THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

JUDGMENT

Case No 252/2010

In the matter between:

ALLIANCE PROPERTY GROUP (PTY) LTD — APPELLANT

and

ALLIANCE GROUP LIMITED — FIRST RESPONDENT

AUCTION ALLIANCE KWAZULU-NATAL (PTY) LTD — SECOND RESPONDENT

Neutral citation: *Alliance Property Group v Alliance Group* (252/10) [2011] ZASCA 14 (14 March 2011)

Coram: HARMS DP, HEHER, PONNAN, TSHIQI JJA et PLASKET AJA

Heard: 25 February 2011

Delivered: 14 March 2011

Summary: Practice – Whether appeal having any practical effect or result – section 21A of the Supreme Court Act 59 of 1959 – Passing-off – proof of reputation – proof of misrepresentation.

ORDER

On appeal from: KwaZulu-Natal High Court (Pietermaritzburg) (Sishi J sitting as court of first instance):

(1) The appeal is upheld with costs and the order of the court below is set aside.

(2) The following order is substituted for the order issued by the court below.
'(a) The respondents are interdicted, in the provinces of KwaZulu-Natal and the Eastern Cape, from passing-off their property services as those of the applicant or as being associated in the course of trade with the applicant, by using the name, mark and trading style of Alliance Group without clearly distinguishing their services from those of the applicant.
(b) The respondents are directed to pay, jointly and severally, the applicant's costs of the application, including the costs of two counsel.'

JUDGMENT

PLASKET AJA (HARMS DP, HEHER, PONNAN, TSHIQI JJA concurring):

[1] The appellant appeals against the judgment of Sishi J in the KwaZulu-Natal High Court, Pietermaritzburg in which its application to interdict the respondents from passing-off their property services as those of the appellant was dismissed with costs.

[2] Two principal issues arise. The first is whether the appeal will have any practical effect and if not whether it should be dismissed in terms of s 21A of the Supreme Court Act 59 of 1959. The second is whether, if the appeal is not to be dismissed in terms of s 21A, Sishi J was correct in dismissing the

application on the basis that the appellant had failed to prove a reputation in the name and trading style of Alliance Property Group and that it had failed to prove a misrepresentation on the part of the respondents that created a likelihood of deception or confusion between the appellant's name and that of the respondents. Prior to dealing with these issues, it is necessary to set out the facts.

The facts

[3] The appellant commenced business under its present name in 1997. It conducts business in the field of commercial and industrial property, including property development and facilitation, valuations and consultancy, property sales, the letting of property, property management and public auctions of property. The heartland of its operations is the province of KwaZulu-Natal, but the papers show that it also conducts business in the Eastern Cape, from that province's border with KwaZulu-Natal to East London.

[4] The first respondent commenced its existence in 1999 as Electronic Auctioneering Ventures Ltd. In the following year it changed its name to Auction Alliance Holdings Ltd and then, in 2003, to Asset Alliance Ltd. A few years later, it embarked on a rebranding, restructuring and consolidation of its associated companies. The result was that, in October 2006, it changed its name to Alliance Group Ltd. It conducts the business of property auctions, business sales, property finance, property inspections and valuations in KwaZulu-Natal and elsewhere in the country, including the Eastern Cape.

[5] The second respondent was incorporated in 2000 under the name Kusasa Commodities 191 (Pty) Ltd. It changed its name to Auction Alliance KwaZulu-Natal (Pty) Ltd in 2001. Between 2003 and 2007 it traded as Auction Alliance but, from September 2007, has traded as Alliance Group. Its core business is the selling of immovable property by way of auctions. It operates in KwaZulu-Natal.

[6] As a result of the first respondent's rebranding and the change of name and trade name of it and second respondent, the appellant launched its application to interdict them from passing-off their services as those of the appellant's. As stated above, Sishi J dismissed the application. He then granted leave to appeal to this court.

Will the appeal have any practical effect?

[7] After leave to appeal had been granted, the respondents' attorneys wrote a letter to the appellant's attorneys in which they said that the respondents had undergone an 'internal strategy change' and had 'performed an intensive "brand audit" in light of market conditions'. The result was that they decided to re-focus their core business to that of auctions, rebranded their business and resumed trading as Auction Alliance. The letter then stated:

'Our clients are prepared to abandon the costs order in their favour relating to the proceedings in the Court *a quo* and are prepared to agree that each party be responsible for their own costs in connection with the application for leave to appeal in the event that your client is prepared to withdraw its appeal to the Supreme Court of Appeal.'

[8] It will be noted that the letter gave no undertaking that the respondents would not in future pass-off their business as that of the appellant. Instead, it made the assertion that as they had changed back to their previous names, the appellant's appeal was moot.

