Lakeside

business. On 30 June 2011 Knowles addressed a further demand to him, still based on the April 2001 agreement. When there was no response, the applicants' attorney phoned Mueller who said that he was not the owner of the Lakeside business and that he had forwarded Knowles' letter to Ball. When Terespolsky contacted Ball, the latter said he should deal with Ball's attorneys.

[20] On 4 July 2011 Chennells wrote to Knowles in response to the demand of 27 June 2011. Chennells said that its client (ie Zenfer) was not currently operating the business of a restaurant at any premises and had no assets. Knowles were informed that Chennells had authority to accept service of process. Knowles were not told that Zenfer had sold the Claremont business to KHR, that Ball's wife owned KHR and that Ball managed the Claremont business, that Zaliotone was the owner of the Lakeside business and that Ball owned 50% of Zaliotone.

[21] Ball says that, in the context of the demands made by Knowles, he took the precaution of establishing whether the name Morituri was registered as a trade mark in favour of the applicants. He ascertained that there was no such registration. (If this is a reference to the trade mark report of 21 April 2011, Ball would have learnt from that report that there was a pending trade mark application, though not in the name of the applicants but in the name of Justin Kitson.) He also established that there were no other restaurants in South Africa trading under the name Morituri (ie apart from Claremont and Lakeside).

[22] In September 2011 the Balls caused KHR to change its name to Morituri Restaurant CC.

[23] In November 2011 Ball as sole proprietor established the Stellenbosch Morituri at Wild Clover Farm just off the R304. The applicants do not say when they learnt of this development.

[24] Spurred on presumably by the opening of the Lakeside restaurant and perhaps subsequently the Stellenbosch restaurant, Terespolsky took steps to have the Morituri mark registered in his name. He must have discovered that there was a pending application by Justin Kitson. That application had been made as long ago

as 2003. The applicants say that Justin Kitson assigned his pending application to Terespolsky. It appears from a report made by Ball's trade mark attorneys to Chennells on 28 February 2014 that during December 2011 Terespolsky succeeded in having himself substituted for Justin Kitson as the applicant for registration of the mark. Acceptance by the registrar of this substituted application was advertised on 25 January 2012.

[25] In their report of 28 February 2012 Ball's trade mark attorneys advised Terespolsky that his application had been provisionally refused on the basis of Terespolsky's prior application. They stated that if Ball had been using the mark Morituri for a substantial period of time or prior to Terespolsky's first use, Ball could apply to have his application converted to 'an honest concurrent user application' (see s 14). The cost of this procedure was stated. The trade mark attorneys continued:

'Unfortunately, as long as the abovementioned registration remains on the Register, it will pose a direct bar to client's application, as the marks are visually and phonetically similar and are used in relation to the same services.

Please note that the deadline for responding to the Registrar's official action is 24 May 2012. I look forward to receiving your further instructions prior to this date, failing which, it will be necessary to apply for an extension of the prosecution period (at an additional cost) in order to keep this application alive.'

[26] The deadline for response was in fact 24 April 2012, being the three-month period specified in s 21 of the Act. Ball's trade mark attorneys made this correction in a letter dated 19 April 2012. They also provided cost estimates for seeking an extension of the objection period and for expungement proceedings. Ball stated in his answering affidavit that, although he was told he had reasonable prospect of successfully expunging Terespolsky's substituted application, he could not afford the cost due to the poor performance of the Lakeside and Stellenbosch businesses. He thus allowed his trade mark application to lapse and did not lodge an objection to Terespolsky's application. As already mentioned, the mark was registered in Terespolsky's name on 3 August 2012.

[27] Zaliotone closed the Lakeside Morituri at the end of September 2012 due to poor trading conditions. Zaliotone has not traded since then and has no assets.

[28] The present application was issued on 8 January 2013 (without further correspondence relating to the registered trade mark) and was served on 10 January 2013. The respondents say that it was only on receipt of the application that they learnt that the Morituri mark had been registered in Terespolsky's name. Ball says he immediately caused the Stellenbosch restaurant to change its name to Wild Clover. He also changed the theme of the restaurant from a pizzeria to a country pub/bistro. The menus, decor, signage and wine lists all changed. He also instructed Inetimagery, the firm that managed the website for the Claremont Morituri, to remove all references on that website to Morituri Stellenbosch.

[29] In relation to the Lakeside restaurant, the applicants alleged that infringing use continued beyond 30 September 2012. They referred in that regard to Morituri signage which remained on the external wall of the complex in which the restaurant had been located (the Old Bakery) and apparently also on the glass window of the restaurant premises themselves. In his answering affidavit Ball said that the Lakeside premises were rented by Zaliotone from a landlord and that it was for the landlord to remove the signage after the restaurant closed. In a supplementary answering affidavit delivered on 11 April 2014 Ball stated that the signage at Lakeside had now been removed and that a new restaurant called The Italian Kitchen (with which the respondents had no connection) was trading from the premises.

