

**Herbal Zone (Pty) Ltd and others v Infitech Technologies (Pty) Ltd and others
[2017] 2 All SA 347 (SCA)**

Division: SUPREME COURT OF APPEAL
Date: 10 March 2017
Case No: 204/2016
Before: A CACHALIA, BH MBHA, JB SHONGWE, MJD WALLIS JJA AND A SCHIPPERS AJA
Sourced by: Z KANKU
Summarised by: DPC Harris

[. Editor's Summary .](#) [Cases Referred to .](#) [Judgment .](#)

[1] Delict - Defamation - Claim for interdict against future publication of defamatory matter - Where accusation of distribution of counterfeit goods was found to be justified, entitlement to interdict granted was not established.

[2] Intellectual property - Passing off - Passing off occurs when one entity represents, whether or not deliberately or intentionally, that its business, goods or services are those of another entity, or are associated therewith, and is established when there is a reasonable likelihood that members of the public in the marketplace looking for that type of business, goods or services may be confused into believing that the business, goods or services of one business are those of another - Proof of passing off requires proof of reputation, misrepresentation and damage.

Editor's Summary

The second appellant was the sole shareholder of the first appellant ("Herbal Zone"). He became involved with a Malaysian company ("Herbal Zone International") which manufactured capsules containing a root extract believed to have aphrodisiacal properties that enhanced male sexual performance. He called the product in capsule form "Phyto Andro". From 2009 until 2014 the first respondent ("Infitech"), was the sole distributor of Phyto Andro in South Africa in terms of a distribution agreement concluded with Herbal Zone. Before the termination of that sole distributorship, the third and fourth respondents, who were shareholders of Infitech, formed the second respondent ("Herbs Oils"). Since 2014, Herbs Oils distributed a product in South Africa, also under the name "Phyto Andro for Him", in competition with the product imported by Herbal Zone. Although neither Herbal Zone nor Herbs Oils had secured registration of "Phyto Andro" as a trademark, the packaging that each uses for its own product includes after the words "Phyto Andro" the standard symbol ® used to indicate such registration.

The appellants responded to the respondents' actions by publishing an advertisement stating that the product sold by Infitech was a counterfeit product. Herbal Zone also instigated a search and seizure operation by the police at the premises of Infitech and Herbs Oils.

Eventually, the respondents launched proceedings in the High Court seeking a number of interdicts against the appellants. The latter counter-applied for an interdict restraining the respondents from marketing, selling, advertising, promoting or presenting consumable herbal capsules using trademarks, labels or names including the words Phyto Andro or packaging confusingly similar to that being used by Herbal Zone and its distributors. They contended that Infitech and its associates were passing off their product as that of Herbal Zone. Some of the interdicts sought by Infitech were granted on the basis that the

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statements made about Infitech and Herbs Oils in the advertisements and circular were defamatory. The counter-application was dismissed on the basis that Herbal Zone failed to discharge the onus of proving that the reputation and goodwill attaching to Phyto Andro, as marketed in South Africa, vested in Herbal Zone, as opposed to Herbal Zone International, which was not a party to the application.

On appeal against that decision, the primary issue was the passing off claim, and the defamation claim was the secondary issue.

Held - Passing off occurs when one entity represents, whether or not deliberately or intentionally, that its business, goods or services are those of another entity, or are associated therewith. It is established when there is a reasonable likelihood that members of the public in the marketplace looking for that type of business, goods or services may be confused into believing that the business, goods or services of one business are those of another. Proof of passing off requires proof of reputation, misrepresentation and damage.

The packaging of Herbs Oils' product used the same name, Phyto Andro, to describe the product and the packaging was very similar. The name Phyto Andro was not descriptive of the product, but was an invented mark attached to it. In calling their product Phyto Andro, there was plainly a representation to the public by the respondents that when they bought Herbs Oils' product it was the product that enjoyed a reputation in South Africa under that name. The crucial question then was whether Herbal Zone enjoyed the reputation attaching to Phyto Andro in South Africa.

The Court dispensed summarily with Herbs Oils' claim that the reputation in the Phyto Andro mark vested in it. Infitech's role in regard to the product sold under that mark was that of a distributor. It acquired that role in terms of a distribution agreement that said that Herbal Zone was the owner of all rights, title, trademarks and logos in respect of the product. Turning to Herbal Zone's claim that proprietorship in the mark and the reputation attaching

to it vested in it, the difficulty it faced lay in the confusion on the papers between it and Herbal Zone International and their respective roles in the manufacture of Phyto Andro and its marketing in South Africa. The Court agreed with the High Court's finding that Herbal Zone failed to show that the reputation in the mark vested in it and not Herbal Zone International. The appeal against the finding on the issue of passing off, accordingly, failed.

That left the defamation claim to be addressed by the Court. The argument on defamation was that in the appellants' advertisements Infitech and Herbs Oils had been accused of selling counterfeit products and it was alleged that such conduct on their part was illegal. The Court set out the proper approach to an application for an interdict to prevent the publication of defamatory matter. Such an interdict is directed at preventing the party interdicted from making statements in the future. If granted, it impinges upon that party's constitutionally protected right to freedom of speech. For that reason such an interdict is only infrequently granted, leaving the party claiming that they will be injured by such speech to their remedy of a claim for damages in due course. Although a corporate entity such as Herbs Oils was entitled to claim damages based on defamation, no attempt was made to show that Herbs Oils had suffered loss as a result of the publication of the advertisements and circular, much less that it would suffer irreparable harm in the future by further

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publications of such material. Nor did it allege that damages would not be an adequate remedy for any such publication. On the other hand, Herbal Zone produced evidence that it had over a lengthy period, first introduced and then caused to be distributed in South Africa, the product Phyto Andro for Him. That entitled it to describe its own product as the genuine or original product and to decry the product of others who were marketing competing products of a different manufacture and source as counterfeit, that is, not the genuine article. Even if the reputation in Phyto Andro did not vest in it, the fact that it was importing it into this country and distributing it here entitled it to level the charge of counterfeit against Herbs Oils products. In those circumstances, the application for an interdict should not have been granted and the appeal against it was upheld.

