



THE SUPREME COURT OF APPEAL
REPUBLIC OF SOUTH AFRICA

JUDGMENT

Case No: 530/09

In the matter between:

CADAC (PTY) LTD

Appellant

and

WEBER STEPHEN PRODUCTS COMPANY

First Respondent

GALACTEX OUTDOOR (PTY) LIMITED

Second Respondent

**THE MINISTER OF SAFETY & SECURITY
Respondent**

Third

THE REGISTRAR OF TRADEMARKS

Fourth Respondent

Neutral citation: *Cadac v Weber-Stephen* (530/09) [2010] ZASCA 105 (16 September 2010)

Coram: Harms DP, Nugent, Ponnann and Shongwe JJA and R Pillay AJA

Heard: 03 September 2010

Delivered: 16 September 2010

Summary: Civil procedure – inquiry into damages – sought in motion proceedings – Counterfeit Goods Act 37 of 1997 s 10(1) and 17(1) – Prescription Act 68 of 1969 s 15.

ORDER

On appeal from: South Gauteng High Court (Johannesburg) (Brett AJ sitting as court of first instance):

- 1 The appeal is upheld with costs, including the costs of two counsel.
- 2 The order of the court below is set aside and replaced with an order in these terms:
 - (a) The interlocutory application is upheld with costs, including the costs of two counsel.
 - (b) The counter-application is dismissed with costs, including the costs of two counsel.
 - (c) The Registrar of the South Gauteng High Court is directed to fix a date for an inquiry to be conducted by way of a High Court trial for the purposes of:-
 - (i) the determination of the amount of compensation to be paid by the Respondents to the Applicant as contemplated in section 10(1)(c) of the Counterfeit Goods Act 37 of 1997; and
 - (ii) the payment by the Respondents, jointly and severally, the one paying the others to be absolved, to the Applicant of the amount of compensation found to be due to the Applicant pursuant to the determination, together with interest on such amount at the prescribed rate of interest from the date of such determination until the date of payment and the costs of the determination.
 - (d) The Applicant shall within 20 (twenty) days of the date of this order serve upon the Respondents and file a declaration particularizing the damages allegedly suffered by it as a result of the seizure of its goods under the search and seizure warrant issued on 10 December 2004.
 - (e) The Respondents, if so advised, shall with 10 (ten) days of the service of the Applicant's declaration, file a plea thereto.
 - (f) The Uniform Rules of Court relating to discovery, inspection and all

other matters of procedure shall apply to the determination.

- (g) The parties are authorised, on notice to the other parties and should it be required by one or both of them, to make application to the South Gauteng High Court to add to, or vary the above order so as to facilitate the conducting of the determination and generally to make application for further directions in regard thereto.

JUDGMENT

HARMS DP (NUGENT, PONNAN and SHONGWE JJA and R PILLAY AJA concurring)

INTRODUCTION

[1] The first respondent, Weber-Stephen Products Co, a US company, is the registered owner of trademarks that relate to the shape and configuration of barbeque kettle grills. Its sole distributor in South Africa is the second respondent, Galactex Outdoor (Pty) Ltd. The appellant, Cadac (Pty) Ltd, also manufactures kettle grills and had a kettle grill on the local market for some 18 months when it decided to introduce another model during November 2004.¹

[2] This gave rise to correspondence between the parties in which the respondents (to whom I shall simply refer as Weber-Stephen) alleged trademark infringement, something Cadac denied. Weber-Stephen then alleged that Cadac was guilty of counterfeiting and threatened to lay a charge under the Counterfeit Goods Act 37 of 1997. In spite of Cadac's detailed refutation of the allegations the respondents proceeded to lay a complaint without notice to Cadac in terms of s 3 of the Act by means of an affidavit and without disclosing the fact that Cadac had asked for notice and had provided it with a detailed defence.

[3] An inspector appointed under the Act, acting on the correctness of the allegations in the affidavit, applied for a warrant from a magistrate in chambers authorising him to seize Cadac's kettle grills (s 6(1)). The warrant was executed during the Christmas season and kettle grills in the possession of dealers were also

¹ The third and fourth respondents were inappropriately cited for purposes of the appeal.

confiscated. Cadac alleges that it suffered some loss as a result.

