

SOUTH AFRICA / JUDGMENT

Edcon Limited v Edgars Consolidated Stores Limited and Another (23718/2006) [2018] ZAGPPHC 695; 2019 BIP 105 (GP) (12 September 2018) [2018] ZAGPPHC 695

COURT

North Gauteng High Court, Pretoria

BEFORE

R G Tolmay

CASE / FILE NUMBER

23718/2006

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

(1)

NOT REPORTABLE

(2)

NOT OF INTEREST TO OTHER JUDGES

(3)

REVISED

Case number: 23718/2006

Date:12/9/2018

In

the matter between:

EDCON
LIMITED
APPLICANT
and
EDGARS
CONSOLIDATED STORES LIMITED
FIRST RESPONDENT
SEDGARS
SECOND RESPONDENT
In

re: EDGARS
CONSOLIDATED STORES
PLAINTIFF
And
SEDGARS
DEFENDANT

JUDGMENT

TOLMAY,J:

- [1] The Applicant (Edcon) brought an application to be joined in the action instituted under case number 23718/2006 (the main action) between the First Respondent (Edgars) and Second Respondent (Sedgars).
- [2] Edcon stated that the joinder application became necessary, as during 2007, and after action was instituted, there was a sale of business of Edgars to Edcon, and a subsequent assignment of intellectual property rights of Edgars, including trade mark registration on which the main action is based. Sedgars opposed the joinder application.
- [3] Sedgars launched an interlocutory application in terms of Rule 6(11), in which it sought leave to file a further affidavit, on the issue of whether there had been a valid transfer or cession of the rights between Edcon and Edgars. Sedgars' counsel, Mr Ameer (SC), informed the Court at the hearing, that Sedgars was at this point satisfied that such a valid transfer did indeed occur and the other defences all fell away, and therefore the Rule 6(11) application became moot. Consequently this Court needs only deal with the aspect of costs of the Rule 6(11) application and the joinder application.
- [4] At the time that the main action was instituted, on 21 July 2006, Edgars was the proprietor of the trade mark EDGARS and the owner of various registrations for this trade mark.
- [5] The cause of action, in the main action, was based on the alleged infringement of the relevant trade mark in terms of section 34(1)(a),

of the Trade Marks Act, 194 of 1996 ("the Trade Marks Act"). It was alleged that Sedgars was making unauthorised use, in the course of trade, of the trade mark SEDGARS (which is confusingly similar to the trade mark EDGARS}, in relation to services which were identical to those for which the EDGARS trade mark was registered in class 42.

[6] In the main action, an order is sought in, inter alia, the following terms:

- 1. Restraining Sedgars from infringing the relevant trade mark registration;
- 2. Ordering Sedgars to pay damages in respect of all unauthorised sales made by it through outlets identified by the mark SEDGARS, the quantum of which is to be determined following discovery; and