[9] The appellant's attorneys replied to the letter by saying that 'your client's statement that it no longer proposes to trade as "Alliance Group" does not destroy our client's right to pursue its appeal'. They noted that the respondents had not abandoned the judgment in their favour and had given no undertaking not to trade as the Alliance Group.

[10] The letter then mentioned that the second respondent (it would seem) was still trading under the name of the Alliance Group in Durban. Finally, the appellant's attorneys demanded that, in order to settle the matter, the

respondents should abandon the judgment in their favour, give an 'irrevocable undertaking' that they would not use the name Alliance Group, or apply for the registration of a new company with that name, and take various other steps specified in the letter. When, some two weeks later, the appellant's attorneys had received no response, they informed the respondents' attorneys that they were proceeding with the preparation of the record.

[11] Shortly before the appeal was to be heard, the appellant brought an application in which it sought leave to lead further evidence. That evidence was to the effect that, in addition to the second respondent carrying on business under the name of Alliance Group, two of the first respondent's subsidiaries in Johannesburg and Port Elizabeth were also doing so some seven months after the letter informing the appellant of the rebranding. The respondents, in an answering affidavit, ascribed this to an insignificant oversight which had been rectified.

[12] Section 21A(1) of the Supreme Court Act 59 of 1959 provides that '[w]hen at the hearing of any civil appeal to the Appellate Division or any Provincial or Local Division of the Supreme Court the issues are of such a nature that the judgment or order sought will have no practical effect or result, the appeal may be dismissed on this ground alone'.

[13] The purpose of this section was considered by this court in *Premier, Provinsie Mpumalanga, en 'n ander v Groblersdalse Stadsraad*,[1] in which it was held:

'Die artikel is, myns insiens, daarop gerig om die drukkende werklas op Howe van appèl, insluitende en miskien veral hierdie Hof, te verlig. Dit breek weg van die destydse vae begrippe soos "abstrak", "akademies" of "hipoteties", as maatstawwe vir die uitoefening van 'n Hof van appèl se bevoegdheid om 'n appèl nie aan te hoor nie. Dit stel nou 'n direkte en positiewe toets: sal die uitspraak of bevel 'n praktiese uitwerking of gevolg hê? Gesien die doel en die duidelike betekenis van hierdie formulering, is die vraag of die uitspraak in die geding voor die Hof 'n praktiese uitwerking of gevolg het en nie of dit vir 'n hipotetiese toekomstige geding van belang mag wees nie.'

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[1] 1998 (2) SA 1136 (SCA) at 1141D-E. See too *Rand Water Board v Rotek Industries (Pty) Ltd* 2003 (4) SA 58 (SCA) paras 13-14.

[14] In *Port Elizabeth Municipality v Smit*[2] this court held that the discretionary power to dismiss an appeal in terms of s 21A without consideration of the merits was only operative where there was an existing dispute between the parties that, for some or other reason, had become academic or hypothetical (and that, in the absence of an existing dispute, s 21A did not apply because there simply was no appeal before the court).

[15] On the facts that I have set out above, I am of the view that it cannot be said that the dispute between the appellant and the respondents is academic or hypothetical. The fact that the respondents have failed to give an undertaking that they will not, in future, use the name Alliance Group renders the dispute a live one. I accordingly find that the appeal is not one that will have no practical effect or result and that it must, as a result, be determined on the merits.

The merits

[16] In *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd & another*,[3] Harms JA identified the elements of the wrong of passing-off to be 'the "classical trinity" of reputation (or goodwill), misrepresentation and damage'. As a form of wrongful competition it is unlawful because 'it results, or at any rate is calculated to result, in the improper filching of another's trade and an improper infringement of his goodwill and/or because it may cause injury to that other's trade reputation'.[4]

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[2] 2002 (4) SA 241 (SCA) para 7.
[3] 1998 (3) SA 938 (SCA) para 13. See too *Nino's Coffee Bar & Restaurant CC v Nino's Italian Coffee & Sandwich Bar CC & another; Nino's Italian Coffee & Sandwich Bar CC v Nino's Coffee Bar & Restaurant CC* 1998 (3) SA 656 (C) para 30.
[4] *Brian Boswell Circus (Pty) Ltd & another v Boswell-Wilkie Circus (Pty) Ltd* 1985 (4) SA 466 (A) at 478I-J.

