

CAPITAL ESTATE AND GENERAL AGENCIES (PTY) LTD AND OTHERS v HOLIDAY INNS INC AND OTHERS 1977 (2) SA 916 (A)

1977 (2) SA p916

Citation	1977 (2) SA 916 (A)
Court	Appellate Division
Judge	Holmes JA, Wessels JA, Rabie JA, Corbett JA and Galgut AJA
Heard	March 7, 1977
Judgment	March 29, 1977
Annotations	Link to Case Annotations

Flynote : Sleutelwoorde

Trade and trademark - Trade - Passing off - What constitutes - Passing off a business as that of another - Parties not carrying on their businesses in a common field of activity - Effect and relevance of.

Headnote : Kopnota

The wrong known as passing off consists in a representation by one person that his business (or merchandise, as the case may be) is that of another, or that it is associated with that of another, and, in order to determine whether a representation amounts to a passing off, one enquires whether there is a reasonable likelihood that members of the public may be confused into believing that the business of the one is, or is connected with, that of another. Whether there is a reasonable likelihood of such confusion arising is, of course, a question of fact which will have to be determined in the light of the circumstances of each case. If the evidence establishes that there is a reasonable likelihood of such confusion arising even if the parties concerned cannot be said to be carrying on their activities in a common

1977 (2) SA p917

field, it is difficult to see how the absence of such a common field can nevertheless constitute a ground for denying relief to an aggrieved party. The absence of a common field of activities is, of course, a factor which one has to take into account when considering the question whether someone's conduct is likely to lead to confusion of the kind mentioned, but the proper weight to be assigned thereto will depend on a consideration of all the relevant facts. The crucial question in every case is whether there is a reasonable likelihood of confusion, and, this being so, it cannot be suggested that the absence of a common field of activities will always be sufficient to bar a party from obtaining relief. The related question whether damage can arise in a case where businesses are not carried on in a common field, is likewise one of fact. Regard must be had to the facts of each particular case, and it cannot be accepted as axiomatic that damage cannot arise where there is no common field of activities.

The decision in the Witwatersrand Local Division in *Holiday Inns Inc. and Others v Capital Estate and General Agencies (Pty.) Ltd.*, confirmed.

Case Information

Appeal from a decision in the Witwatersrand Local Division (COLMAN, J.). The facts appear from the judgment of RABIE, J.A.

L. T. C. Harms (with him *C. E. Puckrin*), for the appellants: The only issue on appeal is whether the final interdict was properly granted. There is no cross appeal. See *Gentiruco A.G. v Firestone (S.A.) (Pty.) Ltd.*, 1972 (1) SA at p. 605. The requirements for a final interdict have been formulated in the case of *Setlogelo v Setlogelo*, 1914 AD at p. 227. An applicant must prove the following: (a) a clear right; (b) an injury actually committed or reasonably apprehended; and (c) the absence of similar protection by any other ordinary remedy. The respondents did not discharge their *onus* in respect of the first two requirements. The respondents obtained a final interdict in motion proceedings. There are a great number of factual disputes in this matter, and, insofar as it may be necessary to have regard to the disputed facts, the correct approach would be the approach set out in the matter of *The Drug Club and Others v Lysol Ltd.*, 1924 T.P.D. at p. 631. In our law, the best motive will not cure an otherwise illegal act and that the worst motive will not render an otherwise legal act illegal. *Tsose v Minister of Justice*, 1951 (3) SA at p. 17H. It follows from the *Setlogelo* case that, in order to obtain an interdict, it is not necessary to prove either *dolus* or negligence. If a person deliberately passes off his business as that of another, that fact can lend no more than colour to the view that the reason for his so doing was that he believed that his competitor had acquired a reputation with the public. In view of the fact that English law relating to injunctions is based upon the principles of equity, little regard can be had to it in this connection. *Yellow Cabs of South Africa Ltd. v Ginsberg*, 1930 W.L.D. at p. 210; *Chowles & Webster, South African Law of Trade Marks*, 2nd ed., p. 306. *Kenitex Africa Ltd. v Coverite Ltd.*, 1967 (3) SA at p. 309C - F; *adidas Sportschuhfabriken K.G. v Harry Walt & Co. (Pty.) Ltd.*, 1976 (1) SA at p. 540D. See, also, *Slenderella Systems Inc. v. Hawkins*, 1959 (1) SA at p. 521. As indicated above, the respondents have to prove a clear right on a balance of probabilities. The first question to be answered, is what the nature of the so-called right is. The nature of the right protected by a passing-off action, is a right to the goodwill which results from the business reputation acquired by a trader. *Policansky Bros. Ltd. v L. & H. Policansky*, 1935 AD at p. 97; *Dean's Man Shop (Pty.) Ltd. v Momberg*, 1975 (1) SA at p. 842R; *Geary & Son (Pty.) Ltd. v Gove*, 1964 (1) S.A.

1977 (2) SA p918

at p. 440H. The correlative of this right is the delict which consists of a representation by a defendant that his business, or his goods, or both are those of the plaintiff. The approach of the Court *a quo* was incorrect in that it approached the matter from the wrong end. The learned Judge merely asked whether the appellants had committed a wrong without determining whether the respondents had established a clear right. This approach tends to obscure the prime question, viz. what is the nature and extent of the applicants' right? Furthermore, the learned Judge erred in apparently holding that there is some sort of *onus* on a defendant to prove the absence of special reasons entitling it to carry on business in a particular way. It is not for the present appellants to prove a right to use the name; everyone is entitled to use it unless the respondents have obtained either by way of registration, or reputation, a distinctive monopoly in that name. *Post Newspapers (Pty.) Ltd. v World Printing & Publishing Co. Ltd.*, 1970 (1) SA at p. 459H. The respondents do not allege that they have a monopoly in the name "Holiday Inn" on the ground that they have a registered trade mark. The respondents are therefore not protected by the Trade Marks Act, 62 of 1962. The respondents have registered trademarks in script of the name "Holiday Inn" in other countries, which in fact is irrelevant in this matter. The respondents do however in this country, employ a prominent and distinctive get-up. It is not the case of the respondents that the appellants have in any way infringed this particular get-up. In fact, the get-up of the

