

SOUTH AFRICA / JUDGMENT

**Caterham Car Sales and Coachworks Ltd.
v Birkin Cars (Pty) Ltd. and Another
(393/95) [1998] ZASCA 44; 1998 (3) SA 938
(SCA); [1998] 3 All SA 175 (A) (27 May 1998)
[1998] ZASCA 44**

COURT

Supreme Court of Appeal

BEFORE

Smalberger, Harms, Marais, Schutz, Plewman

CASE / FILE NUMBER

393/95

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THE SUPREME COURT OF APPEAL

OF SOUTH AFRICA

Case No. 393/95

In the matter between:

CATERHAM CAR SALES & COACHWORKS LIMITED Appellant

and

BIRKIN CARS (PROPRIETARY) LIMITED

First Respondent

JOHN BIRKIN WATSON

Second Respondent

Coram: SMALBERGER, HARMS, MARAIS, SCHUTZ and

PLEWMAN JJA Heard:

11 MAY 1998

Delivered: 27 MAY 1998

JUDGMENT

HARMS JA/

2

HARMS JA:

1

[1] This is a passing-off case and concerns the exclusive right to manufacture, market and sell reproductions of the Lotus Seven Series III

3 sports car. The appellant (the plaintiff, "Caterham") claims exclusivity for

its product, the Caterham Seven or Super Seven, and alleges that the Birkin 5 Seven, the product of the first respondent (the first defendant, "Birkin") is

being passed off as that of Caterham's. Both these sports cars are replicas 7 of this particular Lotus model, a car with a classic and distinctive shape and

appearance. (I use the term "replica" to mean a copy or reproduction made 9 by someone other than the original designer). Even an expert finds it

difficult to distinguish between these three cars from a relatively short

11

distance.

[2] The essence of Caterham's contention on appeal is that the use

13 of the numeral Seven has become distinctive of a sports car having the

particular shape and external configuration of the Lotus Seven Series III and

3 1 that the use of a Seven in relation to a sports car having this shape and

configuration serves to identify the car as emanating from Caterham or its 3 predecessor.

Caterham, at the hearing of the appeal, abandoned any claim

for damages and limited the relief sought to an interdict restraining the 5 respondents from manufacturing, marketing, selling and exporting from

South Africa a sports car having the said shape and configuration which 7 uses upon or in relation thereto the numeral Seven in either alphabetic or

numeric form. There are no registered trade marks, designs or patents that 9 have a bearing on Caterham's rights. It is no longer argued that Birkin was

guilty of the general delict of unfair competition as set out in *Schultz v Butt* 111986 (3) SA 667(A). More importantly, the application of the principles

1986 (3) SA 667

concerning passing-off in relation to a get-up shorn of a distinctive name¹³ do not form part of Caterham's case on appeal (cf *Weber-Stephen Products*

Co v Alrite Engineering (Pty)Ltd and Others[1992] ZASCA 2;1992 (2) SA 489(A); *Reckitt 15 & Colman Products Limited v Borden Inc and Others*[1990] UKHL 12;[1990] RPC 341

[1992] ZASCA 2

1992 (2) SA 489

[1990] UKHL 12

[1990] RPC 341

4 1 (HL)). The reasons will become apparent. Initially Caterham's main claims

related to copyright infringement. All the original claims were dismissed³ by the trial judge, Howard JP, in the Durban and Coast Local Division. He

refused leave to appeal on copyright but granted leave on passing-off.⁵

[3] For the background facts I rely heavily upon the judgment of

Howard JP, and what follows is in part a quotation from it. The Lotus 7 Seven sports car was designed by the late Colin Chapman and developed,

manufactured, marketed and sold from about 1957 to 1972 by one or more⁹ companies in the Lotus group which Chapman founded. Nothing turns on

the structure of the Lotus group and I shall refer to these companies singly¹¹ and collectively as "Lotus". The Lotus Seven was designed as a relatively

cheap sports car which would appeal to motor racing enthusiasts. Four¹³ models were designed and built consecutively and they were identified as

the Series I (1957), Series II (1960), Series III (1968) and Series IV (1970)¹⁵ respectively. There is a suggestion that Chapman did not have a hand in

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1 the design of the last model and that it was marketed somewhat against his will, but that is of no consequence. Of importance to this case is the Series³ III.

[4] Caterham is a company incorporated and registered in

5 England and it carries on business as a motor dealer and manufacturer of

sports cars at Caterham in Surrey. It became a distributor of Lotus cars in 1959 and the sole distributor of Lotus Seven sports cars in the United Kingdom from about 1965. Lotus ceased manufacturing any car in the Seven series in 1972, by which stage the version then in production was the IV. In terms of a written agreement dated 28 February 1973 the plaintiff purchased from Lotus, inter alia,

(i) the exclusive right to manufacture, sell and distribute Lotus Series IV cars (and subsequent series thereof) in the United Kingdom and certain European countries;

(ii) the right to manufacture, sell and distribute spare parts for Lotus cars of whatever series and the exclusive right to describe itself as 'Lotus Spares Distributor', and

(iii) the right to use the Lotus symbol in connection with the manufacture, sale and distribution of spare parts but not otherwise.

