

IN THE LESOTHO COURT OF APPEAL

In the Appeal of:

HYPERAMA (PROPRIETARY) LIMITED                      APPELLANT

and

O K BAZAARS (1929) LIMITED                              RESPONDENT

Held at Maseru

Coram

SCHUTZ, P  
MAHOMED, JA  
TRENGOVE, JA

JUDGMENT

TRENGOVE JA: This appeal is about a passing off claim concerning the use of the name "Hyperama". The respondent, O K Bazaars (1929) Limited, is a South African company which operates a large number of stores throughout Southern Africa, including a group of stores trading under the name "The Hyperama". The appellant is a Lesotho company and it has four stores that also trade under the name "Hyperama" at Maseru.

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The appeal arises out of an application on notice of motion in terms of which the respondent sought to restrain the appellant (a) from using the name "Hyperama", or any name confusingly similar thereto, in the course of or in any relation to its stores or any business conducted by it, and (b) from using certain letterheads and the name Hyperama in the colour form and logo as exemplified in such letterheads. The appellant opposed the application on a number of grounds, the main ground of opposition being that the respondent had failed to prove that it had a valid claim against the appel- (10) lant for passing off in Lesotho. The learned Judge a quo, Kheola J, having heard argument, granted a final interdict, together with ancillary relief, in terms of the notice of motion. The appellant has appealed against the whole of this judgment and the Order.

The affidavits reveal a number of disputes of fact. The respondent sought a final interdict, and ancillary relief, on the papers, and without resort to oral evidence. In such a case the general rule was stated by Van Wyk J in (20) Stellenbosch Farmers' Winery Ltd v Stellenvale Winery (Pty) Ltd 1957 (4) SA 234 (C) at 235 E-G to be that:

"...where there is a dispute as to the facts a final interdict should only be granted in notice of motion proceedings if the facts stated by the respondents together with the admitted facts in the applicant's affidavits justify such an order. ...Where it is clear that facts, though not formally admitted, cannot be denied, they must be regarded as admitted."

(See also: Tamarillo (Pty) Ltd v BN Aitkin (Pty) Ltd 1982(30)

(1) SA 398 (A) at 430-1, and Plascon-Evans Paints v Van Riebeeck Paints 1984 (3) SA 623 (A) at 634F-635C).

In this Court the debate revolved mainly around the following issues, namely:

- (1) whether the facts stated by the appellant, together with the admitted facts in the respondent's affidavit, justify the granting of a final interdict;
- (2) whether on such facts the respondent has established that it has protectable goodwill in Lesotho, and that (10) confusion has occurred there; and
- (3) whether the respondent has not, in any event, waived its rights or been estopped from establishing such rights or acquiesced in the appellant's use of the name "Hyperama".

Before proceeding to consider these issues, I shall first refer to the facts stated in the appellant's affidavit together with the admitted facts in the respondent's affidavits. These facts can be summarised as follows: (20)

The respondent's stores are grouped into two main trading divisions. The one consists of a large number of department stores and supermarkets trading under the name OK Bazaars. The other main division is the Hyperama division comprising a number of large department stores generally known as Hypermarkets, in which the respondent trades as "The Hyperama". Since the establishment of the Hyperama division in 1979, the number of Hyperamas in South Africa has grown to 10. They are situated at the following places, (30)

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the opening date of each Hyperama being indicated in brackets: Edenvale (July 1976); Prospecton, Durban (August 1977); Menlyn, Pretoria (December 1979); Roodepoort (November 1979); Parow (October 1982); Sandton (August 1982); West Street, Durban (August 1981); Vereeniging (October 1984); Tyger Valley, Bellville (August 1985); and Bloemfontein (October 1987).

Thus, at present, all the respondent's Hyperamas are in the Republic of South Africa. It has no Hyperama in(10) Lesotho. The reason is that for a Hyperama to be a successful business enterprise it must be located in an area in which there is a large economically active population to support it. Maseru and environs has a relatively small population of about 60 000 people. However, the nearest Hyperama to Lesotho is the one at Bloemfontein which is approximately 120 kms from Maseru. As I have already mentioned, this Hyperama was opened in October 1987.