[17] The elements of passing-off were described more fully as follows in *Premier Trading Co (Pty) Ltd & another v Sporttopia (Pty) Ltd*:[5]

'Passing-off is a wrong consisting of a false representation made by one trader (the defendant) to members of the purchasing public that the enterprise, goods or services of a rival trader (the plaintiff) either belong to him (the defendant) or are connected, in the course of trade, with his own enterprise, goods or services. (I shall abbreviate, for the sake of convenience, "enterprise, goods or services" to the single term "the product" since this is a case of "product confusion" rather than "business connection confusion".) The defendant's representation is a misrepresentation if it is likely to deceive or confuse a substantial number of members of the public as to the source or origin of his product. Passing-off, to be actionable, erodes the plaintiff's goodwill. Goodwill is the product of a cumulation of factors, the most important of which, in the context of passing-off, is the plaintiff's reputation. Reputation is the opinion which the relevant section of the community holds of the plaintiff or his product. If favourable, it would dispose potential customers to patronise the plaintiff or his product and, if unfavourable, it would tend to discourage them from doing so. The plaintiff's reputation may be associated with the symbol under which his product is marketed. The symbol renders the product distinctive of the plaintiff or his product. A false representation by the defendant about the symbol used by the plaintiff may encourage or induce potential customers of the plaintiff, believing that they were patronising him, into patronising the defendant.'

[18] I turn now to the issues to be decided, namely whether the appellant proved a reputation in its name and trading style and whether it proved a misrepresentation on the part of the respondents.

(a) *Reputation*

[19] It is necessary to point out that, while in the court below the appellant sought to lay claim to the word 'Alliance' as being descriptive of its business, Sishi J held, correctly, that it was a descriptive word that could not be monopolised by the appellant.[6] The appellant does not attack this finding and concedes that it does not have a monopoly on the word 'Alliance'. Instead it

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[5] 2000 (3) SA 259 (SCA) at 266G-267C. See too *Capital Estate and General Agencies (Pty) Ltd & others v Holiday Inns Inc & others* 1977 (2) SA 916 (A) at 929C-D; *Brian Boswell Circus (Pty) Ltd & another v Boswell-Wilkie Circus (Pty) Ltd* fn 4 at 478E-H.

[6] See *Value Car Group Ltd & another v Value Car Hire (Pty) Ltd & others* [2005] 4 All SA 474 (C).

argues that it has established a reputation symbolised by the name and trade style of Alliance Property Group.

[20] In *Brian Boswell Circus (Pty) Ltd & another v Boswell-Wilkie Circus (Pty) Ltd*[7] Corbett JA stated that there were two important considerations in respect of the acquisition by a business of a reputation in a trade name:

'Firstly, whether the general public will be confused or deceived into thinking, because of identity or similarity of names, that the business of the defendant is that of the plaintiff, or is connected therewith, must, as a matter of logic, depend on the extent to which that name is associated in the minds of members of the public with the business carried on by the plaintiff, ie the extent to which plaintiff has acquired a reputation in that trade name. Secondly, as the rationale of the wrong of passing off is the protection of the plaintiff's trade and goodwill, a valid cause of action would seem to postulate the existence of a goodwill, ie reputation, attaching to that trade name. Whether reputation, in this sense, is always a *sine qua non* of a successful passing off action need not now be decided.'

In addition, the reputation that is sought to be protected must have been in existence when the misrepresentation was made.[8]

[21] The existence of the appellant's reputation at the relevant time is a question of fact. The appellant has put up the following facts, none of which have been disputed by the respondents in any meaningful way: the appellant has provided property services under the style Alliance Property Group since its incorporation in 1997; its business has, since then, encompassed a full range of property related services and, since 1997, it has facilitated a number of property developments having a combined value of over R800m; since its incorporation, its portfolio of commercial and industrial properties that it manages has grown to 54 buildings worth R948m; it has conducted a number of public auctions of property, including one in Dubai; it has acted as a consultant and advisor to a Dubai-based company that is developing a prestigious golf and leisure resort in KwaZulu-Natal; brochures reflecting its profile in 2003 and 2007 reflect a considerable growth in its business; since 1998, its turnover from property related activities, primarily in the form of commissions, has exceeded R91m; and it has advertised its services widely.

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[7] Footnote 4 at 479B-D. See too *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd* fn 3 paras 20-21.

[8] *Caterham Car Sales & Coachworks Ltd v Birkin Car Sales (Pty) Ltd* fn 3 para 22.

[22] In answer to this, the respondents claim no knowledge of the appellant's reputation; state that it is not involved in property auctions to any 'significant degree'; suggest the appellant's property portfolio may have declined since the signing of the founding affidavit; allege that the appellant trades in a small part of the country; and claims that the respondent is much bigger than it. The appellant's schedule of the properties it manages shows, however, that its business is only carried on in KwaZulu-Natal and the Eastern Cape, and extends no further than the Eastern Cape.

[23] It is evident from the period during which the appellant has traded, the nature of its business and the scope of its operations that the appellant has established that it has acquired a reputation in its field in KwaZulu-Natal and the Eastern Cape. It is argued on behalf of the respondents, however, that there is a difference between it acquiring a reputation and proving a secondary meaning. This issue was dealt with by this court in *Brian Boswell Circus (Pty) Ltd & another v Boswell-Wilkie Circus (Pty) Ltd*[9] in which the court held simply that 'the latter would seem to include the former'.