(My underlining.)

[5] Pursuant to this agreement Caterham manufactured and sold about 30 Series IV cars. Thereafter it began manufacturing the earlier Series III, using jigs, tools and drawings which it had received from Lotus, presumably for the purpose of manufacturing spare parts for that model. Lotus acquiesced in the manufacture and sale of the Series III cars and accepted payment of royalties in respect of them as though they had been manufactured pursuant to the agreement. Since then Caterham has

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continued to manufacture the Series HI, with modifications and 15 improvements from time to time, and to market and sell it as the Caterham

7 1 Super Seven car. (The evidence is not always consistent and reference is

also made to the car as a Caterham Seven.) Subsequently, during the period 3 1985 to 1988, Lotus and Caterham entered into a number of agreements in

which copyright and, more importantly for purposes of this case, the alleged 5 rights to goodwill and to the unregistered trade marks Seven, Super Seven

and Super 7 were assigned to Caterham. There was an initial assignment 7 during 1985 relating to the UK and Europe, but it was superseded in 1988

by an assignment of all the rights to and in these trade marks together with 9 the goodwill in the business of manufacturing and selling Lotus Seven cars

in all countries in the world excepting North America.¹¹

[6] Birkin is a local company which carries on business as a

manufacturer of sports cars at Pinetown. Its replica of the Lotus Seven 13 Series HI is marketed and sold in South Africa under the name of Birkin

Seven or Super Seven and is also exported to Japan. Watson (the second 15 respondent/defendant) is the managing director of Birkin. Howard JP

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1 found no reason to disbelieve his evidence as to how he designed and

developed the Birkin model. He is a mechanical engineer with

3 considerable experience in building and working on sports cars. From

about 1981 when he moved to Durban and started an engineering business

5 he became acquainted with a syndicate of people who were engaged in

building replicas of the Series III. He purchased a chassis from a member

7 and built a replica for himself. He also made parts for other members of the

syndicate and by the end of 1982 he had recognised a commercial

9 opportunity.

[7] Watson knew that Lotus was no longer making the Series III

11 and that Caterham was manufacturing a replica. During January 1983 he

proposed to Caterham's managing director, Mr Neam, that Birkin be

13 licensed to manufacture and distribute Caterham Super Seven cars in South
Africa. The terms upon which the plaintiff was prepared to do business
15 with Birkin were unacceptable to Watson and the proposal was dropped.
9 1 Watson thereafter approached Status Cars (Pty) Ltd in Pietermaritzburg, the
local distributor and service agent for Lotus. This culminated in an
3 agreement of 20 January 1983 in which Status Cars recorded that Lotus had
accepted in principle a proposal that Birkin would manufacture a replica
5 of the Lotus Seven Series III under licence to Lotus but not bearing the
Lotus name, that the vehicle would be marketed through Status Cars and
7 that it would be named the Classic Super Seven. Watson went ahead with
the venture believing that he had the approval of Lotus.

9

[8] Birkin produced a prototype for a launch in Pietermaritzburg
on 12 October 1983. Present were Chapman's widow, Mrs Hazel Chapman,
11 Peter Waugh, the manager of Team Lotus International Ltd, Nigel Mansell
and Elio de Angelis, the Team Lotus Formula 1 drivers, and Mike Bishop
13 who was the export sales manager for Lotus. Team Lotus International Ltd
was involved in Formula 1 motor racing and was not a member of the Lotus
15 group. Mrs Chapman unveiled the prototype and the launch received wide
10
press publicity. Birkin produced these cars for Status Cars in accordance
with their arrangement. Twelve were produced during the period from 15 3 December 1983 to 14
January 1985. Thereafter a written contract was
concluded in terms of which Birkin granted to Lotus Motors (Pty) Ltd, the 5 successor of Status
Cars as local agent of Lotus, the exclusive right to sell
worldwide all Classic Super Seven vehicles manufactured by Birkin. The 7 venture was not a
success and was terminated in August 1985.

[9] At about the same time Watson reopened negotiations with 9 Neam for a licence. These
foundered, with Neam threatening legal action

for infringement of copyright, knowing full well that he had no such rights.

Birkin did not have the financial resources to continue with the production of complete cars and so reverted to manufacturing replacement and

13 conversion parts for existing cars and to supplying kits comprising chassis, suspension parts and other components which enthusiasts could not obtain

15 elsewhere. With an injection of funds Birkin was eventually able to

1 resume the full time manufacture of complete cars marketed as Birkin

Sevens or Super Sevens.³

[10] I now turn to consider the issues as they emerged during oral

argument. The heads of argument of Caterham tended to conceal counsel's 5 intentions and may largely be discounted.