I come now to the facts pertaining to the goodwill and(20) reputation of the respondent's Hyperamas. The name "Hyperama" was coined for use in relation to the respondent's stores. In South Africa the name is a trade mark, but this, of course, is not applicable to Lesotho. A logo for the name "Hyperama" was specially created for the Hyperama Division by an advertising agency. And, as part of a new trade identity and get-up for the Hyperama stores, the advertising agency was also required to advise the respondent on a new colour for use in the logo and the store get-up. As a result of extensive research the colour green was chosen.(30)

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This particular colour has been used by the respondent's Hyperamas since 1979, and it is featured as the stores' trading colour in the store name on the logo, on letterheads and other stationery, on all blazers and uniforms worn by Hyperama staff, in the decor of the stores, and on points of sales tickets, price tags and packaging.

The respondent also conducts an extremely active advertising and publicity campaign on behalf of its Hyperama stores. To this end, it makes extensive use of three advertising-media in South Africa, namely, television, radio and the national press. Advertising also takes place in the local press in areas where Hyperama stores are situated; for example, since its opening in 1987 the Hyperama in Bloemfontein has been actively advertised in the local newspapers, Ons Stad and Volksblad, and on the regional radio channel, Radio Oranje. The total cost of advertising the Hyperama stores during the period January 1983 to December 1987 came to R15.7 million. In addition to direct advertising, the respondent spends large sums of money on sponsoring sports and cultural events and on cultural and other projects. The total cost of sponsorships linked to the respondent's Hyperama Division during 1986-1987 and 1987-1988 was approximately R500 000,00 per annum.

It is common cause between the parties that the South African television services, TV1 and TV4, and Radio Oranje, on which the Hyperama Division advertises, are received in Lesotho, and more particularly in Maseru. Furthermore, two South African newspapers that often carry Hyperama advertisements/

ments, The Sunday Times and The Star, a Johannesburg daily newspaper, are available and are sold in Maseru on a regular basis. The circulation of the Sunday Times in Lesotho is said to be about 2 124 copies per week. However, it should be noted that Hyperama's advertising and publicity campaigns have never been directed specifically at the Lesotho market. Hyperama does not advertise on Radio Lesotho, a radio station which is aimed exclusively at the people of Lesotho. And Hyperama's sponsorship of sports and cultural events, and the like, have thusfar related only to events taking(10 place in South Africa and not in Lesotho.

As far as goodwill and reputation are concerned, the respondent also relies on the extent of economic interaction between South Africa and Lesotho. There are unquestionably very close economic ties between the two countries. They belong to the same customs union. South African businessmen, tourists and others visit Maseru constantly. Bloemfontein is Lesotho's nearest major business and shopping centre. Many Lesotho residents, particularly from Maseru, go to(20 Bloemfontein regularly on shopping excursions and for various other reasons. Thousands of Lesotho citizens are migrant workers on mines in the Witwatersrand area where much of the Hyperama advertising takes place. According to the Official Year Book of South Africa (1986) some 130 000 Lesotho citizens were legally employed in South Africa in 1984. And finally on this aspect, persons living in Ladybrand, in the Orange Free State, have particularly close links with Maseru; some actually work there, while others go there regularly for business and other purposes. (30)

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On the basis of the aforementioned facts, the respondent avers, in its founding affidavit, that a substantial number of Lesotho citizens would inevitably have been exposed to the advertising for its Hyperama stores, and that the respondent's goodwill and reputation in Hyperama, the logo and the Hyperama green would have become well known to them. This averment is disputed by the appellant.

