

**IN THE KWAZULU-NATAL HIGH COURT, DURBAN
REPUBLIC OF SOUTH AFRICA**

Case No: 2602/11

In the matter between

New Reclamation Group (Pty) Ltd

Applicant

and

Chicks Scrap Metal (Pty) Ltd

First Respondent

Robert Jacques Thomas McClelland

Second Respondent

Uniforum SA

Third Respondent

JUDGMENT

Delivered on: 16 November 2012

STEYN J

[1] This is an application lodged by first and second respondent seeking an order to stay the application for trademark infringement and passing off ('the main application') pending the final determination of a review presently pending before the North Gauteng High Court ('the review proceedings'), and expungement proceedings ('the expungement proceedings') presently pending before the Registrar of Trade Marks in Pretoria in respect of Trade Mark numbers 1998/07607-10. The aforesaid mark is registered in classes 35 and 37.

[2] The applicant and the first respondent not only share a history but both are companies that compete in the scrap metal industry. According to the papers filed in the main application, the second respondent was first employed by the Reclamation Group and later by the applicant. At the moment there is no bond between the parties other than that they are caught up in a spiral of litigation.

[3] The issues that require determination are:

- (a) Whether the respondents have succeeded in showing that they have a basis in law for the Court's discretion to stay the proceedings.
- (b) If so, whether the court should exercise its discretion in favour of the respondents to grant a stay of proceedings.
- (c) Whether the respondents are *bona fide* in seeking a stay of the proceedings.

It was common cause that the respondents bore the onus of proving circumstances that justify a stay of the proceedings.

[4] Subsequent to the matter being argued, counsel for the respondents, Ms Annandale SC, submitted the case of *Farmer's Table (Pty) Ltd v Kentucky Fried Chicken (South Africa) (Pty) Ltd* [2011] JOL 27552 (T) to my registrar with an explanatory note.

Counsel for the applicant, Mr Sholto-Douglas SC, in response filed a note and commented on the case, these comments were received by my registrar on 12 September 2012. On 25 October 2012, more than a month after the submissions of Mr Sholto-Douglas were received, the following correspondence was delivered at my chambers. I consider it necessary for reasons that will follow, to quote the entire content of the covering letter:

'As you are aware, the Applicant's attorneys, Werksmans, sent a note to you on 13 September 2012, dealing with the correctness and relevance of the judgment in Farmer's Table which we felt duty bound to draw to your attention as soon as we became aware of it, as it appeared to us to be relevant to the issues you have been called upon to decide.

We did not originally envisage that a note from our counsel would be necessary. Once the note was filed however, and we considered what was submitted to you, we formed the view that it was important for us to make certain submissions on matters which arose from the Werksmans note. We considered that these matters were important for Your Ladyship to take into account in interpreting the significance and/or applicability of the Farmer's Table judgment in the present context.

To this end we sent a note through to you asking that you take it into account. The note was also sent to opposing counsel. Before accepting the note, you asked that we first seek consent from the Applicant.

We attach:

- 1. our letter to Werksmans of 16 October 2012;*
- 2. the response from Werksmans dated 18 October 2012;*
and
- 3. our reply to Werksmans of today's date;*
- 4. a copy of the note prepared by our counsel on the correctness and relevance of Farmer's Table.*

You will note that the Applicant objects to Your Ladyship taking our note into consideration in the preparation of her judgment.

We submit that it is in the interests of justice that both parties' notes be considered in determining the correctness and relevance of the judgment in Farmer's Table.

We ask that Your Ladyship deal with the matter as she sees fit.'

I am dismayed by the fact that the representatives of the respondents could wait six weeks before approaching my registrar to file their submissions. Since it had been counsel for the respondents who considered it relevant to submit the *Farmer's Table* case to me, it is not unreasonable to have expected counsel to immediately notify my registrar that she elects to respond to the submissions that were made on behalf of the applicant. Nothing prevented the respondents from submitting the *Farmer's Table* case with their own comments relating to the relevancy of the case. In any event the filing of submissions on 25 October 2012, delayed the delivery of this judgment. I have decided to consider the submissions made but, in the light of the aforesaid, I am, of the view that the respondents should be deprived of any costs of the submissions that were submitted on 25 October 2012. The submissions, 16 pages in total, also far exceed what would be considered as concise heads in this division.¹

¹ See Practice Directive 9.4.1 of the KwaZulu Natal Division.