Notes

For Delict see:

- LAWSA Third Edition (Vol 15, paras 1-223)
- *Law of Delict* by J Neethling and JM Potgieter 7ed Durban LexisNexis 2015

For Passing Off see:

- LAWSA Second Edition Replacement Volume 2015 Vol 29, paras 200-255
- Burrell TD Burrells South African Patent and Design Law 4ed Durban LexisNexis 2016

Cases referred to in judgment

| | |
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| <i>Buthlezi v Poorter and others</i> [1974] 2 All SA 426 (1974 (4) SA 831) (W) - Referred to | 362 |
| <i>Capital Estate and General Agencies (Pty) Ltd and others v Holiday Inns Inc and others</i> [1977] 3 All SA 306 (1977 (2) SA 916) (A) - Referred to | 352 |
| <i>Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd and another</i> [1998] 3 All SA 175 (1998 (3) SA 938) (SCA) - Referred to | 353 |
| <i>Caxton Ltd and others v Reeva Forman (Pty) Ltd and another</i> [1990] 2 All SA 300 (1990 (3) SA 547) (A) - Referred to | 361 |
| <i>Etraction (Pty) Ltd v Tyrecor (Pty) Ltd</i> [2015] JOL 33300 ([2015] ZASCA 78; 2015 BIP 2453; 2015 JDR 0994) (SCA) - Referred to | 359 |
| <i>Heilbron v Blignault</i> 1931 WLD 167 - Referred to | 361 |
| <i>Hix Networking Technologies CC v System Publishers (Pty) Ltd and another</i> [1996] 4 All SA 675 (1997 (1) SA 391) (A) - Applied | 361 |
| <i>Islamic Unity Convention v Independent Broadcasting Authority and others</i> 2002 (5) BCLR 433 (2002 (4) SA 294) (CC) - Referred to | 362 |
| <i>Lendlease Finance (Pty) Ltd v Corporacion De Mercadeo Agricola and others</i> [1976] 4 All SA 300 (1976 (4) SA 464) (A) - Referred to | 354 |
| <i>Midi Television (Pty) Ltd v Director of Public Prosecutions (WC)</i> [2007] 3 All SA 318 (2007 (5) SA 540) (SCA) - Referred to | 361 |
| <i>Pioneer Foods (Pty) Ltd v Bothaville Milling (Pty) Ltd</i> [2014] ZASCA 6; [2014] 2 All SA 282 (SCA) - Referred to | 353 |
| <i>Print Media South Africa and another v Minister of Home Affairs and another (Justice Alliance of South Africa and another as amici curiae)</i> 2012 (12) BCLR 1346 ([2012] ZACC 22; 2012 (6) SA 443) (CC) - Referred to | 362 |

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Verimark (Pty) Ltd v Bayerische Motoren Werke Aktiengesellschaft;
Bayerische Motoren Werke Aktiengesellschaft v Verimark (Pty) Ltd
[2007] JOL 19890 (2007 (6) SA 263) (SCA) - Referred to

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Judgment

WALLIS JA:

- [1] The dried and crushed extract of Tongkat Ali,¹ a root found in Malaysia and other countries in the Far East, is believed to have aphrodisiacal properties that enhance male sexual performance. The second appellant, Mr Hakim Herzallah, recognised that this belief could be exploited for its commercial potential and became involved with the production by a Malaysian company, Madar Al Jawda Sdn Bhd ("MAJ"), of capsules containing this extract. He called the product in this capsule form "Phyto Andro".² Since 2006, after he moved to South Africa, it has been marketed in this country under that mark as Phyto Andro for Him. Mr Herzallah is the sole shareholder of the first appellant, Herbal Zone (Pty) Ltd, which imports Phyto Andro into South Africa. Herbal Zone (Pty) Ltd was formerly a close corporation, Herbal Zone CC. In 2015 it was converted into a private company. As nothing turns on the conversion I will refer to them both as Herbal Zone. He also said that he was the majority shareholder in a Malaysian company called Herbal Zone International Sdn Bhd ("Herbal Zone International") that he refers to as the manufacturer of Phyto Andro. He annexed a letter to his affidavit in support of this statement and an extract from the Herbal Zone International's register of directors. These showed that he was appointed as a director in 2008 and recorded that in 2009 he was a 51% shareholder in Herbal Zone International. There was no documentary evidence that this remained the position when these proceedings were commenced.
- [2] From 2009 until 2014 the first respondent, Infitech Technologies (Pty) Ltd ("Infitech"), was the sole distributor in South Africa of Phyto Andro in terms of a distribution agreement concluded with Herbal Zone. The present dispute arose from events after the termination of that sole distributorship. The second respondent, Herbs Oils and Co (Pty) Ltd ("Herbs Oils"), had been formed in advance of the termination by Mr and Mrs Moisané, the shareholders of Infitech and the third and fourth respondents. Herbs Oils has since 2014 distributed a product in South Africa, also under the name Phyto Andro for Him, in competition with the product imported by Herbal Zone. This competing product is imported by Infitech, which says, somewhat cryptically, that it has procured it from an unidentified manufacturing source in Malaysia.

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Although neither Herbal Zone nor Herbs Oils has secured registration of "Phyto Andro" as a trademark, the packaging that each uses for its own product includes after the words "Phyto Andro" the standard symbol ® used to indicate such registration.

