



Republic of South Africa

-REPORTABLE-

**IN THE HIGH COURT OF SOUTH AFRICA
(WESTERN CAPE HIGH COURT, CAPE TOWN)**

Case No: 5850/07

In the matter between:

INCLEDON CAPE (PTY) LTD

Applicant

and

DPI PLASTICS (PTY) LIMITED

Respondent

JUDGMENT DELIVERED ON 19 NOVEMBER 2009

GOLIATH, J:

[1] The name “Incledon” has been used as a trading name in South Africa since 1906. The applicant in this matter seeks a permanent interdict restraining the respondent from passing off its business as that of the applicant, or as being associated with the applicant in the course of trade by using the trade name, mark and trading style “Incledon DPI”. By way of notice of motion the applicant sought a hearing as a matter of urgency on 29 May 2007, in which it applied for the following relief:

- “1. “An order directing that the matter be dealt with as one of urgency, and that the ordinary rules relating to time periods and service be dispensed with.
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2. *An order directing that clauses 5.1 and 5.1.1 of the agreement annexed to the founding affidavit as "GT2", be and is hereby rectified to read as follows:*

'5.1 To protect the proprietary interests of both Incledon (Pty) Limited and Newco in acquiring the business, both parties undertake in favour of each other that they, for an indefinite period after the Effective Date and in respect of the Trading Relations, shall not:

5.1.1 Directly or indirectly, at any place carry on a business the type of which is alike and/or similar and/or in conflict with the business of other Incledon companies.'

3. *That the Respondent be interdicted and restrained with immediate effect in the Western Cape, the area from the Western border up to and including Port Elizabeth in the Eastern Cape, the Northern Cape and Namibia ('the territory'), from using the name "Incledon DPI", "Incledon" or "Incledon Cape" or any derivative thereof that is so similar thereto as to be likely to confuse or deceive the public into believing that the business or the products of the Respondent in the territory are those of the Applicant.*
 4. *That the Respondent be directed to delete all references to "Incledon" or derivatives thereof on all publications, documents, correspondence, invoices, communications, advertisements and notices used or distributed by it in trade within the territory.*
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5. *That the Respondent be directed to notify its customers in the territory, by using its normal communication channels, that it no longer trades under the name and style of "Inclledon DPI" or any derivative thereof in the territory.*
6. *That the Respondent be directed to pay the costs of this application.*
7. *That further and/or alternative relief be granted to the Applicant."*

[2] At the hearing of this matter the applicant abandoned the rectification relief as sought in prayer 2. Consequently the applicant seeks only to interdict and restrain the respondent from using the name "Inclledon DPI", "Inclledon" or "Inclledon Cape" within a particular geographic area.

[3] Inclledon Cape (Pty) Ltd (hereinafter referred to as Inclledon Cape), a company with limited liability and duly incorporated in terms of the company laws of the Republic of South Africa, has its principal place of business at Beacon Way, Beaconvale, Parow, Western Cape. It carries on the business of the sale and supply of conduit products for the transmission of liquids and gasses in particular pipes, fittings, water meters, flanges, valves and sanitary wear. The products are also utilized in various spheres including civil and mechanical engineering, agricultural produce and plumbing.

[4] The respondent, DPI Plastics (Pty) Ltd, is a duly registered company with its principal place of business at Bridge Road, Bellville, Western Cape.

[5] On 28 February 2001 an agreement was concluded between Incledon (Pty) Ltd and Mr Glen Andrew Turner, who acted in his capacity as a trustee of a company to be formed, in terms of which Incledon (Pty) Ltd sold its separate business division which traded under the name “Incledon Engineering Western Cape” to Turner as a going concern. The definition and interpretation clause of the agreement defines the following concepts as follows:

“*Business Assets*” - includes the Trade Names

“*Trade Names*” - means the registered and unregistered trade names, trade marks and designs of Incledon in respect of the Business, including the name “*Incledon Cape*”

“*Trading Relations*” means that Incledon (Pty) Ltd and Newco agree to uphold current trading agreements and in no way will trade to the detriment of the other party.