Legal Framework

[5] In *Nestlé (South Africa) (Pty) Ltd v Mars Inc*² the SCA describe the features of the plea *lis alibi pendens* as follows:

*'The defence of lis alibi pendens shares features in common with the defence of res judicata because they have a common underlying principle, which is that there should be finality in litigation. Once a suit has been commenced before a tribunal that is competent to adjudicate upon it, the suit must generally be brought to its conclusion before that tribunal and should not be replicated (lis alibi pendens). By the same token the suit will not be permitted to be revived once it has been brought to its proper conclusion (res judicata). The same suit, between the same parties, should be brought only once and finally.'*³

Heher JA succinctly dealt with *lis pendens* as a discretionary remedy in *Janse van Rensburg NO v Steenkamp*.⁴

*"Lis alibi pendens is a discretionary remedy. It requires a balance of the interests of the affected parties to achieve a fair result: cf Van As v Appollus en Andere 1993 (1) SA 606 (C) at 610D-G. Because of the failure of the lower courts to take the material considerations that I have identified in the preceding paragraphs into account, we may properly exercise the discretion ourselves. Since I can discern no particular inconvenience or disadvantage to an affected investor in having to face the liquidators in a trial action designed to recover assets for the benefit of creditors, the liquidators' decision should prevail. I therefore conclude that the plea of lis alibi pendens should not be sustained."*⁵

² 2001 (4) SA 542 (SCA).

³ *Ibid* at para [16].

⁴ *Janse Van Rensburg and others NNO v Steenkamp and another; Janse Van Rensburg and others NNO v Myburgh and others* 2010 (1) SA 649 (SCA).

⁵ *Ibid* at par [35]

In *Corderoy v Union Government (Minister of Finance)* 1918 AD

512 Innes CJ said:

*'Where there has been repeated and persistent litigation between the same parties on the same cause of action, and in respect of the same subject matter, a defendant should not be driven to file repeated pleas of res judicata, or to make a succession of applications to stay proceedings where prior costs have not been paid. I think he is entitled to more effectual protection against long-continued unsuccessful onslaughts in respect of the same dispute. Such protection could only take the form of a general order curtailing in some respects the plaintiff's ordinary rights of litigation in that matter.'*⁶
(My emphasis.)

[6] It is trite that courts should exercise their right to stay proceedings sparingly and that it should usually be exercised when proceedings are vexatious or frivolous in nature or when a continuance of the proceedings would result in an injustice to one party.⁷

[7] In considering the remedy sought and how such discretion should be exercised, I rely on *Clipsal Australia (Pty) Ltd and others v Gap Distributors and others*.⁸ The Court referred to the discretion to be exercised in the following terms:

'As I shall presently indicate, I am of the view that if the court below did have a discretion, on equitable grounds, to stay the contempt application, the exercise of that discretion in favour of the respondents was not justified and should be set aside. I shall, therefore, likewise assume that the court below had such a

⁶ *Ibid* at 518.

⁷ See Cilliers et al Herbstein and van Winsen: The Civil Practice of the High Courts of South Africa, 5th ed (2009) Vol 1 at 306 *et seq*.

⁸ 2010 (2) SA 289 (SCA).

*discretion. I shall furthermore assume in favour of the respondents that the discretion is a discretion in the strict or narrow sense, ie a discretion with which this court as a court of appeal can interfere only if the court below exercised its discretion capriciously or upon a wrong principle, or has not brought its unbiased judgment to bear on the question, or has not acted for substantial reasons, or materially misdirected itself.*⁹

- [8] As much as it is accepted that in exercising such discretion the court may consider what is just and equitable given the specific circumstances, it has been held that it cannot be granted on the basis of constituting only an injustice.¹⁰

Merits of the application

- [9] It is necessary to refer to the facts that are common cause between the parties, since it places this application in perspective. The applicant in the main application is the registered proprietor of the trade marks CHICKS SCRAP METAL and CHICKS DEVICE. The first respondent launched expungement proceedings on 2 September 2010 on the grounds of non-use of the trade marks in terms of section 27 of the Trade Marks Act No. 194 of 1993 (hereinafter referred to as “the Act”), the proceedings are pending before the Registrar of Trade Marks in respect of Trade Mark numbers 1998/07607-10. The applicant launched the infringement

⁹ *Ibid* at para 19.