- [3] In addressing the competition from Herbs Oils product, Herbal Zone took out advertisements in a popular newspaper, the *Daily Sun*, at the foot of which appeared, in fairly small print, the following statement:
- "HERBAL ZONE CC WILL NOT BE RESPONSIBLE FOR THE CONTENT IN ANY OTHER PACKAGING!
LEGAL ACTION WILL BE TAKEN AGAINST SUPPLIERS SELLING/PURCHASING 'COUNTERFEIT PHYTO ANDRO CAPSULES'
Herbal Zone is the Manufacturer and supplier of Phyto Andro Capsules".
- [4] In addition, Herbal Zone distributed a circular to the pharmacies and outlets through which it was distributing Phyto Andro containing the following warning:

"URGENT NOTICE!!!

To All Clients,

Herbal Zone CC, manufacturer of Phyto Andro Capsules would hereby like to inform ALL CLIENTS that Infitech Technologies is *NO* longer our *Sole Distributor*.

Herbal Zone CC will not be responsible for the content in any other PACKAGING! and hereby warns any Company purchasing Phyto Andro capsules for Him ILLEGALLY from *Herbs Oils and Co* (Infitech Technologies) as this is a counterfeit product.

LEGAL ACTION WILL BE TAKEN AGAINST SUPPLIERS 'SELLING/PURCHASING' COUNTERFEIT PHYTO ANDRO CAPSULES for HIM.

*****The Original Phyto Andro Capsules for Him has Herbal Zone printed on the Capsules*****

Please contact Herbal Zone CC directly for Phyto Andro Capsules orders and we will refer you to ONE of our distributors in your area."

- [5] The circular was on a letterhead saying it emanated from Herbal Zone International CC. On the left hand side of the document was a spiral device logo and below that the word "Herbal". Below that in turn appeared the slogan "For Better Health". Under the name Herbal Zone International CC Herbal Zone's contact details, including its email address and website address, are printed. At the foot of the document were references to another entity called Herbal Zone International, based in Twickenham in the United Kingdom, and to Herbal

- [6] In addition to the advertisements and the circular, Herbal Zone employed a private investigator, a Mr Ali, to investigate the source and origin of the competing product. Mr Ali appears to have approached his task with a considerable measure of vigour and enthusiasm resulting in the Commercial Branch of the South African Police Services, on 21 May 2015, obtaining a search and seizure warrant under the provisions of the Counterfeit Goods Act [37 of 1997](#) (the "Counterfeit Goods Act") and executing it at the premises of Infitech and Herbs Oils. At the end of the search Mr Mosiane and the fifth respondent, Mr Jekecha, the financial

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manager of the business, were arrested and held overnight at the Germiston Police Station. Certain stock was removed and detained by the police for a period of about two weeks. It was released when it became apparent that it could not be confiscated in terms of the Counterfeit Goods Act.

- [7] These actions by the police, and a further incident in July 2015 involving an alleged threat by the appellants' representatives to take legal action against a Ms Tshite of Protea Family Pharmacy for selling the Phyto Andro products, were the last straw as far as Infitech, Herbs Oils and Mr and Mrs Mosiane were concerned. On 31 July 2015, they launched proceedings in the Western Cape Division of the High Court seeking a number of interdicts against Herbal Zone, Mr Herzallah and two other entities, which are now undertaking the distribution in South Africa of the Herbal Zone Phyto Andro. The proceedings were opposed and the respondents counter-applied for an interdict restraining the applicants from marketing, selling, advertising, promoting or presenting consumable herbal capsules using trademarks, labels or names including the words Phyto Andro or packaging confusingly similar to that being used by Herbal Zone and its distributors. They contended that Infitech and its associates were passing off their product as that of Herbal Zone.
- [8] The application came before Bozalek J who granted certain of the interdicts sought by Infitech and its co-applicants on the basis that the statements made about Infitech and Herbs Oils in the advertisements and circular were defamatory. He dismissed the counter-application on the basis that Herbal Zone failed to discharge the onus of proving that the reputation and goodwill attaching to Phyto Andro, as marketed in South Africa, vested in Herbal Zone, as opposed to Herbal Zone International, which was not a party to the application. The appeal is with his leave. In arguing it, the parties treated the passing off claim as the principal issue and the defamation claim as secondary. Accordingly I will address them in that order in the judgment, albeit that they arose in the converse order in the course of the litigation in the High Court.

Passing off

- [9] There is no dispute over the relevant legal principles. Passing off occurs when A represents, whether or not deliberately or intentionally, that its business, goods or services are those of B, or are associated therewith. It is established when there is a reasonable likelihood that members of the public in the marketplace looking for that type of business, goods or services may be confused into believing that the business, goods or services of A are those of B or are associated with those of B.³ The misrepresentation on which it depends involves deception of the public in regard to trade source or business connection and enables the offender to trade upon and benefit from the reputation of its competitor. Misrepresentations of this kind can be committed only in relation to a business that has established a reputation for itself or the goods and services it supplies in the market and thereby infringe upon the

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reputational element of the goodwill of that business. Accordingly proof of passing off requires proof of reputation, misrepresentation and damage.⁴ The latter two tend to go hand in hand, in that, if there is a likelihood of confusion or deception, there is usually a likelihood of damage flowing from that.⁵