[4] On 13 January 2005 Cadac applied on an urgent basis for a setting aside of the warrant in the light of the underhand manner in which it had been obtained. It also applied for a declaration that the goods seized were not counterfeit and for an inquiry into damages and for costs.

[5] The application was heard by Schwartzman J on 25 February, and in a fully reasoned judgment of 18 March he came to the conclusion that the warrant had been obtained irregularly and he set it aside with costs and ordered the return of Cadac's goods.² Weber-Stephen sought leave to appeal from the learned judge and from this court but without success.

[6] Because of this finding the learned judge thought it unnecessary to express any view about whether or not the Cadac product was counterfeit. This he did in spite of the fact that

'the striking feature about counterfeit cases is that they are legally very simple: they do not involve serious disputes over the boundaries of the trademark owner's rights. In mimicking the goods and the trademarks, the conduct of counterfeiters clearly falls within the ambit of conduct that a trademark owner is entitled to prevent.'³

Counterfeiting involves deliberate and fraudulent infringement of trademarks⁴ and 'counterfeit cases involve an infringer attempting to reproduce – and substitute for – the goods (not just the trademark) of the trademark owner.'⁵ That is why the Act is concerned with trademark and copyright infringements that are criminal in nature. The Act does not permit a rights holder to steal a march on an alleged infringer in order to settle a bona fide dispute about the boundaries of rights. Those disputes should be litigated under either the Trade Marks Act or the Copyright Act.⁶

[7] The prayer relating to an inquiry into damages flowed from the provisions of s 17(1) of the Act, which provides that any person suffering damage or loss caused by the wrongful seizure, removal or detention of goods alleged to be counterfeit is

² The judgment has been reported: *Cadac (Pty) Ltd v Weber-Stephen Products Co* 2005 Burrell's IP 439 (W).

³ Jason Bosland, Kimberlee Weatherall and Paul Jensen 'Trademark and counterfeit litigation in Australia' at www.law.unimelb.edu.au/ipria/publications/workingpapers.html.

⁴ *R v Johnstone* [2003] UKHL 28.

⁵ *Ibid.*

⁶ Trademarks that relate to shape and configuration have their own peculiar problems: *Die Bergkelder Bpk v Vredendal Koöp Wynmakery* 2006 (4) SA 275 (SCA) para 8.

entitled to claim compensation from the complainant for that damage or loss. This must be read with s 10(1)(c) which states, inter alia, that a court ‘in any civil or criminal proceedings relating to counterfeit goods’ may order ‘that the complainant pays damages, in an amount determined by the court, to the person from whom those goods were seized and pays that person’s costs.’

[8] The court postponed this prayer *sine die*. For reasons that are not now germane Cadac did not take further formal steps in relation to the inquiry into damages until three years and two days after the judgment of Schwartzman J when it applied by means of an interlocutory application for directions for the conduct of the inquiry, something not regulated by any court rule. The crux of Weber-Stephen’s answer was a multi-faceted reliance on prescription (in some instances somewhat of a misnomer) and a counter application for an order declaring that Cadac’s claim had become prescribed. Not all were persisted in during the appeal.

[9] One of these arguments was based on the fact that Schwartzman J did not deal with the question whether or not the goods were counterfeit. Weber-Stephen argued in the court below that the provisions of s 10(1)(c) and s 17(1) in those circumstances did not provide a cause of action for the recovery of damages. The cause of action, according to the submission, was dependent on a finding that the goods were not counterfeit. Brett AJ dismissed the argument and Weber-Stephen did not attempt to revive it in this court. It does not appear from the papers that Weber-Stephen has instituted any trademark infringement proceedings against Cadac.

INQUIRY INTO DAMAGES: IS IT PERMITTED?

[10] The first issue to decide is whether the proceedings launched by Cadac for an inquiry into damages is competent because, as was argued by Weber-Stephen, it is not at all permissible to bring an illiquid claim by means of motion proceedings. This much was said by Murray AJP in *Room Hire*.⁷ The main reason for the statement is in general terms unobjectionable. It is that motion proceedings are not geared to deal with factual disputes – they are principally for the resolution of legal issues⁸ – and illiquid claims by their very nature involve the resolution of factual issues. The

⁷ *Room Hire Co (Pty) Ltd v Jeppe Street Mansions (Pty) Ltd* 1949 (3) SA 1155 (T).