¹⁰ See *Belmont House (Pty) Ltd v Gore and Another* NNO 2011 (6) SA 173 (WCC) at para 9.

proceedings based on trade mark infringement, passing off and unlawful competition in February 2011 under this case number in this division. On 18 March 2011 the first respondent launched a review application in the North Gauteng High Court, seeking an order to set aside the Registrar's decision to renew the applicant's trade mark registration.

[10] In my view the issue is procedural in nature and is it necessary to determine whether the respondents, who are applying for the relief sought, have succeeded in showing that the requirements for a stay of the proceedings have been met.

[11] The respondents in the main application, applicants in this application, premise their application on the fact that the same disputes that underline the pending proceedings and the same legal issues which arise therefrom need to be raised in the main application which will not only increase the costs of the litigation and result in delay but will cause multiple hearings in different fora on the same questions of fact and law. Ms Annandale submitted that the review proceedings should be decided first so that the question of proprietorship can be determined and then the infringement can proceed on a proper basis.¹¹ Ms Annandale in

¹¹ See para. 29 of first and second respondents' heads of arguments.

dealing with the applicable principles to be applied submitted the following:

'In the present case, although all the litigation relates to the same subject matter and raises similar legal questions, the same relief on the same cause of action is not sought in all the other proceedings and so a plea of lis alibi pendens could not properly be raised. We submit that the similarities however render the situation analogous to that of lis alibi pendens insofar as the availability of a stay of proceedings is concerned.'

In the supplementary heads, dated 25 October 2012, Ms Annandale however contends:

'It is pertinent in this context to recall that the Applicant argued at the hearing of this matter that there was no true lis pendens because the parties in the expungement application are different to those in the infringement application. However, the Applicant now concedes that the Registrar of Trade Marks can be joined in the main application (and will have to be if there is a counter-claim for expungement), which then will leave only the Second Respondent (quite obviously incorrectly cited in the main application) and Uniforum (with no interest in the litigation and least of all in the expungement proceedings) as the remaining parties that do not feature in the expungement application. The Applicant's own argument, therefore, demonstrates an effective lis pendens.'

I shall return to these contentions when I deal with the issue of *lis pendens*.

In addition it was argued that the factual and legal issues which arise in all of the pending proceedings, constitute exceptional circumstances warranting a stay of the main application pending the finalisation of the review and expungement proceedings.

[12] Ms Annandale submitted in the note filed 25 October 2012 that the factors in the *Farmer's Table* case are on all fours with those that arose *in casu*. It has been submitted that Weyers J in *Farmer's Table* was not dealing with a case of *lis pendens* in the strictest sense. I shall return to this issue. She further submits that the circumstances *in casu* are more special than those that warranted the stay in the *Farmer's Table* case. In addition a distinction is drawn between a true *lis pendens* and an effective *lis pendens*. It is then argued that the applicant succeeded in showing that there is an effective *lis pendens*.

[13] An analysis of the *Farmer's Table* case shows however that *lis pendens* was specifically relied upon, *in casu* the applicant is however not relying on *lis pendens*. Mr Sholto-Douglas, correctly in my view, distinguishes the *Farmer's Table* case by drawing attention to the chronology of the different applications. The following is stated in his written submissions:

'In the Farmer's Table case KFC sought the stay of the main application pending the determination of the lis that had arisen prior to that application, namely the expungement proceedings. In casu, however, the Respondents seek a stay of the main application pending not only the expungement proceedings, but also the review proceedings which, it is common cause, arose after the main application.'

The facts of the *Farmer's Table* case reveal that KFC had detailed the prejudice suffered in the papers should a stay not be granted.