- [10] If Herbal Zone had the requisite reputation in South Africa then the other requirements of passing off were satisfied. The packaging of Herbs Oils' product uses the same name, Phyto Andro, to describe the product and the packaging is very similar. The name Phyto Andro is not descriptive of the product, but is an invented mark attached to it in order to distinguish it from other products of a similar type. By calling their product Phyto Andro there is plainly a representation to the public that when they buy Herbs Oils' product it is the product that enjoys a reputation in South Africa under that name. And, if customers buy Herbs Oils' product in the belief that it is the product they have previously bought or known under the Herbal Zone mark, there will be damage. The crucial question was therefore whether Herbal Zone enjoyed the reputation attaching to Phyto Andro in South Africa.
- [11] Given the centrality of this issue to the outcome of the claim for an interdict based on passing off, one would have expected the parties to address it fully and ask the court to resolve it. But they did not do so, preferring to keep their powder dry for a future battle over the registration of Phyto Andro as a trademark. Herbs Oils, while claiming that the reputation had attached to its predecessor Infitech and had been transferred to it, said that it was unnecessary to determine who the true proprietor of the Phyto Andro mark was. Herbal Zone responded by saying that it had set out its case for proprietorship and it was undeniable. It added that this would have a bearing on future proceedings before the Registrar of Trademarks, but said that in the meantime it was entitled to enforce its common law rights. So we were faced with the curious situation that, in a case where reputation is central, the one party has refrained from setting out in full its case on the point and both parties appear to adopt the stance that these issues will be thrashed out more fully when the Registrar of Trademarks deals with various pending applications for registration of a number of marks. In the circumstances, this judgment cannot be taken to be a final determination of that issue, binding on a court in any subsequent proceedings. All that it deals with is whether the evidence tendered in this case established that the reputation attaching to the Phyto Andro mark vested in Herbal Zone.

[12] Three possibilities were mooted in argument. They were that the reputation attaching to Phyto Andro in South Africa had been established by Infitech and now vested in Herbs Oils; that it had been established by and vested in Herbal Zone; and that it had been established through the efforts of Herbal Zone and its sub-distributors on behalf of Herbal Zone International and vested in the latter. In considering these three

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possibilities, and indeed the case as a whole, it must be borne in mind that neither party asked for the matter to be referred for the hearing of oral evidence. In the circumstances, the evidence had to be approached in the light of the *Plascon-Evans* rule so that the onus of proof resting on any party on an issue would only be discharged on the requisite balance of probabilities if the undisputed evidence, together with that of the other party, sufficed to discharge that onus.⁶

[13] Herbs Oils' claim that the reputation in the Phyto Andro mark vested in it can be disposed of fairly simply. Infitech's role in regard to the product sold under that mark was that of a distributor. It acquired that role in terms of a distribution agreement that said that Herbal Zone was the owner of all rights, title, trademarks and logos in respect of the product. It was entitled to advertise the product and hold itself out as the sole distributor, but in doing so it was obliged to use the trade mark Phyto Andro, which, as between it and Herbal Zone, was the property of Herbal Zone. Furthermore it undertook to protect Herbal Zone's interests in South Africa and not to "pledge, cede, assign, make over or in any way encumber" its intellectual property rights. Whether the rights vested in Herbal Zone is neither here nor there. Once Infitech signed an agreement on those terms its conduct under the distribution agreement falls to be measured against a contract under which it disavowed any ability to acquire an interest in the trademark. In the face of that disavowal it is difficult to see on what possible basis Infitech could nonetheless acquire the very rights it agreed did not belong to it, much less to do so by its conduct in performing its obligations in terms of the distribution agreement.

[14] The evidence relied on in support of Infitech's claim to be the proprietor of the Phyto Andro mark was the expenditure of "considerable time, money and effort" in establishing a market for Phyto Andro products in South Africa. It said that these efforts commenced in 2008 or 2009 prior to the conclusion of the distribution agreement, although Mr Herzallah said that the relationship only commenced early in 2010. Whichever date is correct there was already a market for the product in South Africa at that stage, as it had been on sale in this country through another distributor from 2006. Reliance was placed on some radio advertisements, but those did nothing to convey that the product emanated from Infitech and that proprietorship of the mark vested in it. After the distribution agreement was concluded the product's external packaging initially said that it was manufactured by Herbal Zone International "for" Infitech, but this was later changed, at Infitech's instance, to say that the product was "exclusively distributed" by Infitech. None of this, in my view, came anywhere near establishing that proprietorship in the mark vested in Infitech and hence in Herbs Oils.

[15] Turning to Herbal Zone's claim that proprietorship in the mark and the reputation attaching to it vested in it, the difficulty it faced lay in the

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confusion on the papers between it and Herbal Zone International and their respective roles in the manufacture of Phyto Andro and its marketing in South Africa. It was as a result of this confusion that Bozalek J held that Herbal Zone failed to show that the reputation in the mark vested in it and not Herbal Zone International and non-suited it on that ground. In my view, he was correct to do so.

[16] Mr Herzallah said that he became involved in Malaysia in the production of capsules containing an extract of dried Tongkat Ali and had hit upon the name Phyto Andro under which to market the product. He arranged for it to be manufactured by MAJ and sold Phyto Andro in various markets in the Far East and other countries. After he moved to South Africa in 2005, he set up an entity called Etumax Trading CC ("Etumax") to market Phyto Andro capsules in this country. In 2007, he decided to create Herbal Zone to take over the business of Etumax and at the same time Herbal Zone International was established in Malaysia to "[take] over the manufacture and export" of Phyto Andro capsules. Once Herbal Zone was created it became the sole importer of Phyto Andro capsules into South Africa and its sole distributor in this country. In support of that allegation he referred to an undated letter, apparently prepared in June 2015, signed by the Chief Operating Officer of Herbal Zone International saying that Herbal Zone International was the manufacturer of Phyto Andro Capsules for Him worldwide and that Herbal Zone was the only authorised importer into South Africa.

