

Study unit 11

Remedies

Overview

In this study unit, you will find out what remedies are available when infringement of a registered trade mark has been proved. The existence of remedies which can act as deterrents to potential infringers, and can recompense the owner of a trade mark for past infringement, is essential for the promotion of trade mark rights, as without effective relief, registration is meaningless. We will set out the minimum relief required by the TRIPs agreement, and then explain the statutory relief available in South Africa. Where this differs from equivalent relief in England, this will be indicated.

Learning outcomes

After completion of this study unit, you should be able to -

- ☐ set out the minimum TRIPs requirements for relief
- ☐ discuss the remedies available in South African law
- ☐ understand any differences between the position in South Africa and England.

Discussion

International requirements

The TRIPs agreement is the first international agreement that sets minimum enforcement procedures when infringement has been proved. Previous agreements either did not mention enforcement procedures, or left the determination of available procedures to national legislation by the member countries.

The TRIPS agreement provides, as general obligation, that members must provide 'enforcement procedures ... so as to permit effective action against any act of infringement ... including expeditious remedies to prevent infringements and

remedies which constitute a deterrent to further infringements ...' (Article 41).

It then deals with specific remedies, including injunctions (interdicts), damages, and delivery up disposal of infringing material (articles 44 - 46).

National legislation

Earlier English and South African legislation did not set out in any detail what relief was available once infringement has been proved. However, to comply with TRIPs, both jurisdictions now detail what relief is available.

We will discuss the South African position in this chapter, but, when relevant, indicate differences between this position and that in England. These differences are relevant because South Africa and England have different common-law backgrounds. This is not a problem when substantive trade mark law is discussed, because these rights are described in legislation. But the question of remedies is not as simple, either because the same terminology has a slightly different meaning in the different jurisdictions, or because the South African legislature has incorporated English remedies into South African legislation, without explaining what is meant by these terms. When courts then analyse these terms in accordance with South African common law, it is either held that they are not available in South Africa, or that they are forms of procedural relief.

The UK Act of 1994 provides that 'all such relief by way of damages, injunctions, accounts or otherwise is available as is available in respect of the infringement of any other property right (section 14(2)). It then proceeds to make provision for orders for delivery up and erasure (sections 15, 16).

The South African Act of 1993 also contains specific provisions relating to the relief that may be granted in the event of infringement. Section 34(3) provides for the following relief:

- ☐ an interdict (injunction)
an order for the removal of the infringing mark from all material and, where the infringing mark is inseparable or incapable of being removed from the material, an order that all such material be delivered up to the proprietor
- ☐ damages
- ☐ in lieu of damages, at the option of the plaintiff, a

- ☐ reasonable royalty which would have been payable by a licensee for the use of the trade mark concerned
- ☐ enquiries as to damages

With the exception of enquiries and reasonable royalties, these remedies are the same remedies as are available in common law in respect of the commission of any other delict (tort) including any unlawful competitive act.

Interdicts (injunctions)

An interdict is a judicial order compelling someone to refrain from an unlawful act (prohibitory) or, more rarely, to do something (mandatory).

Interdicts can be either final or interim (pendente lite).

From the requirements for the granting of an interdict, it would appear that fault, in the form of intent or negligence, is not a prerequisite.

Interim interdicts

An interim interdict preserves or restores the status quo pending the final determination of the rights of the parties. It does not affect the final determination of these rights.

The following requirements must be satisfied before an interim interdict can be granted (*LF Boshoff Investments (Pty) Ltd v Cape Town Municipality* 1969 (2) SA 256 (C); *Multi Tube Systems v Ponting* 1984 (3) SA 182 (D):

- ☐ The applicant's right must be clear, or, if not clear, prima facie established, though open to some doubt.
- ☐ If the right is only prima facie established, there must be a well-grounded apprehension of irreparable harm to the applicant if the interim relief is not granted and he succeeds ultimately in establishing his right.
- ☐ The balance of convenience should favour the granting of an interim interdict.
- ☐ The applicant should have no other satisfactory remedy.

Even when these requirements have been satisfied, the court retains a general discretion to be exercised when it decides whether to grant or refuse a temporary interdict. In *Beecham Group Ltd v B-M Group (Pty) Ltd* 1977 (1) SA 50 (T) at 54E-F Franklin J stated that questions relating to the applicant's prospects of success in the action and to whether he would

be adequately compensated by an award of damages at the trial are merely factors to be taken into account in the exercise of this discretion. These factors should not be considered in isolation, but together with factors such as the balance of convenience, the preservation of the status quo, the relative strength of each party's case, the so-called uncompensable disadvantages to each party, and the respective prejudice that would be suffered by each party as a result of the grant or refusal of the interdict. The latter boils down to the following question: Who will probably suffer the greater damage - the plaintiff, if the interdict is refused and the action finally succeeds, or the defendant, if the interdict is granted and the action ultimately fails?

An interim interdict is obtained by means of an application to the High Court.

Note that in England, in the light of the decision in *American Cyanamid Co v Ethicon Ltd* [1975] RPC 513, the balance of convenience, not the merits of the issue, is the primary consideration when deciding whether to grant or refuse interim relief.