In casu the respondents failed to demonstrate any prejudice in the event of the stay not being granted. I am therefore satisfied that the *Farmer's Table* case is distinguishable from the present matter. I shall now turn to the issues that were originally argued.

Lis alibi pendens

[14] The respondents submitted at the time of the matter being argued that a true defence of *lis alibi pendens* cannot be raised but in their supplementary heads contended that it succeeded in showing that there is effective *lis pendens*. In my view to succeed in raising *lis pendens*, it would be required to show that the litigation relates to the same dispute between the same parties before the same tribunal or two different tribunals with equal competence to end the dispute.¹²

In the present matter there is an expungement application before the Registrar of Trade Marks, which is not a tribunal with equal competence to end the dispute between the parties concerned. It is also necessary to consider the proceedings that relate to the review application before the North Gauteng Court. The review proceedings have been brought by the first respondent against the

¹² See Nestlé *supra* at para 17.

applicant and three other parties (who are not parties to the infringement proceedings). A consideration of the parties to the review proceedings shows that neither the second respondent nor the third respondent are parties to the review proceedings. It is therefore abundantly clear that any finding on the issue by the North Gauteng High Court would not be binding on the second and third respondent in the infringement application.

Simply put, seen in the context of *lis pendens*, the findings of the Court in the review application would not bring an end to the dispute between the present parties in this matter.

It cannot be ignored that the review application was launched a month after the applicant launched its infringement proceedings before this Court. An examination of the review proceedings and the expungement proceedings, coupled with the infringement and passing off application, results in a finding that the applicant had failed to show that there is *lis pendens* either in its narrow sense or an effective *lis pendens*.

As in the *Nestlé* case I am not persuaded that the proceedings pending before the North Gauteng High Court or before the Registrar of Trade Marks are proceedings pending before an

equally competent tribunal since each of the aforementioned tribunals have its own peculiar functions, powers and authority.

Vexatious proceedings

[15] On behalf of those applying for the stay it has been submitted that the institution of further proceedings between the same parties relating to the same subject matter whilst the first proceedings are pending is *prima facie* vexatious.

It is evident from the papers filed on behalf of the applicant, that is the founding affidavit as well as replying affidavit, that no case has been made out that the infringement proceedings are vexatious. The concept *prima facie* in the law of evidence has always been understood to mean “evidence upon which a court, applying its mind reasonably could or might find for the plaintiff”.¹³

The respondents go as far as to submit that since the trademarks are the very subject of litigation pending elsewhere, similar considerations arise as to the applicability of a stay which is available in respect of vexatious proceedings. In order to

¹³ See Schwikkard and Van der Merwe ‘Principles of Evidence’ (2009) 3rd ed, Juta, at 578. Also *Mazibuko v Santam Insurance Co Ltd and another* 1982 (3) SA 125 (A) at 132 -133. CF Schwikkard op cit at 20.

determine whether the applicant has made out a case for the stay to be granted on the basis of the infringement application being vexatious it is vitally important to consider the applicable legal principles that find application.

In *African Farms and Townships Ltd v Cape Town Municipality*¹⁴

the Court in a concurring judgment, defined vexatious as:

*'An action is vexatious and an abuse of the process of Court inter alia if it is obviously unsustainable. This must appear as a certainty, and not merely on a preponderance of probability. Ravden v Beeten, 1935 CPD 269 at p. 276; Burnham v Fakheer 1938 NPD 63.*¹⁵

(My emphasis.)

There is no evidence before me that warrants the conclusion that the infringement application is devoid of any merit and that the infringement application is unsustainable. Moreover it cannot be said that the applicant in the infringement application is not *bona fide* in bringing the application or that it does not have an interest in the relief sought.¹⁶

I am not persuaded on the papers that either on the facts or in law that the applicant in instituting the infringement proceedings was vexatious. Although the respondents rely on the proceedings as

¹⁴ 1963 (2) SA 555 (AD).

¹⁵ *Ibid* at 565D-E.