appellants is clearly distinguishable from that of the respondents. Furthermore the respondents do not base their so-called monopoly in the name "Holiday Inn" on any provision of the Companies Act. See sec. 10 of the Companies Act, 46 of 1926; secs. 41 - 51 of the Companies Act, 61 of 1973. The only right the respondents can have in the name "Holiday Inn" is a right relating to a so-called "common law trade mark". In order to prove the existence of such a right, the respondents have to prove that the name "Holiday Inn" has acquired a goodwill or reputation indicative of their business. Where, however, the name is merely a general descriptive term which anyone is as much at liberty to use as the respondents, then in order to obtain an interdict it is necessary to prove that by *long use* it has acquired a *secondary meaning* and has come to *solely designate* the plaintiff's goods. See *Patlansky & Co. Ltd. v. Patlansky Bros.*, 114 T.P.D. at p. 491; *H.E. Randall Ltd. v E. Bradley & Son*, (1907) 24 R.P.C. at pp. 778 - 9; *Policansky Bros.*' case, *supra* at pp. 98 - 99. The respondents have not, in view of the disputes of fact on the papers, discharged the *onus* of proving the said secondary meaning. *Horseshoe Caterers (Greenpoint) (Pty.) Ltd. v Burnkloof Caterers (Pty.) Ltd.*, 1975 (2) SA at p. 195D. On the assumption that the respondents have proved the acquisition of a business reputation in the above-mentioned sense, the nature and extent of reputation is intimately bound to the type of business conducted by the respondents. On the evidence before the Court there is no reason to assume that any distinctive reputation extends beyond the scope of their particular business as presently conducted. The respondents' case is that the applicants infringe their right by the use of the name "Holiday Inn" in connection with a shopping centre which was, at the date of the application, in the process of construction. The question is accordingly whether the

1977 (2) SA p919

reputation of the respondents extends to this activity of the applicants. If the reputation of the respondents is limited to a certain field of activity, the respondents' right is similarly limited. The respondents have accordingly not discharged their *onus* of proof in that they have not established that they have any right to a reputation in the field in which the appellants wish to employ the use of the word "Holiday Inn". *Track & Car Co. Ltd. v Kar-N-Truck Auctions*, 1954 (4) SA at p. 559F. The respondents justify their application on the basis that diversification of interests by large corporations is an extremely prevalent and ever increasing phenomenon of modern commercial life of which the public are fully aware. The respondents allege that their present activities are of such a nature that trading in real estate on estates other than those presently occupied by them would be regarded and accepted by the public as a logical extension of such activities. This is beside the point. The respondents are not entitled to the notional use of a so-called "common law trade mark". The question is whether the respondents have a reputation and a right thereto. The respondents have established an undisputed reputation in the hotel business. There is no allegation that the companies in which second respondent has an interest have a reputation as property-owning companies and, furthermore, the respondents are not entitled as shareholders to protect the goodwill of those companies. Those companies are not parties before this Court. *Macaura v Northern Assurance Co. Ltd.*, 1925 A.C. at pp. 626 - 7. The Court *a quo* erred in holding that the shops in the hotels traded under the trading style "Holiday Inn".

The next question to debate is whether the acts of the appellants amounted to or could have amounted to an infringement of the rights of the respondents. The so-called "wrongful act" of the appellants, relied upon by the respondents, is the construction of a shopping centre under the name "Holiday Inn Shopping Centre", and the erection of advertising signs in connection therewith. The question then is whether this amounts to a representation that the business of the appellants is the business of the respondents. *Dun & Bradstreet (Pty.) Ltd. v S.A. Merchants Combined Credit Bureau (Cape) (Pty.)*

Lta., 1968 (1) SA at p. 216; *Patlansky & Co. v Patlansky Bros.*, 1914 T.P.D. at p. 491. In view of the limited reputation of the respondents, the question above has to be answered in the negative. The test, in order to determine whether there is a real likelihood of deception, set out in *Pianotist Co. Ltd. Application*, (1906) 23 R.P.C. at p. 777, is apposite. There is, furthermore, an inherent difference between an hotel complex and a shopping centre. On the evidence the respondents have not discharged the *onus* of proving that there is a reasonable and not merely remote possibility of confusion. *Bristol Laboratories v Ciba Ltd.*, 1960 (1) SA at p. 872. Cf. *The Eastman Photographic Materials Co. Ltd. and Another v The John Griffiths Cycle Corp.*, (1898) 15 R.P.C. 105; *Rolls Razor Ltd. v Rolls (Lighters) Ltd.*, (1949) 66 R.P.C. 137; *Derek McCulloch v Lewis A. May (Produce Distributors) Ltd.*, (1948) 65 R.P.C. 58. Furthermore, the confusion must cause injury to the business reputation of the respondents before passing off can be established. See, generally, Venkateswaran, *Law of Trade and Merchandise Marks*; Joubert, *Law of South Africa*, (Butterworths) vol. 2; Van Heerden, *Grondslae van die Mededingingsreg*.

1977 (2) SA p920

R. S. Welsh, Q.C. (with him *M. D. Kuper*), for the respondents: The Court below correctly accepted "the principle that no man is entitled to carry on his business in such a way, or by such a name, as to lead to the belief that he is carrying on the business of another person, or that his business is connected with the business of another person" and that "the other person who is aggrieved by such conduct has a right (in the absence of special reasons to the contrary) to an interdict restraining such misleading conduct". *S.A. Metal and Machinery Company (Pty.) Ltd. v Metal Salvage Company (Pty.) Ltd.*, 1952 (4) SA at pp. 307 - 38; *Deans Man Shop (Pty.) Ltd. v Momberg*, 1975 (1) SA at p. 842; *The Clock Ltd. v The Clock House Hotel Ltd.*, (1936) 53 R.P.C. at p. 275; *Henderson v Radio Corporation (Pty.) Ltd.*, 1969 R.P.C. at p. 231. The Court below correctly held that each of the respondents had been shown to have the necessary proprietary interest, trade reputation and goodwill in this country in respect of the trading style "Holiday Inn", which it was entitled to protect against any detriment which might arise through the improper use, by the appellants, of that trading style. The Court below was correct in holding, that the conduct of the second appellant was "calculated and likely to lead members of the public to believe that the business of the second (appellant) is (or is connected with) that of the first (respondent), and also that it is connected with the business of the second and third (respondents)", and thus "satisfies the test for a passing off". The Court below correctly held that the question was whether or not the activities of the third and fourth appellants, and the related activities of the first and second appellants, in connection with the "Holiday Inn Shopping Centre" and the "Holiday Inn" duplex chalet residential complex, were likely to have the misleading effect which is a