⁸ *National Director of Public Prosecutions v Zuma* 2009 (2) SA 277 (SCA) para 26.

related reason concerns the lack of pleadings.⁹ The other objection, namely that motion proceedings give the applicant a procedural advantage because the respondent is not entitled to rely on a bald denial as is possible in trial proceedings and that it would be unfair to deprive the respondent of this advantage, no longer holds water.¹⁰ Litigation is not a game.

[11] The fact of the matter is that Cadac does not seek to have its illiquid claim decided by means of motion proceedings and that these objections have no bearing on the matter. What it does seek are directions as how to proceed with the quantification of its claim for damages to which it is entitled by virtue of the statute and the findings by Schwartzman J.¹¹ The irony of the objection is that if it had proceeded by way of application for an interdict based on trademark infringement, Weber-Stephen, if successful, would have been entitled to an order directing an inquiry into damages and directions as to the procedures to be followed.¹² But since the proceedings by Cadac are not trademark infringement by a quirk of somewhat ossified procedural law the same procedure is said not to be available.

[12] Courts have refused to make orders for an inquiry into damages because the relief, which is found in English procedural law, is not dealt with in our court rules.¹³ But, as Nicholas J pointed out in *Harvey Tiling*,¹⁴ such orders have been granted without objection in patent actions at a time when there was no available local rule. And, as he showed, courts are able to craft an appropriate order for an inquiry into damages without the need for a rule. One finds regularly that parties agree or courts order that issues concerning liability are to be decided first and quantum thereafter. But the present rigid system requires of a plaintiff to particularize its damages when instituting action, sometimes a costly exercise which may prove to have been unnecessary.

[13] I cannot see any objection why, as a matter of principle and in a particular

⁹ *Montres Rolex SA v Kleynhans* 1985 (1) SA 55 (C) 70B.

¹⁰ *Williams v Tunsdall* 1949 (3) SA 835 (T) 839.

¹¹ The notice of motion was for an order directing an inquiry into the damages due to Cadac, a direction in relation to the procedure to be followed, an order that the respondents pay those damages, and an order in relation to interest.

¹² Trade Marks Act 194 of 1993 s 34(4).

¹³ *Atlas Organic Fertilisers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1978 (4) SA 696 (T); *Montres Rolex SA v Kleynhans loc cit*; *Atlas Organic Fertilisers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1978 (4) SA 696 (T); *Haggar Co v SA Tailorcraft (Pty) Ltd* 1985 (4) SA 569 (T) 582A-C.

¹⁴ *Harvey Tiling Co (Pty) Ltd v Rodomac (Pty) Ltd* 1977 (1) SA 316 (T) 328-330.

case, a plaintiff who wishes to have the issue of liability decided before embarking on quantification, may not claim a declaratory order to the effect that the defendant is liable, and pray for an order that the quantification stand over for later adjudication. It works in intellectual property cases albeit because of specific legislation but in the light of a court's inherent jurisdiction to regulate its own process in the interests of justice – a power derived from common law and now entrenched in the Constitution (s 173) – I can see no justification for refusing to extend the practice to other cases. The plaintiff may run a risk if it decides to follow this route because of the court's discretion in relation to interest orders. It might find that interest is only to run from the date when the debtor was able to assess the quantum of the claim.¹⁵ Another risk is that a court may conclude that the issues of liability and quantum are so interlinked that it is unable to decide the one without the other.

[14] Once the principle is accepted for trial actions there is no reason why it cannot apply to application proceeding. In *Modderklip*,¹⁶ which was brought on notice of motion, this court issued an order for the determination of the quantum of damages based on the formulation used in *Harvey Tiling*. The order of the Constitutional Court was in this regard identical.¹⁷ The fact that the order related to 'constitutional' damages does not affect the procedural principle.

[15] There is, without derogating from the foregoing, an additional reason why the procedure is permissible in this case. Section 10 of the Act provides that an order for damages may be ordered against a complainant 'in any civil or criminal proceedings relating to counterfeit goods'. Cadac's application to set aside the warrant was such a proceeding within the meaning of the section, which does not require separate proceedings for the determination of quantum. In the absence of rules regulating these quantification proceedings a court has to prescribe an appropriate procedure.