¹⁶ Cf. *Van Deventer v Reichenberg and Another* 1996 (1) SACR 119 (C) at 128.

vexatious in terms of the common law, it is useful to consider the type of conduct that would be defined as vexatious, by considering section 2 of the Vexatious Proceedings Act No. 3 of 1956 (as amended) which *inter alia* defines it as:

'[T]he Court is satisfied that the said person has persistently and without reasonable ground instituted legal proceedings in any Court or in any inferior court ...'
(My emphasis.)

In my view neither the founding affidavit nor the replying affidavit serve as sufficient proof that the infringement application is vexatious in nature.

Abuse of process?

- [16] Pivotal to this enquiry is whether the applicant by instituting the infringement proceedings abused the court process. In determining this it is necessary to focus on the fact that currently the applicant is the registered proprietor of the trade marks CHICKS SCRAP METAL and CHICKS DEVICE. It is further trite that the trade mark remains valid until declared invalid. The expungement proceedings are still pending before the Registrar. Is it possible that the claim to protect ones' trademarks could be

regarded as an abuse of the court process? In *Western Assurance v Calderwall's Trustee*,¹⁷ the Court held:

*'Every Court has an inherent right to prevent an abuse of its process in the forum of frivolous or vexatious litigation. (Reichel v Magrath, 14 AC 665)'*¹⁸

In *Beinash v Wixley*¹⁹ Mohamed CJ considered whether the issue and service of a subpoena constituted an abuse of the process of Court and remarked succinctly:

*'What does constitute an abuse of the process of the Court is a matter which needs to be determined by the circumstances of each case. There can be no all-encompassing definition of the concept of "abuse of process". It can be said in general terms, however, that an abuse of process takes place where the procedures permitted by the Rules of the Court to facilitate the pursuit of the truth are used for a purpose extraneous to that objective. (Standard Credit Corporation Ltd v Bester and Others 1987 (A) SA 812 (W) at 820A-B; Taitz The Inherent Jurisdiction of the Supreme Court (1985) at 16.)'*²⁰
(My emphasis.)

[17] Applying the aforesaid dicta to the circumstances of the present case where the applicant instituted the infringement proceedings to protect what is lawfully its property, i.e. the trade marks, cannot be labelled as a process aimed at not pursuing the truth. It is also not a process instituted for an extraneous purpose and objective. There is not a single piece of evidence in support of the

¹⁷ 1918 AD 262.

¹⁸ *Ibid* at 273.

¹⁹ 1997 (3) SA 721 (SCA).

²⁰ *Ibid* at 734F-H.

submission that the applicant's conduct in the main application is an abuse of this Court's procedures or processes.

Prejudice

[18] As much as the first respondent attempted to demonstrate any prejudice in its replying affidavit²¹ it was apparent at the time when the matter was argued that Ms Annandale could do no better than rely on what is stated in the replying affidavit of the first respondent, which reads as follows:

'Finally, the applicant contends that the respondents have not demonstrated any bona fide prejudice if the stay is not granted. The extraordinary submission amounts to this:

30.1 *it would not be prejudicial to the respondents to be interdicted from trading, perhaps for several years, using marks they have adopted in good faith without there being any possibility of any confusion or deception between the goods and services of the applicant and those of the respondents;*

30.2 *the respondents should be put to the expense of removing all signage, advertising and promotional material, order forms, business cards, websites, catalogues, price lists and any other material bearing the CHICKS marks, re-brand the business at great expense, lose the benefit of the reputation the first respondent has already built up in the marks since March 2010 and then, if in due course it is found that all of this was wholly unwarranted, that it should then again be put to the expense of re-branding itself as Chicks and suing the respondents for all of the damages it has suffered in the intervening period.'*

²¹ See para. 30 at 550-551.