[30] In relation to the Stellenbosch restaurant, the applicants alleged in their replying papers that particulars of the Stellenbosch Morituri business still appeared on the website of the Claremont Morituri. They annexed two website printouts. They also alleged (based on a telephone call or calls made by their attorney) that staff at the Stellenbosch restaurant would confirm, if asked, that the restaurant was Morituri.

[31] In a supplementary answering affidavit Ball said that he had given instructions to the website manager in January 2013 to remove all references to the Stellenbosch restaurant. He had assumed this was done but noticed during May

2013 that there were still some residual references. The website manager again made changes but failed, according to Ball to 'remove the "Contact" tab' which directed a user to the pages annexed by the applicants. Ball noticed this and again requested Inetimagery to remove this and any other residual references. He followed this up with the website manager on 29 September 2013. He says that the respondents' counsel raised the matter with him again in the course of preparing argument. On 8 April 2014 he emailed the website manager in some exasperation. On the same day the website manager tendered apologies, stating that they were under the impression that all references had been removed and that this had now been done.

[32] Regarding the manner in which the Stellenbosch staff responded to telephonic enquiries, Ball said in his supplementary answering affidavit that the lack of detail made it difficult for him to answer. He stated that his restaurant's telephone was answered by saying that the restaurant was Wild Clover and that the latter was not a front for Morituri. He added that because Wild Clover used to be called Morituri, it would not be unusual for that to be explained to a caller if there was a query.

[33] On the morning of the hearing the applicants filed a supplementary affidavit from their attorney, to which was attached a photograph taken on the R304 towards Stellenbosch. This showed a brown road signboard with emblems for a wine estate and a restaurant and with the names 'Wild Clover Farm' and 'Morituri'. Because the respondents had not had opportunity to answer the implied allegation of continued infringement, I requested counsel to place before me an agreed statement concerning the signboard. Although there was not complete agreement as to what should be filed, it appears to be common cause that the signboard is 150 m from the entrance to the Wild Clover farm; that it was erected prior to the institution of the current proceedings; that it was erected by the South African Roads Agency Limited ('SANRAL') on application by Ball; that the sign is owned by SANRAL and is located on a road reserve owned by SANRAL; that the respondents are not entitled without permission to interfere with the sign; and that neither side has requested SANRAL to remove or alter the sign. Ball adds, in the affidavit recording these agreed facts, that another signboard can be seen in the photograph in the distance. The latter

signboard is at the entrance to the farm and advertises the restaurant as Wild Clover, making no reference to Morituri. (In the statement of agreed facts it was said that the SANRAL signboard was erected around the time the Stellenbosch restaurant started trading 'in October 2012'. I sought clarification and was advised – by agreement – that this was a typographical error and that the Stellenbosch restaurant opened in October/November 2011.)

Relevant provisions of the Act

[34] Section 33 of the Act states that no person shall be entitled to institute any proceedings under s 34 in relation to a trade mark not registered under the Act but that nothing in the Act affects the right of any person at common law to bring an action against another. (Apart from reference to the contract of April 2001, the applicants relied only on the Act for relief. In particular, they did not allege passing-off.)

[35] Section 34(1) lists the conduct which constitutes an infringement of the rights acquired by registration of a trade mark. In general terms, a trade mark is infringed by the unauthorised use, in relation to the goods or services in respect of which the mark is registered, of a mark which is identical or closely similar to the registered mark.

[36] Section 34(3) states that where a trade mark registered in terms of the Act has been infringed, a high court having jurisdiction 'may grant the proprietor the following relief, namely ...'. This is followed by a list comprising (a) an interdict; (b) an order for removal of the infringing mark from all material or for the delivery-up of material from which the mark cannot be separated; (c) 'damages, including those arising from acts performed after advertisement of the acceptance of an application for registration which, if performed after registration, would amount to infringement of the rights acquired by registration'; (d) 'in lieu of damages, at the option of the proprietor, a reasonable royalty which would have been payable by a licensee for the use of the trade mark concerned, including any use which took place after advertisement of the acceptance of an application for registration and which, if

taking place after registration, would amount to infringement of the rights acquired by registration’.

[37] Section 34(4) states that, for purposes of determining the amount of any damages or reasonable royalty, the court ‘may direct an enquiry to be held and may prescribe such procedures for conducting such enquiry as it may deem fit’.