[6] It is common cause that at the time of the agreement Incledon (Pty) Ltd traded in the territory using the name “Incledon Engineering Western Cape”. After conclusion of the agreement Incledon (Pty) Ltd continued to trade under the trade name “Incledon” in the rest of the Republic. Since 1 March 2001 applicant remained the sole user of the name “Incledon Cape”. Prior to this dispute DPI Phumela Trading (Pty) Ltd, a subsidiary of respondent, traded under the name “DPI Phumela” and was a supplier to and a customer and competitor of applicant.

[7] Some time after the conclusion of the agreement Incledon (Pty) Ltd restructured its business as follows:

- (a) In 2002 Incledon (Pty) Ltd entered into a joint venture with respondent.
- (b) In 2003 Incledon Pty (Ltd) and respondent registered Incledon DPI (Pty) Ltd.
- (c) A listed company, Distribution and Warehousing Network Limited ("Dawn Limited") purchased the entire shareholding of DPI Holdings (Pty) Ltd, which in turn is the holding company of respondent.
- (d) It was subsequently resolved to transfer all business assets relating to the business of Incledon (Pty) Ltd and Incledon DPI to the respondent.
- (e) In the result, respondent is the successor-in-title of Incledon (Pty) Ltd in respect of the obligations of Incledon (Pty) Ltd under the agreement.
- (f) After the restructuring of the business respondent changed the trading name of DPI Phumela to Incledon DPI as part of a national strategy.

[8] These proceedings arise out of respondent's change of the trading style from "DPI Phumela" to "Incledon DPI" five years after the conclusion of the sale agreement. The new entity Incledon DPI trades in similar goods as applicant and has offices in all major centers in South Africa, including one in Cape Town.

[9] On or about 17 April 2007 the applicant became aware that respondent styled itself as "Incledon DPI – a division of DPI Plastics (Pty) Ltd" within its territory of operation. In addition the respondent had a stamp on its delivery note advising that it is no longer trading as DPI Phumela, but under the new name of "Incledon DPI". Applicant contends that it has acquired the goodwill of the business which confers upon it the right to the exclusive use of the name "Incledon" within the territory and that the trade name already had a reputation there at the time of the alleged passing off. It is

further contended that the business was sold to the purchaser inclusive of the trade name and goodwill previously owned by Incledon Engineering Western Cape. Consequently, the contention went, the purchaser acquired the right to use the trade name in respect of the business as a going concern, and the seller loses the right to use the trade name in respect of the territory to which it applies. According to applicant it took transfer of ownership of the right, title and interest in the trade names of Incledon (Pty) Ltd in the territory, including the name "Incledon Cape".

[10] Applicant submits that respondent is misrepresenting to customers and suppliers that its business is that of the applicant and that such conduct is likely to deceive the public. Applicant claims that respondent is unlawfully appropriating its trade name and goodwill, the latter being an asset built up by it over the five years it operated exclusively in the territory and that respondent has accordingly passed its business off as being that of the applicant or being allied to it to the detriment of applicant. Applicant submits that even an own name or a name owned and used by a company in another territory cannot prevent a successful action of passing off if the normal prerequisites are met.

[11] Respondent contends that the *merx* which was sold in terms of the sale agreement did not include the goodwill of the business and, consequently the purchaser is not entitled to the exclusive use of the name under which the business has been conducted. The exclusion of the goodwill, the respondent maintains, is indicative of the fact that it was never intended or contemplated that Incledon (Pty) Ltd would dispose of the name "Incledon" and therefore retained ownership of the name "Incledon" after the sale agreement. Furthermore, that the sale agreement does not confer the right to the exclusive use of the name "Incledon" within the territory. Respondent therefore denies

that its use of the name “Incledon” constitute an unlawful passing off.