[17] When the disputes in this case arose, that letter was attached to a letter from Herbal Zone's attorney addressed to the attorney for Infitech in which he described the situation in the following terms:

" . . . the fact remains that Herbal Zone itself, whether the proprietary limited company operation in South Africa or the international company operating out of Malaysia, is the original importer, distributor, and manufacturer of phyto andro products."

Elsewhere the attorney said that Herbal Zone was importing Phyto Andro under licence from its sole distributor, Herbal Zone International, but, contradictorily, then said that Herbal Zone was the manufacturer of Phyto Andro products and capsules worldwide operating under the name and style of Herbal Zone International. Throughout the letter there was a failure to distinguish between Herbal Zone, the South African entity, and Herbal Zone International, the Malaysian entity. This failure to distinguish between the two corporate entities and uncertainty about the true role of Herbal Zone characterised much of the evidence by Mr Herzallah. Some examples pertinently illustrate this failing.

[18] Mr Herzallah's explanation of the role of Etumax could not be reconciled with the printouts from the accounting records of Etumax that he annexed to his answering affidavit, which also served as the founding affidavit in Herbal Zone's counter-application. He described Etumax as a local distributor of Phyto Andro. However, the

records tell another story. They are headed with MAJ's name above the words "South African Office Expenses". The items reflected include salary for a Mr Shadi and rental of premises. They also reflect regular payments, apparently by MAJ in subvention of these costs. The picture is of a branch office acting on behalf of MAJ. If Mr Shadi is the same person who became a director of

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Herbal Zone International before Mr Harzallah and who is now the chief operating officer of that company, the accounts show that part of his salary in dollars was being allocated to Etumax. Most importantly of all it shows that the mark Phyto Andro was being used on the product at that time. That can only have been because it was being used at source in Malaysia.

- [19] The pamphlet that gave rise to the defamation claim had the name Herbal Zone International CC at the head and referred to Herbal Zone International and an English entity at the foot. There are a number of letters in the papers on the same letterhead as the pamphlet and a few that refer additionally to "Herbal Zone International" in Dubai and to Herbal Zone International Ltd, a New Zealand company. An application addressed to the Medicines Control Council described the applicant as Herbal Zone International CC. It was said that this was an oversight and that these references were intended to be references to Herbal Zone, but the use of that letterhead and description extended from at least 2012 through to the commencement of these proceedings. Over such a protracted period it could not have been inadvertent and no other explanation was proffered.
- [20] The confusion manifests itself elsewhere. In internal emails Mr Herzallah inserted his name above the words "Herbal Zone International, Cape Town - South Africa". The website of the business referred simply to "Herbal Zone" without identifying either the Malaysian or the South African entity. The website addresses were equally unspecific referring either to "herbalzone.com" or "herbalzone.net" or "phytoandro.com". This was all consistent with the business of Herbal Zone being conducted in a manner that blurred the distinction between the local and the Malaysian entity. Infitech contended that the confusion was deliberate.
- [21] Mr Herzallah said Herbal Zone International was formed to take over the manufacture of Phyto Andro capsules. However, it appeared that Herbal Zone International did not itself have a manufacturing facility but contracted with others to manufacture on its behalf. The registration certificate issued by the Drug Control Authority (Ministry of Health, Malaysia) for the manufacture of Phyto Andro for Him capsules was issued to Herbal Zone International but the actual manufacture was being undertaken by an entity called Polens (M) Sdn Bhd.⁷ The certificate authorised the holder to endorse the packaging in which the product was sold with a stamp in a roundel containing the letters GMP, which stands for "good manufacturing practice" and is a requirement for the manufacture of this type of product in Malaysia.
- [22] The Islamic Food Research Centre, Hong Kong, Malaysia, issued a similar certificate, stating that the product was Halaal and complied with Shariah law, so that it was lawful for consumption by Muslims. This too was issued to Herbal Zone International, but in respect of the manufacturing facility of Polens (M) Sdn Bhd. It authorised the holder to

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endorse the packaging of the product with a roundel reflecting that the Islamic Food Research Centre had certified it as Halaal.

- [23] The packaging of Phyto Andro for Him identified Herbal Zone International as the manufacturer of the product. Both the GMP and Halaal certification obtained by Herbal Zone International appeared on the exterior of the box and on each foil package containing a capsule. There was no indication on the external package that it had any direct South African connection, much less a connection with Herbal Zone. The product information on the side of the box said that it was a product used "internationally". The only connection with Herbal Zone was that its name, fax number, email address and the words "Cape Town South Africa" were printed on the foil sachet in which the capsule was sold. But that was packed in a box that identified Herbal Zone International as the manufacturer. Inasmuch as the purpose of a trademark is to serve as a badge of origin⁸ virtually all the information available to a person purchasing the product, whether for resale or use, pointed to the origin being Herbal Zone International.
- [24] I appreciate that a trademark's function as a badge of origin does not require that the mark should identify the corporate entity that is the proprietor of the mark or, in the case of an unregistered mark, the entity in which the reputation attaching to that mark is vested. Nonetheless, when the public material associated with the product and the mark points to a particular entity as the manufacturer of the product, the ordinary inference by consumers will be that this is in fact the origin or source of the product. Where large corporate groups consolidate all their intellectual property rights in a single subsidiary that is done by way of formal agreements such as assignments of rights - a situation that is not present here.
- [25] In an endeavour to circumvent these difficulties Counsel drew our attention to a passage in Mr Herzallah's affidavit where he said:
- "From as early as this all Phyto Andro capsules were sold in packaging which bore the name 'Phyto Andro' affixed to it boldly the logo of Herbal Zone to identify the association between Phyto Andro and Herbal Zone."
- In the light of an earlier statement in the affidavit that when referring to Herbal Zone he was referring to the South African close corporation, we were asked to infer from this that Herbal Zone had devised and caused to be affixed to the packaging the spiral shaped device logo appearing there above the words "Herbal Zone" and that this created the association between Herbal Zone and Phyto Andro.
- [26] I am unable to draw that conclusion. An immediate difficulty is that documents emanating from Herbal Zone