Uncontentious matter

[38] It is common cause, in relation to the Lakeside restaurant, that Zaliotone infringed Terespolsky’s registered mark over the period 3 August 2012 to 30 September 2012 and that Zaliotone’s use of the mark over the period 25 January 2012 to 2 August 2012 would have been an infringement of Terespolsky’s rights if the mark been registered during that period.

[39] It is common cause, in relation to the Stellenbosch restaurant, that Ball infringed Terespolsky’s registered mark over the period 3 August 2012 to 10 January 2013 and that his use of the mark over the period 25 January 2012 to 2 August 2012 would have been an infringement of Terespolsky’s rights if the mark been registered during that period.

The duration of the infringement

[40] Whether Zaliotone and Ball infringed the mark beyond the dates 30 September 2012 and 10 January 2013 respectively is in dispute. The applicant seeks final relief. The *Plascon-Evans* rule thus applies to material dispute of fact.

[41] In my view, the applicants have failed to establish an infringement beyond the dates admitted by the respondents.

[42] A mark is only infringed by use of the mark in the course of trade in relation to goods or services in respect of which the mark is registered. Insofar as the Lakeside business is concerned, I must accept that the restaurant closed down altogether at the end of September 2012. I need not decide whether the continued depiction of a

trade mark on premises belonging to a landlord after the termination of the tenant's lease can be said to constitute use of that mark *by the tenant*. It is enough to say that after 30 September 2012 the mark as it appeared at the Lakeside premises was not used by Zaliotone 'in the course of trade in relation to goods or services' in respect of which the mark is registered. Until 30 September 2012 the mark was used by Zaliotone in the course of its pizza restaurant trade. After that date Zaliotone did not conduct any trade.

[43] In regard to the Stellenbosch restaurant, I cannot on the papers reject Ball's version regarding the change in the name and style of his Stellenbosch restaurant as from 10 January 2013 and concerning the steps taken by him to remove all reference to Morituri from the website. While infringing use does not require that the user should be aware that the mark has been registered, there cannot in my view be 'use' unless the user wittingly deploys the mark. In the present case, Ball did not on his version intend to use the mark beyond 10 January 2013. The references to Morituri on the website were unintended residual references of which Ball was not initially aware and which he took prompt steps to excise when he became aware of them. This is confirmed by the fact that as from 10 January 2013 his Stellenbosch restaurant was called Wild Clover, not Morituri. Given this change, there would have been no purpose in continuing to use the name Morituri in the course of the trade of that restaurant.

[44] The scanty allegations regarding the manner in which the Stellenbosch restaurant's phone was answered do not show that Ball was using the name Morituri in the course of the trade of his Stellenbosch restaurant. It is not alleged that he himself answered the telephone in this manner authorised his employees to do so. He stated in his affidavit the instructions his staff had received. At most, one might surmise that in response to a query a random member of staff said (not inaccurately) that the restaurant previously traded as Morituri.

[45] Regarding the road signboard, I am not convinced that the late allegations in that regard should be received. The signboard existed prior to the launching of the present application. A drive to the Stellenbosch restaurant would have revealed its existence. There is no explanation for the late adducing of the evidence about the

signboard. In any event, the parties are in agreement that the sign is not owned by nor under the control of Ball. Given that his Stellenbosch restaurant is no longer even trading under the name Morituri, I do not consider that the continued existence of the signboard can be said to constitute an infringement of Terespolsky's mark by Ball.

[46] Even if the matters mentioned above constituted infringing use in relation to the Lakeside and Stellenbosch restaurants respectively, the use would on the facts be so trivial and of such insignificance in relation to any trade as to be disregarded as *de minimis*.

The interdict

[47] In a notice filed on 16 January 2013 the respondents stated, after recording certain facts, that they abided the relief sought by the applicants in paragraph 1, 2 and 4 of the notice of motion. Paragraphs 1 and 2 of the notice of motion sought interdicts based on infringing use as contemplated in paras (a) and (b) of s 34(1). For present purposes there is no material difference between these two interdicts. Paragraph 4 of the notice of motion sought to interdict contraventions of clause 12.1 of the agreement of April 2001.

[48] Since Mr Morrissey for the respondents did not in argument oppose the making of orders in terms of these paragraphs, I shall grant them. It may be doubted, however, whether an interdict was warranted in relation to Zaliotone and the Lakeside business, given that it ceased operating more than three months before the launching of the application and that the application was not preceded by any demand based on the registered mark. The applicants knew when they launched the current proceedings that the Lakeside restaurant had closed though Terespolsky claimed in the founding affidavit that it might be 'reopened at any stage'.