[11] Howard JP, after referring to some authorities, English and

7 local, accepted as correct a statement by Webster & Page South African

Law of Trade Marks 3rd ed p 420 to the effect that since the ordinary rules
rd

9 relating to jurisdiction apply to an action for passing-off, it is essential for

the plaintiff to prove that the goodwill he seeks to protect extends to the

11 area of jurisdiction of the court in which he sues. That, he held, meant that

Caterham had to prove the existence of goodwill "generated by sales"

13 within the area of jurisdiction of the court below. A similar statement of the

law is to be found in *Star Industrial Company Limited v Yap Kwee Kor*

15 (trading as New Star Industrial Company) [1976] FSR 256(PC) 269:

[1976] FSR 256

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" A passing-off action is a remedy for the invasion of a right of

property not in the mark, name or get-up improperly used, but in the³

business or goodwill likely to be injured by the misrepresentation

made by passing-off one person's goods as the goods of another.⁵

Goodwill, as the subject of proprietary rights, is incapable of

subsisting by itself. It has no independent existence apart from the⁷ business to which it is attached. It is local in character and divisible; if the business is carried on in several countries a separate goodwill⁹ attaches to it in each."

¹¹ The proposition fits in with the first essential of a passing-off action as formulated by Lord Fraser in *Erven Warnick B V and Another v J Townend 13 & Sons (Hull) Ltd and Another*[1979] AC 731 at 755, namely that the

[1979] AC 731

business of the plaintiff must consist of or include "selling in England a class of goods to which the particular trade name applies."

[¹²] Caterham's case as formulated in the court below was along these lines: Lotus carried on business in South Africa; Lotus had a goodwill

and reputation in the Lotus Seven Series I to IV; the goodwill and reputation¹⁹ became that of Caterham during 1988 by virtue of the assignment from

Lotus; since 1988 Birkin made a number of misrepresentations relating to

¹³

its car's provenance and that amounted to a passing-off. The problem is

that, if one applies the law as just stated, Caterham was doomed to fail. ³ Lotus stopped making the III before 1973, either in South Africa or

elsewhere. There is also no indication that it had any business of any sort ⁵ in South Africa by 1988. There was thus no residual goodwill which could

have been assigned in 1988. Following a similar factual route, Howard JP ⁷ dismissed the claim.

[¹³] It is necessary to pause and consider whether the statement in *Webster & Page* does not conflate two different matters, namely the

elements of the delict of passing-off and the requirements for jurisdiction. ¹¹ The court below had jurisdiction, I would suggest, because the defendants

reside within its area. Had they not been residents of that court, the ¹³ question would have been whether the claim in delict had arisen within its

jurisdiction (cf *Thomas v BMW South Africa (Pty) Ltd* 1996 (2) SA 106(C) 15 127G-H). The unrelated, but for this case germane, question concerns the

1996 (2) SA 106

14 1 elements of the wrong. They are the "classical trinity" of reputation (or goodwill), misrepresentation and damage (*Consorzio del Prosciutto di 3 Parma v Marks & Spencer PLC and Others*[1991] RPC 351(CA) 368 line

[1991] RPC 351

214 - 369 line 51).⁵

[14] Our courts of first instance have so far adopted the same

approach as that of the court below (*Slenderella Systems Incorporated of 7 America v Hawkins and Another*1959 (1) SA 519(W) 521A-522B;

1959 (1) SA 519

9 (Pty)Ltd1981 (3) SA 1129(T) 1138H-1140A; *Tie Rack plc v Tie Rack Stores (Pty)Ltd and Another*1989 (4) SA 427(T) 442G-445D). These

1981 (3) SA 1129

1989 (4) SA 427

11 judgments are the reason for the characterisation of South Africa, with the UK, as the only major "hard line" jurisdictions left (*Wadlow The Law of*

13 *Passing-off* 2nd ed p 98). The matter was recently debated in this Court, but the question was left open (*McDonald's Corporation v Joburgers Drive-Inn*

nd

15 *Restaurant (Pty) Ltd and Another*1997 (1) SA 1(A) 15-19). It was pointed

1997 (1) SA 1

15 1 out (at 16A-D) that the origin of the "hard line" is to be found in an oft-quoted dictum of Lord Macnaghten in *The Commissioners of Inland Revenue v Muller & Co's Margarine Limited*[1901] AC 217 (HL). Before I consider that case, it is convenient first to focus on the general principles 5 of passing-off

[15] The essence of an action for passing-off is to protect a

7 business against a misrepresentation of a particular kind, namely that the

business, goods or services of the representor is that of the plaintiff or is

9 associated therewith (*Capital Estate and General Agencies (Pty)Ltd and*

*Others v Holiday Inns Inc and Others*1977 (2) SA 916(A) 929C-D). In

1977 (2) SA 916

11 other words, it protects against deception as to a trade source or to a

business connection (Reckitt & Colman SA (Pty) Ltd v S C Johnson & Son

13 SA (Pty) Ltd 1993 (2) SA 307(A) 315B). Misrepresentations of this kind

1993 (2) SA 307

can be committed only in relation to a business that has goodwill or a

15 drawing power (Afrikaans: "werfkrag"). Goodwill is the totality of

16 1 attributes that lure or entice clients or potential clients to support a

particular business (cf A Becker and Co (Pty) Ltd v Becker and Others 1981 3 (3) SA 406(A) 417A).