I come now to the facts relating to the appellant's stores and its activities. The appellant was registered on(10) 16 June 1983 according to the laws of Lesotho, and since that date it has been trading actively in Maseru under the name "Hyperama". The appellant has four stores operating under this name. The first of these stores was opened in Market Street in 1983; the second store was opened in 1984, also in Market Street; in 1985 the third store was opened in Kingsway Street; and in October 1987, the fourth store was opened, also in Market Street, in premises adjacent to one of the existing stores. The name "Hyperama" is boldly displayed on the extensions of the shops in green colouring(20) very similar to the shade of green used by the respondent's Hyperama stores. The name "Hyperama" also features prominently in the appellant's advertising literature. The appellant avers that it was fully entitled to trade under the name "Hyperama" in Lesotho and it claims to have acquired a reputation and goodwill associated with that name in Maseru and environs.

In May 1988 two suppliers of goods to the respondent's Hyperama stores, Audiolek and Tek Electronics, enquired from(30)

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the respondent whether it was operating a Hyperama in Maseru. The basis of these enquiries was that the Bloemfontein depots of these firms had received requests, by letter, from Hyperama (Pty) Ltd., Maseru, for catalogues and price lists in respect of certain makes of Audio and Video products. It then appeared that the letterheads used by the appellant copied the respondent's Hyperama logo exactly and almost exactly the hyperama green. The appellant concedes that the print style of the name Hyperama on its letterheads is identical to that of the respondent's. The appellant has<sup>(10)</sup> not offered any explanation as to how this came about. However, without conceding that it was obliged to do so, it agreed, as an act of good faith, to destroy or deliver up for destruction its letterheads and to use lettering which is not the same as, or similar to, that of the respondent. The appellant also tendered costs in this regard. And finally on this aspect, the appellant stated that the print style of the name "Hyperama" (logo), which was identical to that of the respondent, was only used in that form by the appellant on its letterheads and on no other advertising<sup>(20)</sup> material or signboard.

It is now necessary to consider whether on the facts set out above the respondent has made out a case on which a final interdict on the grounds of passing off could be granted. In Capital Estate and Others v Holiday Inns Inc and Others, 1977 (2) SA 916 (A) at 929C, Rabie JA defined the wrong known as passing off as follows:

"The wrong known as passing off consists in a representation by one person that his business (or merchandise<sup>(30)</sup>

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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 one is, or is connected with, that of another."

It has been said that the foundation of the action of passing off is the protection of goodwill. It follows that (10) in an application for an interdict on account of alleged passing off the applicant must prove the existence of goodwill within the area of jurisdiction of the High Court of Lesotho, together with acts calculated to injure it (see: Alain Bernadin et Compagnie v Pavilion Properties Ltd (1967) RPC 581 at 583.) On the facts of this case, I have no doubt that the appellant chose the name coined by the respondent, "Hyperama", and deliberately copied its logo and the store get-up of the respondent's Hyperama stores, with the sole purpose of obtaining some benefit from the reputation, in (20) the wider sense, of the respondent. However, the crucial issue in this appeal is whether the learned Judge a quo erred in holding that the respondent has shown that the goodwill it seeks to protect exists within, or extends to, Lesotho.

The meaning and nature of goodwill was fully considered in the well-known case Commissioner of Inland Revenue v Muller and Co's Margarine Ltd (1901) AC 217 (HL). At 223-4 Lord Macnaghten said:

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"It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of 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 power of attraction sufficient to bring custo-(10  
mers home to the source from which it emanates. Goodwill is composed of a variety of elements. It differs in its composition in different trades and in different business in the same trade. One element may preponderate here and another element there. To analyze goodwill and split it up into its component parts, to pare it down as the Commissioners desired to do until nothing is left but a dry residuum ingrained in the actual place where the business is carried on while everything else is in the air, seems to me to be(20  
as useful for practical purposes as it would be to resolve a human body into the various substances of which it is said to be composed. The goodwill of a business is one whole, and in a case like this it must be dealt with as such.

For my part, I think that if there is one attribute common to all cases of goodwill it is the attribute of locality. For goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business. Destroy the business, and the goodwill(30  
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perishes with it, though elements remain which may perhaps be gathered up and revived again." (My underlining.)