[24] The court then referred with approval to *Policansky Bros Ltd v L & H Policansky*[10] in which this court said the following concerning a name acquiring a secondary meaning:

'If a person has previously through his advertisements and through the quality of his goods made his name valuable as a trade name so that his name has become distinctive both of his goods and of himself as the manufacturer of those goods, and if his goods have come to be universally known in the market by his name then his name is said to have obtained a secondary meaning. When this is the case another person cannot use that name in connection with a similar class of goods unless he makes it perfectly clear to the public that he is not selling the goods of the original manufacturer . . . .'

[25] On the strength of the above, I conclude that the appellant has established a reputation in the field of providing property-related services in KwaZulu-Natal and the Eastern Cape and that it has done so in relation to the name and trading style of Alliance Property Group which name (to the extent

[9] Footnote 4 at 482A-B.
[10] 1935 AD 89 at 103.

that it may be descriptive) has acquired a secondary meaning as a result of the close and distinctive association between it and the business the appellant carries on in the minds of the public. In addition, the evidence also establishes that the appellant's reputation was in existence when the respondents began to trade under the name Alliance Group Ltd. As a result, the appellant has established that, in relation to the first issue, the court below erred in finding that the appellant had not proved a reputation in its name and trading style.

(b) *Misrepresentation*

[26] In *Capital Estate & General Agencies (Pty) Ltd & others v Holiday Inns Inc & others*,[11] this court held the following in respect of the proof of the misrepresentation necessary to establish a passing-off:

'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.' (Reference omitted.)

[27] The court, in *Miriam Glick Trading (Pty) Ltd v Clicks Stores (Transvaal) (Pty) Ltd & others*,[12] after referring to the above passage from the *Holiday Inns* case, proceeded to set out how the factual enquiry is to be conducted:

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

[11] Footnote 5 at 929C-E. See too *Brian Boswell Circus (Pty) Ltd & another v Boswell-Wilkie Circus (Pty) Ltd* fn 4 at 478E-J.
[12] 1979 (2) SA 290 (T) at 295A-D.

is not that of a very careful or a very careless purchaser but an ordinary purchaser of the types comprising the potential clients'.

[28] Prior to September 2007, the appellant, trading as Alliance Property Group, provided a comprehensive range of property-related services. The respondents traded as Auction Alliance and concentrated on selling property by way of public auctions. At this stage, the only common factor in the names of the appellant and the respondents was the descriptive word Alliance. To the extent that this had the potential to cause confusion, it was a risk that the appellant and the respondents bore, but the remainder of their respective names was sufficient to distinguish them from each other in the minds of the public.[13]

[29] In September 2007, however, the respondents dropped the word Auction from their names, expanded their services in the property field to include more than property auctions and called themselves Alliance Group Ltd. The effect of this was to remove important features that distinguished the business of the appellant from that of the respondents, make the respondents' businesses look more like the appellant's business from a functional point of view and to make their names look strikingly similar to that of the appellant. By doing this, confusion in the minds of the public was inevitable and it is hardly surprising that instances of actual confusion arose.

[30] In these circumstances, I am of the view that the appellant succeeded in establishing a misrepresentation on the part of the respondents that its businesses were the same business as that of the appellant or was connected with it. That being so, I am of the view that the court below erred in this respect too and that, consequently, the appeal must succeed.

THE ORDER

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[13] *Sir Robert McAlpine Ltd v Alfred McAlpine Ltd* [2004] RPC 36 711 (HC) paras 49-50; *Initiative Promotions and Designs CC v Initiative Media South Africa (Pty) Ltd & others* 2005 BIP 516 (D) at 525B-E, quoting with approval Kerly *Law of Trade Marks and Trade Names* 12 ed (1986) p 389.

[31] The following order is issued.

(1) The appeal is upheld with costs and the order of the court below is set aside.
(2) The following order is substituted for the order issued by the court below.
'(a) The respondents are interdicted, in the provinces of KwaZulu-Natal and the Eastern Cape, from passing-off their property services as those of the applicant or as being associated in the course of trade with the applicant, by using the name, mark and trading style of Alliance Group without clearly distinguishing their services from those of the applicant.
(b) The respondents are directed to pay, jointly and severally, the applicant’s costs of the application, including the costs of two counsel.'

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C. PLASKET
ACTING JUDGE OF APPEAL

APPEARANCES

APPELLANT: G E Morley SC instructed by Cox Yeats, Durban; Honey Attorneys, Bloemfontein

RESPONDENTS: J-H Roux SC instructed by Cliffe Dekker Hofmeyr, Cape Town; Symington and De Kock, Bloemfontein