International also bear the spiral logo with the words "Herbal Zone" beneath it. If this were a logo devised in South Africa for South African packaging, why would it appear on the letterhead of the Malaysian company? What is more, the home

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page of Herbal Zone International's website shows the spiral logo above the words "Herbal Zone" and says that:

"Phyto Andro is Malaysia's leading natural health company. Established at 2003 and manufactured or Founder by Herbal Zone International Sdn Bhd . . . "9

The website reveals that the spiral logo above the words "Herbal Zone" is affixed to a variety of products not only Phyto Andro capsules. A visitor to the phytoandro.com website finds the same logo. Disturbingly it contains a circular letter dated 1 February 2016 addressed to its customers announcing that Herbal Zone International CC, giving the Cape Town address of Herbal Zone, "is no longer our distributor in South Africa" and claims that Herbal Zone International Sdn Bhd is "a Malaysian company and brand established in 2004". One encounters this letter because there is both a prominent reference in the heading of the home page to a South African circular and a depiction of the South Africa flag on which in prominent letters appears "WARNING!!". The signatory to that letter is Mr Shadi, the same person who signed the letter of June 2015 referred to in paragraph 16. He was already a director of Herbal Zone International in August 2008 when Mr Herzallah became a director.

[27] All in all, in the absence of an express claim by Mr Herzallah to have designed the spiral logo and its depiction together with the words "Herbal Zone", and some explanation of how this came about, it is impossible to accept that it is a device that attaches to Herbal Zone as opposed to Herbal Zone International. When the lack of clarity in regard to the provenance of the spiral logo is taken together with all the other curious features to be found in the documents and the affidavits and the regular description of Herbal Zone as an importer or distributor, I am unable to conclude that Herbal Zone has discharged the onus of showing that the reputation in the unregistered mark "Phyto Andro" vests in it in this country.

[28] There are circumstances in which an importer and distributor of goods can acquire a reputation in them. *Webster and Page*¹⁰ deals with this possibility in the following passage:

"An agent or distributor who merely sells, or imports and sells, goods manufactured by another without adding anything to the mark or get-up under which they are produced, does not thereby acquire any goodwill in the name or get-up; for those symbols thereby acquire a reputation as indicating that the goods emanate from the particular manufacturing provenance and not that they were imported and/or distributed by that particular agent.

On the other hand, it is possible for a distributor so to market the goods which he distributes that the name or get-up under which they are sold acquires a reputation as indicating that they emanate from him: in which case the goodwill adhering to that name or get-up will vest in him . . . The enquiry as to which trade source the symbol has come to indicate in the territory in question is in every case one of fact." (Footnotes omitted.)

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[29] In support of its contention that it had acquired a reputation in South Africa for Phyto Andro Herbal Zone relied on the second part of this passage and its application in this Court in *Etraction*.¹¹ Herbal Zone's failure to establish on a balance of probabilities that it had added anything to the mark or get-up under which the capsules were produced to identify itself as the source of the goods and disturb the indications that the manufacturing provenance lay with Herbal Zone International meant that this submission could not succeed. Its evidence did not establish that the reputation attaching to the product was associated with it and not Herbal Zone International.

[30] For those reasons, the appeal against the dismissal of Herbal Zone's claim based on passing off must fail.

Defamation

[31] The order granted by Bozalek J in respect of the alleged defamation read as follows:

"1 That the First to Fourth Respondents are interdicted and restrained from:

- 1.1 Stating to the Applicants' customers and/or the public in general (whether it be orally, in writing, in public publications or in any other way) that the Applicants' PHYTO ANDRO Capsules For Him product are counterfeit;
- 1.2 Stating to the Applicants' customers and/or the public in general that the Applicants' PHYTO ANDRO Capsules For Him product are harmful to ones' health, or that patients have become sick as a result of using the Applicants' PHYTO ANDRO Capsules For Him product, or statements to similar effect;
- 1.3 Stating to the Applicants' customers and/or the public in general that it is illegal or unlawful to sell and/or distribute the Applicants' PHYTO ANDRO Capsules For Him product and threatening legal action against such customers and/or the public in general for selling and/or distributing the Applicants' said product."

The inclusion of paragraph 1.2 in this order was plainly erroneous. It was based on a disputed affidavit by Ms Tshite about the alleged incident in July 2015 referred to in paragraph 7, and Counsel rightly made no attempt to defend it. The argument was therefore restricted to paragraphs 1.1 and 1.3. These were clearly framed with the above-quoted advertisements in the *Daily Sun* and the circular to clients in mind.

[32] The argument surrounding defamation was that in the advertisements and the circular Infitech and Herbs Oils had been accused of selling counterfeit products and that this conduct on their part was illegal. That, with its overtones of possible criminality, was said to be defamatory of them and therefore to warrant the grant of an

interdict to prevent a repetition of such conduct. Ms *Joubert*, who appeared for the respondents, submitted that the onus then passed to Herbal Zone to establish a defence to such defamatory statements and that it had failed to do so. As a demand that such statements would not be repeated in the future had been

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answered with an emphatic negative, she submitted that the necessary elements for the grant of an interdict had been satisfied.