For the present purposes, two facets of goodwill are of particular significance. The first is that goodwill does not subsist by itself, it must attach to a business and it must have a location. The second being that goodwill, as opposed to reputation in the wider sense, is the attractive force which brings in custom. (10)

In the court a quo, and also in this court, counsel for the appellant contended that the respondent has no goodwill in Lesotho because it has no business here, does not trade here, has no association with trade here and has never entered the market here. In support of this proposition, counsel relied on a number of well known cases on passing off such as Alain Bernadin et Compagnie v Pavilion Properties Ltd (Also known as the Crazy Horse case) supra; Star Industrial Company Limited v Yap Kwee Kor (1976) FSR(20) 256; T Oertli AG v EJ Bowman (London) Ltd (1957) RPC 388; The Athletes Foot Marketing Associates Inc v Cobra Sports Ltd & Another (1980) RPC 343; and Pick-n-Pay Stores Ltd v Pick-n-Pay Superette (Pty) Ltd 1973 (3) SA 564 (R) which, counsel submitted, was on all fours with the present case.

On the other hand, counsel for the respondent submitted that the true test is whether the respondent's reputation in the area in which the appellant is operating its business and its goodwill is known there in such a way that persons(30) seeing/

seeing the appellant's business or goods will make the association with the respondent. Kheola J accepted this proposition which, in his view, derived support from a number of cases including C and A Modes and Another v C and A (Waterford) Ltd and Others (1978) FSR 126 and In re Baskin-Robbins Ice Cream Co and Another v Gutman and Another (1976) FSR 545. In this regard, the learned Judge referred to the following passage in the judgment of Henchy J in the C and A Modes case, supra, at pages 138-139:

"Goodwill does not necessarily stop at a frontier. (10) Whether in a particular area a plaintiff has a goodwill which is liable to be damaged by the unlawful competition resulting from passing off is a question of fact and of degree. What has to be established for the success of a plaintiff's claim in an action such as this is that by his business activities - be they by direct selling within the State or otherwise - he has generated within the State a property right in a goodwill which will be violated by the passing off. It is true that there is authority for the proposition that (20) a plaintiff's reputation which owes nothing to user in this State is not sufficient to support a passing off action (Alain Bernadin et Cie v Pavilion Properties Ltd (1967) RPC 58) but, as is stated in Kerly's Law of Trade Marks and Trade Names (10th ed., p 386) it is difficult to see any rational basis for this distinction. If there are in this State sufficient customers of a plaintiff's business to justify his claim to have a vested right to retain and expand that custom, then there is ample authority in principle and in the deci- (30)

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ded cases for the conclusion that, no matter where the plaintiff's business is based, he is entitled to be protected against its being taken away or dissipated by someone whose deceptive conduct is calculated to create a confusion of identity in the minds of existing or potential customers." (My underlining.)

And also to the Baskin-Robbins Ice Cream case, supra, at page 548 where Graham J said:

"A similar narrow view seems at first sight to have(10) been expressed by Pennycuik J in Alain Bernadin et Cie. v Pavilion Properties Ltd., the 'Crazy Horse' case (1967) RPC 581, relying on the words of Jenkins LJ in Oertli AG v Bowman (London) Limited (1957) RPC 388. Again it seems to me these cases ought not to be read as going further than requiring that in the normal case distinctiveness must be established by showing user of the disputed mark or get-up by the plaintiff on his goods or premises in this country, so that the public here understand such mark or get-up to mean(20) him. It may well be very difficult if not normally impossible for a plaintiff to establish such a reputation and goodwill as will support a passing off action without showing he has user of his mark or get-up in this country.

Some businesses are, however, to a greater or lesser extent truly international in character and the reputation and goodwill attaching to them cannot in fact help being international also. Some national boundaries such as, for example, those between members of(30) the/

the EEC are in this respect becoming ill-defined and uncertain as modern travel and Community rules make the world grow smaller. Whilst therefore not wishing to quarrel with the decisions in question, if they are read as I have suggested, I believe myself that the true legal position is best expressed by the general proposition, which seems to me to be derived from the general line of past authority that the existence and extent of the plaintiff's reputation and goodwill in every case is one of fact however it may be proved and<sup>(10)</sup> whatever it is based on."