THE CAUSA OF CADAC'S CLAIM

[16] The issue relating to the nature of Cadac's claim arises from Weber-Stephen's argument that at the time that the main application was launched the right to damages had not yet accrued and that the proceedings for the recovery of

¹⁵ Prescribed Rate of Interest Act, 1975 s 4 read with s 2A(5).

¹⁶ *Modderfontein Squatters, Greater Benoni City Council v Modderklip Boerdery (Pty) Ltd (Agri SA and Legal Resources Centre, amici curiae)* 2004 (6) SA 40 (SCA).

¹⁷ *President of the RSA v Modderklip Boerdery (Pty) Ltd (Agri SA and others amici curiae)* 2005 (5) SA 3 (CC).

damages (albeit in the form of an inquiry into damages) were accordingly premature. This argument was based on the supposition that the warrant was not void but voidable and that a cause of action for wrongful attachment of goods could only arise once the warrant has been set aside – until then it remains valid. As was said by Trollip JA, until a warrant like the one in the instant case is set aside ‘it continues to have the effect of justifying the proposed attachment [citations omitted] and, without more, the appellant cannot obtain the interdict it seeks.’¹⁸

[17] The learned judge was concerned with an application for an interdict to prevent the police from attaching certain gambling machines. The police in answer relied on a warrant issued by a magistrate. The application, the judge said, could not be regarded or treated as including a claim to have the warrant set aside because there was not a timely attack on its validity (the attack, it would appear, came in the replying affidavit). Without such a claim the interdict could not be granted. This means that the interdict could have been granted if in the same proceedings there was a prayer, which was successful, for the setting aside of the warrant.

[18] The cause of action for an interdict and one for damages are the same. Only the nature of the relief differs. And although there are statements in cases that damages can only be sought after a warrant had been set aside, those statements must be read in context. They dealt with the distinction between malicious attachments and wrongful ones. Because a writ is a defence against a claim based on the former the claim cannot succeed unless the writ is set aside.¹⁹ To anticipate reliance on a writ by the defendant a plaintiff must include a claim for having it set aside. Not one ever suggested that two proceedings, one for setting aside and the next for damages, are required. The reason is apparent. The declaration of invalidity operates retrospectively and not prospectively. This means that once a warrant is set aside it is assumed that it never existed and everything done pursuant thereto was consequently unlawful.

[19] I therefore conclude that the claim relating to damages in the application to set aside the warrant was not premature. The notice of motion was a process

18 *Cresto Machines (Edms) Bpk v Die Afdeling Speuroffisier, SA Polisie, Noord-Transvaal* 1972 (1) SA 376 (A) 395H.

19 *Hart v Cohen* (1899) 16 SC 363 at 369; *Cohen Lazar & Co v Gibbs* 1922 TPD 142 at 147-148; *Begeman v Cohen* 1927 TPD 674 at 676; *Cole’s Estate v Oliver* 1938 CPD 465 at 468.

whereby proceedings were instituted as a step in the enforcement of a claim for payment of a debt.²⁰ This means that the running of prescription was interrupted in terms of s 15(1) of the Prescription Act 68 of 1969.²¹

FAILURE TO PROSECUTE THE CLAIM FOR DAMAGES

[20] I have mentioned that Cadac had failed to further prosecute its damages claim until it launched the present proceedings on 20 March 2008. Because of this delay Weber-Stephen relied on s 15(2) of the Prescription Act which provides inter alia that 'the running of prescription shall not be deemed to have been interrupted, if the creditor does not successfully prosecute his claim under the process in question to final judgment.' The argument was that since Cadac did not prosecute its claim to a final judgment the claim became prescribed. For this proposition reliance was placed on the judgment in *Chauke*.²²

[21] The immediate problem with the argument is this: when did the claim prescribe? Counsel suggested within three years from the judgment of Schwartzman J, but there is no time limit stated in s 15(2) within which the claim must be prosecuted with success. It could just as well have been three days, weeks or months. In any event, Munnik CJ analyzed s 15(2) in *Titus*²³ and came to the conclusion that *Chauke* was incorrect. I can do no better than to rely on his reasoning. He pointed out, with reference to *Kuhn v Kerbel* 1957 (3) SA 525 (A), a case decided under the Prescription Act 18 of 1943, that the Act rendered a right unenforceable after the lapse of a certain time, but did not purport to deal with the time within which proceedings had to be concluded. Extinctive prescription, it held, limits the time within which proceedings must be instituted but once instituted its continuance is governed by the rules of court. The reason is that while the initiating step (the issue of process) is within the power of the creditor the subsequent conduct of the proceedings might not be.²⁴

[22] Munnik CJ further held that the introduction of s 15(2) of the 1969 Act did not affect this reasoning. He focussed on the word 'successfully' and held that only if a

20 *Cape Town Municipality v Allianz Insurance Co Ltd* 1990 (1) SA 311 (C) 334G-J.

