

SOUTH AFRICA / JUDGMENT

Mercury Fittings (Pty) Ltd and Another v Doormax (Pty) Ltd and Another (4370/2023) [2024] ZAWCHC 183 (21 June 2024)

[2024] ZAWCHC 183**COURT**

Western Cape High Court, Cape Town

BEFORE

Mahomed

CASE / FILE NUMBER

4370/2023

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Source record**FLYNOTES:**

INTELLECTUAL – Trade mark – Common law trade mark
– Unlawful competition – Interdictory relief – Respondent currently using “QS” brand without applicant's consent
– Wrongful act of interference by way of unlawful competition – Clear right established – Prejudice against respondent outweighed by prejudice to applicants – Wrongful act infringed business goodwill and protected right
–
Infringement continues – No other suitable remedy available
– Application succeeds.
IN
THE HIGH COURT OF SOUTH AFRICA
WESTERN CAPE DIVISION,
CAPE TOWN
CASE
NO: 4370/2023

In the matter between: MERCURY
 FITTINGS (PTY) LTD
 First Applicant
 Formerly Mercury Fittings
 CC
 CHARMAINE
 OSBORNE-YOUNG
 Second Applicant
 and
 DOORMAX
 (PTY) LTD
 First Respondent
 DOORWARE
 CC
 Second Respondent
 Before: The Hon. Ms
 Acting Justice Mahomed
 Heard: 07 June 2024
 Delivered: 21 June 2024

JUDGMENT

MAHOMED, AJ:

- [1] This is an application for final interdictory relief, alternatively interim interdictory relief against the first respondent, Doormax (Pty) Ltd (“Doormax”) pending an action to be instituted against Doormax and the second respondent, Doorware CC (“Doorware”) by the first applicant, Mercury Fittings (Pty) Ltd (“Mercury”) and second applicant, Charmaine Osborne-Young (“Ms Osborne-Young”) (together referred to as “the applicants”).
- [2] On 1 March 2024, the applicants brought an urgent application for the relief as set out in the Notice of Motion:
- “1. To the extent necessary, directing that the application be heard as a matter of urgency in terms of Uniform Rule 6(12) and the applicants’ non-platform side-compliance with the provisions of uniform rules relating to time periods, form and service be condoned;*
2. Interdicting and restraining Doormax from importing and/or distributing and/or offering to sell and/or making available to sell and/or supplying and/or otherwise dealing with, whether directly or indirectly, any product in the “QS” product range or any product bearing the name and/or branding of the “QS” product range, without the written consent of Mercury, alternatively, Ms Osborne-Young;
 3. Interdicting and restraining Doormax from canvassing and/or soliciting customers of Mercury, whether directly or indirectly;
 4. In the alternative to paragraphs 2.2 and 2.3 above, directing as follows:

4.1 Pending the final determination of the action referred to in paragraph 4.2 below, Doormax is interdicted and restrained from:

4.1.1 Importing and/or distributing and/or offering to sell and/or making available to sell and/or supplying and/or otherwise dealing with, whether directly or indirectly, any product in the “QS” product range or any product bearing the name and/or branding of the “QS” product range, without the written consent of Mercury, alternatively, Ms Osborne-Young; and

4.1.2 Canvassing and/or soliciting customers of Mercury, whether directly or indirectly.

4.2 The applicants are to issue out an action against Doormax and Doorware including for relief consistent with the sought in paragraphs 4.1.1 and 4.1.2 above within 20 days, failing which the abovementioned interdictory relief shall lapse.

5. Directing that Doormax pay the costs of this application.

6. In the event that Doorware opposes the application, directing that Doorware pay the costs of the application jointly and severally with Doormax.”

[3] The matter was postponed for hearing to 7 June 2024 to enable the parties to file their respective affidavits. As such, I need to not address the issue of urgency.

[4] During the hearing of the application, the counsel for the applicants withdrew the relief which the applicants seek at paragraphs 3 and 4.1.2 of the notice of motion insofar as it pertains to the canvassing and/or soliciting of Mercury’s customers, either directly or indirectly.

[5] In short, the relief which the applicants seek is that Doormax be interdicted and restrained, either finally or in the interim, pending an action to be instituted by the applicants against Doormax and Doorware, from dealing in “QS” products without the consent of Mercury alternatively Ms Osborne-Young, which consent Doormax does not have.

MATERIAL BACKGROUNDS

FACTS

Common cause facts

[6] Mr Andrew Osborne-Young, the owner of which was then Mercury Fittings CC and now Mercury, and Mr Martin Humphries (“Mr Humphries”), the owner of Doorware, have had a long history in the door handle business. The deceased passed away on 21 July 2021 (“hereinafter referred to as “the deceased”).

[7] After establishing Mercury, the deceased approached Dorma Door Controls (“Dorma”) in an attempt to sell it a range of door handles. His point of contact at Dorma was Mr Humphries, who served as the accountant for Dorma. According to Mr Humphries, Dorma made a much greater profit selling Mercury’s products compared to the previous range stocked by Dorma.