Accepting the above passages as good law, the learned Judge then approached the problem in the instant case on the following basis. He held quite correctly, in my respectful view, that goodwill did not necessarily stop at frontiers and that the question as to the existence of the respondent's goodwill in Lesotho was one of fact. As to the facts, the learned Judge referred to the evidence of respondent's extensive advertising campaigns to which residents of Maseru<sup>(20)</sup> were also exposed. He said in this regard:

"I am sure that a very substantial number of people who live in Maseru have seen these advertisements and therefore know the applicant's (now the respondent's) Hyperama stores even if some of them have never actually visited them."

The learned Judge also accepted that many Maseru residents often go to Bloemfontein for shopping and that it was likely that some of them have visited the respondent's Hyperama store in Bloemfontein. He also referred to the fact that<sup>(30)</sup>

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many Lesotho citizens travel to South Africa to work in the mines as well as in many other sectors of the economy, and in practically all the cities in South Africa. He said that it was again likely that these citizens would have seen the respondent's advertisements and would also have visited its Hyperama stores. The learned Judge's finding on this issue is summed up in the following passage in his judgment:

"On the basis of the extensive advertising campaign by the applicant (now respondent) of its Hyperama stores which is received in Maseru and Lesotho I am satisfied(10) that the applicant (respondent) has proved the requisite reputation which amounts to a protectable goodwill within this country."

In arriving at this conclusion the learned Judge a quo has, in my opinion, erred in the following two respects, namely

- (a) he has not sufficiently distinguished between mere reputation and goodwill, and
- (b) he erred in finding that it was likely that Lesotho residents would have visited the respondent's Hyperama stores either in Bloemfontein or elsewhere in South(20) Africa.

I refer, firstly to the distinction between "reputation" and "goodwill". I do not consider it necessary to deal with all the cases cited by counsel in this regard for most of them are reviewed in the judgment of Walton J in The Athletes Foot Marketing Associates Inc v Cobra Sports Ltd and Another (1980) RPC 343 to which I intend referring in some detail.

The facts in The Athletes Foot case can be summed up as follows: The plaintiffs carried on in the USA and elsewhere a business in which they granted franchises to independent stores to carry on business in the supply of footwear for athletes under the name "The Athletes Foot". They had a large number of franchised stores and a good and extensive reputation at least in the USA. Although they had taken steps to secure a franchise agreement for the United Kingdom, and a prospective franchisee had even gone so far as to order goods and stationery with a view to establishing a<sup>(1)</sup> chain of stores under the name "The Athlete's Foot" in the United Kingdom, the plaintiffs had not concluded a franchise agreement in relation to the United Kingdom. Furthermore, there had been no sales in the United Kingdom under the name "The Athlete's Foot", and the evidence did not disclose that sales had ever been made abroad under that name to visitors from the United Kingdom. The first defendants carried on business as retailers of shoes in England, and in September 1979 they opened a basement store, which they called "Athlete's Foot Bargain Basement", and commenced to advertise<sup>(2)</sup> under that name in an athletics magazine. Upon seeing the defendant's advertisements, the plaintiffs sued the defendants for passing off and moved for interlocutory relief. Walton J dismissed the plaintiff's motion on the grounds that it was not possible to say that it had any goodwill in the United Kingdom whatsoever, whatever the strength of its more general reputation may be.

The question of law that Walton J was required to consider was what connection with the United Kingdom was<sup>(3)</sup> required/



required before the plaintiffs could successfully maintain an action for passing off. Walton J pointed out that in this regard -

"There appear, on the cases, to be two schools of thought... There is what was described in argument as a 'hard line' school of thought, which maintains that it is essential for the plaintiff to have carried on trade in this country (best, perhaps, exemplified by Bernadin et Cie v Pavilion Properties Ltd (1967) RPC 581, the well known 'Crazy Horse' case) and a much(10) less demanding approach, which suggest that something less than that will do (well exemplified by Maxims Limited v Dye (1977) 1 WLR 1155, the case concerning the famous restaurant)."

