

SOUTH AFRICA / JUDGMENT

Sugarless Company (Pty) Ltd v Quad Africa Energy (Pty) Ltd (25802/2018) [2018] ZAGPJHC 579 (19 September 2018) [2018] ZAGPJHC 579

COURT

South Gauteng High Court, Johannesburg

BEFORE

WHG van der Linde

CASE / FILE NUMBER

25802/2018

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REPUBLIC OF SOUTH AFRICA

IN THE HIGH COURT OF SOUTH AFRICA

(GAUTENG LOCAL DIVISION, JOHANNESBURG)

CASE NO: 25802/2018 25802/2018

In the matter between:

THE SUGARLESS COMPANY (PTY) LTD Applicant

and

QUAD AFRICA ENERGY (PTY) LTD Respondent

JUDGMENT ON SECTION 18 (3) APPLICATION

VAN DER LINDE, J:

Introduction

- [1] This is an application in terms of s.18(3) of the Superior Courts Act 10 of 2013 to declare that the operation and suspension of a decision which is the subject of an appeal is not suspended pending the appeal. The background is the following.

- [2] In July, during the last week of the midyear recess, I heard an application in the urgent court by the above applicant against the above respondent for final alternatively interim interdicts. The unlawful conduct on which the applicant relied related to alleged infringements of a registered trade mark under s.34(1)(a) of the Trade Marks Act 194 of 1993, of copyright in the applicant's logo and artwork under the Copyright Act 98 of 1978, and of common law passing-off.
- [3] In the judgment that was eventually handed down on 24 August 2018 I granted the major part of the relief that the applicant had sought. The orders that I made at that time are set out in the final paragraph of my judgment, incorrectly numbered [96] (should have been numbered [100]).
- [4] Subsequently the respondent brought an application for leave to appeal some of the orders that I made. I heard that application on 18 September 2018, and granted it in all substantial parts. There was also a conditional application for leave to cross-appeal, and I granted that too. I handed down a written judgment on both these applications on 19 September 2018. The parties brought to my attention two patent errors in the judgment, which I corrected in manuscript on the pdf versions, and initialled.
- [5] Immediately thereafter on that day I heard an application in terms of rule 47(3) that the respondent had brought to stay this s.18 application pending an order directing the applicant to furnish security for the costs of this application. I gave an ex tempore judgment at 14h00 on the same day dismissing the application.
- [6] The applicant then began addressing me on the s.18 application, which I heard until 14h00 on the next day, 20 September 2018. In the course of those submissions the applicant handed up a draft order setting out the relief it was seeking.
- [7] By agreement between the parties, I then adjourned the matter, affording the respondent leave to complete its submissions in writing, and the applicant then to reply in writing. The respondent undertook that it would file its remaining argument on Wednesday 26 September 2018. Both parties have since filed written submissions, the applicant's replying submissions having been received on 1 October 2018, and the respondent thereafter filing further submissions the next day, 2 October 2018; and this is then the judgment on the s.18 application.

Background

- [8] The essential aspect of the applicant's case against the respondent was the following. The applicant and the respondent had been in a contractual relationship whereby the respondent was distributing the applicant's product in the sugar free retail confectionary market in South Africa. That distributorship agreement was implemented for some years and then terminated by the respondent in May 2018.

