IN THE KWAZULU-NATAL HIGH COURT, DURBAN

REPUBLIC OF SOUTH AFRICA

CASE NO:5459/2011

In the matter between:

FUTURA FOOTWEAR LIMITED Applicant

(First Defendant in the action)

and

SALOMON S.A.S Respondent

(First Plaintiff in the action)

JUDGMENT

Delivered :30 October 2012

M PILLEMER, AJ:

[1] This is an application in which an incola defendant seeks an order against a peregrine plaintiff for security for the costs that will be awarded to the defendant if it is successful in its defence in the pending action. The applicant is the First Defendant in the pending action. The application is opposed by the peregrine plaintiff on three principal grounds, one of which is raised in the answering affidavit, one raised in the heads of argument submitted on its behalf and the third was raised for the first time by Mr Stokes

SC, who appears for the peregrine plaintiff, during the course of argument. All the grounds of opposition are dealt with later in this judgment.

[2] The peregrine plaintiff describes itself as a company duly incorporated and existing under the laws of France, having a registered address and principal place of business at Lieudit Les Croiselets, 74370 Metz-Tessy, France. It pleads that it is a national of or has a real and effective industrial or commercial establishment in a convention country as contemplated by s35 of the Trade Marks Act, 1993. It is the respondent in this application and in the main action it is the first of two plaintiffs. It will be referred to in this judgment as the peregrine plaintiff or the First Plaintiff where that is appropriate.

[3] An incola is a person who is resident or domiciled within the court's area of jurisdiction. A corporation is an incola of the area of jurisdiction of the court in whose area it has its principal place of business or where its registered office is situated. A peregrinus is the converse of an incola, namely anyone who is not resident or domiciled within the court's area of jurisdiction and for present purposes those who are domiciled or resident outside the country. (LAWSA, Vol 11, Title: Jurisdiction para 327)

[4] It is common cause that the peregrine plaintiff is a peregrinus, being a French corporation, which is neither resident not domiciled in the Republic of South Africa.

[5] It is a general rule of practice that a peregrinus should provide security for an incola's costs. (*Exploitatie- en Beleggingsmaatschappij Argonauten 11 BV and Another v Honig* 2012 (1) SA 247 (SCA) at para 18). The court exercises a discretion in deciding whether or not to direct that security be furnished. It involves the weighing of the relevant factors. As was explained in the *Honig* case the fact that a defendant will have to proceed against the peregrine plaintiff abroad if he obtains a costs order in his favour, with the associated uncertainty and inconvenience that would this would entail is one of the fundamental reasons why a peregrinus should provide security.

[6] If the peregrinus is impecunious and alleges that he is not able to furnish security due to his own impecuniosity then it is left to the judicial discretion of the court to decide, having regard to the particular circumstances of the case as well as to considerations of equity and fairness to both the incola and the peregrinus, whether the latter should be compelled to furnish, or be absolved from furnishing, security for costs. (*Magida v Minister of Police* 1987 (1) SA 1 (A) at 14D – F and 15D – E, where It was also stated that there is no justification for requiring a court to exercise its discretion in favour of a peregrinus only sparingly.)

[7] The peregrine plaintiff in this application does not make the case that it is impecunious and that if ordered to furnish security it will not be able to do so. Indeed on the contrary it describes itself as "having a real and effective industrial or commercial establishment", which, if that is the case, it follows

that it should be able to provide the necessary security for costs if ordered to do so.

[8] The grounds of opposition as I indicated earlier are three fold. Firstly the peregrine plaintiff contends that it has unencumbered immovable property within South Africa based on the allegation that it is the registered holder of the trademark SALOMON (registered trade mark No. 1982/01070). This is the only ground of its opposition in the answering affidavit delivered on its behalf. Secondly, relying on the case of *Northbank Diamonds Ltd v FTK Holland BV* 2003 (1) SA 189 (NmS), because it is one of two plaintiffs in the action and the second is a close corporation which is an incola of the Republic of South Africa, it contends that the court should exercise its discretion against directing that security be provided, because the costs could be recovered from the other plaintiff if the defence is successful. The third ground relied upon, which was mentioned for the first time from the bar by Mr Stokes, was twofold namely that it was not in the public interest to direct that security be furnished because the proceedings brought by the plaintiffs were for relief in terms of the Counterfeit Goods Act, 1997 where the conduct was also a criminal offence and, even if a stay was issued because security was not provided, the action could nonetheless proceed at the instance of the incola plaintiff so it was a pointless exercise to make an order that security be provided.