[8] In 2002:

[8.1] Dorma ceased ordering door handles from Mercury and Mr Humphries employment contract there has also been terminated. This placed The deceased in a precarious financial position since Dorma was his main client.

[8.2] At that time, the deceased and Mr Humphries decided to join forces in sourcing a range of stainless steel and ironmongery goods to be imported and sold in South Africa. To give effect to this idea, the two of them travelled to China.

[8.3] They originally wanted to brand the imported products as “Quicksilver” but they discovered that this was always a well-known surf brand so they agreed to the name “QS”.

[8.4] The “QS” Brand was established and constituted a joint venture (“JV”) between Mercury and Doorware alternatively the deceased and Mr Humphries (“the parties”), in terms of which they would import and distribute their own range of door handles and products under their own brand which they invented.

[8.5] The parties to the JV concluded an oral agreement in terms of the distribution of “QS” Products (“the JV agreement”).

[9] The agreed terms of the JV agreement were the following

[9.1] The deceased and Mr Humphries would import and distribute "QS" Products under their “QS” brand via their respective juristic enterprises, Mercury and Doorware, respectively;

[9.2] The parties would do so for their own account, but with a level of cooperation;

[9.3] The parties agreed to split the country (“the geographic split”), where Mercury had the exclusive right to sell "QS" Products to customers within the Northern, Western and Eastern Cape provinces whereas Doorware had the exclusive right to sell the "QS" Products everywhere else in South Africa. No one had rights to deal in "QS" Products.

[10] Mercury and Doorware carried on business in this manner, as wholesalers of "QS" Products, successfully for over 22 years. In terms of the geographic split, they distributed the "QS" Products in their agreed regions.

The “QS” Brand

[11] The "QS" Products are distinguished from the very many other door handles by the "QS" Brand, and that Mercury and Doorware had a “common law” or “unregistered” trademark that formed part of the goodwill for both businesses.

[12] The "QS" mark is an important feature of what sets the "QS" products apart.

[13] The “QS” brand is susceptible to reputational damage[1].

- [14] Until the deceased's untimely death in July 2021, the JV operated with commercial success. Mercury traded as the Cape Town branch and Doorware traded as the Johannesburg branch for "QS" Products.
- [15] Mr Mark Engel, the deponent to Doormax's answering affidavit, was previously employed at Mercury for 17 years as a general manager who attended to the day-to-day operations of Mercury. He was the deceased's right-hand man and his wife, Mrs Samantha Engel was also employed at Mercury as a bookkeeper.
- [16] The deceased took them both under his wing and trained them in the importation and distribution of goods.
- [17] During July 2021, the deceased tragically passed away and Ms Osborne-Young and their son, Alexander, stepped into the breach.
- [18] Mr Engel subsequently resigned and took up employment with Doorware in Johannesburg.
- [19] In late 2022/early 2023, Doorware established premises in and began trading from Cape Town. Doorware contravened the geographic split.
- [20] Mercury instituted interdictory proceedings in the South Gauteng Division, Johannesburg where it sought the following relief:
- [20.1] Part A: Final interdictory relief on an urgent basis, essentially to enforce the geographic split; and
- [20.2] Part B: Mercury sought an account from Doorware of the business it had conducted in contravention of the agreement and the debatement of that account.
- [21] Doorware opposed the application.
- [22] The South Gauteng Division, Johannesburg handed down judgment on 22 February 2023 in terms of which she granted the interdictory relief in terms of which Doorware was interdicted from contravening the geographic split, and referred the issue pertaining to who the parties to the JV were (Mercury and Doorware, or the deceased and Mr Humphries) to trial.
- [23] The court refused leave to appeal as did the Supreme Court of Appeal ("the SCA").
- [24] Doorware then applied to the President of the SCA for the reconsideration of its application for leave to appeal and the President of the SCA referred Doorware's application for reconsideration, together with its application for leave to appeal to oral argument.
- [25] Doorware, in its replying papers in the application for reconsideration to the SCA for the first time, included an argument relating to the Competition Act, 89 of 1998 in terms of which Doorware contended that the venture agreement was unlawful and constitutes cartel conduct.

[26] On 1 May 2023, Doorware sold its Cape Town business to Doormax.

[27] Mr Engel now works for Doormax and deposed to the affidavit on behalf of Doormax.

[28] Doormax now styles itself as an “importer and distributor of genuine “QS” Products and distributes “QS” Products in circumstances where Mercury has not consented to the use of the “QS” brand including, but not limited to, its logo and the goodwill.

[29] On 11 September 2023, the applicants attorneys of record addressed a letter of demand to be served on Doormax, demanding an undertaking that Doormax would cease and desist from distributing “QS” Products on, inter alia, the basis that:

[29.1] The “QS” Brand is an asset of the JV;

[29.2] Both parties to the JV are required to consent to the use of its assets; and

[29.3] Mercury has not consented to Doormax using the “QS” Brand and distributing “QS” Products.