- [9] The packaging in which the confectionary was distributed, bore the applicant's registered trade mark, which included the lettering "S.Sugarless.Confectionary" in a particular arrangement. The packaging itself contained artwork that the applicant had designed, and which the applicant described in its papers as the "packaging architecture".
- [10] What the respondent did, commencing a week before its termination of the distributorship agreement and thereafter, was to distribute into the same market its own sugar free confectionary product. The respondent's packaging presented in all respects, including the artwork, the same as the applicant's packaging, except that instead of "S.Sugarless.Confectionery" it bore a mark which had the words: "S.Sugarlean", and the "S" was inverted. This mark was not registered as a trade mark.
- [11] The packaging that was first used by the respondent appears in photographs of the main application at page 235 annexure "JJ22". Positioned in profile, the respondent's packaging, getup and (unregistered) trade mark appears on the right-hand side and that of the applicant (except that its trademark was registered) on the left-hand side. This packaging of the respondent is referred to as "the first packaging" in the judgment. The first packaging was distributed at retailers in the applicant's unique stands. The respondent did not dispute this conduct.
- [12] The respondent, after demands by the applicant to desist, then adapted its packaging; an example of its adapted packaging appears at page 337 annexure "JJ34" of the papers in the main application. What it did was to put at the top of its packaging an oblique purple header, but for the rest the resemblance between the respondent's packaging and (unregistered) trade mark, and the applicant's packaging and registered trade mark, was still substantial. In particular, the prominent inverted "S" was still present. This packaging was referred to in the judgment as "the new packaging." The applicant contended that the new packaging still infringed all of its rights, just as before.
- [13] In due course the respondent then changed its packaging again, announcing that this was the packaging it would be using in the future. An example of this packaging, which is referred to in the judgment as "the future packaging", is reflected on page 629 and following, annexure "BB7" of the main application papers. If annexure "BB7" is held in landscape, the respondent's packaging appears on the right and that of the applicant on the left. The notable feature – for present purposes - of "the future packaging", was that the inverted "S" now no longer appeared as part of the respondent's (unregistered) trade mark.

The main judgment

- [14] I found that the similarity between the respondent's first packaging, and the respondent's new packaging, and the applicant's

packaging, was substantial, and I granted the relief under the Trade Marks Act, the Copyright Act, the common law, and the Counterfeit Goods Act 37 of 1997.

- [15] I held however that the respondent's unregistered trade mark on the future packaging did not infringe the applicant's registered trade mark, mainly because the prominent inverted "S" no longer appeared. I consequently did not grant trade mark relief in respect of the future packaging, nor any copyright relief in respect of the logo.
- [16] I held however that the respondent's first packaging, its new packaging, as well as its future packaging, all constituted an infringement of the applicant's copyright in the artwork which formed the basis of the packaging architecture. I therefore granted copyright relief in respect of all three forms of packaging.
- [17] The applicant had also preferred a cause based on passing-off and I held that in the case of all three forms of packaging, the respondent was passing off its product as that of the applicant, thereby unlawfully gaining for itself access to the applicant's customers. I granted interdictory relief against the passing-off in respect of the first packaging, the new packaging, and the future packaging. I also granted relief under the Counterfeit Goods Act but that aspect does not feature in this judgment.
- [18] I held that the applicant was entitled to final relief and was critical of the respondent's conduct and affidavit version. In the penultimate paragraph of my judgment I said:
- "The respondent's conduct has been surreptitious and in flagrant disregard of the applicant's rights. The bland denials of the deponent, coupled with his assertions of innocence, are unconvincing; the undertakings that were given but breached show the slip. In my view the respondent's version can be rejected on the papers and final relief in favour of the applicant is justified, as is a special costs order."*
- [19] One of the aspects that was important in this criticism of the respondent was that as late as 20 July 2018 the respondent's delivery vehicle was still painted in the applicant's full registered trade mark, showing that the respondent was continuing to infringe the applicant's trade mark in brazen disregard of its own undertaking.
- [20] There is another feature that fed into the negative impression that the respondent's conduct created, referred to in paragraph [54] of the judgment:

"It is a matter for comment that the respondent does not make clear why it is essential for its business to continue to rely so heavily on the likeness with the applicant's packaging. Having regard to the clear similarity with the applicant's getup so evident in the respondent's first and new packaging, the inference is unavoidable that the respondent still now seeks the lift of the springboard created by those first two offerings."

What the respondent does not appeal

- [21] It will be helpful now to make plain what portions of my original order did not form the subject-matter of the respondent's application for leave to appeal my original order, nor of the leave to appeal that I granted.