Final interdicts

A final interdict is based on a final determination of the rights of the parties.

Before a final interdict can be granted the following three requirements must be satisfied -

- ☐ The applicant should have a clear right.
- ☐ There must be an injury actually committed or reasonably apprehended.
- ☐ There must be no adequate protection by any other ordinary remedy.

The usual way to obtain a final interdict is by way of action, when a full trial takes place, although it may also be obtained by way of application, provided there is no material factual dispute.

The requirements for the grant of a final injunction in England are substantially similar to those in South Africa, but, because of the equitable basis of the English injunction, the court there has a much greater discretion on whether to grant or refuse final relief than South African courts.

Thandi wants to stop Susan from using the name Crunchy Munchy as the name of her (Susan's) restaurant. There is a material dispute of fact as to whether this is in fact happening, but Thandi wants immediate action. She approaches you as her attorney (solicitor).

- ☐ Set out the steps that must be taken to get immediate relief and to get more permanent relief.
- ☐ What requirements must Thandi prove to get immediate relief?
- ☐ What requirements must she prove to get permanent relief?

Discussion

Order for removal of infringing mark or delivery up

Upon the final determination of the rights of the parties to an infringement action, the court may grant the successful plaintiff an interdict to restrain the defendant from infringing the plaintiff's trade mark or right to goodwill. However, the possibility exists that the defendant may have in his possession infringing articles that could be used to commit further acts of infringement.

To discourage the defendant from disregarding the interdict and committing further acts of infringement, the court may make an order for the removal of the infringing mark from the offending material and where the infringing mark is inseparable or incapable of being removed from the material, an order for the delivery up of the material to the plaintiff.

The purpose of this type of order has been said to enhance the efficacy of the interdict, since the infringer is deprived of the means to perform acts of infringement. Consequently, a claim for removal of the infringing mark or for delivery should be combined with a claim for an interdict. Viewed in this way, fault on the part of the infringer should not be a prerequisite.

It can, of course, also be argued that any offending material delivered up to the successful plaintiff may have some intrinsic value, so that he gains an advantage by the delivery up, which, in turn, relates to the damages that he should receive. The fact is, however, that the purpose and function of delivery up bears no relationship to the determination or award of damages. The infringing material which is delivered up does not become the property of the plaintiff. It is delivered up to the plaintiff for the purpose of its destruction in cases where the infringing mark is incapable of being removed. Since the purpose and function of a claim for delivery up bear no relation to the determination or award of damages, fault should thus not be a prerequisite for a claim for delivery up.

Some uncertainty exists concerning the basis and precise nature of a claim for removal or delivery up, but the correct view appears to be to regard such an order as a mandatory interdict which is granted together with a prohibitory interdict. The defendant is ordered to remove the infringing mark or deliver up the products of infringement thereby preventing further infringement as far as possible.

The statutory English equivalent of the South African order for delivery up is an erasure order (section 15) which provides for erasure or destruction by the defendant and, failing that, delivery up for destruction. This makes it clear that no pecuniary benefit is given to the plaintiff by such an order. By contrast, section 16 of the English Act provides for a wide form of delivery up, also available against third parties, where it is possible that delivery up could be of financial advantage to the plaintiff. Bear this in mind when studying the English Act - the traditional form of delivery up is now statutorily known as an erasure order.

Activity 11.2

Thandi knows that Susan has menus, invoices and other documents printed with the mark 'Crunchy Munchy'.

- ☐ What can she do to prevent Susan from using these materials?
- ☐ She also knows that Susan had a number of t-shirts printed with the trade mark 'Crunchy Munchy' for staff to wear in the restaurant. Can she obtain an order to

obtain these t-shirts and then use them to clothe her own staff?

Discussion

Damages

Infringement of a trade mark or the right to goodwill is a delict (tort), and the usual principles of delictual liability apply to an award of damages for such infringement.

Since infringement gives rise to delictual liability, fault in the form of intent or negligence on the part of the infringer must be proved before any claim for damages can succeed.

Damages have been said to be 'aimed at compensating the proprietor for his patrimonial loss, actual or prospective, sustained through the infringement' (*Omega Africa Plastics (Pty) Ltd v Swisstool Manufacturing Co (Pty) Ltd* 1978 (3) SA 465 (A) 471). Damages are notoriously difficult to prove in this type of case and the courts will estimate the damages suffered to the best of their ability on the probabilities (*International Tobacco Co SA Ltd v United Tobacco Co Ltd* 1955 (2) SA 1 (W); *Hushon SA (Pty) Ltd v Pitech (Pty) Ltd* [1997] 2 All SA 672 (SCA)).

The damages awarded may include loss of profits in respect of those infringing articles that the plaintiff could and would himself have made and sold but for the infringement. The burden of proof is on the plaintiff to prove damages, since there is no legal inference that infringing sales would have gone to the plaintiff (*Omega Africa Plastics (Pty) Ltd v Swisstool Manufacturing Co (Pty) Ltd* (*supra*) 472).