[49] It is also doubtful whether the conduct of Zaliotone and Ball in relation to the Lakeside and Stellenbosch businesses respectively could be said to have contravened clause 12.1 of the April 2001 agreement. The parties to that agreement

were MC, the applicants and Zenfer. On the assumption that the purchaser of Zenfer's business, namely KHR, became bound by the terms of the agreement, it is not apparent to me on what basis Zaliotone or Ball likewise became bound. Clause 12.1 of the agreement was an undertaking by Zenfer from doing certain things directly or indirectly, including 'conduct or holding through a company, close corporation, corporate entity or agent'. The applicants may have thought when they launched proceedings that Zenfer was involved in the Lakeside and Stellenbosch businesses but that was incorrect. There is no allegation, nor does it appear to be likely, that Zaliotone or Ball were agents of Zenfer's successor, KHR, even though there was a link between them.

Removal or delivery-up

[50] The respondents did not, in their notice of 16 January 2014, deal with paragraph 3 of the notice of motion, which sought relief for removal/delivery-up as contemplated in s 34(3)(b) of the Act. I did not understand Mr Morrissey to oppose the grant of this relief, which he said would follow from the grant of the interdicts.

[51] Whether there is still in existence any material to which an order for removal/delivery-up could apply does not appear. Mr Morrissey did not accept that any such material did exist. Because the respondents did not in argument oppose the order, I shall grant it, but it will naturally apply only to the extent that any such material does exist. Having regard to what I said earlier, the order will not apply to the signage on the landlord's premises in Lakeside nor to the SANRAL signboard on the R304. I have no doubt that the applicants will be able, with the respondents cooperation, to have that signage removed by the relevant controllers.

Payment of a reasonable royalty

The legal position

[52] In paragraphs 5 and 6 of the notice of motion the applicant's seek an order directing the first and second respondents (in law, Zaliotone and Ball respectively) to pay Terespolsky a reasonable royalty for their respective use of the Morituri mark;

and an order for an enquiry into the reasonable royalty, with directions for the conducting of the enquiry as the court may deem fit.

[53] If Terespolsky is entitled to a reasonable royalty as contemplated in s 34(3)(d), s 34(4) expressly sanctions the procedure of ordering an enquiry into the amount of the reasonable royalty. That is a procedure well known in the field of intellectual property (see *Cadac (Pty) Ltd v Weber-Stephen Products Co & Others* 2011 (3) SA 570 (SCA) paras 10-15).

[54] Mr Salmon for the applicants argued that, once infringing use had been established, a right to damages or, at the election of the proprietor, a reasonable royalty followed as a matter of course. Mr Morrissey, on the other hand, submitted that the liability of the infringer for damages or a reasonable royalty was not a strict liability. He did not argue that the proprietor needed to prove *dolus* or *culpa* on the model of a delictual action. He argued instead for the existence of an equitable discretion, based on the use of the word 'may' in the introductory part of s 34(3).

[55] I was told that this is not a question on which there is any authority in South Africa (though I was referred to *LA Group Ltd & Another v B & J Meltz (Pty) Ltd & Others* [2005] JOL 15756 (T), para 59 of which perhaps suggests, albeit in brief and oblique terms, the existence of a discretion). In England, whose intellectual property law has had a considerable influence on South African law, the right of a trade mark proprietor to damages for infringement appears to be strict. The fact that the infringement was innocent is not a good answer. The proprietor may, as an alternative, claim an account of profits but this is an equitable remedy which the court may in its discretion withhold (see *Gillette UK Ltd & Others v Edenwest Ltd* [1994] RPC 279 at 289-294, where the authorities are reviewed; see also Kerly's *The Law of Trade Marks and Trade Names* 15th ed (2011) paras 20-147 and 20-154; Cornish *et al Intellectual Property – Patents, Copyright, Trademarks and Allied Rights* 7th ed (2010) para 2-41). An English court will generally only refuse an enquiry into damages if it is quite clear that no damages have been suffered so that the enquiry would be futile.

[56] However, English intellectual property law does not present a consistent pattern on the question of liability for damages. In regard to patents, registered designs and copyright, the relevant legislation provides for a right to damages but gives an express defence to an infringer who proves that at the date of infringement he was not aware, and had no reasonable grounds for supposing, that the patent, design or copyright existed (see s 61 of the Patents Act of 1977, s 9(1) of the Registered Designs Act of 1949 and s 97(1) of the Copyright, Designs and Patents Act of 1988, as discussed in *Halsbury's Laws of England* 5th ed Vol 79 (2008) 'Patents and Registered Designs' paras 545 and 549, *Halsbury's Laws of England* 5th ed Vol 23 (2013) 'Copyright' paras 953 and 966 and Cornish *op cit* para 2-39).