necessary element in a passing off action; and correctly rejected the appellants' contention that the nature of those projects was so different from that of the activities conducted by the respondents that no one is likely to be misled by the appellants' use of the name "Holiday Inn". In so far as it may have been necessary for the respondents to show a "common field of activity" between themselves and the appellants, that was established. The respondents let residential accommodation, let shop premises and operate shops. The first appellant has advertised shops to let in the third respondent's "Holiday Inn Shopping Centre". The Court below correctly held that "the concept of a 'common field of activity' which was adopted as a criterion in some of the passing off cases is an unhelpful one" and that "the true question... " is "whether, in all the circumstances, members of the public are likely to be misled into one of the erroneous beliefs which I have mentioned". Chowles and Webster, *South African Law, of Trade*

Marks, 2nd ed., pp. 310 - 311 ; Halsbury, *Laws of England*, 3rd ed., vol. 38, para. 1009, pp. 607 - 608; *Treasure Cot Co. Ltd. v Hamley Brothers Ltd.*, (1950) 67 R.P.C. at p. 92, lines 44 - 50; *Henderson v Radio Corporation (Pty.) Ltd.*, 1969 R.P.C. at pp. 233, 234, 242; *Totalizator Agency, Board v Turf News (Pty.) Ltd.*, Supreme Court of Victoria, *Official Journal of Patents, Trade Marks and Designs*, vol. 39, No. 27, at p. 217; *Annabel's (Berkeley Square) Ltd. v G. Schock (trading as Annabel's Escort Agency)*, 1972 R.P.C. at pp. 844 - 846; *L.R.C. International Ltd. v Lilla Edets Sales Company Ltd.*, 1973 R.P.C. at p. 563; *Computervision*

1977 (2) SA p921

Corporation v Computer Vision Ltd., 1975 R.P.C. at p. 173. The Court below correctly found that "the necessary likelihood of deception has been established". The Court below correctly held that "the potential prejudice to the applicant is manifest, and needs no discussion". Cf. *Oude Meester Groep Bpk. and Another v. S.A. Breweries Ltd.*, 1973 (4) SA at p. 153A - F. In the Court below reliance was placed on behalf of the appellants upon the fact that the second appellant was operating under its

own name, registered under the Companies Act, and the fact that the second appellant had become so registered and had started its activities before any of the respondents had carried on any business in this country. The Court below correctly held that "Its name alone does not justify the second (appellant) in doing what it has done, or entitle it to continue in its course of conduct", and that "it cannot be said that the second (appellant) has acquired either a concurrent or an exclusive right to use the name 'Holiday Inn' as it has been doing". The mere fact that the second appellant was registered in terms of the Companies Act under a name which included the words "Holiday Inn" does not entitle the second appellant to use those words in a manner which is calculated to lead to confusion or to represent that its business is the business of the respondents or connected therewith; or to license others to use those words in like manner in relation to their businesses. Halsbury, *Laws of England*, 3rd ed., vol. 38, para. 996, pp. 595 - 596; para. 1021, pp. 619-620; Buckley on *The Companies Acts*) 3th ed., p. 47; *Charmfit of Hollywood Inc. v Registrar of Companies*, 1964 (2) SA at p. 764A - B; *The North Cheshire and Manchester Brewery Co. Ltd. v The Manchester Brewery Co. Ltd.*, 1899 A.C. 83; *Policansky Brothers Ltd. v L. & H. Policansky*, 1935 AD at pp. 102 - 103. As the Court below pointed out, even if it is true to say that the Courts might, generally, be disinclined to prevent companies from trading under their own names, chosen and devised in good faith, and lawfully registered under the Companies Act, there would be no such disinclination in relation to a company which had knowingly adopted the name of a well known foreign corporation, and was trading or proposing to trade in such manner that members of the public might gain the mistaken impression that it was that foreign corporation, or was in some way connected with it.

In regard to costs, the Court below ordered that "the costs of the application (taxed on the footing that the employment of two counsel on behalf of the applicants is justified) are to be paid by the respondents, jointly and severally". This Court should make a similar order against the appellants in respect of the costs of the appeal, since the appellants have made common cause with one another throughout. *Davies v Gordonia Liquor Licensing Board*, 1958 (3) SA at p. 457; *Consolidated Diamond Mines of South-West Africa Ltd. v Administrator, South-West Africa*, 1958 (4) SA at p. 635; *Broadway Pen Corporation v Wechsler & Co. (Pty.) Ltd.*, 1963 (4) SA at pp. 450 - 451 ; *Yassen and Others v Yassen and Others*, 1965 (1) SA at p. 444; *Shalom Investments (Pty.) Ltd. and Others v Dan River Mills Inc.*, 1971 (1) SA at pp. 708 *in fin* - 709; *Russell, N.O. and Loveday, N.C. v Collins Submarine Pipelines Africa (Pty.) Ltd.*, 1975 (1) SA at p. 159; *A.A. Mutual Insurance Association Ltd. v Biddulph and Another*, 1976

RABIE JA

Harms, in reply.

Cur. adv. vult.

Postea (March 29).

Judgment

RABIE, J.A.: This is an appeal, brought direct to this Court in terms of sec. 20 (3) of the Supreme Court Act, 59 of 1959, against the judgment of COLMAN, J., sitting in the Witwatersrand Local Division, in which he granted a final order interdicting each of the four appellants (respondents in the Court *a quo*) from using the words "Holiday Inn" in the course of, or in relation to its business, or to any business with which it is concerned or connected, in such manner, form or context as is likely to lead members of the public to believe that such business is, or is connected with, the business of the respondents or of any one of them. The Court *a quo* also made certain ancillary orders, but it is not necessary to set out the terms thereof.