- [22] The first packaging, and all of the causes of action which the applicant brought against the respondent flowing from the unlawful conduct in respect of the first packaging, do not form the subject-matter of the respondent's discontent nor of any order granting leave to appeal. In other words, the respondent does not deny that the first packaging infringed the applicant's trademark; it does not deny that the first packaging infringed the applicant's copyright both as regards the trade mark and as regards the artwork of the packaging; it does not dispute the applicant's case based on passing-off (including the relief sought and granted in terms of paragraphs 8 and 9 of the applicant's notice of motion in the main application); and it does not dispute the conclusion that the first packaging constituted counterfeit goods.
- [23] It should be added that given these concessions as to the principle relating to the first packaging, the respondent also does not dispute any of the sequential relief granted in respect of the first packaging.
- [24] There is another respect in which the respondent has no cavil with the original order I made, and that relates to certain aspects of the new packaging. The first aspect of the new packaging in respect of which the respondent offers no discontent, is the conclusion that the new packaging constitutes a trade mark infringement.
- [25] The second aspect relating to the new packaging in respect of which the respondent has no cavil, is the declaration that the new packaging constituted an infringement of the applicant's copyright, but limited to the applicant's copyright in the rendition of the applicant's trade mark, as opposed to the artwork as appeared on the new packaging. In other words, the respondent does not accept that its artwork on the new packaging infringes the applicant's copyright in the applicant's artwork on the applicant's packaging.
- [26] For the rest, the respondent disputes the conclusions to which I came, which included that the new packaging constituted passing-off, including the view that I expressed in my judgment, that the contents of prayers 8 and 9 of the applicant's notice of motion in the main application were aspects of the larger delict of passing-off.
- [27] In other words the respondent disputes that the applicant is entitled to relief against it in terms of prayers 8 and 9 of applicant's original notice of motion, whether those prayers are viewed as part of the passing-off delict or whether they are stand-alone delicts. It should be added that it is the applicant's submission that prayers 8 and 9 of its notice of motion in the main application refer to stand-alone delicts and do not form part of the larger notion of passing-off.
- [28] In my judgment on the applications for leave to appeal, I refused the respondent's application to appeal the orders of delivery-up relief for the copyright infringements in respect of the new and future packaging. Leave was sought in respect of the finding that the respondent's new and future packaging artwork infringed the applicant's copyright in its packaging artwork, and I granted that leave. It would follow logically that any copyright relief that I granted in respect of the respondent's artwork on its new and future packaging

should follow the same route.

- [29] But the leave to appeal that I refused does not concern the copyright infringements of the applicant's packaging artwork. It concerns my finding that the respondent's first and new packaging infringed the applicant's copyright in its trade mark, and the delivery-up relief I granted pursuant to that finding.
- [30] In particular, the respondent argued in the leave to appeal that I should not have granted the delivery-up relief because it could always achieve a non-infringing result by simply over-stickering the offending inverted "S" on its first and new packaging. Over-stickering obviously does not apply to the future packaging because there is no offending inverted "S" on the future packaging. I refused the leave sought because I concluded that over-stickering was not dealt with in the main application and therefore not in my main judgment either.
- [31] The respondent cannot over-sticker the artwork on its future packaging, and there is no offending inverted "S" in its trade mark of that packaging to over-sticker. It can potentially only over-sticker its new packaging (it concedes all the relief granted in respect of the first packaging, as pointed out above) if the copyright orders – including the delivery-up relief - I made (and in respect of which I granted leave) in respect of the artwork of its new packaging are ordered in terms of s.18(3) not suspended pending the appeal.

Section 18 of the Superior Courts Act

"18. Suspension of decision pending appeal

- (1) Subject to subsections (2) and (3), and unless the court under exceptional circumstances orders otherwise, the operation and execution of a decision which is the subject of an application for leave to appeal or of an appeal, is suspended pending the decision of the application or appeal.
- (2) Subject to subsection (3), unless the court under exceptional circumstances orders otherwise, the operation and execution of a decision that is an interlocutory order not having the effect of a final judgment, which is the subject of an application for leave to appeal or of an appeal, is not suspended pending the decision of the application or appeal.
- (3) A court may only order otherwise as contemplated in subsection (1) or (2), if the party who applied to the court to order otherwise, in addition proves on a balance of probabilities that he or she will suffer irreparable harm if the court does not so order and that the other party will not suffer irreparable harm if the court so orders."

The applicant's submissions

- [33] Given that my judgment was final and not interlocutory, s.18(1) applies and unless in this application I order otherwise, my orders are suspended pending the appeal. Ms Southwood for the applicant relied on the judgment in *Regal Beloit Corporation & Two Others v Brian Gregory Campbell & two others* (unreported judgment of the Gauteng Division of the High Court, Johannesburg, under case number 2016/16120 by Opperman AJ (then) on 9

November 2016) for the proposition that even if leave to appeal is granted against only certain portions of an order made by a court, then still all of the orders made by that court are suspended pending the appeal.

