

HC 4689/02

ZAPCHEM DETERGENT MANUFACTURERS CC  
(trading as Starchem)

**versus**

POLARIS ZIMBABWE (PRIVATE) LIMITED

HIGH COURT OF ZIMBABWE  
CHINHENGO J  
HARARE, 20 March and 30 April 2003

Opposed Matter

*P. Nherere*, for the applicant  
*A. Brooks*, for the respondent

CHINHENGO J: The applicant, Zapchem Detergent Manufacturers CC trading as Starchem, (hereinafter referred to as “Zapchem”), is a foreign company carrying on its business from 33 Brooklyn Road, Jacobs, Durban, South Africa.. It is a successor company to Starchem Manufacturing (Pty) Ltd (hereinafter referred to as “Starchem”). Zapchem manufactures two types of detergent powder known as “**Energy Automatic**” and “**Energy Micro**” (hereinafter collectively referred to as “the detergent powder”) under the trademark ENERGY. The respondent, Polaris Zimbabwe (Private) Limited (hereinafter referred to as “Polaris”) is a distributor and manufacturer of home care products. It repacks and distributes certain home care products and manufactures and distributes certain others.

The facts in this case are largely not in dispute. Those facts which are in dispute are not very relevant to my decision.

Zapchem averred that it has exported the detergent powder to Zimbabwe from 1995. To do this it appointed a local company, New Group (Private) Limited, as its sole agent for the importation of the detergent powder. In 1998 a company known as Woodoc (Private) Limited (now known as New-wood Holdings (Private) Limited and hereinafter referred to as “Woodoc”) took over from New-Group (private) Limited the agency for the detergent powder in Zimbabwe. Woodoc had one customer in Zimbabwe namely Polaris. All the detergent powder imported into Zimbabwe by Woodoc was intended to meet and did meet only the orders placed by Polaris. Polaris initially purchased from Woodoc not only the detergent powder but also the boxes into which the powder was to be packed. Polaris packed the detergent powder into the boxes bought of and supplied by Zapchem through Woodoc and sold the packed detergent powder to wholesalers

and retail outlets in Zimbabwe. It purchased, between 1997 and 1999, about eight to ten thousand kilograms of the detergent powder annually. Its orders were placed with Woodoc twice per year and the stocks, once purchased, would, according to Zapchem and Woodoc, last between four and five months before another order was placed.

Although Zapchem said that it started to export the detergent powder to Zimbabwe in 1995, this was disputed by Polaris which stated that a test run for the detergent powder was carried out in 1997 and, after it proved successful, Polaris then purchased the detergent powder for sale for its own account. That this may be so seems to me to be supported by Annexure R4, being a memorandum dated 11 February 1997 issued to prospective customers by Polaris to test the market. Annexure R4 is not however conclusive proof that the detergent powder had not been sold in Zimbabwe before that date. This dispute of fact is not really material to my decision. I think that I can safely accept that Zapchem exported the detergent powder to Zimbabwe from 1995 and that the structured marketing of the detergent powder was properly done by Polaris as from 1997.

It seems that the parties conducted their business smoothly until September 1999. In that month Polaris indicated that the cost of importing the packaging from South Africa was too high and that the cost of the detergent powder could be reduced if the packaging was locally manufactured. It is in dispute between the parties what exactly happened leading to the local manufacture of the boxes into which the detergent powder was eventually to be packed. Zapchem averred that it was advised by Woodoc that Polaris had proposed to manufacture the boxes locally in order to do away with customs duty on the packaging material. It averred that after further exchanges it agreed to the local manufacture of the boxes but on condition that a disclaimer was placed on the boxes that the detergent powder was -

“Packed in Zimbabwe under authority of the licenced owners and distributors of Energy products by Polaris Zimbabwe (Pvt) Ltd.”

Zapchem averred that it was satisfied that the proposal had been agreed upon on its terms. In September 1999 it supplied the detergent powder without the packaging material or boxes. Contrary to Zapchem's assertion Polaris averred that it had no obligation to purchase the boxes from Woodoc and it did not have to seek Woodoc or Woodoc's principal's permission to manufacture the boxes locally. It however admitted that it was told of the requirement to place the disclaimer on the locally manufactured boxes. It averred that whilst it would have had no objection to placing the disclaimer on the boxes, it required confirmation that Zapchem owned the trademark ENERGY in Zimbabwe and that Woodoc was Zapchem's sole registered licenced user of the name or trademark ENERGY. Zapchem averred that it gave samples of the boxes to Polaris for local manufacture but Polaris disputed this and stated that only computer generated colour prints of the proposed material were sent to it. Polaris averred further that the confirmation it had sought was not

given. To it this was understandable because from its own research Zapchem had not registered "ENERGY" as its trademark in Zimbabwe nor was there any documentary proof that Woodoc was the licenced user of the trademark ENERGY. Again whatever actually happened is not material to the determination of this matter. What is not in dispute, and that is material to my decision, is that Polaris manufactured the boxes locally and packed the detergent powder for local sale where Zapchem believed that its conditions had been met and Polaris believed that there was no need to be authorised to produce the boxes locally as in any case Zapchem was not the registered owner of the trademark ENERGY in Zimbabwe nor was Woodoc the licenced user of the trademark. What is also not in dispute is that the locally manufactured boxes were a replica of Zapchem's boxes: the get-up was the same so was the trademark or trade name.