The first respondent (the first applicant in the Court below) was incorporated in the United States of America in 1952. The second and third respondents (the second and third applicants, respectively, in the Court below) are South African companies.

There is no dispute in the affidavits as to the nature of the business and the activities of the respondents. The first respondent, its subsidiaries and franchisees operate hotels under the style of Holiday Inns in many countries of the world; they are said to be "the largest hotel group in the world", and "the second biggest hotel group in South Africa". In January 1970 the Holiday Inn group of companies, headed by the first respondent, was operating 1 668 Holiday Inns in the world, while a further 78 were then under construction. The second and the third respondents are members of the aforesaid group of companies. They operate hotels, styled Holiday Inns, in South Africa and in certain adjacent countries in terms of franchise agreements concluded with the first respondent. The first Holiday Inn in South Africa was opened in June 1970, and two others were opened later in the same year. The Holiday Inn at Jan Smuts Airport, which is said to be the best known of the Holiday Inns in South Africa, was opened early in 1971. By April 1975, when the respondents launched the proceedings which resulted in the aforesaid interdict being granted against the appellants, there were 12 Holiday Inns in South Africa, and the expected turnover for the year 1975 was in excess of R12 000 000.

The Holiday Inns have been extensively promoted in South Africa, and large sums are spent on advertising every year. The sum of R437 000 was set aside for advertising purposes during the year ended June 1975.

The second respondent also controls Holiday Inns in Rhodesia, Botswana, Lesotho and Swaziland. These hotels, six in all, are said to be (and it is not disputed) "well known to thousands of South African residents".

The respondents' main business is the provision of hotel accommodation, but they also undertake certain other activities on their hotel premises, viz. the operation of restaurants, and, in the case of some of the hotels, the operation and/or letting of

shops. More will be said about this

RABIE JA

later in the judgment.

During November 1974 it came to the notice of the respondents that a shopping centre called "Holiday Inn Shopping Centre" was being constructed at Bonaero Park, Kempton Park, and that the first appellant was offering to let shops therein. On one of the signs erected at the site appeared the name "Holiday Inn of Southern Africa Group (Pty.) Ltd". The respondent's, contending that the name "Holiday Inn" was distinctive of their hotels and that the use thereof in connection with the shopping centre constituted an infringement of their rights, called upon the first appellant to desist from using the name in connection with the shopping centre or any business related to it. The demand was rejected in a letter signed by Mr. Philip Voutsas. He is a director of all four of the appellants and is the leading spirit in all their affairs. Voutsas stated in the letter that the first appellant was authorised to

"use the name 'Holiday Inn' in their agency for conducting their business";

that the second appellant (whose real name is "Holiday Inn of Southern Africa (Pty.) Ltd." and not "Holiday Inn of Southern Africa Group (Pty.) Ltd.", as shown on the signboard referred to above) and its "associates" were registered "prior to the respondents commencing business in South Africa", and that no rights of the respondents were being infringed. On receiving this reply, the respondents proceeded on notice of motion against the first and second appellants, claiming an order restraining them from passing off the business of the one or the other or both of them as being that of the respondents by using the words "Holiday Inn" in connection therewith. The first and second appellants filed a joint answering affidavit, deposed to by the aforesaid Voutsas, in which it was said, *inter alia*, (a) that the "Holiday Inn Shopping Centre" in Bonaero Park was being erected by Bonaero Park Galleries (Pty.) Ltd., which company had an agreement with the second appellant "entitling it to use the name of 'Holiday Inn'"; (b) that the second appellant had an agreement with a company known as Trever Investments (Pty.) Ltd. in terms of which this company was entitled to use the name "Holiday Inn" in connection with the development on erf 1086, Bonaero Park Extension 2, of a project which would consist of 44 "duplex chalets with swimming pools and playing fields" and which would probably cost about R1 150 000; and (c) that the second appellant had in the past endeavoured (without success), and that it was still endeavouring, to "negotiate franchise agreements" with the owners of hotels and motels in various parts of South Africa. The second appellant, it may be said at this point, was incorporated in 1965. As to its name, Voutsas says in one of his affidavits that he first saw the name "Holiday Inn" on a roadhouse in Springs in about 1964 and that it seemed to him to be a good name for a motel. Some time thereafter, he says, he saw the name "Holiday Inn" in an American magazine, and in 1965, when he was in the United States, he again came upon the name. He approached the first appellant and asked whether it would grant him a franchise for South Africa. His request was not granted. Thereafter, on his return to South Africa, he caused the second appellant to be registered under the name it bears, i.e., Holiday Inn of Southern Africa (Pty.) Ltd. Its main registered objects are

"to establish, control and manage motels and hotels anywhere in the Republic of

RABIE JA

South Africa... "

and

"to negotiate franchise or other agreements with other parties on such terms as the directors in their discretion may from time to time decide for the use of the company's name and goodwill or for any other purpose for the benefit of the company".

By 1975, when the respondents commenced proceedings against the appellants, the second appellant had not yet conducted any business in connection with hotels or motels.

As a result of the disclosures mentioned in (a), (b) and (c) above, the respondents informed Bonaero Park Galleries (Pty.) Ltd. and Trever Investments (Pty.) Ltd. that they intended applying for their joinder as respondents in the motion proceedings. The two companies consented to being joined and they became third and fourth respondents, respectively, on the papers. After their joinder the third and fourth respondents filed a joint answering affidavit, deposed to by Voutsas, in which the allegations and submissions appearing in the present respondents' founding and replying affidavits were dealt with at great length. It appears from the affidavit and one of the annexures thereto, viz., a copy of a draft franchise agreement, that the second appellant - although it has never conducted any hotel or motel business - has appointed a company known as Higba (Pty.) Ltd., which trades under the style "Holiday Inn Group Buying Association", as the "sole distributor of the franchise name known as 'Holiday Inn of Southern Africa'", and that it has authorised this company to grant to a franchisees, for reward, the right to use the name "Holiday Inn of Southern Africa", or to describe his hotel or motel as one "recommended by Holiday Inn of Southern Africa (Pty.) Ltd." At a later stage of the proceedings in the Court below Voutsas made a further affidavit on behalf of all four of the appellants. It is not necessary to refer to the contents thereof.