[12] It is common cause that the agreement of sale does not specifically refer to the goodwill of the business. It is not disputed that at the time of the purchase of the business by applicant, the name “Incledon” already had a sound reputation in the territory. Applicant concedes that it has not become the exclusive owner of the name “Incledon” and that Incledon (Pty) Ltd did not relinquish ownership of the name “Incledon”. It is also common cause that applicant used the trade name “Incledon Cape” exclusively within the territory from 1 March 2001 until about 17 April 2007 when DPI Phumela Trading (Pty) Ltd started to trade under the name “Incledon DPI”. Although there is a dispute of fact as to whether Incledon (Pty) Ltd continued trading in the territory after the conclusion of the contract, it is common cause that no other trade or retail outlet was operating in the territory under the name “Incledon” until 17 April 2007. The sale agreement made provision for ongoing co-operation between applicant and Incledon (Pty) Ltd in respect of stock supply, trading and the Incledon network.

[13] A final interdict applied for by way of motion or action, finally determines the rights of the respective parties to a dispute or litigation. To succeed in its quest for a final interdict, the applicant has to establish:

- 1.1 the existence of a clear right;
- 1.2 an injury actually committed or reasonably apprehended or an actual or threatened invasion of that right; and
- 1.3 the absence of any other satisfactory remedy

(See: **Setlogelo v Setlogelo**, 1914 AD 221 at 227.)

[14] In order to establish a clear right for the granting of a final interdict, the applicant must prove that the respondent's use of the name "Incledon" within the territory amounts to a wrongful passing off by the respondent.

[15] Passing-off occurs where a person unlawfully misrepresents to a member of the public that his goods or services are those of another or associated with those of another. The alleged misrepresentation must be of such a nature that it is likely to deceive or confuse the public into believing that such goods or services are those of the plaintiff or are closely connected with it. In order to succeed with an action for passing off a plaintiff must prove an existing goodwill or reputation in the name, that the defendant is likely to confuse or deceive the public, and that the deception has caused or is likely to cause damage to plaintiff's goodwill.

[16] In **Williams t/a Jenifer Williams & Associates and Another v Life Line Southern Transvaal**, 1996 (3) SA 408 (A) at 418G-H **Corbett, CJ** succinctly propounded two general requirements for the success of a passing-off action.

"... (I)t is generally incumbent upon the plaintiff to establish, inter alia: firstly, that, the name, get-up or mark used by him has become distinctive of his goods or services, in the sense that the public associate the name, get-up or mark with the goods or services marketed by him (this is often referred to as the acquisition of reputation) and secondly, that the name, get-up or mark used by the defendant is such or is so used as to cause the public to be confused or deceived ... into thinking that (the defendant's) goods or service emanate from [the plaintiff] ... such conduct is treated by the law as being wrongful because it

results, or is calculated to result, in the improper filching of another's trade and/or an improper infringement of his goodwill and/or causing injury to that other's trade or reputation."

According to the *dictum* in **Williams** (*supra*) three interests can be identified which are protected by the passing-off action namely:

- (i) the distinctiveness of the plaintiff's name or mark;
- (ii) his trade reputation; and
- (iii) the goodwill of his business or concern

[17] In **Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd**, 1998 (3) SA 938 (SCA) at 947 **Harms, JA** endorsed the three requirements or "classical trinity" of reputation, misrepresentation and damage. However, our courts have generally accepted that it is not required to establish or prove the element of damage. In **Premier Trading Company (Pty) Ltd v Sporttopia (Pty) Ltd** 2000 (3) SA 259 (SCA) at 267D-F the SCA reviewed earlier decisions on passing off and concluded that the minimum requirements which a plaintiff must normally prove are twofold namely, the existence of a reputation and deception, or at least confusion, caused by the conduct of the defendant which would influence members of the public to purchase the goods. Consequently, in order to prove a passing-off in respect of the use of the trade name the applicant is required to prove:

- (i) That it has a right to the trade name and that this right has been infringed.
- (ii) That the respondent's conduct is likely or calculated to deceive the public.