[30] Doormax’s attorneys of record responded to this letter of demand, wherein Doormax stated the following:

[30.1] That Doorware specifically advised Doormax that if Doormax wanted to acquire “QS” Products, they would have to secure same directly from the supplier and would have to negotiate terms for their benefit and that Doormax would not be able to source

“QS” Products from Doorware for the foreseeable future (due to the pending litigation)

[30.2] As far as Doormax is aware, Mercury and/or Doorware do not hold an exclusive licence agreement with the supplier of the “QS” Products and that, in the circumstances, there is no merit to Mercury’s allegation that Doormax has no right to deal with “QS” Products.

[30.3] Doormax refused to provide the undertaking sought.

[31] Doormax currently imports and distributes “QS” Products and, in fact, admits that it directly imports “QS”

Products from China.

[32] In the supporting affidavit of Mr Pierre Andre Nieuwoudt, the executor of the deceased, which was handed up by Doormax’s counsel during argument (I understand that the applicants had procured this affidavit and served a copy of it on Doormax but the applicant did not file this at court), it confirmed that, apart from R3 500 000.00, the residue of the deceased’s estate (including Mercury) devolved upon Ms Osborne-Young.

Disputed facts

- [33] After the deceased passed away, Mr Engel took a leave of absence and went to Johannesburg. At that stage, Mr Engel had the master key to the deceased's office. Prior to his departure, the filing cabinets and draws at Mercury were emptied and documentation pertaining to trademark information and customer details went missing.
- [34] With regards to Doormax and Doorware, the applicants contend that Doormax, in collusion with Doorware began to distribute "QS" products to Mercury's customers in Cape Town and the Western Cape in breach of the interim interdict granted by the South Gauteng Division, Johannesburg and that contempt of court proceedings have been instituted.
- [35] Doormax denies these allegations and in particular, that there is any collusion whatsoever between Doorware and Doormax.
- [36] According to Doormax:
- [36.1] Subsequent to the interdict being granted against Doorware, Doorware took the decision to sell its business in the Western Cape to Doormax and Doormax is owned indirectly by its staff through an employment trust.
- [36.2] Given the nature of the interdict and the uncertainty and duration of the appeal proceedings, Doorware found itself in an uncomfortable position, whereby it placed not only its business operations in jeopardy but also the livelihood of its employees in the Cape Town branch.
- [36.3] In an attempt to secure the livelihood of its employees, Doorware acted responsibly with only the interests of its employees at heart, and sold the business to Doormax.
- [36.4] Doormax is a separate juristic entity to Doorware and/or their members derive no benefit either directly or indirectly from Doormax, nor do they exercise any control over the business of Doormax.
- [37] Doormax unequivocally denied that it, in any shape or form, colludes with Doorware in the distribution of "QS" products, that Doormax imports its own "QS" products from a supplier in China called Amsun, and that Doormax is a separate and distinct from Doorware. Doormax also denies that Doorware supplies it with "QS" products at all.
- [38] Doormax contends that the fact that it imports "QS" Products directly from China and distributes/sells these in the Western Cape in South Africa, is not unlawful.

ISSUES FOR

DETERMINATION

- [39] The central issue for determination is whether Doormax may deal in "QS" Products without the consent of Mercury and/or Ms Osborne-Young.
- [40] However, Doormax raised two points in limine:

[40.1] That the decision of the SCA in the reconsideration application suspends the interdict against Doorware in terms of section 18(1) of the Superior Courts Act, 10 of 2013 (“Superior Courts Act”). Counsel for Doormax submitted that Doormax would not persist with this point in limine. It is, therefore, not necessary for me to deal with this issue for the purposes of this judgment; and

[40.2] The JV agreement constituted “cartel conduct” as contemplated in section 4 of the Competition Act, 89 of 1998 and Doormax, accordingly, wants to refer the JV agreement to the Competition Tribunal, and, accordingly, seeks a stay of this application.

Point in limine:

[41] I deal with the second point in limine before addressing the central issue for determination.

Cartel conduct in terms of section 4 of the Competition Act

[44] This raises somewhat of a dilemma for Doormax since, if it is not a branch of Doorware and is not in anyway affiliated with the business of Doorware, then it is not a party to the JV agreement and there is, therefore, no legal basis upon which Doormax can place any reliance whatsoever on the JV agreement.

[45] The general rule is that a contract cannot bind a person who is not a party to it[2]. Similarly, a person who is not a party to a contract cannot rely on the terms of that contract.

[46] During oral argument, and in the context of the referral of the JV agreement to Competition Tribunal, it was put to Doormax’s counsel that, absent the JV agreement, whether the relief which the applicants seek against Doormax, i.e. Doormax cannot deal in “QS” Products without Mercury’s consent, in and of itself, amounts to “cartel conduct” as contemplated in section 4 of the Competition Act. He conceded that if the JV agreement did not exist, then the specific relief sought by the applicants against Doormax would not amount to cartel conduct.