The components of goodwill are many and diverse

1981 3 (3) SA 406

(O'Kennedy v Smit 1948 (2) SA 63(C) 66; Jacob v Minister of Agriculture 1972 (4) SA 608(W) 624 A-625F). Well recognised are the locality and

1948 (2) SA 63

1972 (4) SA 608

the personality of the driving force behind the business (ibid), business 7 licences (Receiver of Revenue, Cape v Cavanagh 1912 AD 459),

1912 AD 459)

agreements such as restraints of trade (Botha and Another v Carapax 9 Shadeports (Pty) Ltd [1991] ZASCA 134; 1992 (1) SA 202(A) 211H-I) and reputation. These

[1991] ZASCA 134

1992 (1) SA 202

components are not necessarily all present in the goodwill of any particular 11 business.

[16] The only component of goodwill of a business that can be 13 damaged by means of a passing-off is its reputation and it is for this reason

that the first requirement for a successful passing-off action is proof of the 15 relevant reputation (Hoechst Pharmaceuticals (Pty) Ltd v The Beauty Box

17 1 (Pty) Ltd (in liquidation) and Another 1987 (2) SA 600(A) 613F-G; Brian

1987 (2) SA 600

31985 (4) SA 466(A) 479D; Williams t/a Jenifer Williams & Associates and

1985 (4) SA 466

Another v Life Line Southern Transvaal [1996] ZASCA 46; 1996 (3) SA 408(A) 419A-B,

[1996] ZASCA 46

1996 (3) SA 408

5 420B.) Misrepresentations concerning other components of goodwill are protected by other causes of action such as claims for injurious falsehoods.

7 It is thus incorrect to equate goodwill with reputation (or vice versa) or to suggest that the "need for some reputation or secondary meaning to be

9 shown... is not a principle or rule of law" (Union Wine Ltd v E Snell & Co Ltd 1990 (2) SA 180(D) 1831-J). If the protection of the reputation of a

1990 (2) SA 180

11 business is the only or main concern of the remedy, why is it necessary to localise goodwill for purposes of passing-off? A similar question has been

13 posed more than once (cf Van Heerden & Neethling Unlawful Competition (1995) p 178 -183 and NS Page in (1990) 2 SA Merc LJ 29). The answer

15 must be sought in The Commissioners of Inland Revenue v Muller & Co's

18 1 Margarine Ltd, a case which the Federal Court of Australia (General

Division) in ConAgra Inc v McCain Foods (Aust) Pty Ltd [1992] FCA 159; 23 IPR 193, 3 [1992] FCA 159; [1992] 106 ALR 465 encourages one to read as a whole and in context and

[1992] FCA 159

23 IPR 193

[1992] 106 ALR 465

not to rely on the famous dictum of Lord Macnaghten in isolation.⁵

[17] The issue was whether a particular agreement was subject to

payment of stamp duty under the Stamp Act 1891. The Act imposed stamp duty upon any agreement made in the UK except for the sale of "any

property locally situated out of the United Kingdom." Simplified the facts were these. One Muller had carried on a wholesale business as

manufacturer of a margarine in a town in Germany. He sold, inter alia, the goodwill of the business together with a covenant that he would not be

engaged in a similar trade within fifty miles of that town. The main issue was whether the goodwill of the business fell within the statutory exception,

the Commissioners arguing that it did not because goodwill is incorporeal¹⁵ and cannot be situate anywhere. The question was "whether the goodwill

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1 which is comprised in this contract has a locality for the purpose of the

Stamp Act" (Lord Davey at 226). Lord Macnaghten posed the same³ question and proceeded to answer it (at 223 - 225) and I quote his speech on the subject fully with underlining added:

"Then comes the question, Can it be said that goodwill has a local

Can it be said that goodwill has a local

situation within the meaning of the Act? I am disposed to agree with⁷

an observation thrown out in the course of the argument, that it is not

easy to form a conception of property having no local situation.⁹

What is goodwill? It is a thing very easy to describe, very difficult

to define. It is the benefit and advantage of the good name,¹¹

reputation, and connection of a business. It is the attractive force

which brings in custom. It is the one thing which distinguishes an¹³

old-established business from a new business at its first start. The

goodwill of a business must emanate from a particular centre or¹⁵

source. However widely extended or diffused its influence may be,

goodwill is worth nothing unless it has power of attraction sufficient¹⁷

to bring customers home to the source from which it emanates.