- [34] That served as a foothold for her argument that it was wrong – or at least suspicious - of the respondent to have declined the applicant's invitation to undertake to comply with those portions of my order in the main application in respect of which the respondent did not apply for leave to appeal.
- [35] Since the respondent declined to give such an undertaking, so went the argument, it was appropriate that I should order now that those orders be put in operation pending the appeal. Ms Southwood stressed that the s.18 application has to be viewed in the context of the respondent's prior dishonest conduct, dishonest conduct which was being perpetuated in the present s.18 application.
- [36] Here she referred to the unreliable undertakings which the respondent had given in the main application; the respondent's brazen competing with the applicant by means of both the first and the new packaging; and now the respondent's attitude in over-stickering the new packaging by placing a black round sticker over the inverted "S" and contending that in this way the new packaging should be seen as akin to the future packaging. It will be remembered that the future packaging was held not to infringe the applicant's trade mark or copyright in the logo.
- [37] Ms Southwood referred to and relied on *University of the Free State v Afriforum and Ano*, 2018(3) SA 428 at paragraphs [9],
- [10] and [13]; *Mogale City Municipality and Others v Fidelity Security Services* 2017 (4) SA 516 (GJ) at paragraphs [23] and [30], *Incubeta Holdings (Pty) Ltd and Another v Ellis and Another*, 2014 (3) SA 189 (GJ) at paragraphs [25] and [27], and the judgment in *Regal Beloit Corporation* at paragraphs [9], [10], [14.2], [16], [22.2] and [22.3].
- [38] Her argument was that if I did not make an order placing into operation my original order then the applicant will lose irreparably the benefit of my order; and that this was the test, namely losing the benefit of the order, as opposed to irreparable harm in a more expanded financial sense.
- [39] Ms Southwood submitted that the over-stickering was not in compliance with my order as stickers can be pulled off or can come off. But most importantly, she submitted that even if the stickers could not be pulled off or did not come off, then still over-stickering was not in compliance with my order. On that basis she submitted that the applicant was entitled to have put into operation all the orders I made in relation to the trade mark infringement, the copyright infringement, and the passing-off interdicts. She handed up a draft order which she proposed I make.

- [40] As to the respondent's alleged potential harm, she pointed to the tender which the applicant had made in its replying affidavit at page 174 paragraph 5, to pay to the respondent such damages as the respondent may prove to have suffered as a result of the grant of the relief sought in the s.18 application, should the respondent be successful in the appeal.
- [41] She submitted that the applicant clearly has assets within the Republic. She submitted that the respondent's harm is not quantifiable and pointed to page 46 paragraph 17 in this regard. She argued that as appears from pages 424 and 425 paragraph 37 of the main application, the respondent has been in the market effectively only since 19 July 2018.
- [42] As to whether the respondent was entitled at all to be secured against damages in the event of my order being put into operation, the applicant argued that rule 49(12) found no application because it referred was concerned only with a money judgment. Ms Southwood submitted that where in admiralty cases that principle applied, the bar was high and she referred to *Imperial Marine Company v Pasquale della Gatta*; *Imperial Marine Company v Filippo Lembo* (638/10) [2011] ZASCA 131 (15 September 2011) at paragraph [19] in this regard.
- [43] But she attacked in any event the respondent's version of its alleged prejudice as set out on page 43 paragraph 16 and its subparagraphs. She said that the nine employees could be redeployed in other parts of the respondent's business and that two of those nine employees were in any event directors of the respondent company. Also the vehicles could be redeployed in other parts of the respondent's business.
- [44] She submitted that as concerns stock levels, the applicant does not seek delivery-up of the respondent's stock pending the appeal. She submitted that the invoices attached at paragraphs 16.3 and 16.4 predate the time when the respondent actually commenced its business on 19 July 2018 and therefore could not relate to the future packaging. They must have related to the infringing first packaging and new packaging.
- [45] Ultimately she submitted that the figures upon which the respondent relied for its alleged prejudice in paragraph 16 of its answering affidavit are unreliable and overstated. If the respondent has established potential prejudice, the amounts are likely much less. And, in any event, as she has submitted, the applicant has assets locally to meet any such claim if it were legitimate.