I have set out at some length the circumstances in which the appellants' activities relating to the duplex chalet project and the attempted negotiation of franchise agreements came to be raised in the affidavits because of an argument which was addressed to us by appellants' counsel. The argument is that, when the proceedings commenced, the respondents' only complaint related to the appellants' conduct in connection with the shopping centre, and that it did not at any time thereafter become part of the respondents' case that the appellants' activities relating to the duplex chalet project and the attempted negotiation of franchise agreements also constituted a passing-off of their businesses as being, or as being connected with, those of the respondents. Consequently, it is argued, the respondents are not entitled to rely on what is said in the affidavits concerning the duplex chalet project and the proposed franchise agreements, and are not entitled to claim an interdict in terms so wide as to be of application to these activities. In my view the argument has no substance. It is true, of course, that in the respondents' founding affidavit mention is made only of the first and second appellants' activities relating to the shopping centre, but this was the only conduct on the part of the appellants of which the respondents were aware at the time, and it was never suggested in any of the appellants' affidavits that the respondents knew, or ought to have known, when they commenced proceedings, of their activities relating to the duplex chalet project or the attempted negotiation of franchise

RABIE JA

agreements. The respondents became aware of these activities only when they were disclosed by Voutsas in the first and second appellants' answering affidavit. The third and fourth appellants were, with their consent, joined in the proceedings after those disclosures had been made, and the respondents' notice of motion was thereupon formally amended so as to indicate that the relief originally claimed against the first and second appellants was now being claimed against all four of the appellants. Voutsas, no doubt realising that the respondents were relying on information disclosed by him in the first and second appellants' answering affidavit, filed an answering affidavit on behalf of the third and fourth appellants in which he dealt fully with the respondents' complaints against the conduct of all four of the appellants. In the course of this answering affidavit Voutsas gave details of his efforts to negotiate franchise agreements, and, with reference to the duplex chalet project, he stated that the second appellant did "nothing improper" in "conferring the right to the use of the name 'Holiday Inn'" on the fourth appellant. It is clear in all these circumstances that the respondents' case in the Court *a quo* was not limited to the initial complaint raised in their founding affidavit, viz., the use of the name "Holiday Inn" in connection with the shopping centre, but that it was, on the basis of information disclosed by the appellants themselves, extended in such a way as to relate also to the appellants' conduct with regard to the duplex chalet project and the attempted negotiation of franchise agreements. It is also clear, in my view, that the appellants knew that the respondents' case against them was not limited to the complaint initially made in the founding affidavit. The joinder of the fourth appellant (which is connected with the duplex chalet project) should, by itself, have been sufficient to inform them of the fact. Furthermore, the affidavits show that their defence to the relief claimed by the respondents was not limited to the issue of the shopping centre: it appears, e.g., that the second appellant contended that it was entitled to permit the fourth appellant to use the name "Holiday Inn" in connection with the duplex chalet project, and, also, to confer on the owners of hotels and motels the right to use that name in connection with their businesses. In all these circumstances there is no reason why the respondents should not be entitled to rely on all the information disclosed in the appellants' affidavits.

I turn now to the appellants' contention that the Court *a quo* *erred in granting the aforesaid interdict against them. Relying on the statement in Setlogelo v Setlogelo*, 1914 AD 221 at p. 227, that the requisites for an interdict are

"a clear right, injury actually committed or reasonably apprehended, and the absence of similar protection by any other ordinary remedy",

counsel for the appellants contended that respondents failed to prove "a clear right" and an "injury actually committed or reasonably apprehended". With regard to the issue of "a clear right", it is common cause between the parties that the respondents, not having any registered right in the name "Holiday Inn", rely on a so-called common law trade mark, and that, in order to establish such a mark, they have to show that the name "Holiday Inn" has acquired such a reputation in relation to their businesses that it may be said to have become distinctive thereof. The

1977 (2) SA p926

RABIE JA

appellants' main argument is that, because of factual disputes on the papers, the respondents have not succeeded in proving that the name "Holiday Inn" is distinctive of their businesses. Counsel argued, in this connection, (i) that the words "Holiday Inn"

are merely descriptive, and that it has not been shown that they have acquired a secondary meaning capable of distinguishing the respondents' hotels; and (ii) that the name "Holiday Inn" cannot be said to be distinctive of the respondents' businesses because a roadhouse at Springs (mentioned above) has for many years traded under the name "Holiday Inn".

The appellants' alternative argument is that, even if the respondents have shown that they have acquired a reputation in the name "Holiday Inn", that reputation is limited to their operation of hotels and motels, and that it does not extend to any other kind of business carried on by them. Consequently, it is said, the respondents are possessed of no right which entitles them to restrain the appellants' use of the name "Holiday Inn". Counsel's argument was directed to the question of the shopping centre, his contention being, as I stated above, that the respondents' case is limited to that issue. His alternative argument can, logically, apply to the appellants' use of the name "Holiday Inn" in connection with the duplex chalet project, but it cannot apply to the second appellant's efforts (through Higba (Pty.) Ltd.) to negotiate franchise

agreements which would confer on others the right to use the name "Holiday Inn" in connection with hotels and motels.

Before I proceed to discuss the appellants' aforesaid contentions, I should, I think say that the appellants raised a defence in the Court below which was not advanced before us. The defence was, in essence, that the second appellant was incorporated before any of the respondents began trading in South Africa; that it operated under its registered name and that its use of the name "Holiday Inn" in connection with its operations could, therefore, not be said to constitute an infringement of any rights possessed by the respondents. COLMAN, J., rejected the defence, holding that there was no evidence that the second appellant

"concluded any contracts or did anything else whereby it could have acquired a trade reputation or goodwill",

and that it could not, therefore, be said that it had acquired

"either a concurrent or an exclusive right to use the name 'Holiday Inn'".