Goodwill is composed of a variety of elements. It differs in its¹⁹

composition in different trades and in different businesses in the

same trade. One element may preponderate here and another²¹

element there. To analyze goodwill and split it up into its

component parts, to pare it down as the Commissioners desire to do²³

until nothing is left but a dry residuum ingrained in the actual place

where the business is carried on while everything else is in the air,²⁵

seems to me to be as useful for practical purposes as it would be to

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resolve the human body into the various substances of which it is
said to be composed. The goodwill of a business is one whole, and³

The goodwill of a business is one whole

in a case like this it must be dealt with as such.

For my part, I think that if there is one attribute common to all cases

of goodwill it is the attribute of locality. For goodwill has no⁷

independent existence. It cannot subsist by itself. It must be

attached to a business. Destroy the business, and the goodwill⁹

perishes with it, though elements remain which may perhaps be

gathered up and be revived again. No doubt, where the reputation¹¹

No doubt, where the reputation

of a business is very widely spread or where it is the article produced

rather than the producer of the article that has won popular favour,¹³

it may be difficult to localise goodwill. But here, I think, there is no

difficulty. We have it in evidence that the firm of Muller & Co. had¹⁵

no customers out of Germany, and it is a significant fact that the

protected area - the limit within which the vendor is prohibited from¹⁷

setting up in business - is the limit of fifty miles from Gildehaus.

Moreover, under the Stamp Act of 1891 we are not required to¹⁹

define the local situation of the goodwill. We have only to

determine whether it is or is not situated out of the United Kingdom.²¹

Surely, if there were an agreement made in England for the sale of

a local German newspaper, the circulation of which did not extend²³

beyond a limited district in Germany, no one would doubt that the

goodwill of that business was locally situated out of the United²⁵

Kingdom; and so it must be, I think, in the present case."

²⁷

[18] The conclusion arrived at was an inevitable consequence of

the question posed. As the underlined passages illustrate, the answer was

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1 neither directed at passing-off nor intended to give an all-embracing

definition or analysis of the concept of "goodwill" irrespective of the 3 context in which it appears.

The fact that, under certain circumstances, the

locality of a business might be a component of goodwill, does not mean that 5 goodwill can only exist where the business is located. This Lord

Macnaghten appreciated. One wonders what the drawing power of the 7 place of business is if the business is conducted solely by post or over the

Internet. There is therefore merit in the view of Lockhart J, namely that the

9 law of passing-off should not be trammelled by definitions of goodwill

developed in the field of revenue laws (ConAgra Inc at 232 in IPR).

[19] My earlier conclusion that reputation is pivotal to passing-off

is fortified by Lockhart J's findings - in an encyclopaedic dissertation - that

13 "reputation is the key business facet that passing off protects" and that "the requirement of goodwill" was not meant to have [in this context] a different

15 meaning from reputation and [that] its inclusion only serves to complicate

22

1 the matter" (at 231 in fine). The decisions of our courts to the opposite

effect can no longer be considered to be good law. They are based upon a 3 misunderstanding of Lord Macnaghten's dictum, they are inconsistent with

general principles and incompatible with the world we live in and modern 5 foreign jurisprudential trends. I would in any event venture to suggest that

most of those cases, if not all, would have had the same result had the 7 correct question been asked. A case such as Victoria's Secret Inc v Edgars

Stores Ltd[1994] ZASCA 43;1994 (3) SA 739(A) is not in conflict with what I have stated 9 simply because it was concerned with the interpretation of the repealed

[1994] ZASCA 43

1994 (3) SA 739

Trade Marks Act 62 of 1963 and not with passing-off.¹¹

[20] The correct question can be distilled from the judgments on

passing-off of this Court mentioned earlier in pars [15] and [16] and from 13 ConAgra Inc (esp at 234, 237 and 269). In general terms, it appears to me

to be whether the plaintiff has, in a practical and business sense, a sufficient reputation amongst a substantial number of persons who are either clients

23

1 or potential clients of his business. As far as the "location" of reputation is concerned, it must subsist where the misrepresentation complained of

3 causes actual or potential damage to the drawing power of the plaintiffs

business. Otherwise the misrepresentation would be made in the air and be

5 without any consequences. The locality of the plaintiffs business is not

hereby rendered irrelevant. Obviously, it must be an important

7 consideration in determining whether the plaintiff has potential clients and

whether the alleged misrepresentation causes his business any harm.

9 Likewise, the extent of a business's reputation and the scope of its activities

are relevant to the probability of deception and to damages - the smaller the

11 reputation, the smaller the likelihood of deception and of damage, and vice

versa.¹³

[21] The nature of the reputation that a plaintiff has to establish

was well stated by Lord Oliver in a judgment referred to at the outset of this judgment, namely *Reckitt & Colman Products Ltd v Borden Inc and Others*

24 1 [1990] RFC 341 (HL) 406 lines 26 - 31:

"First, he must establish a goodwill or reputation attached to the

goods or services which he supplies in the mind of the purchasing

public by association with the identifying 'get-up' (whether it

consists simply of a brand name or a trade description, or the

individual features of labelling or packaging) under which his

particular goods or services are offered to the public, such that the

get-up is recognised by the public as distinctive specifically of the

distinctive specifically

plaintiffs goods or services."