Where a registered trade mark is infringed, the proprietor may claim damages arising from any infringing acts performed after advertisement of the acceptance of the application for registration (s 34(3)(c)).

For the purpose of determining the amount of any damages to be awarded, the court may direct an enquiry to be held, and prescribe the procedures for conducting the enquiry (s 34(4)).

The position in England is substantially similar, although it is not clear whether fault remains a requirement for the grant of compensatory damages, in the light of the decision in *Gillette UK Ltd v Edenwest Ltd* [1994] RPC 279.

Activity 11.3

Thandi has suffered financial damage through Susan's infringement. However, she cannot say precisely how much money she has lost. Will this prevent her from instituting a claim for damages?

Susan did not know that Thandi used the name Crunchy Munchy and was the owner of a trade mark registration for this name. Can Thandi still obtain damages from Susan? Is the position the same in England?

Discussion

Reasonable royalty

Where a registered trade mark is infringed, the successful plaintiff may, in lieu of damages, claim a reasonable royalty which would have been payable by a licensee for use of the trade mark concerned. A reasonable royalty may be claimed in respect of any infringing act performed after advertisement of acceptance of the application for registration (s 34(3)(d)). The provision for payment of a reasonable royalty means that the plaintiff can now recover compensation even where no actual damage in the traditional sense has arisen or can be proved.

A claim for a reasonable royalty is closely linked to a claim for damages. Both have the same purpose and function namely the recovery of compensation. Viewed in this way, fault on the part of the infringer should be a prerequisite for a claim for a reasonable royalty.

The court may direct that an enquiry be held to determine the amount of the royalty to be awarded (s 34(4)).

The English position is similar to that detailed above.

Activity 11.4

In what circumstances would you, as Thandi's attorney, think

it advisable for Thandi to claim a reasonable royalty instead of actual damages?

Discussion

Anton Piller orders

The Anton Piller order (taking its name from *Anton Piller KG v Manufacturing Processes Ltd* [1976] ch 66) is a further legal remedy developed initially in England but now frequently used in South Africa, in particular in proceedings relating to intellectual property rights. The original Anton Piller order, in both England and South Africa, comprised an ex parte order in the form of a mandatory injunction coupled with an inspection order and an order for delivery or disclosure and is a remedy which is aimed particularly at acquiring or conserving information for purposes of a subsequent action on the ground of infringement. The information so acquired generally relates to the origin and extent of the infringement, the identity of infringers, the profits obtained as a result of the infringement, and the whereabouts of the infringing articles, materials or aids.

The great value of this remedy is that it is brought as an ex parte application without prior notice to the other party, so that the latter is caught unawares, before he has time to destroy or dispose of his infringing stock or incriminating papers. This traditional Anton Piller order usually comprises the following:

- ☐ an order to enter and search the premises of the defendant, and to attach documents and other material located, with the primary purpose of preserving this as evidence
- ☐ an order for the disclosure of the identity of suppliers and customers of the defendant, and of the origin of infringing articles
- ☐ an order for the delivery up of infringing articles as well as relevant documents

The remedy in this form (which is still the form in which granted in England) was granted in South Africa in several cases, in none of which its legal validity was questioned. However, in a subsequent series of decisions, the courts

strongly condemned this type of remedy, on the basis that the relief, other than the search for and attachment of property in the possession of the defendant, was not based on the principles of Roman-Dutch law.

The Appellate Division (now Supreme Court of Appeal) subsequently held that a more limited version of the Anton Piller order, for the search and attachment of documents and other material to which the plaintiff has no right but for the purpose of preserving it as evidence forms part of our law (*Shoba v Officer Commanding, Temporary Police Camp, Wagendrift: Maphanga v Officer Commanding, South African Police Murder and Robbery Unit, Pietermaritzburg* 1995 (4) SA 1 (A)).

This remedy may be brought as an ex parte application without prior notice to the respondent. To obtain such an order, the applicant must prima facie establish the following:

- ☐ that he has a cause of action on the ground of infringement against the respondent which he intends to pursue
- ☐ that the respondent has in his possession specific, and specified documents and other material which are of vital importance to his subsequent action
- ☐ that there is a real and well-founded apprehension that this evidence may be destroyed or disposed of before the subsequent action comes to trial or before the stage of discovery

The court has a discretion to grant the remedy. In exercising this discretion, the court will have regard inter alia to the following factors:

- ☐ the cogency of the applicant's prima facie case as set out in its application
- ☐ the potential harm that would be suffered by the respondent if the order is granted as compared to the potential harm that would be suffered by the applicant if the order is refused
- ☐ the terms of the order (these should not be more onerous than is necessary to protect the interests of the applicant)

It is noted, in both England and South Africa, that courts must ensure that this type of procedure is not abused (*Memory Institute SA CC t/a SA Memory Institute v Hansen* 2004 (2) SA 630 (SCA)).

Activity 11.5

Thandi wants to institute an action for damages against Susan. She knows that Susan has full documentation setting out the profits she made trading under the name Crunchy Munchy, and she has heard that Susan intends destroying these documents so that she need not disclose them during the court action.

Is there anything Thandi can do to prevent this?

Set out what she must prove to obtain such an order.