Walton J then proceeds to review and comment upon some cases dealing with the question under consideration. For the present purposes a reference to four of these cases will, in my view, suffice.

The first of these cases is Commissioner of Inland(20) Revenue v Muller and Co's Margarine Ltd, supra. Referring to Lord Macnaghten's statement on the meaning and nature of goodwill, Walton J remarked at page 351:

"As I understand what Lord Macnaghten is saying, it is that goodwill is an attractive force which pulls in custom; hence, however weak the lines of force, one can see where goodwill subsists by observing the areas in which the business attracts custom, or customers. If this is correct - and it seems obvious common sense - it follows that if there are no custo-(30) mers/

mers, there is no goodwill, and if there is no goodwill, it is not there to be harmed."

The next case is The Alain Bernadin (or "Crazy Horse") case, supra. The plaintiffs carried on the business of a place of entertainment in Paris under the name of "Crazy Horse Saloon" or "Crazy Horse". The defendant company started a place of entertainment in London under the name of "Crazy Horse Saloon". An advertisement issued by them stated "Crazy Horse Saloon comes to London", giving the(10) impression that they were offering the same sort of entertainment as did the plaintiffs. The plaintiffs had since 1951 extensively advertised their Paris business in the United Kingdom, but carried on no activities of any kind there. Pennycuik J dismissed an application for an interlocutory injunction. He concluded as follows:

"I conclude with considerable reluctance as regards the facts of this particular case that the plaintiff company has not shown a prima facie ground for an(20) injunction, that is to say, it has failed to show that it has acquired by user of the name 'Crazy Horse Saloon' in this country any goodwill or reputation such as is sought to be protected in a passing off action. I have reached that conclusion with regret in the particular case because it is perfectly clear that the defendant company has chosen the identical name 'Crazy Horse Saloon' with the sole purpose of 'cashing in' on the reputation, in the wider sense, of the plaintiff company, and again has deliberately

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copied in its decoration and advertisement those of the plaintiff company's establishment. If I were able to hold that the plaintiff company had established a reputation in the relevant sense in this country, then I would have no hesitation in holding that the acts of the defendant company were calculated to cause deception or confusion and I would grant an injunction, but I do not think I am entitled to do so."

Commenting on this passage Walton J, in his judgment,(10) says at page 354:

"I think this passage is extremely important in considering the present case, for it makes the distinction between 'reputation' - gained possibly as the result of advertising, possibly merely by word of mouth - and 'goodwill' which of course can hardly exist without the goods, services or provider of these acquiring a reputation, but which requires something more. Nor, of course, is that passage consistent with any suggestion that the plaintiffs' desire possibly to commence(20) business in this country in the future would have made any difference to the outcome."

The third case is Baskin-Robbins Ice Cream Co and Another v Gutman and Another, supra. I have already referred to the passage in the judgment of Graham J in this case, which was cited with approval by Kheola J. I do not consider it necessary to refer to the facts of this case. In his comments on Graham J's judgment, Walton J pointed out that the passage in question is obiter, since Graham J(30)

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did not grant the injunction, and added -

"nevertheless, if the crucial distinction between 'reputation' in the wide sense and 'goodwill' is borne in mind, this appears to me to square fully with the previous current of authority".

Of the cases reviewed by Walton J, I refer, finally, to C and A Modes v C and A (Waterford) Ltd (1978) FSR 126. The facts of this case are briefly as follows: The plaintiffs, C and A Modes, owned and operated numerous drapery(10 shops in Great Britain and one in Belfast, Northern Ireland. It did not own any shop or retail outlet in the Republic of Ireland. The trading style used by the plaintiff throughout its sales outlets, on its goods and in its advertisements was the symbol "C and A". Evidence was adduced to show that the plaintiff had advertised its goods extensively in the Republic of Ireland both through newspapers and magazines circulating there and on television channels which were available to viewers in the Republic. There was also evidence that a very substantial and regular custom from(20 the Republic of Ireland was enjoyed by the plaintiff's store in Belfast. An excursion train travelled each Thursday from Dublin to Belfast, and so great was the influx of customers from the Republic as a result of that excursion that the store ordinarily employed extra part-time staff on Thursdays as it did on Saturdays which were normally the busiest shopping days. Similar conditions were experienced on Bank-holidays and on particular types of public or special holidays. The defendant, C and A (Waterford) Ltd, was incorporated in Ireland in 1972, and although no evidence(30