- [33] Mr *Marriott* for Herbal Zone, submitted that the statements were true and that it was in the public interest that they be published. He submitted that there was no doubt as a matter of fact that Infitech and Herbs Oils were not marketing the product that had been imported into and sold in South Africa since 2006, as that product was the Herbal Zone Phyto Andro. In view of the respondents' unwillingness to disclose the source in Malaysia from which they were obtaining their rival product it could not be the same as that being imported by Herbal Zone. Accordingly, the product being marketed by Herbal Oils under the name Phyto Andro was not the original but at best a generic imitation. It was entirely inappropriate to describe it as Phyto Andro because that was the name attaching to the Herbal Zone product. In its ordinary sense this meant that the Herbal Oils product was counterfeit. It was in the public interest that this fact be disseminated to the retail outlets marketing Phyto Andro to the public and to the members of the public who made use of the product and believed in its beneficial properties.
- [34] While accepting that in common parlance marketing a generic product under the name by which the original was known would justify labelling the generic as counterfeit, Ms *Joubert* pointed out that Herbs Oils claimed that the reputation in Phyto Andro vested in it and contended that this issue could not be determined on the papers as they stood before us. If the reputation in the unregistered mark Phyto Andro vested originally in Infitech as a result of its marketing efforts under the sole distributorship agreement and had been transferred by Infitech to Herbs Oils, then it was the latter's product that was the genuine product albeit that it came from a source other than Herbal Zone's Phyto Andro. This was so, she submitted, even if the composition of the product was different from that of Herbal Zone's product. She pointed out that if the reputation in a product vested in a party the fact that it altered the composition of the product did not mean that the altered product ceased to be genuine or could properly be labelled as counterfeit.
- [35] Flowing from this, Ms *Joubert* submitted that, in order to avoid an interdict, the onus rested on Herbal Zone, as it would in a conventional action for defamation, to establish a defence of justification and this required it to prove that the reputation in Phyto Andro vested in it. Only then could it claim that Herbs Oils' product was counterfeit. For the reasons advanced in relation to the passing off action, it had failed to prove this on a balance of probabilities so that the interdict should be sustained.
- [36] The short answer to these submissions is that they were inconsistent with established authority on the proper approach to an application for an interdict to prevent the publication of defamatory matter. Such an interdict is directed at preventing the party interdicted from making statements in the future. If granted it impinges upon that party's constitutionally protected right to freedom of speech. For that reason such an interdict is only infrequently granted, the party claiming that they will

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be injured by such speech ordinarily being left to their remedy of a claim for damages in due course. Nugent JA said in this Court:¹²

"Where it is alleged, for example, that a publication is defamatory, but it has yet to be established that the defamation is unlawful, an award of damages is usually capable of vindicating the right to reputation if it is later found to have been infringed, and an anticipatory ban on publication will seldom be necessary for that purpose."

A corporate entity such as Herbs Oils is entitled to claim damages based on defamation. This includes both pecuniary damages for actual financial loss and general damages for harm to its commercial reputation.¹³ No attempt was made to show that Herbs Oils had suffered loss as a result of the publication of the advertisements and circular, much less that it would suffer irreparable harm in the future by further publications of such material. Nor did it allege that damages would not be an adequate remedy for any such publication. Indeed the third respondent's founding affidavit entirely lacked allegations in regard to those two elements of a claim for an interdict.

- [37] The contentions in regard to the onus of proof were also contrary to established authority, to which for some reason we were not referred. This Court dealt with the proper approach of a court to an application for an interdict to restrain the publication of defamatory matter in *Hix Networking*.¹⁴ There it approved, with some clarification, the following passage from the judgment of Greenberg J in *Heilbron v Bignault*:¹⁵

"If an injury which would give rise to a claim in law is apprehended, then I think it is clear law that the person against whom the injury is about to be committed is not compelled to wait for the damage and sue afterwards for compensation, but can move the Court to prevent any damage being done to him. As he approaches the Court on motion, his facts must be clear, and if there is a dispute as to whether what is about to be done is actionable, it cannot be decided on motion. The result is that if the injury which is sought to be restrained is said to be a defamation, then he is not entitled to the intervention of the Court by way of interdict, unless it is clear that the defendant has no defence. Thus if the defendant sets up that he can prove truth and public benefit, the Court is not entitled to disregard his statement on oath to that effect, because, if his statement were true, it would be a defence, and the basis of the claim for an interdict is that an actionable wrong, ie conduct for which there is no defence in law, is about to be committed."

- [38] The clarification was to point out that Greenberg J did not hold that the mere *ipse dixit* of a respondent would suffice to prevent a court from granting an interdict. What is required is that a sustainable foundation be laid

by way of evidence that a defence such as truth and public interest or fair comment is available to be pursued by the respondent. It is not sufficient simply to state that at a trial the respondent will prove that the

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statements were true and made in the public interest, or some other defence to a claim for defamation, without providing a factual basis therefor.¹⁶

[39] In this case Herbal Zone produced evidence that it had over a lengthy period, first introduced and then caused to be distributed in South Africa, the product Phyto Andro for Him. This entitled it to describe its own product as the genuine or original product and to decry the product of others who were marketing competing products of a different manufacture and source as "counterfeit", that is, not the genuine article. Even if the reputation in Phyto Andro did not vest in it, the fact that it was importing it into this country and distributing it here entitled it to level the charge of "counterfeit" against Herbs Oils products. There is no need for us to determine whether that defence will succeed at trial. But it is a colourable defence and a factual basis has been laid for it that cannot be rejected out of hand.