[57] The English Trade Marks Act of 1994 does not contain a similar express protection for the innocent infringer. However, and as far as I can discern, the view in English law that the innocent infringer is liable for damages is not the result of the interpretation of a statutory provision similar to our s 34(3) but flows from an application to trade mark rights of the English common law relating to the tort of violation of another's property rights (see Cornish *op cit* para 2.41; in regard to the strict liability for the tort of conversion, see *Clerk & Lindsell on Torts* 20th ed (2010) para 17.72; and see also paras 55.01 – 55.02 for the authors' introductory remarks on intellectual property rights). English law also imposes a strict liability for the tort of passing-off (see *Gillette UK supra* at 291-293; Wadlow *The Law of Passing-off: Unfair Competition by Misrepresentation* 4th ed (2011) paras 5-050 – 5-051). English law is thus not a safe guide to the question whether liability for damages for trade mark infringement in South Africa is strict.

[58] The position is complicated in England by regulation 3(1) of the Intellectual Property (Enforcement etc) Regulations 2006, SI 2006/1028 ('the Regulations'), which give effect to article 13 of the European Union's Enforcement of Intellectual Property Rights Directive of 29 April 2003 ('the Directive'). The Directive in turn reflects the European Union's implementation of the provisions of the World Trade Organisation's TRIPS Treaty (the Treaty on Trade-related Aspects of Intellectual Property Rights including Trade in Counterfeit Goods – 'the Treaty'). The general effect of these instruments is to require that the proprietor of a trade mark be given a remedy of damages where the infringer knew or had reasonable grounds to know

that he was infringing the registered mark. The Treaty and Directive do not say that domestic law may not provide for liability for damages going beyond these circumstances; what the instruments require is that damages should be available at least in these circumstances. In English law the position thus seems to be that, where the circumstances of infringement are as described in the Regulations, the right to damages is governed by the Regulations; and that in other circumstances domestic English law will apply. As noted, the domestic English law provides for a strict liability for damages for infringement of trade marks, so that in practice the Regulations would only be germane to a claim for damages if the method of quantification differed. The domestic law of other countries might limit the liability to the circumstances contemplated in the Treaty and Directive. (See, generally, Cornish *op cit* paras 1-23 and 2-03 and Kerly *op cit* para 20-147.)

[59] In South Africa there is likewise no consistent pattern in the legislation relating to remedies for the infringement of intellectual property rights:

[a] Section 65(3) of the Patents Act 57 of 1978 states that the proprietor 'shall' (not 'may') be entitled to various remedies, of which one is damages. But this is subject to protection for the innocent infringer in s 66(1), which is essentially the same protection as in the English legislation previously mentioned.

[b] Section 24(1) of the Copyright Act 98 of 1978 states that in an action for copyright infringement 'all such relief by way of damages, interdict, delivery of infringing copies ... [etc] shall be available to the plaintiff as is available in any corresponding proceedings in respect of infringements of other property rights'. This appears to make the common law relating to the infringement of property rights applicable *inter alia* to a claim for damages for breach of copyright. However, s 24(2) again provides the innocent infringer with express protection against a claim for damages, essentially in the same terms as the English legislation.

[c] Section 35(3) of the Designs Act 195 of 1993 provides that the plaintiff in infringement proceedings 'shall' (not 'may') be entitled *inter alia* to damages or a reasonable royalty in lieu of damages at the plaintiff's option. There is no express protection for the innocent infringer.

[d] Then there is s 35(3) of the Trade Marks Act, which numerically was the immediate predecessor of the Designs Act and was assented to on the same date. Section 35(3) uses the word 'may' in relation to the listed remedies and contains no express protection for the innocent infringer.

[60] I mention all of this because, although the applicants are not claiming damages but a reasonable royalty, Mr Morrissey argued that the entitlement to claim a reasonable royalty 'in lieu of damages' means that, if the proprietor cannot show an entitlement to claim damages, he likewise cannot claim a reasonable royalty. His submissions were directed at showing that the right to claim damages was a discretionary remedy and that, if the court would on the particular facts decline in its discretion to award damages, a claim for a reasonable royalty would likewise be doomed to fail.

[61] I do not think that this linking of the remedies is correct. After all, the entitlement to claim a reasonable royalty has been conferred precisely because it may be impossible for the proprietor to prove that he has suffered damages (see *Puma AG Rudolf Dassler Sport v Global Warming (Pty) Ltd* 2010 (2) SA 600 (SCA) para 12; see also *LAWSA* 2nd ed Vol 29 (2013) Vol para 248). I do accept, though, that if a claim for damages and a claim for a reasonable royalty are discretionary remedies, the circumstances which would cause a court to withhold the remedy of damages might also justify the withholding of the remedy of a reasonable royalty but this would not invariably be so.