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was adduced by the defendant at the trial, it emerged that the defendant in fact carried on a retail drapery business using for the purpose a large motor van with the letters "C and A" painted on its sides. In addition, those letters formed part of the defendant's trading name. The defendant offered no explanation for the choice of this particular trading style.

Upon an action for passing off, the plaintiff claimed an injunction to restrain the defendant from carrying on(10) business under the name "C and A (Waterford)". The trial Judge held that the plaintiff was entitled to succeed in its action, and on appeal his decision was upheld by the Supreme Court. In confirming that the plaintiff had a protectable reputation in the Republic, Hency J said, inter alia:

"Can it be said in these circumstances that, because the plaintiffs have no direct retailing outlet in the Republic, they have no protectable goodwill in the Republic? In my opinion, the answer is 'No'. Goodwill(20) does not necessarily stop at a frontier. Whether in a particular area a plaintiff has a goodwill which is liable to be damaged by the unlawful competition resulting from passing off is a question of fact and of degree. What has to be established for the success of a plaintiff's claim in an action such as this is that by his business activities - be they by direct selling within the State or otherwise - he has generated within the State a property right in a goodwill which will be violated by the passing-off. It is true that there is(30) authority/

authority for the proposition that a plaintiff's reputation which owes nothing to user in this State is not sufficient to support a passing-off action (Alain Bernadin et Cie v Pavilion Properties Ltd (1967) RPC 581) but, as is stated in Kerly's Law of Trade Marks and Trade Names (10th ed., p 386), it is difficult to see any rational basis for this distinction. If there are in this State sufficient customers of a plaintiff's business to justify his claim to have a vested right to retain and expand that custom, then there is authority in principle and in the decided cases for the conclusion that no matter where the plaintiff's business is based, he is entitled to be protected against its being taken away or dissipated by someone whose deceptive conduct is calculated to create a confusion of identity in the minds of existing or potential customers."

In his comments on this case, Walton J said that the decision appeared to be fully in line "with the general principles I trust I have discerned in the vast majority of cases". However, he disagreed with Henchy J's criticism of the decision in the Crazy Horse case, in the passage quoted above, saying:

"I think this displays a complete misapprehension of the Crazy Horse decision. If there had been customers of the Crazy Horse business in England, in the sense in which there were customers of the Sheraton Hotels business in England, the decision surely must have been the other way, and Pennycuick J would have been

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the first to deliver such a judgment."

As I have already mentioned, Walton J dismissed the plaintiff's motion for an interlocutory injunction. The learned Judge's reasons for so doing are set out in the following passage in his judgment at page 357:

"Having here commented upon all the cases on this point which were cited to me, unless the 'hard line' alleged to have been taken by the Privy Council in the Star Industrial case, and by the House of Lords in the Advocaat case represents the law - in which case the plaintiffs' case is even more wholly unarguable than I think it to be - the position in law appears to be relatively clear. That is to say, it does not matter that the plaintiffs are not at present actually carrying on business in this country, provided that they have customers here. Equally, it is of no moment, if they have no customers here, that they have a reputation in the general sense of the word in this country. It is also of no moment that that reputation may have been brought about by advertising: this can be of no moment, unless (as it did in the C & A case) it brings in customers, when, of course, once again there is no need to rely upon it. Now in the present case the most remarkable fact of all is that the plaintiffs disclose not one single solitary transaction by way of trade with anybody in this country at all. The nearest they get to this essential requirement is to show that they had entered into some kind of negotiations with Ravel with a view to the grant of a franchise to that Company/

Company. But, to date, this has not come to anything. But the matter does not rest there. There is not even a single instance given of a transaction by one of the plaintiffs' franchisees in the U.S.A. (or Australia or Japan, for that matter) with anybody normally resident in England or Wales at all. Whether such an instance by itself would be of any assistance to the plaintiffs may well be a moot point on several different grounds; but there is not even one such offered.