[47] In light of the above, since Doormax is not affiliated with Doorware in any way, shape or form, Doormax is not a party to the JV agreement. As such Doormax lacks the necessary standing to refer the JV agreement to the Competition Tribunal on the basis that it constitutes cartel conduct as contemplated in section 4 of the Competition Act.

[49] Based on the above, I find that this point in limine is without any merit.

[50] In any event, as I understand it, Doorware already referred the JV agreement to the Competition Commission on the basis that the “geographical split” constitutes “cartel conduct”.

Central issue for

determination:

[51] The basis upon which the applicants contended that Doormax cannot import and/or distribute and/or offer to sell and/or make available to sell and/or supply and/or otherwise deal with, whether directly or indirectly, the “QS” Products without Mercury’s consent is that:

[51.1] Both Mercury and Ms Osborne-Young (and Doorware and Mr Humphries) rely on a common law trademark of the “QS” Brand which is inextricably linked to the goodwill of both Mercury and Doorware and that this is clear from the conduct of the deceased and

Mr Humphries over the last 20 years;

[51.2] By importing and distributing "QS" products without Mercury's or Ms Osborne-Young's consent, Doormax is wrongfully infringing on that trademark and goodwill;

[51.3] Such conduct on the part of Doormax constitutes unlawful competition.

APPLICABLE LEGAL PRINCIPLES:

Whether the “QS” Brand is a common law trademark that forms part of the goodwill for Mercury

[52] In support of the applicants’ contention that the “QS” mark is an important feature for what sets “QS” products apart and that the “QS” mark forms part of the goodwill of Mercury’s business, reference was made to the case of Turbek Trading CC v A and D Spitz Ltd & Another^[3] with regards to the approach in determining whether a mark forms part of the goodwill of a business wherein the SCA found as follows:

“In context, the question is whether the mark ‘KG’ formed part of Spitz’s goodwill. Spitz had to show that it was at the date the common-law proprietor of the ‘KG’ trade mark, and this required proof that Spitz ‘originated, acquired or adopted it and has used it to the extent that it has gained the reputation as indicating that the goods in relation to which it is used’ belonged to Spitz (Moorgate Tobacco Co Ltd v Philip Morris Inc – a trade mark determination by Hon WG Trollop referred to inter alia by Southwood J in Butterworths Publishers (Pty) Ltd v Jacobsens Group (Pty) Ltd [2005] 2 All SA 588 (T) para 34). As Colman J explained, extensive use creates the intangible property rights in an unregistered (common-law) trade mark (Oils International

(Pty) Ltd v Wm Penn Oils Ltd 1965

(3) SA 64 (T) 70G). In other words, Spitz had to discharge the same onus in relation to reputation that it would have had under a passing-off

claim (Adcock-Ingram Products Ltd v Beecham SA (Pty) Ltd 1977

(2) SA 434 (W) 436H-437E; Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd [1998] ZASCA 44; 1998

(3) SA 938 (SCA) para 16 and 21 – 22).” (Emphasis added)

[53] In McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and Another; McDonald's Corporation v Dax Prop CC and Another; McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and Another[4], the SCA held that:

"I consider therefore that a mark is well-known in the Republic if it is well-known to persons interested in the goods or services to which the mark relates"(Emphasis added)

[54] This "well-known" requirement could exclude protection in situations where there is no reputation.

[55] It is common cause the the "QS" Brand has such a "mark" and that this "mark" distinguishes the "QS" Brand from all other brands of doorhandles.

[56] The applicants' contended that the holder of the "mark" pertaining to the "QS" Brand is part of the business of Mercury and Doorware and that had always been the intention and that this was borne out by the conduct of The deceased and Mr Humphries for the last 22 years. This is undisputed by Mr Humphries.

[57] Doormax argued that the applicants only raised the issue of a common law trademark, ownership of and goodwill in the "QS" brand for the first time in their heads of argument.

[58] This is not strictly correct. References to trademarks and goodwill appear in the applicants founding affidavits (as appears from the facts as set out above).

[59] Doormax, on the other hand, raised, for the first time in its heads of argument, the following:

[59.1] That the applicants averments that the JV had become the owner of the "QS" Brand because both Mercury and Doorware adopted the mark and used it, and that it does not matter who the parties to the JV agreement were, and that the court need not determine the dispute regarding the agreement, is a rearguard attempt to avoid the insurmountable disputes of fact regarding the JV agreement and falls to be rejected for the following

reasons:

[59.1.1] That the necessary substratum for this belated contention does not appear from the affidavits filed on behalf of the applicants;

[59.1.2] It is unfair to Doormax to raise these issues for the first time in heads of argument and Doormax has not been given an opportunity to deal with the argument; and

[59.1.3] That had the applicants raised this in their founding papers, that Doormax would have pointed out that:

59.1.3.1 The deceased and Mr Humphries were the originators of the mark and they utilised their juristic entities to give effect to the JV agreement between them;

59.1.3.2 It stands to reason that, in dealing with the “QS” Brand, Mercury and Doorware did so under a license and that the license may be inferred by the conduct of the deceased and Mr Humphries.