[40] On the authority of *Hix Networking* therefore, the application for an interdict should not have been granted and the appeal against it must be upheld. I add only two comments about that judgment to reinforce that conclusion. The first is that the court said that the long-standing legal position as stated by Greenberg J did not require reconsideration in the light of the guarantee of freedom of expression in the Constitution.¹⁷ Bearing in mind the subsequent comments by Langa DCJ in *Islamic Unity Convention*,¹⁸ this should not be misconstrued. Now that it enjoys constitutional protection, freedom of speech carries greater weight than it had in the past. Accordingly, when Plewman JA said that in considering an application for an interdict "the proper recognition of the importance of free speech is a factor which must be given full value in all cases", that must now be understood as referring to the full constitutional importance of freedom of speech and expression. The other comment is that *Hix Networking* was concerned with an interim interdict where it suffices to establish a *prima facie* right. As this was an application for a final interdict, Herbs Oils had to show a clear right and its infringement on a balance of probabilities. It failed to do so and was accordingly not entitled to the order it obtained from the High Court.

Costs

[41] While Herbal Zone and Mr Herzallah have enjoyed some success in this appeal in having the interdict granted against them set aside, the main thrust of their argument related to the attempt to secure relief against passing off. In the circumstances, I think the proper order in regard to the costs of the appeal is that all parties should pay their own costs.

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Order

[42] In the result the following order is made:

1. The appeal succeeds in part and the order of the High Court is amended to read as follows:
 - "(a) The application is dismissed with costs.
 - (b) The counter application is dismissed with costs."
2. Each party is to pay their own costs of the appeal.

(Cachalia, Shongwe, Mbha JJA and Schippers AJA concurred in the judgment of Wallis JA.)

For the appellants:

GD Marriott instructed by *Von Seidels Attorneys*, Century City, Cape Town and *Honey Attorneys*, Bloemfontein

For the respondents:

I Joubert instructed by *Spamer Triebel Incorporated*, Bellville and *Symington & De Kok*, Bloemfontein

Footnotes

- 1 Sometimes spelled "Tongat Ali" in the papers.
- 2 There appear to be several products using the Phyto Andro mark, but the one with which this case is concerned is the male potency version referred to as Phyto Andro Capsules for Him?.
- 3 *Capital Estate and General Agencies (Pty) Ltd and others v Holiday Inns Inc and others* [1977 \(2\) SA 916](#) (A) at 929B-D [also reported at [\[1977\] 3 All SA 306](#) (A) - Ed].
- 4 *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd and another* [1998 \(3\) SA 938](#) (SCA) paras [13], [15] and [16] [also reported at [\[1998\] 3 All SA 175](#) (SCA) - Ed].
- 5 The summary is taken from the judgment in *Pioneer Foods (Pty) Ltd v Bothaville Milling (Pty) Ltd* [2014] ZASCA 6; [\[2014\] 2 All SA 282](#) (SCA) para [7].
- 6 *Lendalease Finance (Pty) Ltd v Corporacion De Mercadeo Agricola and others* [1976 \(4\) SA 464](#) (A) at 489B-C [also reported at [\[1976\] 4 All SA 300](#) (A) - Ed]; *The Shipping Corporation of India v Evidomon Corporation and another* [1994 \(1\) SA 550](#) (A) [also reported at [\[1994\] 2 All SA 11](#) (A) - Ed].
- 7 That certificate appears to have expired on 27 August 2014 but, in response to a r 35 (12) notice, a further certificate was produced for the product to be manufactured by Greens United Sdn Bhd valid from 1 January 2015. That certificate in turn expired on 31 December 2015.
- 8 *Verimark (Pty) Ltd v BMW AG BMW AG v Verimark (Pty) Ltd* [2007 \(6\) SA 263](#) (SCA) para [5] [also reported as *Verimark (Pty) Ltd v Bayerische Motoren Werke Aktiengesellschaft; Bayerische Motoren Werke Aktiengesellschaft v Verimark (Pty)*

Ltd [\[2007\] JOL 19890](#) (SCA) - Ed].

- 9 A more recent website amends this language to make it clearer that Herbal Zone International was the founder of Phyto Andro.
- 10 GC Webster and NS Page *South African Law of Trade Marks* (3ed) (Service Issue 19, 2015) para 15.18.1.
- 11 *Etraction (Pty) Ltd v Tyrecor (Pty) Ltd* [2015] ZASCA 78; 2015 BIP 2453 (SCA); 2015 JDR 0994 (SCA) paras [17]-[19] [also reported at [\[2015\] JOL 33300](#) (SCA) - Ed].
- 12 *Midi Television (Pty) Ltd v Director of Public Prosecutions (WC)* [2007 \(5\) SA 540](#) (SCA) para [20] [also reported at [\[2007\] 3 All SA 318](#) (SCA) - Ed].
- 13 *Caxton Ltd and others v Reeve Forman (Pty) Ltd and another* [1990 \(3\) SA 547](#) (A) [also reported at [\[1990\] 2 All SA 300](#) (A) - Ed].
- 14 *Hix Networking Technologies v System Publishers (Pty) Ltd and another* [1997 \(1\) SA 391](#) (A) [also reported at [\[1996\] 4 All SA 675](#) (A) - Ed].
- 15 *Heilbron v Blignault* 1931 WLD 167 at 169.
- 16 *Buthelezi v Poorter and others* [1974 \(4\) SA 831](#) (W) [also reported at [\[1974\] 2 All SA 426](#) (W) - Ed].
- 17 [S 16](#) of the Constitution.
- 18 *Islamic Unity Convention v Independent Broadcasting Authority and others* [2002 \(4\) SA 294](#) (CC) paras [26]-[28] [also reported at [2002 \(5\) BCLR 433](#) (CC) - Ed]. See also *Print Media South Africa and another v Minister of Home Affairs and another* [2012] ZACC 22; [2012 \(6\) SA 443](#) (CC) paras [44] and [45] [also reported as *Print Media South Africa and another v Minister of Home Affairs and another (Justice Alliance of South Africa and another as amici curiae)* [2012 \(12\) BCLR 1346](#) (CC) - Ed].