The respondent's submissions

- [46] For the respondent Mr Michau, SC stressed that the respondent had no problem with the orders regarding the first packaging nor with a part of the orders (identified above) regarding the new packaging. He referred to page 47 paragraph 20 and page 48 paragraph 21 of the respondent's answering affidavit. He submitted that Regal Beloit Corporation was clearly wrong and that I should not follow it.

- [47] He pointed to the fact that the prospects of success on appeal are now an important consideration in applications of the present kind. He argued also that on the Plascon Evans-principle the respondent's version in the present matter cannot be rejected on affidavit. He submitted generally that the applicant had failed to put up any facts that would discharge the onus of showing exceptional circumstances.
- [48] He stressed that the respondent was arguing very strongly for an order compelling the applicant to put up security for damages, if I should order the implementation pending the appeal of portions of my order. The undertaking which the applicant gave was not good enough without any actual security to back it up. He relied firmly on rule 49(12).
- [49] The applicant he said was an Australian company which has been in steady financial decline. He attacked the assets on which the applicant relied, submitting that at best the value was in the R250 000 cash. He submitted that it might be so that the applicant's declining fortunes were related to the fact that the respondent was appropriating the applicant's customers, but on his submission the respondent was acting lawfully in doing so.
- [50] He submitted that if the order were placed into operation, the respondent would have to embark upon establishing brand new packaging and if it did this, there would be no point later - after the appeal - then to revert to the future packaging which it was currently using: a customer connection with the brand new packaging will have been established by then.
- [51] This notional brand new packaging, referred to by Mr Michau as "the changed packaging", would impose an impossibly high burden upon the respondent just for an interim period, given that the respondent's
- appeal may be successful. He pointed out that it would take approximately four months for the respondent to establish its changed packaging.
- [52] He criticised the applicant's proposition that the counterfeit goods order should be made operable, because the applicant's design was then to attend on the retailers and to threaten them with the continued carrying of the respondent's stock on the basis that it was counterfeit goods.
- [53] He submitted also that there was no evidence at all that the respondent had in fact sold offending packaging to retailers after 30 June 2018. The fact that offending packaging was found on 10 July 2018 was a drag-effect of earlier sales made by the respondent to the retailers. The respondent could not be blamed for that.
- [54] He submitted that the invoicing argument of Ms Southwood was unsound because the main application illustrates at page 423 paragraph 33 that by 16 May 2018 the future packaging had already been decided upon. He submitted that the respondent's losses as set out at page 43 paragraph 16 had to be accepted. He did not dispute that the respondent did have other business aspects as appears from page 45 paragraph 16.6 and page 105 Annexure "AA6". But he said there was nothing on the affidavits to illustrate that it would be possible for the respondent to redeploy employees and vehicles to other divisions of the respondent

company.

- [55] Concerning over-stickering he referred to page 48 paragraphs 22 and following and page 123 and following. He submitted that over-stickering was in compliance with my order which directed the respondent to remove the infringing material. He submitted that it was not the province of this Court to say whether or not page 123 was not in compliance with the order it made; it might be the business of a contempt of court application.
- [56] He submitted that there was a tension inherent in the respondent being granted leave to appeal on the passing-off findings, and yet to hold that the respondent should not be afforded leave to appeal against the delivery-up order relating to the over-stickering.
- [57] As to exceptional circumstances, he pointed to page 10 paragraph 41 of the founding affidavit and submitted that this requirement went well beyond considerations of balance of convenience. He stressed that there were no factual assertions of exceptional circumstances.
- [58] As to the criticism that the applicant could not take the respondent at its word, he submitted that there were interdicts against the respondent and the respondent was not asking that it be taken at its word. He submitted that in *Incubeta* was inapplicable to the facts of the present matter.