(My underlining. See also Lord Jauncey at 417 13-6.) The words

underlined are pertinent and echo those of Nicholas J that -

"the plaintiff must prove that the feature of his product on which he

the plaintiff must prove that the feature of his product on which he

relies has acquired a meaning or significance, so that it indicates a15

single source for goods on which that feature is used."

17 (Adcock-Ingram Products Ltd v Beecham SA (Pty)Ltd1977 (4) SA 434(W)

1977 (4) SA 434

437A-B). Put differently, reputation is dependent upon distinctiveness (cf 19 Van Heerden & Neethling p169).

[22] The reputation relied upon must have been in existence at the 21 time the defendant entered the market, in other words, a plaintiff cannot rely

25 1 upon a reputation that overtook the business of the defendant (Anheuser-

3 Brewery) and Others[1984] FSR 413(CA) 462). It must also exist when

[1984] FSR 413

the misrepresentation is committed.

[23] There is a small group of people who are passionate about old

and inconvenient cars and who are prepared to buy a replica of a car

7 designed in 1968 in which the designer himself had lost interest in 1970.

Why the interest in the III? According to the witnesses, it all revolves

9 around the classic shape of a relatively cheap car. It is inexpensive because

Lotus designed not much more than the chassis and body, relying on

11 standard moving parts, such as a Ford engine and a Triumph gearbox. The

design is ideal for use as a kit car and relatively easy to reproduce. It is

13 considered to be special because Colin Chapman designed it - "it had a

pedigree from Colin Chapman" said one of the witnesses. Chapman is

15 famous because he designed a British car (not the Seven) which was able

26 1 to compete successfully in Grand Prix races against German and Italian

competition. Here was an attractive sports car with a pedigree which could be used on the road or on a track within the reach of the less affluent

enthusiast.⁵

[24] There has always been a potential, but small, local market for

such a product among cognoscenti and it is only fair to assume that they knew the following facts. Lotus made four cars of different shapes, each

having Seven as part of its name. In 1972 it stopped production of the last car in the series, namely the IV. Under licence Caterham took over the

manufacture of IV's. Some time later it began to manufacture the III. It was available for export to South Africa. Lotus never produced another

Seven. A number of replicas were being produced locally and around the

world, including those by Birkin since 1983. Many were privately built.

As early as 1984 the manufacture of replicas, in the words of Neam of

Caterham, had almost become a national pastime in South Africa. Lotus had

a business presence in South Africa by virtue of its agency agreement (what

it entailed we do not know) with Status Cars and the local Lotus Motors, and they distributed Birkhis replica. Caterham had hardly any market

presence in South Africa. (In fact, only four cars were exported to South Africa during the early 1980s and none since.) Lotus badges are affixed

to replicas by the owners as a matter of course. Local Lotus enthusiasts formed a club called The Lotus Register. Its object is to promote an interest

in "Lotus" cars, not only those manufactured by Lotus but also "acceptable replicas". They keep a record of these cars and know of 71 Series III cars

in South Africa: two are genuine Lotus's, there is one Caterham, there are 41 Birkins and the rest home-built.

[25] These facts are fatal to Caterham's now abandoned claim based upon the distinctiveness of the shape and configuration of the III.

Lotus had lost interest in the Seven. It knew all along that replicas were being built around the world, but provided the name Lotus was not

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appropriated, it had no objection. It knew of the Birkin since its launch in

1983 and, in the words of its secretary, acquiesced in its production and

3 retrained from taking any action. Through the inaction of Lotus, which sat
by while others copied its onetime car, the distinctiveness of the car was
5 first diluted and then destroyed. The shape of the III no longer gave any
indication of its provenance.

7

[26] The appellant argued, however, that the use of the name
Seven, which it was said is a common law trade mark, made all the
9 difference. The reasoning was more or less this. Lotus was, because of
use, the original owner of the reputation in a car with the shape of the III
11 and carrying the name Seven. Lotus licenced Caterham to manufacture the
III and to use the trade mark Seven. Caterham utilised its rights under the
13 licence agreement. During the years 1973 to 1988 it proceeded to build on
Lotus's reputation and to expand it. Because it acted as licensee everything
15 Caterham did enured to the benefit of Lotus. During 1988 Lotus assigned
29 1 its goodwill to Caterham and the goodwill and reputation in the shape plus
trade mark thereafter vested in Caterham. A Lotus replica with the name
3 Seven used in relation to it therefore exclusively identifies it as a product
licensed by Lotus or made by its successor in title, Caterham.