[18] The proprietary right which is protected in an action for passing-off is the goodwill, which is associated with the name, mark or get-up of the plaintiff. The basis of the passing-off action is, in principle, that the plaintiff has built up a reputation and goodwill through the exclusive use of a particular trade mark or name. The common law therefore seeks to protect through the passing-off action, the goodwill that exists between the trader and his customers, which the trade name helps to sustain. It is well settled that the action of passing-off is aimed at protecting deceptive invasions of goodwill. The concept of goodwill has been described by **Innes, ACJ** (as he then was) in the case of **Receiver of Revenue (Cape) v Cavanagh**, 1912 AD 459 at 464 as follows:

*“... Any comprehensive definition of that expression is impossible. To quote from **Lindley on Partnership**, 7th ed. p476: ‘The term goodwill can hardly be said to have any precise signification. It is generally used to denote the benefit arising from connection and reputation, and its value is what can be got for the chance of being able to keep that reputation and improve it’. As has been frequently pointed out, its exact meaning may vary with the particular business with which it is in any given instance connected. It is generally compounded of two elements, personality and locality; but either of them may diminish to an extent which approaches, if it does not attain, vanishing point. The goodwill of a professional business depends largely upon personal connection, and much less upon locality; whereas the very converse may be the case in regard to the goodwill of a trading business.”*

[19] In the older English decision of **Commissioner of Inland Revenue v Muller and Co's Margarine Ltd**, [1901] AC 217 (HL) 223-224 goodwill is described as:

“It is the benefit and advantage of the good name, reputation and connection in a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has the power of attraction sufficient to bring customers home to the source from which it emanates”.

[20] In **Rosenbach & Co (Pty) Ltd v Dalmonte**, 1964 (2) SA 195 (N) the concept of goodwill also came under scrutiny and **Harcourt, J** arrived at the following conclusion at 210G:

“From the foregoing it clearly appears that certain factors are common to these descriptions and that three of them appear to be of considerable importance namely, the locality of the business, the personality of the person who conducts the business, and in a number of cases, the importance attached to a name.”

[21] In **A Becker & Co (Pty) Ltd v Becker**, 1981 (3) SA 406 (A) at 416H-417A the court made the following remarks about the concept of goodwill:

“Die werfkrag van 'n besigheid is as regsgoed die voorwerp van 'n immateriële goederereg. Uit 'n regsoogpunt is die begrip doelmatiger as 'goodwill' aangesien

dit die klem laat val op die totaliteit van eienskappe wat klante na 'n onderneming lok in teenstelling tot die gesindheid van klante teenoor die onderneming.”

In **Caterham Car Sales and Coachworks** (*supra*) at 947G it is described as follows:-

“Goodwill is the totality of attributes that lure or entice clients or potential clients to support a particular business ... The components of goodwill are many and diverse ... Well recognized are the locality and the personality of the driving force behind the business ... business licences ... (and) agreements such as restraints of trade ... These components are not necessarily all present in the goodwill of any particular business.”

[22] In **Anna Trego and William Smith v George Stratford Hunt** (1896) A.C. 7, H L at page 18 the following was stated in defining the term goodwill:

“...It is this which constitutes the difference between a business just started, which has no goodwill attached to it, and one which has acquired goodwill. The former trader has to seek out his customers ... The latter has a custom ready-made. He knows what members of the community are purchasers of the articles in which he deals, and are not attached by custom to any other establishment.”

[23] There is no all embracing definition of the term goodwill. Goodwill can exist independently of the entrepreneur or a business undertaking. Hence an undertaking may be sold without including its goodwill as part of the *merx*. The sale of a business without its goodwill allows the seller to set up a competing business in the vicinity of the

old business, and to transplant its goodwill to the new business and lose his former clients. The purchaser of the old business will then have to start afresh to develop the goodwill of his business. (See **A Becker & Co (Pty) Ltd v Becker**, (*supra*) at 417F-G.)