[62] If it were necessary to decide the question in this case, I would be inclined to think that a claim for damages in respect of infringing use after registration of the trade mark is a delictual claim and that the plaintiff would thus need to allege and prove either *dolus* or *culpa* (this is the view expressed in Webster & Page *The South African Law of Trade Marks* paras 12.56 – 12.57). Whatever the position may be in English law, our common law does not without more confer a right to damages against a person who has damaged or interfered with another's property. The defendant's conduct must not only be wrongful; there must also be fault (see Van der Walt & Midgley *Principles of Delict* 3rd ed para 62 and note 8 read with para 103). Section 34(3)(c) does not expressly exclude the common law requirements.

The fact that they are not expressly mentioned does not mean they do not apply. A statute is not taken to amend the common law beyond its clear terms. (Similarly, in relation to the remedy of an interdict mentioned in s 34(3)(a), the usual requirements for a final or interim interdict as the case may be would need to be satisfied.) I prefer this approach to Mr Morrissey's proposition that damages for infringement of a registered mark constitute a discretionary remedy.

[63] The position may be different if the plaintiff additionally claims damages arising from acts performed after advertisement of the acceptance of his trade mark application but prior to its registration. It is difficult to apply the delictual analysis to that situation because it is not *per se* wrongful (at least in terms of the Act) for a person to use a mark during this period. Infringement can only occur in respect of a registered mark (s 34(1)). On the other hand, it would be absurd to apply strict liability to the earlier period if the liability after registration is fault-based. The awarding of damages in respect of the pre-registration period, being a remedy of a kind which our common law would not recognise, is more properly regarded as a matter of discretion. In other words, in respect of this remedy there is no reason not to give the word 'may' in the introductory part of s 34(3) its ordinary meaning.

[64] Whatever the position may be in regard to damages, I have already said that I do not accept Mr Morrissey's submission that the proprietor may only claim a reasonable royalty if he has shown an entitlement in principle to the remedy of damages. However, the fact that the proprietor may elect to claim a reasonable royalty in lieu of damages does not mean that, if he makes the election, he must not establish whatever the Act requires for the granting of that relief. The express conferral by s 34(3)(d) of an election to claim a reasonable royalty in lieu of damages means [i] that the proprietor is given a remedy which he would not at common law have had; [ii] that the proprietor cannot be required to prove damages; [iii] and that if he elects to claim a reasonable royalty he cannot concurrently claim damages. (In English trade mark and passing-off law the position is similar. The plaintiff may elect to claim damages or an account of profits but not both. The fact that he may claim an account of profits in lieu of damages does not mean that the court must order an account of profits. As noted, the right to an account of profits is

regarded as a discretionary equitable remedy which might be refused in circumstances where damages could not be refused.)

[65] Since the claim for a reasonable royalty (both post-registration and during the pendency of the advertised application) is a remedy which would not exist at common law, I see no reason not to give the word 'may' in the introductory part of s 34(3) its usual meaning of conferring a discretion. Since the claim does not constitute delictual relief, fault in the form of *dolus* or *culpa* cannot be made a formal requirement of the claim. The question would be whether it is just and equitable in all the circumstances to allow the proprietor to recover a reasonable royalty from the infringer. The fact that the infringer perpetrated the infringement with a state of mind which could be equated to *dolus* or *culpa* might be relevant to this enquiry but would not be dispositive. I can conceive of circumstances in which a claim for a reasonable royalty might justly lie against an innocent infringer.

[66] The procedural power of the court to order an enquiry into a reasonable royalty and to prescribe procedures for the conducting of the enquiry, as conferred by s 34(4), is clearly discretionary. If the court decided that the proprietor was in principle not entitled to a reasonable royalty, no enquiry would be ordered. However, and even if the court considers that the proprietor is or may be entitled to a reasonable royalty, the court is not bound to order an enquiry into damages and give directions; the court may leave the proprietor to his ordinary remedy of issuing summons.

The claim against Zalitone (Lakeside)

[67] In regard to the Lakeside restaurant, Zalitone only infringed the registered mark over the period 3 August 2012 to 30 September 2012, a period of slightly less than two months.

[68] Zalitone also used the mark between the period 25 January 2012 and 2 August 2012. On about 28 February 2012, when Ball's trade mark attorneys made their report of that date, Zalitone would have learnt that there was a pending trade mark application in Terespolsky's name. It might thus be said that for about five

months Zalitone ‘took a chance’. Ball has stated, however, that he received advice that he had reasonable prospects of successfully expunging Terespolsky’s application (and presumably of successfully opposing the application prior to registration of the mark). He decided not to take active steps because he could not afford the costs.