Mr Sholto-Douglas has argued that not only is it procedurally impermissible to introduce the grounds for prejudice for the first time in the reply, the facts relied upon amount to mere speculation that should not persuade this Court in granting the stay of the infringement proceedings. I agree that the respondents failed to specify the prejudice that they would suffer should the stay not be granted.²²

Exceptional Circumstances

- [19] The applicants finally submitted that exceptional circumstances exist *in casu* that warrant the exercise of this Court's discretion in its favour. In the supplementary heads, dated 25 October 2012, the respondents aver that the review proceedings constitute the main proceedings and that the review proceedings necessarily arose after the infringement proceedings and that in itself it constitutes a special circumstance. I fail to understand the rationale for it to be regarded as exceptional given the facts before me. Once more this submission is contained in the note filed after the matter was heard which leaves this Court in an invidious position, since it is raised at a time when the respondent is deprived of the opportunity to respond to it but more importantly

²² Cf. The *Farmer's Table* case at page 9.

when this Court is deprived of the opportunity to pose questions to counsel and to ask clarification.²³ In my view not much turns on this issue. In any event I am not persuaded that there is an exceptional circumstance that weighs in favour of granting a stay of the proceedings.

At the time of the matter being argued the applicant urged this Court to consider its discretion to grant a stay of proceedings, based upon consideration of convenience and the determination of what is just and equitable.²⁴ Whilst this Court is mindful of its constitutional obligation to develop the common law in the interests of justice,²⁵ it remains questionable, given the stakes and interests that are at risk whence dealing with trade marks, whether there is any reason to deviate from previous practices. This Court cannot overlook the fact that the applicant in the infringement proceedings is the proprietor of the trade marks in question. The SCA has adopted Lord Diplock's rules²⁶ and it is necessary to repeat the first rule, which is relevant:

²³ See para. 2 *supra*. In the light of all the delays caused I do not consider it prudent to ask the parties to file further heads, which is an option in some cases.

²⁴ See *Belmont House (Pty) Ltd supra* at para. 9.

²⁵ See *Minister of Public Works v MXN Development Construction CC* [2007] JOL 20434 (C) at para. 11.

²⁶ See *General Electric Co v The General Electric Co Ltd* [1972] 2 All ER 507 (HL); *Luster Products Inc v Magic Style Sales CC* 1997 (3) SA 13 (A) and *SAFA v Stanton Woodrush (Pty) Ltd t/a Stan Smidt & Sons and another* 2003 (3) SA 313 (SCA).

'(1) The fact that the mark is entered upon the register is prima facie evidence of the validity of the original registration and of the right of the registered proprietor to the exclusive use of the mark, subject however, to the rights of concurrent user by any registered proprietor of an identical mark or one nearly resembling it.'²⁷

(My emphasis.)

Section 51 of the Act echoes the same:

'51 Registration to be prima facie evidence of validity

In all legal proceedings relating to a registered trade mark (including applications under section 24) the fact that a person is registered as the proprietor of the trade mark shall be prima facie evidence of the validity of the original registration of the trade mark and of all subsequent assignments and transmissions thereof.

(My emphasis.)

Inasmuch as it was argued on behalf of the respondents that if a stay is not granted the first respondent would be deprived of a tactical advantage to which it would be entitled to, the opposite is also true, that is, a granting of a stay of the infringement proceedings would have the effect that the applicant would be deprived of protecting what is lawfully regarded as its property. It has to be accepted that the whole purpose of registering a mark is to enforce that right should it be infringed.

[20] I am not convinced that there is a need to develop the law or the principles that apply to a stay of proceedings.²⁸ The facts of this application are not as such to call for a re-examination of the

²⁷ *Ibid* at 324A-B.

²⁸ Cf. *Minister of Public Works v MXN Development supra* at para 11.

procedural principles. The principles remain sound and in accordance with justice. After a careful consideration of all the issues raised by the respondents in applying for the stay, I am not persuaded that they are entitled to the relief sought.

Given the pending proceedings in the *fora* earlier listed, I am not convinced that it can be found that the respondents were not *bona fide* in bringing this application. It is possible that they were delaying the main application but there is no certainty, not even on a balance of probabilities.

Order

[20] The application is dismissed with costs, such costs to include the costs of two counsel.

Steyn J

Date of Hearing:	10 August 2012
Date of Judgment:	16 November 2012
Counsel for the applicant:	Adv Sholto-Douglas SC Adv BJ Vaughan
Instructed by:	Werksmans
Counsel for the respondents:	Adv Annandale SC
Instructed by:	Adams & Adams