[24] What is the relationship between goodwill and the distinctive mark or trade names which an entrepreneur utilizes to distinguish his undertaking? *Van Heerden and Neethling* “**Unlawful Competition**” 2nd Edition at page 113 summarize the nature of the right to a distinctive mark as follows:

“Although distinctive marks can exist independently of the undertaking as well as of its goodwill, the intimate relation between goodwill and distinctive marks cannot be denied, nor the fact that unlike the independent components of the undertaking, distinctive marks have no autonomy outside the context of the undertaking and can only continue existing after the undertaking as economic unit has ceased to exist in cohesion with the goodwill. It is accordingly probably more correct to describe the distinctive mark as accessory property and the right thereto as an accessory right. However, the accessory nature of the right to the distinctive mark does not detract from the fact that it should be recognized beside the right to goodwill. There can be no doubt that the right to the distinctive mark as an immaterial property right: its object is an incorporeal creation of the human mind which can exist separately from the personality of its creator – it can be transferred (alienable) and does not cease to exist with the holder of the right.”

[25] The writers express the view that the primary function of a distinctive mark is to distinguish an entrepreneur's own product from similar products, hence the mark has distinguishing value. The mark can exist independently of the undertaking and does not necessarily lose its value when such business ceases to exist. The mark can exist independently of the goodwill of the business, since it could continue to have value long after the business has closed down. It can therefore be assumed that when an entrepreneur assigns a distinctive mark to a third party, by implication he also transfers the goodwill or part of it which he has created. The distinctive mark or name individualizes the undertaking and contributes towards attracting custom and therefore the creation of goodwill. The distinctive mark can become an important, if not the most important component in the formation and development of goodwill. With regard to the use of one's own name, **Didcott J**, in **Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd and Another**, 1984 (1) SA 734 (N) after a thorough review of English and South African authorities on the point, concluded at 765F-766A:

"My survey of the authorities brings me to the conclusion that the law recognizes no exception to the prohibition against passing off which can be invoked successfully in the present litigation, no exception which protects a man's use of his own name, when, had it not in truth been his, its exploitation by him would have amounted to a passing off that was actionable ... You may not call your business by any name which is likely to mislead the ordinary run of persons into the belief that it is or has connections with the business of somebody else. Such is the rule. It is subject to no qualification. It operates even where the name in question happens to be your own."

This decision was confirmed on appeal by **Corbett JA**, in **Brian Boswell Circus v Boswell Wilkie Circus**, 1985 (4) SA 466 (A).

[26] The term trade reputation of a business refers to the good name or *fama* of the undertaking. By good name or *fama* of a business is meant the esteem in which claimant's undertaking, products or services, as individualized by his name or marks, are held by the public (*Neethling*, "**The passing off action**" 2007 SALJ 459). Reputation is therefore the opinion which the public in general hold of a claimant. A claimant may therefore show that his customers associate the name with his undertaking, and for them the name has acquired a reputation in connection with his undertaking, in order to prove that the name has a distinguishing function. In **Brian Boswell Circus v Boswell-Wilkie Circus**, (*supra*) at 479B-E. **Corbett, JA**, stated that:

"The importance of the acquisition by plaintiff of a reputation in the trade name is twofold. Firstly, whether the general public will be confused or deceived into thinking, because of identity or similarity of names, that the business of the defendant is that of the plaintiff, or is connected therewith, must, as a matter of logic, depend on the extent to which that name is associated in the minds of members of the public with the business carried on by the plaintiff, i.e. the extent to which plaintiff has acquired a reputation in that trade name. Secondly, as the rationale of the wrong of passing off is the protection of the plaintiff's trade and goodwill, a valid cause of action would seem to postulate the existence of a goodwill, i.e. reputation, attaching to that trade name."