[27] There are many reasons why this new argument cannot be
upheld Partly it flies in the face of the pleadings and although many of the
7 contrary allegations in the particulars of claim may have been unnecessary,
they funnelled attention in a different direction. It is not then permissible
9 to argue another case on appeal (cf Imprefed (Pty)Ltd v National Transport
Commission 1993 (3) SA 94(A) 107G-I). Apart from this fatal objection,
1993 (3) SA 94
11 the evidence simply does not support the argument.

[28] Assuming the name Seven to be capable of distinguishing,
13 even in the hands of Lotus it was not distinctive of the Series III. In fact,

when Lotus entered into the first agreement with Caterham during 1973,
15 Seven was the name used for the Series IV. In the result, the name Seven
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1 had a diffuse meaning in 1972, referring to four differently shaped cars in
the Lotus series . The potential purchaser of a new car asking for a Lotus 3 Seven would have
received a Series IV. In the secondhand market the
request for a Lotus Seven simpliciter would have led to a query.⁵

[29] It being trite that a passing-off action does not protect a mark

or get-up in itself and that goodwill or reputation cannot exist by itself (cf 7 Star Industrial
Company Limited v Yap Kwee Kor (trading as New Star

Industrial Company) quoted in par [11] above), it is difficult to conceive of 9 an extant goodwill in
the hands of Lotus in 1988, especially as Lotus had

last made and sold a III some 18 years before. Caterham, in attempting to 11 meet this problem,
did not argue that the legal proposition just stated should

be reconsidered. The submission that Lotus had a goodwill in 1988 as the 13 result of Caterham's
endeavours which enured to the benefit of Lotus

depends on whether Caterham had a licence from Lotus to build the III and 15 to use the Seven in
relation thereto. The facts are clear. Caterham had no

31 1 such licence. The attempt to interpret the 1973 agreement differently to its

clear meaning was rejected by Howard JP, correctly so. In any event, the 3 agreement did not
extend to this country. Before us Caterham jettisoned

this agreement. Instead, during the course of the oral argument reliance was

5 unexpectedly placed upon a tacit licence agreement. A party who relies on

an express contract is not entitled to invoke a tacit contract on appeal (Roos 7 v Engineering
Fabrications (Edms) Bpk1974 (3) SA 545(A) 550F). In

1974 (3) SA 545

addition, this line was not foreshadowed during the trial and does not take 9 proper account of
the evidence of Monk or Neam given on behalf of

Caterham.¹¹

[30] I am prepared to accept that Caterham had a reputation during

the 1980's in South Africa. It was reputed to be the exclusive successor to 13 Lotus in relation to the Series III and properly licenced. The prime cause

of this was the belief that the 1973 agreement had given it those rights. 15 Caterham, directly and indirectly, nurtured this notion. In addition, Howard

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1 JP held that for many years Caterham had been sedulously passing off its

I

product as that of Lotus by the improper and unauthorised use of the trade 3 mark Lotus in relation to the Caterham Seven or Super Seven and that this course of conduct was deliberate and dishonest. These factual findings 5 have not been shown to have been incorrect.

[31] Whether a passing-off action can be used to protect a

7 misapprehension or a false reputation appears to me to be open to serious

doubt but since it was not argued it need not be decided. However, to the

9 extent that a reputation is founded upon a conscious falsehood, public

policy demands that legal protection should be withheld. Cf Scott and

11 Leisure Research and Design (Pty) Ltd v Watermaid (Pty) Ltd 1985 (1) SA

1985 (1) SA

211(C)220G-221C. Caterham cannot be permitted to benefit from its own

13 wrong.

[32] To sum up, I am of the view that Caterham has failed to 15 establish the reputation relied upon. As far as deception is concerned, there

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1 can be little doubt that before 1988 Birkin did present itself to the South

African public as a Lotus licensee. This was done because Watson was

3 brought under the impression that it was true. This kind of representation

was effective, at least among a section of the motoring fraternity. However,

5 Caterham chose in its pleadings to limit itself to post 1988 representations

and, in any event, these acts are of no consequence to interdictory relief

7 which is concerned with future conduct and is not a remedy for past

wrongs.

[33] I have made occasional reference to Japan in the course of this judgment. The reason is that Birkin exports cars to Japan, an important market for Caterham. Part of the relief sought is an interdict preventing Birkin from exporting these cars, especially to Japan. The allegations in the pleadings that found this claim are similar to those affecting the local market and they amount to the following:

1. the use of the numeral 7 in conjunction with the car serves to

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identify it as emanating from Caterham or Lotus;

2.

Caterham is the owner of the relevant goodwill in Japan;

3 3.

the Birkin Seven is marketed in Japan by a distributor of Birkin's;

4.

use of the numeral Seven on such a the car represents to the Japanese

that the car's manufacture is authorised by Lotus;

5.

the representation is false;

7 6. by exporting to Japan, Birkin is placing an instrument of deception

in the hands of the distributor; 9 7. the misrepresentation constitutes an actionable wrong in Japan.