I now turn to a discussion of the appellants' main argument, as mentioned above. I have already summarised what is said in the respondents' founding affidavit with regard to the nature and extent of their operations in South Africa. As to their use of the name "Holiday Inn" and the rights which they claim to have acquired with regard thereto in South Africa, the following is said in para. 15 of the founding affidavit, deposed to by Mr. E. A. W. Horn, a deputy managing director of the second respondent:

"As a result of the aforesaid activities of the first applicant the words 'Holiday Inn' enjoy and have enjoyed for many years and in particular prior to 1965 a substantial and extensive international reputation as indicative of the business of the first applicant. Furthermore, as a result of the aforesaid trading activities of the applicants in the Republic of South Africa since 1970, all of which have been carried on under the trade mark 'Holiday Inn' and the corporate titles of the applicants of which the dominant features are the words 'Holiday Inn', the reputation of the words 'Holiday Inn' in the Republic of South Africa as indicative of the business carried on by the applicants has been so enhanced as to be well known to most of the adult population of this

country".

The averments made in this paragraph are not denied in any of the appellants' affidavits. All that is said in the first and second appellants' answering affidavit is that

"the reputation enjoyed is in regard to the business of hotel accommodation and that such trading activities as are carried on are subservient and incidental in relation to the main activities of hotel accommodation".

(The reference to "trading activities" is, it would seem, a reference to the respondents' operation and/or letting of shops.) The third and fourth appellants' answering affidavit is to the same effect. It is said therein that the words "Holiday Inn" or "Holiday Inns" are "associated" with the respondents' hotel and motel businesses only in para. 26 of the respondents' founding affidavit it is said, *inter alia*, that the site of the proposed shopping centre is in the vicinity of the respondents' best known hotel, viz., the one at Jan Smuts Airport, and that it is, therefore, situated in an area where

"the words 'Holiday Inn' are particularly well known as indicative of the business of the applicants".

This statement is not denied by any of the appellants. (It appears from one of the appellants' affidavits that the site on which the duplex chalet complex is to be erected is only about 400 feet away from the shopping centre). In para. 28 of the founding affidavit it is said, *inter alia*, that

"the distinctiveness of the words 'Holiday Inn' as indicative of the applicants' business is an asset of immense commercial value to the applicants which has been built up over a long period at very great expense and the damage being done to it by the respondents is irreparable...".

The appellants do not dispute the allegation that

"the distinctiveness of the words 'Holiday Inn' as indicative of the applicants' business is an asset of immense commercial value to the applicants",

but they dispute the allegation concerning damage. It is said by Voutsas in one of the affidavits made by him:

"I deny that any damage is being caused to the applicants and I cannot conceive what such damage is".

With regard to the question of shops and restaurants, it is said in the respondents' affidavits that every Holiday Inn

"has at least one restaurant and in certain cases two restaurants which are open to the public as well as hotel residents";

that the respondents themselves operate shops, which sell "toilet requisites and holidaymakers' requirements"; that they let shops to tenants in certain of the hotels, and that they operate off-sales outlets in conjunction with their hotels in certain areas. The off-sales shops, it is said, are situated in premises which are quite separate from the hotel buildings. The appellants do not dispute any of these allegations, but they say that these trading activities are subservient to the respondents' main business of supplying hotel accommodation; that the restaurants and shops are all situated in the hotel premises, being intended primarily for the use of hotel residents, and that it is common practice for "the better types" of hotels to have shops for the convenience of their residents. As to the off-sales shops, the appellants say that

"they cannot exist without the hotel itself existing and being an hotel licensed in terms of the Copyright Juta & Company

Liquor Act,"

and that they are regarded by members of the public

"as an off-shoot of and as connected with the hotel business itself".

1977 (2) SA p928

RABIE JA

It appears from the foregoing that the appellants do not dispute that the name "Holiday Inn" has become distinctive of the respondents' hotel and motel businesses, but that they say that the reputation which is attached to the name "Holiday Inn" does not extend to the respondents' operation of shops.

In view of the fact that it is not disputed that the name "Holiday Inn" has become distinctive of the respondents' hotels and motels, the appellants' aforementioned argument that the words "Holiday Inn" are merely descriptive and that they are, therefore, not capable of distinguishing the respondents' businesses, obviously cannot be sustained. Words which are of a merely descriptive nature can, in given circumstances, acquire a secondary meaning and become distinctive of a particular business (see, *e.g.*, *Truck and Car Co. Ltd. v Kar-N-Truck Auctions*, 1954 (4) SA 552 (AD) at p. 557), and in the present case, as I have shown, it is not disputed that the words "Holiday Inn" have come to be distinctive of the respondents' hotel and motel business. The appellants' further argument, relating to the use of the name "Holiday Inn" by the roadhouse at Springs, must likewise fail. The clientele and reputation of the roadhouse are localised, and the fact that the appellants do not dispute the respondents' claim that the name "Holiday Inn" has become distinctive of their hotels and motels, destroys the argument that the use of the name by the roadhouse prevents its acquiring a secondary meaning capable of distinguishing the respondents' businesses.

I come now to the appellants' alternative contention. The contention is that the name "Holiday Inn" is distinctive of the respondents' hotel and motel businesses only; that the respondents' right to the exclusive use of the name is, therefore, limited to those businesses, and that the respondents are, in the circumstances, not entitled to restrain the appellants' use of the name in connection with another type of business. Counsel contended, with reference to the shopping centre, that since the appellants are not using the name "Holiday Inn" in the same field as that in which it has come to distinguish the respondents' businesses, they cannot be said to be committing any wrong. The argument is that, unless the name is used in a common field of activity, there can be no real likelihood of members of the public being misled into believing that the shopping centre is the business of the respondents. In advancing this argument, counsel relied, *inter alia*, on the English case of *Derek McCulloch v Lewis A. May (Produce Distributors) Ltd.*, (1948) 65 R.P.C. 58, in which the learned Judge who heard the matter said (at pp. 66 - 67) that

"there is discoverable in all those (cases) in which the Court has intervened this factor, namely that there was a common field of activity in which, however remotely, both the plaintiff and the defendant were engaged and that it was the presence of that factor that accounted for the jurisdiction of the Court".