[69] In regard to the use of the mark over the period 25 January to 2 August 2012, a relevant consideration is that Zalitone did not start using the mark only after Terespolsky’s trade mark application was advertised. Zalitone opened the Lakeside restaurant in December 2010. By the time Zalitone became aware of Terespolsky’s application on 28 February 2012, Zalitone had been trading in Lakeside under the Morituri name for about 15 months. Insofar as trade mark relief is concerned, the use during that period was not unlawful. It seems unduly harsh to say that a party in Zalitone’s position should, on learning of Terespolsky’s advertised application, have changed the name of its business, including all signage, menus and other documentation on which the name appeared, pending a decision by the registrar of trade marks as to whether to grant Terespolsky’s application.

[70] On the respondents’ version, the Lakeside business closed in September 2012 because of poor trading conditions. Zalitone has since then not traded and has no assets.

[71] In the light of the circumstances I have summarised, I do not think the court should exercise its discretion in favour of ordering an enquiry into a reasonable royalty. There is no evidence that over the period 25 January to 30 September 2012 the use of the name Morituri would have substantially enhanced the trading prospects of the Lakeside business. The Durbanville Morituri had already closed. The Morituri name was only in use in relation to the Claremont business, which as from 30 April 2009 was conducted by KHR (effectively the Balls). The royalty payable for the use of a trade name in these circumstances in relation to a restaurant which struggled financially and which closed barely two months after the mark was registered is likely to be trivial. The applicants have not provided any information to indicate that the royalty will be substantial. I have indicated why, at

least *prima facie*, it may not be just to award a royalty in respect of the period 25 January to 2 August 2012. And the proposed target of the claim is a corporation which has no assets.

[72] It is not my intention to render Terespolsky's claim against Zaliotone for a reasonable royalty *res judicata*. The position is that I am not satisfied on the papers that a royalty should be awarded or that the amount of the royalty would be sufficiently substantial to warrant the legal costs and the use of court time. The applicants, having considered the content of this judgment, may yet decide to issue summons against Zaliotone for a reasonable royalty. In considering the implications of this judgment, the applicants will need to take into account my finding that Zaliotone's infringement ceased on 30 September 2012.

The claim against Ball ((Stellenbosch)

[73] The Stellenbosch restaurant stands on a somewhat different footing. Ball used the Morituri mark for more than five months after it was registered (ie over the period 3 August 2012 to 10 January 2013). He was aware of Terespolsky's pending trade mark application. He says that he was not aware until 8 January 2013 that Terespolsky's trade mark application had succeeded. However, since he knew it was pending and because he himself did not lodge any objection, it was not unreasonable to expect him to monitor the situation. His use of the mark as from 3 August 2012 thus appears to have been a result of his 'closing his eyes' to the probable position or at least negligent.

[74] While this may also be said of Zaliotone in regard to the Lakeside restaurant, Ball used the Morituri name for a longer period after registration, a period which included the normally lucrative festive months. Furthermore, although Ball says that the Stellenbosch restaurant still trades at a loss, he clearly considers it worth the while to continue conducting it with a view to future profit. We know as a fact that Ball only ceased using the name Morituri in relation to the Stellenbosch restaurant after receipt of the present application. Thereafter he has continued operating the restaurant but under a different name and style. The Lakeside restaurant, by

contrast, was closed because of poor trading conditions, ie for reasons unrelated to any concern about the use of another's mark.

[75] There is the further distinction that Zaliotone opened the Lakeside restaurant in December 2010, prior to the exchange of correspondence between Knowles and Chennells over the period April - July 2011 and prior (on his version) to Ball learning of the April 2001 agreement. By contrast, Ball opened the Stellenbosch restaurant in November 2011, after the correspondence had been exchanged and after he had learnt of the April 2001 agreement. Although Knowles did not base the applicants' demands on trade mark rights, the agreement and correspondence would have alerted Ball to the existence of a claim by the applicants to the right to the name Morituri. He had also been warned by then that his own trade mark application might face difficulties in view of Justin Kitson's pending trade mark application. In the face of this knowledge, he nevertheless chose to open the Stellenbosch restaurant under the Morituri name. It would have been open to him to choose a different name. In the case of the Lakeside restaurant, by contrast, Zaliotone would have had to change an existing name.

[76] Terespolsky's claim to a reasonable royalty against Ball thus has *prima facie* merit and the recoverable amount may be sufficiently material to justify an enquiry. I emphasise that this would be in respect of the infringement as determined in this judgment, ie up to 10 January 2013.

[77] The question arises whether I should now finally determine that Terespolsky is entitled to a reasonable royalty, leaving only the quantum to be investigated; or whether I should also leave open the antecedent question whether the discretion should be exercised in Terespolsky's favour at all. Section 34(4) states that the court may direct an enquiry 'for purposes of determining the amount' of the damages or reasonable royalty. The anterior question whether the discretion should be exercised in favour of the proprietor is not mentioned. However, in the *Cadac* case *supra* Harms JA explained that, quite apart from statute, the court has the power to regulate its own process by directing an enquiry into damages and that courts often separate issues of liability and quantum (paras 12-13). This procedural power is fortified by the provisions of rule 33(4).