In these circumstances, it is simply not possible to<sup>(10)</sup>  
say that the plaintiff company has any goodwill in  
this country whatsoever, whatever the strength of its  
more general reputation may be." (My underlining.)

I fully agree with Walton J's statement of the law in the above passage. It appears to me to be correct in principle and as a matter of logic, and it accords with the views expressed in two other cases to which we were referred, namely, Pick-n-Pay Stores Ltd v Pick-n-Pay Superette (Pty) Ltd 1973 (3) SA 564 (R) and Tie Rack PLC v The Rack<sup>(20)</sup>  
Stores (Pty) Ltd & Another 1989 (4) SA 427 (T). It follows that it is not enough for the respondent, in the instant case, to show that as a result of extensive advertising campaigns its Hyperama stores have acquired a reputation in a general sense in Lesotho. The respondent must go further. It must show that Lesotho citizens or Maseru residents have responded positively to the advertising campaigns by shopping at one or other of the respondent's Hyperama stores in South Africa. In the absence of evidence of such customer support there can be no question of proof of goodwill in<sup>(30)</sup>

Lesotho/



Lesotho for, as Lord Macnaghten has so aptly said, goodwill "is the attractive force which brings in custom". It is this very fundamental element of goodwill, as opposed to reputation in the wider sense, that the learned Judge a quo appears to have overlooked. There is no evidence whatsoever, in any of the affidavits filed on behalf of the respondent, that any resident of Maseru, or citizen of Lesotho, for that matter, has ever shopped at any of the respondent's Hyperama stores. However, the learned Judge a quo found, as I have already mentioned, that it was likely that<sup>(10)</sup> some of the Lesotho citizens who go to Bloemfontein for shopping, or who travel to South Africa as migrant workers, would have visited one or other of the respondent's Hyperama stores. In my view this inference cannot be justified on the basis of facts that are either common cause or not in dispute. There is no evidence that the respondent's Hyperama store in Bloemfontein is situated in the central business area or in any other area frequented by people from Lesotho who visit Bloemfontein for the purpose of shopping. Similarly, there is no evidence that migrant workers who go to<sup>(20)</sup> South Africa from Lesotho are employed or are accommodated in areas where Hyperama stores are located, or where they ordinarily do their shopping.


To sum up. In my view the learned Judge a quo erred in holding that the respondent had discharged the onus of establishing that it had any goodwill in Lesotho. It is accordingly unnecessary to deal with any of the other grounds upon which the application was opposed.

In/

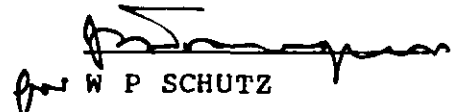
(30)

In the result the appeal is upheld with costs, the Order of the Court a quo is set aside and the following Order is substituted therefor, namely:

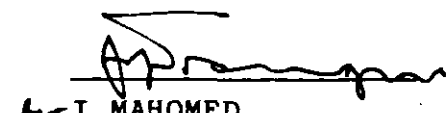
"The rule nisi in paragraph 2 of the Order of Court, dated 8 June 1988, is discharged with costs and no order is made on the Application."

  
J. J. TRENGOVE  
JUDGE OF APPEAL

I agree

  
W. P. SCHUTZ  
PRESIDENT

I agree

  
for I MAHOMED  
JUDGE OF APPEAL

Delivered at Maseru this 12<sup>th</sup> day of June 1990

FOR THE APPELLANT:

MR S DU TOIT

FOR THE RESPONDENT:

MR G I HOFFMAN  
and  
MR C J PEARSON