[34] Howard JP dismissed the claim. All his reasons are not

11 pertinent to the case as now argued. Postulating that the court below had jurisdiction in regard to this claim because Birkin is an incola of that court,

13 one has to accept that Japanese laws governs the claim. But we do not

know what Japanese law in this regard is and we do not have the facility to

15 ascertain it readily and with sufficient certainty. What we do know is that

35 1 Caterham alleges that the misrepresentation relied upon by it constitutes an

actionable wrong in Japan. Foreign law being a question of fact, one would have expected that the party wishing to invoke it, would prove it. *Caterham*

initially intended to do so because it filed an expert summary relating to the law of unfair competition in Japan, from which it appears that there is a

recent statute governing the matter. The text of the statute was not produced, nor was the witness. Is the court then obliged to presume that the

foreign law is the same as our law? *Hoffmann & Zefferdt* The South African Law of Evidence 4th ed p110-111 point out that our case law is not

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consistent and refer to a well argued note by Prof Ellison Kahn (1970) 8711 SALJ 145-149 who favours the approach that a failure to prove foreign law

11 SALJ 145-149

will cause the plaintiff relying on it to lose his action or the defendant relying on it to fail in his defence. Whether the presumption can be applied

when the trial court has good reason to believe that the foreign law is not the same as the local law, where the rule to be applied may be affected by

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1 a difference in mores or where public policy considerations arise (as is the case with passing-off), appears to me to be open to doubt (cf *Cuba Railway*

3 *Company v Walter E Crosby* [1912] USSC 4; [1912] 222 US 473, a decision of the Supreme [1912] USSC 4

[1912] 222 US 473

Court quoted with disapproval in *Rogaly v General Imports (Pty) Limited*

51948 (1) SA 1216(C) 1230). In the absence of counsel's assistance it is

1948 (1) SA 1216

inadvisable to say more on the subject and I shall simply adopt the approach

7 of *Corbett JA in Standard Bank of South Africa Ltd Another v Ocean*

Commodities Inc and Others 1983 (1) SA 276(A) 294H that the party

1983 (1) SA 276

9 relying on a foreign statute should, generally speaking, place it before the

court. Having regard to the pleadings and the expert notice, Caterham was
11 saddled with that duty. It cannot hide behind its failure.

[35] If we have to apply South African law to this part of the case,
13 Caterham has to overcome the considerations discussed in the South
African context in pars [28] to [31], which apply in the light of the evidence
15 with equal force in the Japanese setting. No attempt to do so was made. An
37 1 even greater problem for Caterham is the fact that its evidence dealt with
misrepresentations made in advertisements which it tried to fix the
3 responsibility for on Birkin and Watson. It did not deal with the question
whether the Birkin Seven itself misled or could mislead anyone in the
5 manner alleged. There is therefore no merit in this aspect of the appeal.

[36] I wish to say something about the practice note. It is required
7 of the practitioner who will argue the appeal to indicate which parts of the
record in his opinion are not relevant for the determination of the appeal
9(1997 (3) SA 345; [1997] 2 All SA between pp 594 and 595). The object
(1997 (3) SA 345
of the note is essentially twofold. First, it enables the Chief Justice in
11 settling the roll to estimate how much reading matter is to be allocated to a
particular judge. Second, it assists judges in preparing the appeal without
13 wasting time and energy in reading irrelevant matter. Unless practitioners
comply with the spirit of this requirement, the objects are frustrated and this
15 in turn leads to a longer waiting time for other matters. Caterham's note
39 1 Democratic Fund 1989(2) SA 242 (A) 252 B-G:

"There is a growing tendency in this Court for counsel to incorporate³
quotations from the evidence, from the Court a quo's judgment and
from the authorities on which they rely, in their heads of argument.⁵
I have no doubt that these quotations are intended for the
convenience of the Court but they seldom serve that purpose and⁷

usually only add to the Court's burden. What is more important is the effect which this practice has on the costs in civil cases. ...⁹ Superfluous matter should therefore be omitted and, although all quotations can obviously not be eliminated, they should be kept¹¹ within reasonable bounds. Counsel will be well advised to bear in mind that Rule 8 of the Rules of this Court requires no more than the¹³ main heads of argument. ... The heads abound with unnecessary quotations from the record and from the authorities. They reveal,¹⁵ moreover, another disturbing feature which is that the typing on many pages does not cover the full page. ... Had the heads been¹⁷ properly drawn and typed I do not think more than 20 pages would have been required. The costs cannot be permitted to be increased¹⁹ in this manner and an order will therefore be made to ensure that the respondent does not become liable for more than what was²¹ reasonably necessary."

[38] Practitioners should note that a failure to give proper attention to the requirements of the practice note and the heads might result in the²⁵ disallowance of part of their fees.

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[39] In the result the appeal is dismissed with costs which include those consequent upon the employment of two counsel.

LTC HARMS⁷

JUDGE OF APPEAL

SMALBERGER

)

11 MARAIS

) Concur

SCHUTZ

13 PLEWMAN

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