3. Alternatively, in lieu of damages ordering Sedgars to pay a reasonable royalty of 3% less VAT, being the amount that would have been paid by Sedgars to Edgars in respect of the use of the unauthorised SEDGARS trade mark.
- [7] In May 2007, ten months after the main action was instituted, Edcon and Edgars concluded a sale of business agreement ("the sale agreement"). Edcon acquired the business of Edgars on 2 June 2007, as a going concern, including the intellectual property as defined and the goodwill of the business.
- [8] Pursuant to the sale agreement an assignment agreement was concluded between Edcon and Edgars on 19 June 2007, but with effective date 2 June 2007.
- [9] Edcon consequently became the proprietor of the relevant trade mark registration on 2 June 2007 and has been, from that date onwards, the entity entitled to the relief resulting from any infringement of the EDGARS trade mark and trade mark registration. This resulted in Edcon bringing the joinder application, as it contended that it has a direct and substantial interest in the litigation between Edgars and Sedgars. No explanation was given for the long delay in bringing the joinder application.
- [10] Rule 10(1) of the Uniform Rules of Court ("the Rules"), which deals with joinder reads as follows:
- " Any number of persons, each of whom has a claim, whether jointly, jointly and severally, separately or in the alternative, may join as plaintiffs in one action against the same defendant or defendants against whom any one or more of such persons proposing to join as plaintiffs would, if he brought a separate action, be entitled to bring such action, provided that the right to the relief of the persons proposing to join as plaintiffs depends upon the determination of substantially the same question of law or fact which, if separate actions were instituted, would arise on each action, and provided that there may be a joinder conditionally upon the claim of any other plaintiff failing.
- [11] Sedgars opposed the joinder application on the basis that it alleged that the application was in reality a substitution that was sought. It was argued that Edcon was not required to apply for joinder, it could simply issue a fresh summons in relation to its damages. The only reason, so it was argued, it refused to do so, was because it wanted to circumvent the consequences of prescription, as a large portion of Edcon's potential claim had prescribed.
- [12] It is trite that the test for joinder is that a party must have a direct and substantial legal interest that may be affected prejudicially by the judgment of the Court.[1]

- [13] Rule 10 is aimed at avoiding multiplicity of actions. The only prerequisite is that the applicant for joinder's right to relief is dependant upon determination of substantially the same question of law or fact.[2] "Substantially" had been interpreted to mean that, the essential features of the right to relief that joint plaintiffs or joint applicants claim are the same. The fact that special defences may be raised against certain plaintiffs and/or applicants is regarded as being "peripheral" to the central right to relief.[3]
- [14] The wording of section 34(3) of the Trade Marks Act is clear that the relief sought in the main action can only be claimed by the proprietor of the registered mark.[4]
- [15] There is presently no dispute that Edcon is currently the registered proprietor of the relevant trade mark, and that Edgars was the registered proprietor of the relevant trade mark registration when the main action was instituted. Edcon has a direct and substantial interest in the outcome of the issue, which was initially raised by Edgars, namely the infringement. At this stage only Edcon is able to sue for an interdict. Edcon could issue a new summons, but that would lead to multiplicity of actions, exactly what Rule 10 seeks to prevent.
- [16] There is no question that Edcon's right to relief is dependant upon determination of substantially the same question of law or fact. A proprietor of a trade mark, must be joined as a party to proceedings, by reason of its direct and substantial interest in the outcome of the proceedings.[5]
- [17] Sedgars's argument was however that this application is not in reality a joinder application, but is in reality a substitution and that a substitution should not be granted, where there is potential prejudice for the Respondent. Sedgars contended that if Edcon is allowed to be joined as a party Sedgars will effectively be deprived of its defence of prescription against Edcon and will therefore be prejudiced.
- [18] The case law indicates that substitution of a party will not be granted, if a potential for prejudice exists, and that under those circumstances an amendment will not be granted.[6] The argument that the application by Edcon is in fact an application for substitution seems to conflate joinder, substitution and amendment of pleadings. Joinder and substitution are two distinctly different legal concepts. Edcon does not seek to substitute Edgars as a party and there is no reason why Edgars should abandon its claim. The only relevant question is whether Edcon is entitled to bring a joinder application.