21 'The running of prescription shall, subject to the provisions of subsection (2), be interrupted by the service on the debtor of any process whereby the creditor claims payment of the debt.'

22 *Chauke v President Insurance Co Ltd* 1978 (2) SA 947 (W).

23 *Titus v Union & SWA Insurance Co Ltd* 1980 (2) SA 701 (TkSC).

24 *Sieberhagen v Grunow* 1957 (3) SA 485 (C).

creditor's claim fails the provision comes into force. The practical effect of this is that, should absolution be granted, the plaintiff cannot be said to have successfully prosecuted the claim to final judgment. The same would apply, he said, if an exception is taken and the plaintiff cannot amend but has to issue a fresh summons (an unlikely event). Another example appears from a later case where a plaintiff withdrew the action in one court in order to institute it in another: since the first summons was not successfully prosecuted it could not interrupt prescription.²⁵

[23] The learned judge concluded (at 704F-H):

'It is not unreasonable to assume that what the legislator had in mind was the following: It is necessary that there should be finality in litigation. The plaintiff is given a reasonable time within which to institute his action, thereafter he is in the hands of the administration of the Courts. Certain Rules are laid down, time is given in which certain procedures have to be carried out in regard to the pleadings and there is a general provision in every Rule of Court in terms whereof the Court can always extend the time and furthermore he has other factors to contend with . . . which all make it impossible for him to have any direction over the length or duration of the proceedings once he has instituted them.'

[24] This means that the failure to prosecute did not in the circumstances of this case lead to the extinction of the claim by prescription. I do not thereby wish to condone the lackadaisical manner in which Cadac dealt with the matter but, as Munnik CJ said (at 705A-B), the debtor to a certain extent has a say in the running of prescription by enforcing the rules of court. In this case Weber-Stephen could have enrolled the case for dismissal of the postponed relief.

CONCLUSION

[25] This means that Weber-Stephen's defences to the relief sought were without merit. The parties are agreed that the following order should issue in that event and it is ordered as follows:

- 1 The appeal is upheld with costs, including the costs of two counsel.
- 2 The order of the court below is set aside and replaced with an order in these terms:
 - (a) The interlocutory application is upheld with costs, including the costs of two counsel.
 - (b) The counter-application is dismissed with costs, including the costs of

²⁵ *Van der Merwe v Protea Insurance Co Ltd* 1982 (1) SA 770 (E).

two counsel.

- (c) The Registrar of the South Gauteng High Court is directed to fix a date for an inquiry to be conducted by way of a High Court trial for the purposes of:-
 - (i) the determination of the amount of compensation to be paid by the Respondents to the Applicant as contemplated in section 10(1)(c) of the Counterfeit Goods Act 37 of 1997; and
 - (ii) the payment by the Respondents, jointly and severally, the one paying the others to be absolved, to the Applicant of the amount of compensation found to be due to the Applicant pursuant to the determination, together with interest on such amount at the prescribed rate of interest from the date of such determination until the date of payment and the costs of the determination.
- (d) The Applicant shall within 20 (twenty) days of the date of this order serve upon the Respondents and file a declaration particularizing the damages allegedly suffered by it as a result of the seizure of its goods under the search and seizure warrant issued on 10 December 2004.
- (e) The Respondents, if so advised, shall with 10 (ten) days of the service of the Applicant's declaration, file a plea thereto.
- (f) The Uniform Rules of Court relating to discovery, inspection and all other matters of procedure shall apply to the determination.
- (g) The parties are authorised, on notice to the other parties and should it be required by one or both of them, to make application to the South Gauteng High Court to add to, or vary the above order so as to facilitate the conducting of the determination and generally to make application for further directions in regard thereto.

L T C Harms
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