This view has been dissented from in subsequent English cases. In *Treasure Cot Co. Ltd. v Hamley Bros. Ltd.*, (1950) 67 R.P.C. 89, it was said (at p. 89) that it is possible for a trader to obtain protection in a field outside that in which his name is used

"if the proper inference to draw is that the use of that name in the new connection will mislead

the public",

and in *Annabel's (Berkeley Square) Ltd. v G. Schock (trading as Annabel's Escort Agency)*, 1972 R.P.C. 838, it was said (at p. 844) that

1977 (2) SA p929

RABIE JA

"as a matter of common sense, one of the important considerations is whether there is any kind of association... between the field of activities of the plaintiff and the field of activities of the defendant",

but that this is

"simply a question which is involved in the ultimate decision whether there is likely to be confusion".

Similar views have been expressed in Australian cases to which we were referred by counsel for the respondents. In one of these, *Henderson and Another v Radio Corporation (Pty.) Ltd.*, 1969 R.P.C. 218, a decision of the High Court of New South Wales (Appellate Jurisdiction), it was said, *inter alia*, (at p. 233):

"We have some difficulty in accepting the proposition stated in

McCulloch's case. If deception and damages are proved, it is not easy to see the justification for introducing another factor as a condition of the Court's power to intervene".

The views expressed in the *Treasure Cot*, *Annabel's (Berkeley Square)* and *Henderson* cases are, in my opinion to be preferred to the view stated in *McCulloch's* case. The wrong known as passing off consists in a representation by one person that his business (or merchandise, as the case may be) is that of another, or that it is associated with that of another, and, in order to determine whether a representation amounts to a passing-off, one enquires whether there is a reasonable likelihood that members of the public may be confused into believing that the business of the one is, or is connected with, that of another. (See, e.g., *Policansky Bros. Ltd. v L. & H. Policansky*, 1935 AD 89 at pp. 97 and 113; *Truck and Car Co. Ltd. v Kar-N-Truck Auctions*, *supra* at pp. 557 and 559.) Whether there is a reasonable likelihood of such confusion arising is, of course, a question of fact which will have to be determined in the light of the circumstances of each case. If the evidence establishes that there is a reasonable likelihood of such confusion arising even if the parties concerned cannot be said to be carrying on their activities in a common field, it is difficult to see how the absence of such a common field can nevertheless constitute a ground for denying relief to an aggrieved party. The absence of a common field of activities is, of course, a factor which one has to take into account when considering the question whether someone's conduct is likely to lead to confusion of the kind mentioned, but the proper weight to be assigned thereto will depend on a consideration of all the relevant facts. The crucial question in every case is whether there is a reasonable likelihood of confusion, and this being so, it cannot be suggested that the absence of a common field of activities will always be sufficient to bar a party from obtaining relief. The related question whether damage can arise in a case where businesses are not carried on in a common field, is likewise one of fact. Regard must be had to the facts of each particular case, and it cannot be accepted as axiomatic that damage cannot arise where there is no common field of activities. In support of his argument on behalf of the appellants, counsel referred us to a passage in the case of *Truck and Car Co. Ltd. v Kar-N-Truck Auctions*, *supra* at p. 559G, but nothing which is stated there is in conflict with what I have said. The Court held, in that case, that the applicant had not established a likelihood of its business being confused with that of the

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respondent and it appears from the passage referred to by counsel that "differences in the class" of business carried on by the parties was merely one of the

1977 (2) SA p930

RABIE JA

factors which the Court took into account in arriving at its conclusion that the applicant had failed to prove a likelihood of confusion.

The appellants say in their affidavits that the shopping centre is intended to be "purely a business shopping centre"; that "no hotel or motel or any other business of that nature is included in the project", and they make the submission that it is "unlikely that any reasonable man could be misled into believing that the aforesaid shopping centre is an offshoot of or associated with" the Holiday Inns of the respondents. The respondents deny this submission and say that the fact that there is no hotel or motel or any other business of that nature included in the project may

"heighten the danger of this impression being created since the public would conclude that the words 'Holiday Inn' could only have been used for one purpose, namely to indicate a connection in the course of trade with the applicants".

COLMAN, J., dealt with this issue in the following terms:

"A shopping centre is, of course, something quite different from an hotel. But when it is remembered that the second and third applicants carry on, *inter alia*, the business of letting shops, it is seen to be a substantial possibility that someone might think that the shops offered for hire in the third respondent's shopping centre were being offered by one of the applicants, or by someone associated with them. What elevates that possibility into a probability is, to my mind, the nature of the trading style itself. If the name had been a neutral one, having no meaningful reference to the hotel trade, identity or relationship might not readily be assumed. It would not be assumed, for example, that a 'Kempton Park Shopping Centre' or a 'Universal Shopping Centre' was necessarily connected with a 'Kempton Park Hotel' or a 'Universal Hotel' as the case might be. But a man seeing that a shopping centre bore the name 'Holiday Inn' would, in my view, be likely to reason thus: 'That is a strange name for a shopping centre, with no inn or hotel in it: It *must be* called that because it is connected with that chain of Holiday Inn Hotels'".

I agree, with respect, with the learned Judge's reasoning and with the conclusion at which he arrived. As far as the duplex chalet project is concerned, it seems to me that there is as much likelihood of confusion arising as in the case of the shopping centre - if not more so, because of the fact that the project is intended to provide people with accommodation (although, admittedly, not hotel accommodation). COLMAN, J., held that a person seeing the name "Holiday Inn" attached to the project would be likely to assume that it constituted an extension of the respondents' activities. I agree with this view. With regard to the endeavours of the second appellant to conclude franchise agreements with the owners of hotels and motels, a franchisee's use of the name "Holiday Inn" in connection with his hotel or motel is bound to lead to confusion.

As will have appeared from the foregoing, I am of the view that the respondents have established a reasonable likelihood of deception with regard to all of the activities of the appellants of which they complain, viz., the shopping centre, the duplex chalet project and the attempted franchise agreements.