[60] Counsel for Doormax did not persist with the first two complaints but rather presented its argument on the license agreement aspect.

[61] In this regard, the counsel for Doormax referred the court to Webster and Page South African Law of Trademarks[5] wherein it states the following:

“In its simplest form a license is no more than an authorisation given by one person to another to invade a monopoly right. A license may be written, oral or inferred by conduct. A license may be non-platform side-exclusive, exclusive or sole. A non-exclusive or ordinary license gives the right to use the intellectual property licensed but does not restrict the rights of the licensor in any way.”

[62] After hearing the application, I invited the parties to submit a supplementary note on this aspect of their respective arguments.

[63] In the supplementary note filed by Doorman, the argument in this regard is clarified as follows:

[63.1] Based on what is stated in the excerpts from Webster and Page, that it would be “totally contrary” to the license agreement for the licensee (in this case Mercury and Doorware) to apply the trademark himself with a view to perhaps later preventing or attacking the registration of the same mark in the name of the licensor (in this case the deceased and Mr Humphries). In other words, it would be an anathema to the terms of a license agreement to allow the licensee to appropriate the licensed mark, whether registered or unregistered.

[63.2] On the facts, the deceased and Mr Humphries took the necessary steps to preserve the distinctiveness of the unregistered “QS” Brand mark and, accordingly, the use of the licensee (Mercury and Doorware) inures to the benefit of the deceased and Mr Humphries in their capacity as proprietors of the mark.

[64] In the supplementary note filed by the applicants, they submit as follows:

[64.1] The stated purpose of the argument by Doormax is to distinguish the matter from Turbek Trading (supra) but that the existence of a tacit license does not have this effect.

[64.2] In terms of Turbek (supra), in order to have a proprietary interest in the “QS” mark, Mercury needs to have “adopted it and...used it to the extent that it has gained the reputation as indicating that the goods in relation to which is used, belonged to it”.

[64.3] It is common cause that both Mercury and Doorware did so and that they have both been trading under the “QS” Brand, using the “QS” mark to the exclusion of the world for 20 years, thereby benefiting from the value that is inherent in

“QS” and that the “QS” mark forms part of Mercury’s (and Doorware’s) goodwill and Mercury is

entitled to protect it.

[64.4] The tacit license is therefore irrelevant to this matter.

[64.5] Even if Mercury and Doorware were exploiting the “QS” mark under a tacit license agreement granted to them by the deceased and Mr Humphries, Mercury and Doorware, by trading separately using the “QS” mark for 20 years, developed their own rights to the “QS” mark (including goodwill), which rights are harmed or may be harmed by Doormax’s exploitation of the mark without the consent of both Mercury and Doorware.

The conduct of parties in relation to the “QS” Brand

[65] In order to determine whether Doormax required the consent of Mercury (and Doorware) to import and/or distribute and/or trade in and/or sell “QS” Products, regard needs to be had to the conduct of the parties over the last 22 years in relation to the “QS” Brand.

[66] In the case of *Comwezi Security Services (Pty) Ltd v Cape Empowerment Trust Ltd*[6] the SCA addressed the issue of the conduct of parties in implementing a contract and held as follows:

“[15] It was suggested that for us to place reliance on this conduct is impermissible in the light of the exposition of the law in Natal Joint Municipal Pension Fund v Endumeni Municipality. However, that is incorrect. In the past, where there was perceived ambiguity in a contract, the courts held that the subsequent conduct of the parties in implementing their agreement was a factor that could be taken into account in preferring one interpretation to another. Now that regard is had to all relevant context, irrespective of whether there is a perceived ambiguity, there is no reason not to look at the conduct of the parties in implementing the agreement. Where it is clear that they have both taken the same approach to its implementation, and hence the meaning of the provision in dispute,

their conduct provides clear evidence of how reasonable business people situated as they were and knowing what they knew, would

construe the disputed provision. It is therefore relevant to an objective determination of the meaning of the words they have used

and the selection of the appropriate meaning from among those postulated by the parties...” (Emphasis added)

[67] It is clear from the founding affidavit as well as the supporting affidavit of Mr Humphreys to Doormax's answering affidavit that over the last 22 years:

[67.1] Mercury and/or Doorware imported and distributed “QS” products;

[67.2] They did so for their own account, but with a level of cooperation;

[67.3] They agreed to split up the areas in which they would trade, the so-called “geographical split”, where Mercury had the exclusive rights to sell "QS" products wholesale to customers in the Northern Cape, Eastern Cape and Western Cape and where Doorware had the exclusive rights to sell “QS” products in Gauteng and everywhere else in South Africa;

[67.4] Neither company would do anything to undermine the image and market standing of the “QS” brand;

[67.5] The “QS” brand was capable of reputational damage meaning that it had goodwill.

[68] Mercury and Doorware were the exclusive importers and distributors of the "QS" product within South Africa.

[69] This is not disputed by Mr Humphries in his supporting affidavit.