[78] I thus consider that I am entitled to make an order which will cover the question whether the court should in its discretion award a reasonable royalty to Terespolsky and the further question, if the first is answered affirmatively, as to the quantum of the reasonable royalty. I should add that the two questions are not necessarily independent of each other. If the facts indicate that the quantum of the reasonable royalty is likely to be very low and disproportionate to the cost of finally determining it, a court might – in conjunction with other circumstances – decide in its discretion to make no award at all.

Costs and order

[79] Although Zaliotone has not opposed the grant of interdicts, I have explained that the launching of an application for interdictory relief against it may not have been justified. I thus do not intend to make any order against Zaliotone insofar as the interdictory relief is concerned.

[80] Although Zaliotone has succeeded in warding off a claim at this stage for a reasonable royalty, it may yet face such a claim. Zaliotone did as a fact infringe Terespolsky's mark, albeit for a short period. I thus intend to make no costs order as between the applicants and Zaliotone insofar as the claim for a reasonable royalty is concerned.

[81] For reasons which will be apparent, I consider that Terespolsky was entitled to seek interdictory relief against Ball. Since Ball did not oppose that relief, I think he should pay Terespolsky's costs of seeking the interdictory relief on an unopposed basis.

[82] In regard to the claim against Ball for a reasonable royalty, it may yet transpire that the court will decline in its discretion to award a royalty in favour of Terespolsky. If an award is made but only in a very modest sum, this might also influence the costs order. I appreciate that s 34(3) may have the effect that only a high court can award a reasonable royalty, even if the quantum is within the jurisdiction of the magistrate's court. Nevertheless, a court awarding a very modest

amount as a reasonable royalty may consider that the claim should not have been pursued at all, and this might have a bearing on costs.

[83] I thus propose to direct that the costs incurred thus far by Terespolsky and Ball in relation to the reasonable royalty claim should stand over for determination in the further proceedings.

[84] I make the following order:

[a] The fourth and fifth respondents, in their capacities as owners of the businesses cited as the first and second respondents respectively, are interdicted from using the trade mark Morituri in relation to pizzeria restaurants and thereby infringing trade mark registration number 2003/12164 Morituri in Class 42 as contemplated by s 34(1)(a) of the Trade Marks Act 194 of 1993 ('the Act').

[b] The fourth and fifth respondents, in their said capacities, are interdicted from using the trade mark Morituri in relation to services which are similar to those of pizzeria restaurants and thereby infringing the said trade mark registration as contemplated by s 34(1)(b) of the Act.

[c] The fourth and fifth respondents are directed to take steps forthwith to remove the trade mark Morituri from all material in their possession or under their control; and, where the mark is incapable of being removed from the material, to deliver such material to the first applicant care of Knowles Husain Lindsay Inc, 10th floor, 2 Long Street, Cape Town.

[d] The fourth and fifth respondents are interdicted from using any know-how or concept relating to the Morituri restaurant business as contemplated in clause 12.1 of the agreement annexed as 'D' to the founding affidavit of the first applicant.

[e] No order is made on the application against the fourth respondent to pay a reasonable royalty as contemplated by s 34(3)(d) of the Act, the first applicant's right to institute separate proceedings for such relief being preserved.

[f] In regard to the first applicant's claim against the fifth respondent, in his capacity as the owner of the business cited as the second respondent, to pay a reasonable royalty as contemplated by s 34(3)(d), an enquiry is to be held for purposes of determining the following questions:

(i) whether the court should exercise its discretion in favour of awarding a royalty to the first applicant at all;

(ii) if so, the amount of a reasonable royalty,

such enquiry to relate to the infringement as determined in this judgment, namely the use by the fifth respondent of the name Morituri in relation to the business cited as the second respondent up until 10 January 2013.

[g] The following directions are given regarding the said enquiry:

(i) The first applicant is to deliver a declaration within 20 days hereof.

(ii) Thereafter the Uniform Rules of Court applicable to trial actions shall apply.

[h] No order as to costs is made in regard to the proceedings thus far between the applicants and the fourth respondent.

[i] The fifth respondent shall pay the applicant's costs of seeking the relief set out in paragraphs 1 to 4 of the notice of motion on an unopposed basis, to the extent that such relief relates to the conduct of the business cited as the second respondent.

[j] The costs incurred thus far by the first applicant and the fifth respondent (in his capacity as the owner of the business cited as the second respondent) in relation the relief claimed by the first applicant in prayers 5 and 6 of the notice of motion shall be determined in the enquiry contemplated in para [f] above.

ROGERS J

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