I now turn to the appellants' contention that the interdict was wrongly granted because the respondents failed to establish any actual injury suffered by them, or any reasonable apprehension of injury. The Court *a quo* held: "The potential prejudice to the applicants

is manifest". It was contended before us that no such prejudice has been proved. I do not agree. It can hardly be doubted, I think, that in endeavouring to conclude franchise agreements with the owners of hotels and motels, as set out above, the second appellant is attempting to capitalise on the respondents'

1977 (2) SA p931

RABIE JA

reputation in the hotel trade, and in my view its conduct is likely to be prejudicial to the respondents. If hotels and motels are allowed to do business under the name "Holiday Inn" in terms of agreements with the second appellant (or any company authorised by it to enter into such agreements), custom may be diverted from the respondents' hotels, and injury may be caused to the respondents' reputation. In the case of the shopping centre and, probably, also in the case of the proposed duplex chalet project, the question of a diversion of custom cannot arise, but in my view there is nevertheless sufficient potential prejudice to warrant the granting of an order restraining the appellants' use of the name "Holiday Inn" in connection with both projects. It was contended on behalf of the respondents that the appellants are attempting to reap the benefit for their reputation, and that, if the "Holiday Inn" shopping centre (or any of the shops in it) or the "Holiday Inn" duplex chalet complex were run in an unsatisfactory way, it could cause injury to their reputation. Reference was made to *Oude Meester Groep Bpk. and Another v SA Breweries Ltd.; SA Breweries Ltd. and Another v Distillers Corporation (S.A.) Ltd. and Another*, 1973 (4) SA 145 (W) at p. 153A - F. In *Truck and Car Co. Ltd. v Kar-N-Truck Auctions*, *supra*, the appellant (the applicant in the Court *a quo*) sought an interdict to restrain the respondents from using the name *Kar-N-Truck Auctions* in conducting their business. The evidence, it is said in the judgment, did not establish a likelihood that any would-be customer of the appellant would resort to the respondents in the belief that they were associated with the appellant's business, but it was contended that

"there was a likelihood that, as a result, conceivably, of unsatisfactory or questionable trading by the respondents, either through financial stringency or for other reasons and of a confusion of the two firms, the appellants' reputation would be damaged".

GREENBERG, J.A., said (at p. 559B - C):

"Whether protection of this kind is contemplated by the law may be open to debate. When there is confusion in regard to customers who by mistake deal with the person sought to be interdicted, the loss, through the confusion, to the party complaining is obvious but the class of damage under consideration arises only when there is some sort of unsatisfactory or dishonest dealing by the former and the question arises whether it can be assumed that such irregularities will or may happen. It may however be said that the party seeking relief should not be required to leave his reputation at the mercy of a person who *ex hypothesi* has wrongly conducted himself so as to cause confusion".

The learned Judge, after referring to English authority, assumed

"that the appellant would be entitled, if there was a likelihood of confusion, to protection against this danger"

(p. 559E), but there was no further discussion of the point because it was found that the appellant had failed to establish a likelihood of confusion. The case of *Volkskas Bpk. v Barclays Bank (D., C. & O.)*, 1952 (3) SA 343 (AD), is, I think, authority for the aforementioned assumption made by GREENBERG, J.A., in the *Truck and Car* case. In the *Volkskas* case this Court dismissed an appeal against a final order interdicting the appellant from carrying on business in the name of "Suid-Afrikaanse Nasionale

Handelsbank Beperk", or in any other name so closely similar to the name 'Nasionale Bank van Suid-Afrika Beperk", which was the name by which the respondent Bank was widely known, as to cause confusion in the minds of the public. VAN DEN HEEVER, J.A., said the following with regard to the questions of confusion and injury (see p.

1977 (2) SA p932

RABIE JA

347 of the report);

"Sekere feite blyk ten duidelikste uit die aangevoerde bewyse. Die naam 'Nasionale Bank van Suid-Afrika Beperk' is in die Unie kenmerkend van eiser se onderneming en het in die loop van jare by die Publiek vereenselwig geword niet 'n instelling met aansienlike klandisiewaarde... Dit 8 voor die hand dat die voorgestelde naarnsverandering verwarring sal veroorsaak wat verweerder in staat sou stel om beat te trek uit die klandisie, krediet en reputasie van eiser en eiser waarskynlik bloot sou stel aan nadele wat kan spruit uit enige onwil wat verweerder by die publiek werf of verwek".

A reference to the trial record in that case shows that there was no evidence that the appellant had ever been in financial difficulties or that it had ever conducted its affairs in an improper manner. The only evidence given with regard to the likelihood of damage was by a witness who said:

"I would say if one bank gets into difficulties, and there are various ways of doing that, they may find themselves short of cash, they may have to refuse overdrafts and have to incur heavy losses by bad debts so that rumours begin to circulate about such banks. That has happened in the past. If such a situation arose I can conceive that the sound bank with a similar name might be put to embarrassment".

In the present case the respondents have established a likelihood of confusion. If they are not given the protection they seek, they will, in the above-quoted words of VAN DEN HEEVER, J.A., be exposed to "nadele wat kan spruit uit enige onwil" which the appellants (or others who use the name "Holiday Inn" on the appellants' authority) may incur with members of the public, and, having regard to the appellants' conduct as disclosed in the papers, I consider that the respondents should not - in the words of GREENBERG, J.A., in the *Truck and Car* case, *supra* - be required to leave their reputation at the mercy of parties who *ex Hypothesi* have wrongly conducted themselves so as to cause confusion.

In the light of all the foregoing I consider that it has not been shown that the trial Court erred in granting to respondents the relief they claimed.

The appeal is dismissed with costs, including the costs consequent upon the employment of two counsel.

HOLMES, J.A., WESSELS, J.A., CORBETT, J.A., and GALGUT, A.J.A., concurred.

Appellants' Attorneys: *G. M. Kraljevich & Co.*, Pretoria; *Israel & Sackstein*, Bloemfontein.
Respondents' Attorneys: *Spoor & Fisher*, Pretoria; *Rosendorf, Venter & Brink*, Bloemfontein.