[70] The parties therefore acquired their goodwill from the “QS” Brand and, in particular, the “QS” mark through a common law trademark.

[71] Given the undisputed conduct of the parties in relation to the “QS” Brand, I find myself in agreement with the applicants that the tacit license is irrelevant for the court to make a determination as to whether Doormax required Mercury’s consent or Ms Osborne-Young’s consent to import and distribute “QS” Products.

[72] For the purposes of this determination, it makes no difference who the owner of the “QS” Brand is. What matters is that the “QS” Brand and the goodwill that comes along with it, belongs to someone other than Doormax.

Right to goodwill as premise for unlawful competition

[73] The applicants contend that a distinctive mark is important to the formation of the goodwill of a business and the capacity of a business to attract custom.

[74] According to Neethling’s Unlawful Competition[7], insofar as goodwill is capable of functioning as legal property, and as the object of immaterial property rights, the recognition of the right to goodwill is, in the final instance, a matter of positive law[8].

[75] The question to be addressed in this case is the relationship between goodwill and distinctive marks.

[76] The primary function of all these marks is to distinguish an entrepreneur's own performance from similar competitive performances[9].

[77] It stands to reason that it is hardly of any avail to an entrepreneur if he brings an excellent product onto the market to the complete

satisfaction of consumers, and it does not enable the consumer to distinguish between his product and other similar products. The simple truth is that a product can only have a good name if in the first instance it has a name or is individualised in some other[10].

[78] From the foregoing it follows that the distinctive mark is a very important factor in the formulation of goodwill. Precisely because the trademark or trade name individualises and consequently distinguishes the product or undertaking, the mark or name therefore has distinctive value (or power), it contributes towards attracting custom and therefore the creation of goodwill[11]. (Emphasis added)

[79] Accordingly, it stands to reason that his distinctive marks are of great value to an entrepreneur and the only question is whether the distinctive mark can be the object of an independent subjective right, a right which can exist in addition to the right to goodwill[12].

[80] In this regard, Neethling states that:

[80.1] First of all, it is necessary to obtain clarity regarding the object of such a right. The object is definitely not the word, image, sign, get-up or whatever the entrepreneur uses to distinguish his performance so that he “owns” the word, etc. and everyone else is excluded from its use;

[80.2] To cut the knot, the object can really only lie in the distinctive value which the mark has in connection with the entrepreneur's business, product or service;

[80.3] Since the purpose of all distinctive marks, of whatever nature (technical, fanciful, descriptive, get-up), is the same, namely the individualising of an undertaking or product, all of them to a greater or lesser extent (probably) have distinctive value and therefore in principle qualify as the “object” of a right.

[80.4] Of importance is the fact that in order to serve as the legal object of an autonomous right, distinctive marks must be able to exist independently not only of the goodwill, but also the other independent components of the undertaking.

[81] The issue to address now is whether, by importing and distributing “QS” Products, Doormax is unlawfully competing with Mercury, given the fact that Mercury has established that the “QS” Brand is a common law trademark from which the goodwill for Mercury arose.

[82] In *Mullane and Another v Smith and Others*[13], the court addressed the issue of unlawful competition in the context of goodwill and stated the following:

“[15] In order to succeed with its application for final interdictory relief the second applicant had to demonstrate that there is a wrongful act of competition, or one which is impending, and which is infringing or threatening to infringe its business goodwill and that no other suitable remedy is available.

[16] Since final relief is sought the second applicant must show the infringement or threatened infringement of a clear right to the goodwill of its business. The facts that the court can take into account are limited to those presented by the respondents, including admissions made to the applicants affidavit unless one of the exceptions mentioned in *Plascon-Evans* applies.

[17] The generic description of the right attached to the goodwill of a business is to be found in Unlawful Competition (2ed) at Chapter 3 paragraph 2.2 where the co-authors, after explaining “the right to trade without wrongful interference”, rely on the following passage by Van Dijkhorst J in *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd*[14]:

“It is important to note that the reference by the Court do the plaintiff’s ‘right to attract custom’ is being the right it has as a trader which is protected from wrongful interference by a competitor, is the same as the ‘reg op die werfkrag’ which is the right HJO van Heerden seeks to protect in Grondslae van die

Mededingsreg (supra). Sometimes this is referred to as the traders goodwill, which is defined by Lord Macnaughten in *Commissioners of Inland Revenue v Millar & Co Margarine Ltd* 1901 AC 217 at 224 as ‘the attractive force that brings in custom.’” (Emphasis added)

[83] It is common cause that Doormax is trading in “QS” Products but Doormax denies that it is doing so unlawfully.

[84] However, given the facts and the law as set out above, it is clear that:

[84.1] Mercury (and Doorware) alternatively the deceased and Mr Humphries own the “QS” Brand and the “QS”

mark and have had the exclusive rights to import and distribute “QS” Products, as wholesalers, to retail stores for the last 22 years; and

[84.2] Anyone else wishing to import and distribute “QS” Products in South Africa, would be wrongfully interfering with

the goodwill of the “QS” mark which is within the exclusive rights of Mercury and Doorware, alternatively now Ms Osborne-Young and Mr Humphries.