[27] The applicant must thus prove that it has established the right to use the trade

name and acquired a reputation insofar as the name is concerned. In addition to this the applicant must prove that the respondent's use of the name is calculated to deceive. There must be a representation by the defendant that his business or merchandise is similar to or connected with that of the plaintiff and consequently causes a likelihood (probability) of deception or confusion. (See **Media 24 Bpk v Ramsay, Son & Parker (Edms) Bpk** 2006 (5) SA 204 (C) at 213-214.) In **Miriam Glick Trading (Pty) Ltd v Clicks Stores (Transvaal) (Pty) Ltd and Others**, 1979 (2) SA 290 (T) at 295 A Eloff, J summarized the test of passing-off as follows:

"In such an enquiry the trade names must be considered from the visual, phonetic and ideological points of view. They must be considered not side by side, but as a member of the public would see them, one after the other, with a time lapse in between and having regard to the likelihood of imperfect recollection. In passing-off they must be considered not in abstracto but in the form and under the circumstances in which they are used. This involves having regard to all the surrounding circumstances such as the nature of the businesses in question and the goods to which they relate, the types of persons who constitute potential clients of such businesses and the conditions under which such businesses are conducted. The [criterion] is not that of a very careful or a very careless purchaser but an ordinary purchaser of the types comprising the potential clients."

In **Blue Lion Manufacturing (Pty) Ltd v National Brands Ltd** 2001 (3) SA 884 (SCA) at 887 C-D the ordinary purchaser of goods was described as follows:

“... When one is concerned with alleged passing off by imitation of get-up [or whatever the case may be] ... one postulates neither the very careful nor the very careless buyer, but an average purchaser, who has a general idea in his mind's eye of what he means to get but not the exact and accurate representation of it.”

Applicant must therefore show that the respondent's mark is similar to such an extent that the ordinary or average customer will be deceived or confused. (Also see: **Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd** 1984 (3) SA 623 (A) at 640I - 641E)

[28] It is common cause that the business was sold as a going concern and the trade names “Inclendon Cape” and “Inclendon Engineering Western Cape” formed part of the sale. Various factors are to be considered in determining whether a business had any goodwill at the time of the sale. (See **O’ Kennedy v Smit** 1948 (2) SA 63 (C) at 67)). The agreement of sale provides *inter alia* for the sale of the fixed assets of the business, including the stock, all existing contracts, the debtors of the business as well as the trade names. If all these facts are considered it seems to me that the only reasonable conclusion would be that the business was already well established, and hence it had developed some goodwill. It can therefore be assumed that by assigning the distinctive name to the applicant, by implication it also transferred the goodwill attached to it or part of it which it has created. I am therefore in agreement with the applicant that the contract of sale included the goodwill of the trade name “Inclendon Cape”. I am of the view that the seller disposed of the goodwill of the name “Inclendon Cape”.

[29] The purchaser of goodwill may not, even by means of a contractual restraint agreed to by the seller, eliminate competition. In the absence of a restraint clause a seller of a business is not precluded from competing with the business which he sold. However, the seller may not directly solicit its former customers as that would be tantamount to regaining without consideration or compensation the goodwill which it had disposed of. The seller is therefore debarred from soliciting former customers or to conduct his business under such a name and in such a manner as to deprive, unlawfully, the buyer of the goodwill he has paid for. (See: **Trego v Hunt** (*supra*) and **A Becker & Co Pty Ltd v Bekker** (*supra*)).

[30] It would be anomalous if a trader could sell his business and trade name, continue to compete with his former business under a different name and thereafter baptize his competing business with the same trade name (or derivative thereof). In fact, the baptism is contrary to the spirit of the agreement since it was anticipated that trading relations would continue between Incledon (Pty) Ltd and Incledon Cape which were to be facilitated through the Incledon Network.