- [19] To succeed with an application for joinder, the requirements of Rule 10 need to be complied with, which Edcon did. Once the joinder is granted, the particulars of claim will have to be amended and at that point, Sedgars will have the opportunity to oppose any amendment that may cause prejudice. It should also be kept in mind that the claim for an interdict can never prescribe, as it is a continuing wrong. Consequently, at least that part of the claim is not subject to prescription.
- [20] Furthermore part of the claim is for a reasonable royalty, a special remedy that flows from the Trade Marks Act. In *Makate v Vodacom Ltd*[7] it was held that a claim for the compensation for the use of an idea, which is akin to a reasonable royalty, which is claimed here, does not constitute a debt as envisaged in the Prescription Act. So only the damages claim may potentially be subjected to prescription, and even in that case, Sedgars can object to any future amendment of any pleading, that may be prejudicial to its rights. I therefore do not agree with the argument that Sedgars will be deprived of its right to plead prescription, if the joinder application is granted.
- [21] Regarding the costs of the Rule 6(11) application, Mr Puckrin (SC) argued that Edcon was not required to deal with the Competition Act and the issue of the merger and assignment in the joinder application. Mr Ameer (SC) was however of the view that once raised in the answering affidavit, Edcon should have dealt with it in the reply, and that could have prevented the launching of the Rule 6(11) application. He argued that the costs should be costs in the joinder application. I am of the view that this is indeed the correct approach.
- [22] Wherefore I make the following order:
1. Edcon Limited is joined as the Second Plaintiff in case number 23718/2006.
 2. Second Respondent is ordered to pay the costs, including the costs in the Rule 6(11) application, which costs will include the costs of two counsel.

R G TOLMAY

JUDGE OF THE HIGH COURT

DATE OF HEARING:

23 AUGUST 2018

DATE OF JUDGMENT:

12 SEPTEMBER 2018

ATTORNEY FOR APPLICANT: ADAMS & ADAMS

ADVOCATE FOR APPLICANT: ADV CE PUCKRIN (SC)

ADV LG KILMARTIN

ATTORNEY FOR 2nd RESPONDENT: JAFFER INC

ADVOCATE FOR 2nd RESPONDENT: ADV G M AMEER (SC)

- [1] See Judicial Services Commission and Another vs Cape Bar Council & Another 2013(1) SA 170 (SCA) par p12], Klaase & Another vs Van Der Merwe NO and Others 2016(6) SA 131 (CC) par 45, Mulaudzi vs Old Mutual Life Insurance Co (SA) Ltd & Others 2017(6) SA 90 SCA) par 23
- [2] Herbststein & Van Winsen, The Civil Practice of the High Courts of South Africa (5th ed), vol 1, Cilliers et al, p 211-212, Vltorakis vs Wolf 1973(3) SA 928 (W) at 931.
- [3] Dreyer and Others vs Tuckers Land & Development Corporation (Pty) Ltd 1981(1) SA 1219 at (T) 1225 B
- [4] Section 34(3) of the Trade Marks Act, reads as follows: "Where a trade mark registered in terms of this Act has been infringed, any Court having jurisdiction may grant the proprietor the following relief, namely -
- (a) An interdict;
 - (b) An order for removal of the infringing mark from all material and, where the infringing mark is inseparable or incapable of being removed from the material, an order that all such material be delivered up to the proprietor;
 - (c) Damages, including those arising from as 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."
- [4] Section 34(3) of the Trade Marks Act, reads as follows:
- "Where a trade mark registered in terms of this Act has been infringed, any Court having jurisdiction may grant the proprietor the following relief, namely -
- (a) An interdict;
 - (b) An order for removal of the infringing mark from all material and, where the infringing mark is inseparable or incapable of being removed from the material, an order that all such material be delivered up to the proprietor;
 - (c) Damages, including those arising from as 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."
- [5] Webster And Page: South African Law of Trade Marks (4th ed) par 11.16, p 11-13, par 14.5.3, p 14-9.
- [6] Sentrakoop Handelaars Bpk vs Lourens & Another 1991(3) SA 540 (W), Teemed (Pty) Ltd and Others vs Nissho Iwai Corporation and Another 2011(1) 35 (SCA), Grindrod (Pty) Ltd vs Seaman 1998(2) SA 347 (C), YU Kwam v President Insurance Co Ltd 1963(1) SA 66 T, Van Rensburg vs Condoprops 42 (Pty) Ltd 2009(6) SA 539 (E)
- [7]2016(4) SA 121 CC, par 92 - 94

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Prepared on 12 October 2026 · Esheria