[85] Doormax has set out no defence (which is not based on the JV agreement) for why it is unlawfully competing with Mercury in respect of the “QS” Brand. From this, it can be inferred that, notwithstanding its argument that it imports and distributes “QS” Products lawfully, this is not correct. Doormax’s conduct results in a wrongful interference with Mercury’s goodwill and its business and therefore amounts to unlawful competition.

[86] I make mention of the fact that Mr Engel was also employed with Mercury for 17 years and learnt about the business and the importing and distribution of “QS” Products from the deceased. He subsequently went to work for Doorware and is now at Doormax. That he is importing and distributing “QS” Products from China for Doormax and is doing so in the Western Cape, in a way, adds to the unlawful competition angle. This issue, however, was not pursued with any vigour by the applicant.

Requirements for a final interdict

[87] The applicants seek final interdictory relief against Doormax, alternatively an interim interdictory relief against Doormax pending the issuing of an action against Doormax and Doorware within 20 days of the grant of an order failing which the interdictory relief shall lapse.

[88] Doormax's defences that its conduct is lawful are based on the following facts:

[88.1] That since the JV agreement was concluded between the deceased and Mr Humphries, that it was terminated by the untimely passing of the deceased ;

[88.2] Mercury and Doorware were not parties to the JV agreement;

[88.3] Mercury's consent is, accordingly, not required.

[89] The only inference which can be drawn from Doormax's contention above is that had the JV agreement still been in place, then Mercury's consent would have been required.

[90] However, since Doormax was not a party to the JV agreement, the continued existence or termination thereof upon the death of the deceased, is of no moment to Doormax.

[91] The applicants have already established that the "QS" Brand is a common law trademark which resulted in goodwill to Mercury and Doorware and which goodwill is a protected right.

[92] Doormax's importing and distributing of the "QS" products without consent is an infringement of that protected right.

[93] Doormax contended during argument that there are disputes of fact and that the Plascon-Evans rule must apply.

[94] The disputes raised by Doormax are directly linked to the JV and the JV agreement and the terms thereof, to which Doormax was not a party. Doormax's reliance upon the JV agreement and its terms for the purposes of establishing disputes of fact, is therefore misplaced. Absent the JV agreement, there are no disputes of fact raised by Doormax.

[95] In light of the fact that there are no disputes of fact, real or otherwise, in this matter, the applicants will be entitled to final relief provided they satisfy the requirements therefor.

[96] It is trite that the three requirements for a final interdict:

[96.1] A clear right;

[96.2] An injury actually committed is reasonably apprehended; and

[96.3] Absence of satisfactory protection by any other ordinary remedy[15].

- [97] Once an applicant has established the three requisites for the grant of a final interdict, the scope, if any, for refusing relief is limited. There is no general discretion to refuse relief. That is a logical corollary of the court holding that the applicant has suffered injury or has a reasonable apprehension of injury and that there is no similar protection against the injury by way of another ordinary remedy[16].
- [98] In order to establish a clear right, the applicants have to prove on a balance of probabilities, facts which, in terms of substantive law, establish the clear right upon which it relies[17].
- [99] In *NCSPCA v Open Shore*[18] the SCA reiterated that an interdict is not a remedy for a past invasion of rights, but is concerned with present or future infringements. According to the SCA, an interdict is appropriate only when future injury is feared. Where a wrongful act giving rise to the injury has already occurred, it must be of a continuing nature and there must be a reasonable apprehension that it will be repeated.

Clear right

- [100] As regards the clear right, based on the common cause facts and the legal principles enunciated above, the applicants have established that:
- [100.1] They have a protectable interest in the form of the “QS” Brand and the goodwill which arises therefrom;
- [100.2] This goodwill has been wrongfully interfered with by Doormax; and
- [100.3] That such wrongful interference amounts to unlawful competition.
- [101] The breach of the applicants rights is sufficient to find a basis for the final interdictory relief sought.

Harm actually committed

- [102] It is undisputed that Doormax is currently using the “QS” brand without the consent of Mercury or Ms Osborne-Young, even though Doormax’s basis for doing so is that it does not require their consent.
- [103] Doormax has also refused to give an undertaking to cease and desist from doing so and the basis for such refusal is that Doormax should be entitled to trade as it deems fit and that the applicants are attempting to enforce a prohibited agreement in an obvious attempt to quell legitimate competition in the market place.
- [104] On a balance of probabilities, the most probable inference to be drawn[19] from Doormax’s refusal to provide the requested undertaking is that there is, as the applicants contend, a continuing threat that Doormax will persist with its offending conduct in the absence of an interdict. This is also clear from Doormax’s answering

affidavit.

[105] Doormax's reliance on the JV agreement for its refusal to cease and desist from importing and distributing "QS"

Products is also misplaced and does not offer a valid defence.

[106] As a result of Doormax's unlawful conduct, my view is that the applicants have suffered and will continue to suffer harm and that this needs to be stopped.