The parties' further written submissions

- [59] In his further written argument, Mr Michau stressed his submission that the common law was not that despite only part of an order being appealed against, the whole order is suspended. He submitted that *Regal Beloit Corporation* at [15] to that effect was unreasoned, stated without reference to authority, and clearly wrong.
- [60] In passing, it is perhaps superfluous to do so, but one should be reminded of the context of this point: the applicant submits that this court should put into operation those parts of its order that are not being appealed against, because the respondent has declined giving an undertaking that it will adhere to them. The respondent in turn says the undertaking is not called for, because the orders continue to apply, since they are not appealed.
- [61] Mr Michau submitted, with reference to *The Admiralty Regulation Act 105 of 1983* and the judgment in *MV Ais Mamas Seatrans Maritime v Owners, MV Mamas & Another*, 2002 (6) SA 150 (C) at 156 I to 157 C, that the notion of "exceptional circumstances" in s.18(3) should be interpreted to signify "Something out of the ordinary and of an unusual nature; something which is accepted in the sense that the general rule does not apply to it; something uncommon, rare or different".

- [62] On his argument, the applicant has not advanced any facts, as distinct from legal argument or unsubstantiated allegations, that would warrant a conclusion that exceptional circumstances exist. Mere assertions are not evidence, he submits, relying on *AM Moolla Group Ltd and others v The Gap, Inc. and others* 2005 (6) SA 568 (SCA) where Harms, JA said at [31]: “Affidavits in application proceedings must do more than make bald allegations; they must, in addition, provide the facts which support the allegations”.
- [63] He submitted that *Incubeta* is no authority for the proposition that exceptional circumstances exist, because that case was concerned with a contractual restraint of trade that self-evidently was constrained by an expiry date. Mr Michau submitted that rule 49(12) encapsulates the common law on the topic. With reference to *Prest*, *The Law and Practice of Interdicts*, he submitted that an undertaking by the applicant to make good a damages claim should the respondent succeed on appeal, is hollow unless it sounded in money.
- [64] Relying on *Chopra v Sparks Cinemas (Pty) Ltd & another* 1973 (4) SA 372 (D) at p379D – E, and *Ndauti v Kgami & others* 19 48 (3) SA 27 (W) at p37, he submitted that it would be appropriate for this court to fix an amount of money which the applicant should put up as security.
- [65] As for over-stickering, he submitted that this was in direct compliance with the court order. The submission is that the court order was that the delivery-up obligation applies only if the removal of the infringing trade mark cannot be achieved.
- [66] In its written reply, the applicant submitted that *Regal Beloit Corporation* was supported by *Helen Suzman Foundation* and another *v Minister of Police and others*,
- [2017] 3 All SA 253 (GP) at [17]. Ms Southwood submitted that in any event where, as here, the orders are interlinked the orders are all suspended pending an appeal.
- [67] She submitted that although the respondent says it will only use the future packaging, it also says it will over-sticker. She submits that over-stickering is not in compliance with my order as it is not removal; it is only temporary, thus undermining the order to effect the removal of the mark and so restrain use of the mark.
- [68] Relying on *Minister of Social Development Western Cape & Others v Justice Alliance of South Africa & Another* 2016 [JOL] 35612 (WCC), she submitted that the court retains a wide general discretion to grant or refuse leave and, if leave be granted, to determine the conditions upon which the right to execute is to be exercised.
- [69] She submitted that “the life of a trademark depends on the promptitude with which it is vindicated. This applies equally to the distinctiveness of the applicant’s packaging. It is likely that if the interdicts in relation to trademark infringement and passing off are not enforced, these registered and common law rights will be completely eroded by the time that an order in the appeal is granted.”

- [70] In further written submission on 2 October 2018, Mr Michau explained that the respondent intends over-stickering the new packaging, not the first packaging.