[31] Respondent alleges that the name "Incledon" had a reputation in the territory prior to the sale, and that the goodwill was not sold in the agreement. Even if this proposition is correct, and I have erred in finding that the goodwill was in fact part of the sale, it remains common cause that the applicant conducted trade under the name and style of "Incledon Cape" for approximately five years as a sole Incledon trade outlet in the territory. Goodwill is established through use of the name or mark which is distinctive of the business. Passing off does not protect these names *per se*, but protects the goodwill of the business that uses them. It is that goodwill accumulation

through use that is being protected. The essence of goodwill is how well the business is known as a result of exposure of the trade name to the public. The trade name "Inclledon Cape" has become distinctive of applicant's goods. Applicant therefore need not show a goodwill or reputation in the trade name, but a goodwill or reputation attaching to the goods which is supplied by association with the identifying name. I am satisfied that the applicant, having capitalized on the Inclledon brand for more than five years within the territory, has established its own goodwill and reputation in relation to the business conducted under the name and style of "Inclledon Cape".

[32] The next issue to be determined is whether respondent's use of the name Inclledon within the territory is reasonably likely to confuse or deceive the public into believing that its business is that of the plaintiff or is connected thereto. The onus is on the applicant to prove that there is confusion or deception on a balance of probabilities. Applicant avers that its business is hugely successful and had a reputation as a reliable supplier of quality goods to its customers. Applicant has 933 customers on its books. It has acquired many customers based on the goodwill it acquired under the agreement as well as new customers acquired after the agreement. These are loyal and repeat customers who associate the trade name "Inclledon" with the business of applicant. According to applicant, respondent and DPI Phumela recognized the reputation and goodwill established by applicant in the name and mark of "Inclledon Cape" in the territory hence it did not trade under the name and style of "Inclledon" for five years within the territory. The contract provides that the parties would not trade to the detriment of each other. Applicant cited numerous examples of confusion which arose after the renaming of respondent:

- (a) Customers contacted applicant's business and asked for the telephone
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number of its Johannesburg branch.

- (b) A supplier contacted the applicant requesting to speak to respondent's employer.
- (c) Employees of respondent intimated to members of the public that they were part of Incledon Cape.
- (d) The Johannesburg office erroneously contacted applicant's office instead of respondent's business.
- (e) A customer telephonically enquired whether applicant was the same as Incledon DPI.
- (f) Applicant's business is contacted when in fact the intention was to contact respondent's business.
- (g) Applicant received a tax invoice which was meant for respondent, and a client made enquiries related to respondent's tax invoice number.
- (h) Applicant received queries for quotes directed to it and DPI Incledon.
- (i) A client indicated dissatisfaction with DPI Phumela and expressed concern with applicant that it merged with DPI Phumela.
- (j) Unwillingness of clients to do business with applicant due to its association with respondent.

[33] Applicant submits that the confusion has caused or is likely to cause the public to divert its business away from the applicant which can result in loss of its market share. The renaming of DPI Phumela as "DPI Incledon" may reasonably create the impression that it is connected to Incledon Cape. Applicant alleges that it has no control over the quality of respondent's products or service and may suffer harm if the businesses are confused with each other.

[34] On the other hand respondent avers that the examples of confusion are irrelevant and do not refer to the true customer base consisting of civil contractors, engineers, farmers and municipalities. According to respondent the alleged confusion are merely administrative problems which can be rectified. Respondent therefore denies that any confusion arose as a result of the name change.

[35] Respondent had knowledge that plaintiff was operating within the territory as the exclusive trading outlet using the name “Incledon” but alleges that it had a reputation within the territory at the time of the sale of the business and conducted business in the territory through its Johannesburg branch. If reliance is placed on a prior reputation within the territory it would have to be of such a degree and nature that no confusion would be likely. (See **Greaterman’s Stores (Rhodesia) Ltd v Marks and Spencer** 1963 (2) SA 58 (FC) at 69 and the cases there quoted.) If there is a likelihood of confusion following the renaming of DPI Phumela, the mere fact that Incledon (Pty) Ltd conducted limited trade under the mark within the territory via its Johannesburg branch is not decisive.