Lack of an alternative remedy

[107] According to the applicants, they do not have any other remedies available against Doormax. Interdictory relief is the only remedy available in order to prevent the continued unlawful use of the "QS" brand to the detriment of Mercury's business.

Balance of convenience:

[108] Even though the balance of convenience is not a requirement for a final interdict, both parties addressed this in their respective heads of argument.

[109] According to the applicants, they lose a corporate opportunity everytime Doormax makes a sale, whereas Doormax only stands to be precluded from selling a particular range of door handles.

[110] Doormax contends that it will be gravely prejudiced if the relief sought is granted as they will not be able to trade in "QS" products and given the length of time that it takes to obtain a trial date in this division, even the alternative relief (the interim interdict) will be final in effect, whereas if the applicants prevail, they may enjoy a claim for damages against Doormax for the interim period.

[111] Nowhere in Doormax's answering affidavit does it state that it only trades in "QS" Products. In fact, if regard is had to the invoice from Amsun, from whom Doormax imports its door handles, it refers to various types of door handles apart from the "QS" Products.

[112] Accordingly, I am satisfied that Doormax will be able to continue to trade by selling other ranges of door handles and that the prejudice against Doormax is outweighed by the prejudice to the applicants.

CONCLUSION

[113] In applying the reasoning in Mullane (supra), I find that Mercury has demonstrated that:

[113.1] There is a wrongful act of interference by way of unlawful competition being perpetrated by Doormax and have therefore established a clear right;

[113.2] Such wrongful act has infringed the business goodwill and the protected right thereto, acquired by Mercury through the "QS" Brand and that this infringement continues; and

[113.3] No other suitable remedy is available to the applicants.

- [114] As regards the issue of costs, I see no reason why the costs should not follow the result in respect of Doormax.
- [115] As regards costs against Doorware, the applicants argued that the supporting affidavit of Mr Humphries is essentially an opposing affidavit and that Doorware, for all intents and purposes, opposed that application. I disagree.
- [116] The supporting affidavit was helpful to the court in ascertaining the conduct of Mercury and Doorware alternatively the deceased and Mr Humphries in relation to the “QS” Brand, the “QS” Products and the “QS” mark.
- [117] In light of all the facts and legal principles set out above pertaining to relief which the applicants seek, I am satisfied that the requirements for a final interdict have been met and there is no reason why such a final interdict should not be granted against Doormax.
- [118] Accordingly, I make the following order:
- [118.1] That Doormax is interdicted and restrained from importing and/or distributing and/or offering to sell and/or making available to sell and/or supplying and/or otherwise dealing with, whether directly or indirectly, any product in the “QS” product range or any product bearing the name and/or branding of the “QS” product range, without the written consent of the first, or alternatively, second applicant.
- [118.2] That Doormax will pay the costs of this application on party and party Scale C, including the cost of two counsel.
- [118.3] There is no order as to costs against the second respondent.

The Hon. Ms Acting Justice Mahomed

Of the Western Cape High Court

APPEARANCES:

Applicant’s Counsel: Adv AR Sholto-Douglas SC and Adv C Quinn

Instructed by:

Deon Perold & Associates

Respondents’ Counsel: Adv C Cutler

Instructed by:

Adams Attorneys

- [1] In the supporting affidavit of Mr Humphries of Doorware he states that “Doorware began investigating the possibility of opening a branch in Cape Town because we were gravely concerned with the reputational damage that was being done to the brand, and wanted to ensure that Doorware's livelihood was protected.”
- [2] Lorentz v Melle 1978 (3) SA 1044 (T) at 1058B
- [3] [2010] 2 All SA 284 (SCA) at para [17]
- [4] 1997
- (1) SA 1 (A) at 20E
- [5] Webster CE and Joubert I: “Webster and Page South African law of trademarks”, 4th Division, Service Issue 26, November 2023 at 11-3 para 11.1 pp. 306 – 309
- [6] Unreported judgment: (759/11) [2012] ZASCA 126 (21 September 2012)
- [7] 2nd Edition, p. 111
- [8] IBID at p. 105 para 2.2
- [9] IBID at p. 110 para 3
- [10] IBID at p. 111
- [11] IBID at p. 111
- [12] IBID at p. 111
- [13]
- [2015] 3 All SA 230 (GJ) at para [15] - [17]
- [14] 1981
- (2) SA 173 (T) at 182D-E
- [15] Sethlogo v Sethlogo 1914 AD 221 at 227
- [16] Hotz v University of Cape Town 2017
- (2) SA 485 (SCA) at para [29]
- [17] LAWSA Volume 11, 2nd Edition p. 397
- [18]
- [2008] ZASCA 78; 2008 (5) SA 339 (SCA) at para [20]
- [19] Cooper and Another NNO v Merchant Trade Finance Ltd 2000
- (3) SA 1009 (SCA) at para [7]. See also Ocean Accident and Guarantee Corporation Ltd v Koch 1963

(4) SA 147 (A) at 159B-D.

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