Discussion: the correct approach

- [71] An application such as the present is determined with reference not only to the affidavits in the application itself, but also with reference to the affidavits in the main application. Apart then from the primary hurdle that confronts an applicant, that of showing the presence of “exceptional circumstances”, the applicant has to “prove on a balance of probabilities” that it will suffer irreparable harm if the relief is not granted, and that the respondent will not suffer irreparable harm if the relief is granted.
- [72] The notion of establishing proof on balance of probabilities in motion proceedings introduces a challenge, should there be factual disputes, not normally encountered in motion proceedings. Normally, motion proceedings are not designed for determining probabilities. This proposition was put thus by the Supreme Court of Appeal in *National Director of Public Prosecutions v Zuma* (573/08) [2009] ZASCA 1 (12 Jan 2009) at [26] (emphasis supplied): “Motion proceedings, unless concerned with interim relief, are all about the resolution of legal issues based on common cause facts. Unless the circumstances are special they cannot be used to resolve factual issues because they are not designed to determine probabilities. It is well established under the Plascon-Evans rule that where in motion proceedings disputes of fact arise on the affidavits, a final order can be granted only if the facts averred in the applicant's (Mr Zuma's) affidavits, which have been admitted by the respondent (the NDPP), together with the facts alleged by the latter, justify such order. It may be different if the respondent's version consists of bald or uncreditworthy denials, raises fictitious disputes of fact, is palpably implausible, far-fetched or so clearly untenable that the court is justified in rejecting them merely on the papers. The court below did not have regard to these propositions and instead decided the case on probabilities without rejecting the NDPP's version.”
- [73] Here the legislature has expressly ordained that the resolution should be on a balance of probabilities, the usual civil standard of proof in trials. It seems to me that it has thereby override the Plascon Evans – rule in applications such as this: reference to trial or evidence is not envisaged in these applications, given their interlocutory nature and the automatic right of appeal as a matter of extreme urgency.
- [74] It appears to me then that Mr Michau's reliance on Plascon Evans to cement the respondent's version about its own prejudice does not avail. I suggest too that even in considering the absence or presence of exceptional circumstances, the court will do so on a balance of probabilities, and not apply the Plascon Evans – rule. Otherwise the two parts of the application will be determined on different bases, a result which is too absurd for it to have been intended by the legislature.

[75] This court therefore has to decide the application on the material stated, and must view the factual assertions made in the affidavits through a probability lens. Into that consideration go the prospects of success on appeal as well, as appears from what follows.

The prospects of success on appeal and “exceptional circumstances”

[76] Originally, in *Incubeta Holdings (Pty) Ltd v Ellis*, 2014 (3) SA 189 (GJ) at 196C to 197C, the court expressed the view that the merits of the case were not pertinent to an enquiry under section 18(3): “The considerations that are valuable presuppose a bona fide application for leave to appeal or an actual appeal. No second-guessing about the judgment per se comes into reckoning.”

[77] This approach was not followed by *Justice Alliance of South Africa*, which held in paragraph [27] that the court’s assessment of the prospects of success in the appeal remained a relevant factor in the consideration of applications such as the present.

[76] Specifically, that court said the following at paragraph [28]:

“Sutherland J appears to have considered that the prospects of the appeal do not form part of the consideration because leave to appeal inherently carries with it an acceptance that there was a reasonable prospect the appeal might succeed. That is indeed so in most cases, but even in such matters there is scope for degrees of conviction on the likelihood of such prospect being realised.”

[77] This approach of the full court was approved by the Supreme Court of Appeal in *Afriforum*, in which the SCA held that it was apparent that the requirements introduced by s.18(1) and (3) were more onerous than those of the common law. At paragraph [15] the SCA expressly held that the prospects of success in the appeal are relevant in deciding whether or not to grant the exceptional relief under s.18(3).

[78] Turning to a consideration of the prospects of success on appeal, the real issue for me lies in whether the respondent’s future packaging will be held, probably, to have offended either common law passing-off, or the applicant’s copyright in its packaging artwork. In this respect the following feature of this case weighs.

[79] The respondent has in a short period of time, as a newbie, entered the sugar free confectionary market. It explains in its answering affidavit the extent of the financial harm it will suffer if it were prevented, pending the appeal, from using the future packaging; and the expense that would be involved if it were compelled to establish “the changed packaging.”

[80] It is necessary though to reflect for a moment about the manner in which it planned and achieved its entry into this market. Its first step was the unlawful distribution of what was a virtually identical copy of the applicant’s registered trade mark, copyright and packaging. My finding in the main application to that effect is now expressly accepted by the respondent, who therefore did not seek to challenge that finding on appeal.