[8] When Mr Stokes commenced his address in reply to the argument presented by counsel for the applicant, he asked for time to take instructions

with regard to a supplementary affidavit his client may wish to furnish and on a potential application for leave to do this. The matter stood down and thereafter application was made from the bar for an adjournment of the proceedings to enable the peregrine plaintiff to provide evidence of the value of the trade mark and/or of the financial strength of the incola plaintiff in the action. I used the term "and/or" because counsel was noncommittal on whether either or both would be advanced but said he gave the assurance that at least one of them would be. The application for the adjournment was opposed. I indicated that I would rule on the application in this judgment, but that I required the matter to be argued on the merits on the papers as they presently stand so I could decide the matter finally if I decided to refuse the application for the adjournment.

[9] The value of the trademark, if considered relevant, could and should have been provided in the answering affidavit. No explanation was provided as to why this was not provided earlier and why it was only now that there was a possibility that this evidence would be put before the court. The purported relevance of the trademark and its value lies in the fact that unless a peregrinus has within the area of jurisdiction of the Court immovable property with a sufficient margin unburdened to satisfy any costs order, the general rule is that security has to be furnished. The submission is made that the trademark is immovable property. I consider that in the context of an application for security for costs against a peregrinus the immovable property contemplated is land of which the peregrinus is the registered owner. A trademark is not land and accordingly not immovable property for present

purposes. No argument was presented by Mr Stokes in support of the submission that it was. All that is said in this regard is to be found in the answering affidavit where the deponent after alleging that the peregrine plaintiff is the proprietor of the registered trademark states “ which is, per the Supreme Court of Appeal, considered immoveable property”. Although in certain circumstances it has been said that a registered mark is akin to immovable property in that a trade mark registered in the country is territorial and cannot be exported (*Oilwell (Pty) Ltd v Protec International Ltd and others* 2011 (4) SA 349 (SCA) at 400A), this is a far cry from equating a trade mark to immovable property of the kind that would not require a peregrinus to provide security.

[10] I am not satisfied that there are good grounds to permit the peregrine plaintiff to supplement its affidavit to deal more fully with the trademark and its value, because it has not provided an adequate reason as to why the evidence was not furnished originally and, in any event, the trade mark is not immovable property as contemplated in proceedings such as these so there is no point in allowing additional evidence of its value.

[11] The Namibian case of *Northbank Diamonds Ltd v FTK Holland BV* 2003 (1) SA 189 (NmS), was a case in which a number of plaintiffs sued and where security for costs was sought against all of them, most because they were corporations and against one because it was a peregrinus of Namibia. The court was sitting as a court of appeal which, in relation to the exercise of a discretion by the lower court, has a limited right of interference. The lower

court had held that the pooled resources of the plaintiffs in that action would easily be able to pay the costs of the successful defendant. It held that a costs order would be most likely be made against the plaintiffs jointly and severally and, on the facts in that case which came to court as an application, exercised its discretion to refuse to make an order to provide security. The appeal court did not interfere and upheld the decision. The judgment took into account a decision which held that even where there are two plaintiffs where only one could be ordered to provide security, it was perfectly legitimate to seek security from that one for so long as it remained a plaintiff. (*Kruger Stores (Pty) Limited and Another v Kopman and Another* 1957 (1) SA 645 (W) at 648G-H). On the facts of the case however it found that the lower court had taken relevant material into account and it could not interfere. The judgment is certainly not authority for the proposition that whenever there are two or more plaintiffs where one is an incola security does not have to be provided by the others who are not.