[36] The parties are engaged in the same field of business activity. Although this factor is not a prerequisite for success, the existence thereof enhances the likelihood of confusion or deception as far as the general public is concerned. (See **Capital Estate and General Agencies (Pty) Ltd & Others v Holiday Inns Inc & Others** 1977 (2) SA 916(A) at 929 E-H; **Boswell Wilkie, Brian Boswell Circus v Boswell-Wilkie Circus** (*supra*) at 479 A-B.) They are competitors and potentially have common customers.

[37] The name “Incledon Cape” is geographically descriptive. The position in regard

to geographical disputes, both in relation to goods and services appears to be that the courts consider the circumstances in a particular area, and the relevant rights established there. Hence the locality of a business is an important consideration in determining whether the plaintiff has potential clients and whether the alleged misrepresentation causes its business harm. (See **Union Steam Bakery (Pty) Ltd v Nichas** 1955 (1) SA 25 TPD; **GPS Restuarante BK v Cantina Tequila (Mexican Connection CC) and Others** [1997] 1 ALL SA 603 (T)). In this particular case the agreement provides that the parties will not trade to the detriment of the other party. Trading in the same territory thus has the potential to lure potential clients to respondent's business, to the detriment of applicant.

[38] Respondent sold Incledon Cape to the applicant five years ago. It remained a direct competitor of the applicant under the name "DPI Phumela" and was entitled to do so. By renaming this business the respondent now wants to trade under a similar style of the former business that was sold. In my view the conduct of respondent is calculated to attract former customers, to take advantage of its previous connections in the business and to divert trade which is rightfully intended for the applicant to DPI Phumela. This form of unlawful competition is precisely what the passing off action is meant to address. Respondent cannot reposition itself by using a similar name (or derivative) of the business it has previously sold. This is contrary to the principles enunciated in **A Becker & Co (Pty) Ltd v Bekker** (*supra*).

[39] Respondent undertook not to trade in conflict with the applicant. By using a similar name it is trading directly in conflict with the applicant. Considering the fact that the trading names were almost identical, that they engage in the same field of activity

and that they share a common client base I am satisfied that there is a reasonable likelihood that members of the public may be confused into believing that there is a business relationship or some trade connection between the goods and services of the parties. It is clear that the evidence establishes actual confusion. The applicant has shown that it has a reputation which is worthy of protection and that the respondent has wrongly conducted itself so as to cause confusion.

[40] In the result I am satisfied that the respondent is passing off its business as being that of the applicant, or being related to that of the applicant, in a manner that is misleading. All that remains to be decided is whether the applicant's goodwill extends to areas outside the Western Cape. The right which is capable of protection must be in the area in which the applicant seeks to prevent another from using a similar name. In this regard see **Caterham Car Sales & Coach Works Ltd v Birkin Cars** (*supra*) at paragraph 20 where the following is stated:

"... as far as the location of reputation is concerned, it must subsist where the misrepresentation complained of causes actual or potential damage to the drawing power of the plaintiff's business."

[41] The applicant is based in Cape Town. All the examples of actual confusion have taken place in Cape Town. The applicant itself states that its good reputation is associated with the trade name "Incledon Cape" in the territory. I am not persuaded that the applicant has discharged the onus of proving that its reputation extends beyond the geographical area of the Western Cape. I am accordingly satisfied that Incledon Cape has shown to have the necessary proprietary interest, trade reputation and goodwill in the Western Cape in respect of the trading style "Incledon" or "Incledon

Cape". I am also satisfied that no reasonable alternative remedy is available to the applicant. In my view, therefore, the applicant has succeeded in satisfying all the requirements of a permanent interdict.

In the result the following order is made:

1. The respondent is interdicted from operating a business in the Western Cape Province under the name and style of "*Inclledon DPI*", "*Inclledon*" or "*Inclledon Cape*" or any derivative thereof.
2. The respondent is directed to notify its customers in the territory by using its normal communication channels, that it no longer trades under the name and style of "*Inclledon DPI*" or any derivative thereof in the Western Cape Province.
3. Respondent is ordered to pay the costs of the application.


P L GOLIATH