- [81] That conduct persisted until after demand the respondent adjusted its packaging, in my view only slightly, by adding the oblique purple header, but for the rest unlawfully perpetuating its copy of the applicant's registered trade mark by means of the respondent's new packaging. My finding in the main application that that conduct was also unlawful is not challenged by the respondent, and it did not apply for leave to appeal it. That conduct, too, continued until eventually the respondent introduced its future packaging.
- [82] By the time of the respondent's introduction of the future packaging, the customers in that niche retail market will – as a matter of probability - already have associated the respondent's packaging and trade mark (aka logo) (unregistered), with the applicant's registered trade mark and packaging artwork. The respondent had thus unlawfully established for itself a solid base, a foundation, on which to build its future packaging.
- [83] The future packaging now no longer displayed the prominent inverted "S" as part of its unregistered trade mark/logo, but still presented with artwork which – although it had been adapted – had (in my judgment) sufficient of the look and feel of its predecessors, being the new packaging and before it, the first packaging. That lineage had been authoritatively established, from the respondent's perspective.
- [84] The foundations of the respondent's business were therefore egregious, unlawful misappropriations of another's conception, investment and effort, as I found in the main application. I did grant the respondent leave to appeal, to be sure, but that judgment and order, and the prospects of success on appeal, must be viewed in the context of what the respondent did not seek to appeal.
- [85] The respondent's acceptance (only now) of my judgment concerning the trade mark and copyright infringements of the applicant's trade marks and copyright in the applicant's trade marks by means of the respondent's first and new packaging; the respondent's acceptance (only now) of unlawful passing off by means of its first packaging; and the respondent's common cause brazen use of the applicant's trade mark on the respondent's delivery vehicle on 20 July 2018; all confirm that the respondent had neatly, but egregiously and unlawfully, with complete disdain of the applicant's rights, built for itself a springboard into this business. In my view, this conduct constitutes "exceptional circumstances" for the purposes of this s.18 application.

Who will probably suffer irreparable harm?

- [86] In my view, on a balance of probabilities, the applicant will suffer irreparable harm if my orders were suspended, and the respondent will not suffer irreparable harm if my orders were not suspended. My reasons are essentially these.
- [87] The applicant had an established business, an established clientele, and an established product in this country. It took time, effort, investment, intellectual skill, and drive to achieve that asset. It now has an order protecting that asset. If it wins the appeal, that order will be affirmed. If in the meantime the respondent were permitted to act as if there were no

orders, the applicant will have lost completely the benefit of the protection of its rights. It will have two court orders in its favour, one of which will have been given on appeal, but despite this fact, its rights will have been rendered meaningless. That harm is irreparable.

- [88] If the respondent wins the appeal but in the meantime the orders are not suspended, its harm is represented by time, cost and effort it will take to change the future packaging to the changed packaging. This is an endeavour on which the respondent has embarked at least twice before: when it changed its first packaging to its new packaging, and when it changed its new packaging to its future packaging. And it appears to have done so seamlessly, in the course of continuing to conduct this aspect of his business.
- [87] Even if a measure of harm is established should the appeal go substantially its way, the measure must accordingly be temporary, slight, and not irreparable. It is represented only by whatever is required simply to change its packaging away from being associated with the first packaging, the new packaging, the future packaging, and the applicant's packaging. If it is able to show that in doing this a loss is incurred despite all reasonable efforts to mitigate it, it will claim the loss from the applicant. Potential difficulty in executing a local judgment in other jurisdictions does not, in my view, constitute irreparable harm.

Conclusion

- [88] There remains the issue of whether the orders not appealed should be declared not suspended, and the judgment in *Regal Beloit Corporation*. In my view the answer is that where, as here, the orders are really intertwined, given particularly the way in which – as a common cause fact – the respondent had set up its competing business, all of the orders are suspended.
- [89] Rule 46(12) provides: “If the order referred to in subrule (11) is carried into execution by order of the court the party requesting such execution shall, unless the court otherwise orders, before such execution enter into such security as the parties may agree or the registrar may decide for the restitution of any sum obtained upon such execution. The registrar's decision shall be final.”
- [90] Since rule 49(11) has been repealed, I am not convinced that rule 49(12) still applies. But assuming it does, in view of the facts and conclusions to which I have come concerning the presence of “exceptional circumstances” and “irreparable harm”, decided to direct that the applicant need not provide security for the execution of the orders.
- [91] In the result I make the following order:
- (a) An order issues in terms of the draft handed up by the applicant, which I have initialled, marked “X”, and dated.
 - (b) It is directed that the applicant need not provide security in terms of rule 49(12) for the execution of the orders.

WHG van der Linde

Judge, High Court

Johannesburg

Date argued: 18, 19 September 2018, with further submissions on 26 September 2018 and 1 and 2 October 2018.

Date of judgment: 8 October 2018

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