[12] The financial strength of the second plaintiff, if this was considered to be a relevant consideration should have been dealt with in the answering affidavit. No detail was given in the application for the adjournment as to what evidence of the financial position of the second plaintiff would be led or why it was not available when the answering affidavit was deposed and why it was raised for the first time when counsel was on his feet to address the court in reply to the address of the applicant. Of importance too is the feature, alluded to earlier, that there was no firm commitment to providing that evidence in any event. At best the court was informed that it may or may not be provided, but

either that or the value of the trademark or both would be dealt with in the further affidavits that the peregrine plaintiff sought an opportunity to file. This is hardly a satisfactory basis for an adjournment. No reason for not putting up the evidence originally was given, no assurance that there is such evidence was given, no indication of the evidence other than in general noncommittal terms was given, and on top of that I do not consider the second plaintiff's financial strength to be of particular importance on the basis of the *Kruger* case referred to above. The security is after all sought from the peregrine plaintiff and so the financial strength of a co-plaintiff is in my view of little moment. All the evidence there is of the second plaintiff is that it is described in the particulars of claim as a close corporation and as the representative of the first plaintiff. Having regard to the nature of the case that is made in the particulars of claim which are dealt with below, the relief sought by the incola plaintiff is limited to a delivery up of the seized goods to it as the peregrine plaintiff's authorised representative, and so why it should be saddled with a joint and several costs order that is not even sought in the plea, is not evident.

[13] I am accordingly disinclined to grant the adjournment because of the lateness of the application, the fact that the evidence may not even be available or provided if it is and because in any event on the basis of the *Kruger* case the financial strength of a co-plaintiff is not a particularly significant factor in the weighing of the discretion to order security.

[14] The nature of the proceedings was the third string to the bow of the argument against the application for security. The fact that the conduct that

gave rise to the cause of action is also an offence was said to be important to the exercise of the discretion and a reason in itself not to order security as a matter of public policy. The relief sought in the civil action is for an order declaring the goods seized from the First Defendant were counterfeit within the meaning of the Counterfeit Goods Act, 1997, for an order that the seized goods be delivered up to the second plaintiff as the first plaintiff's authorised representative in terms of the said Act, for an order declaring that the defendant has infringed the First Plaintiff's copyright and an order that the defendant deliver up to the plaintiffs all adaptations and reproductions of the First Plaintiff's works, an interdict against infringement of the First Plaintiff's stich design trademark and for damages and costs. Nothing in the cause of action is such as to give rise to some special public interest issue in not ordering the provision of security for costs. The case is not qualitatively different from any other civil proceedings justifying a special and different approach.

[15] The *Kruger* case referred to above effectively deals with the issue of whether it is pointless to direct that the peregrine plaintiff provide security if the incola plaintiff can continue anyway. However the relief sought by the plaintiffs in the action is not identical and there is relief that is specific to the First Plaintiff. I accordingly reject the argument that there is a public policy reason to absolve the peregrine plaintiff from providing security on the basis of the pleadings and the nature of the proceedings.

[16] There is every indication that the peregrine plaintiff, which describes itself as having a real and effective industrial or commercial establishment, is able to put up security if so ordered. The merits of the litigation are not considered at this stage of proceedings otherwise than in cases where it is alleged the defence is vexatious and that is not the case in these proceedings.

[17] In the result I have come to the conclusion that the application for an adjournment of the proceedings should be refused and that I should exercise my discretion to require the First Plaintiff to provide security for the costs of the defendant in defending the action against it. I am swayed largely when I exercise my discretion by the fact that the defendant will have to proceed against the First Plaintiff abroad if he obtains a costs order in his favour against it, with the associated uncertainty, increased expense and inconvenience that this will entail. Ordering security against a peregrinus plaintiff is the usual practice and I am not satisfied that any of the grounds relied upon as to why security should not be ordered are valid.

[18] I make the following order: The First Plaintiff, Salomon S.A.S., is ordered to provide security for the costs of the First Defendant in the action under case no. 5459/2011 in an amount to be determined by the Registrar. The First Plaintiff is also ordered to pay the costs of the application for security for costs.

M PILLEMER, AJ

Counsel for the First Defendant/Applicant :	I Joubert
First Defendant's/Applicant's Attorneys:	D M Kisch Inc (Pretoria) care of Maree Inc
Counsel for the First Plaintiff/ Respondent:	A Stokes SC
First Plaintiff's/Respondent's Attorneys:	Tate, Nolan & Knight Inc

Date of hearing	:	26 October 2012
Date of Judgment	:	30 October 2012