It would appear that the present dispute arose because Polaris stopped buying Zapchem's detergent powder in September 1999. For a while thereafter Polaris continued to sell the remaining stocks of the detergent powder and then imported a different detergent powder from an Austrian company and packed it in the same boxes in which it had packed Zachem's detergent powder and sold it to the Zimbabwean consumer. Zapchem did not give any reason why Polaris stopped purchasing its detergent powder. I was left to speculate as to the reason. The reason which may be inferred from the affidavit deposed for Zapchem is that a dispute over Polaris's failure to place the disclaimer on the boxes as required by Zapchem had arisen. Polaris's reason for ceasing to purchase from Zapchem was that Woodoc had changed the payment terms from requiring Polaris to pay only a third of the value of the detergent powder upon delivery, a third of the value after sixty days, and a third of the value after ninety days to requiring it to pay seventy *per centum* of the value of the detergent powder upon delivery. Polaris averred that the new payment terms became burdensome to it because of the shortage of foreign currency in Zimbabwe and so it decided to import the Austrian detergent powder because the payment terms were easier. Polaris did not advise Zapchem that it was purchasing Austrian powder and selling it in the same boxes into which it had packed Zapchem's detergent powder. What started off as a suspicion on the part of Zapchem that Polaris was no longer selling Zapchem's detergent powder

was confirmed in December 2001 when Polaris admitted that it was packing the Austrian detergent powder in the same boxes in which it had packed Zapchem's detergent powder. In this application, therefore, Zapchem sought an order -

- a) interdicting and restraining Polaris from passing off the Austrian detergent powder as being that of, or associated with Zapchem;
  - b) interdicting and restraining Polaris from using the trademark ENERGY in relation to the detergent powder other than the detergent powder manufactured by or with the authority of Zapchem;
  - c) restraining Polaris from using Zapchem's ENERGY get-up or any get-up which is confusingly similar to Zapchem's ENERGY get-up in relation to any detergent powder other than Zapchem's detergent powder;
  - d) requiring Polaris to deliver up to Zapchem any packaging, advertising or promotional material, business stationery or other documents in the possession of or under the control of Polaris bearing the trademark ENERGY or bearing Zapchem's get-up.
- Zapchem also sought an order of costs against Polaris.

The order sought, as is apparent, is mainly prohibitory but it is also mandatory in some respect.

Polaris's contention in opposing this application is that it purchased the detergent powder and, initially, the boxes from Woodoc, packed the powder and sold it using its own marketing skills and resources. As such it contended that any goodwill or reputation attaching to the detergent powder is associated with it and not with Woodoc or Zapchem both of which did not sell the detergent powder in Zimbabwe. Polaris in fact averred that it did not have any direct dealings with Zapchem and that its dealings with Woodoc were purely as between seller and purchaser such that the entity known in Zimbabwe and associated with the detergent powder was itself and not Woodoc or Zapchem.

There is no doubt at all that Zapchem is the manufacturer of the detergent powder. It also manufactured the boxes or packaging material into which the detergent powder was packed. The trade name ENERGY and the ENERGY get-up as appears on Annexure FJ1 for both ENERGY AUTOMATIC and ENERGY **MICRO** were associated with Zapchem's product. Polaris did not dispute that it imported and packed a third party's detergent powder (the Austrian detergent powder) into the same boxes bearing Zapchem's trademark or trade name and its get-up. In addition Polaris did not dispute that there was a possibility that the Zimbabwean purchasing public may be misled or deceived into believing that they are buying Zapchem's product when in fact they are buying the Austrian detergent powder. The issue, to me, seems to be simply whether Polaris is passing off the Austrian detergent powder (its detergent powder) as being that of or associated with Zapchem.

The law with regard to passing off is clear. That wrong is committed where one person represents that his merchandise is that of another or that it is associated with that of another and that representation is reasonably likely to result in members of the public being confused into believing that the business of the one is, or is connected with, that of another. See *Capital Estate and General Agencies (Pty) Ltd v Holiday Inns Inc.* 1977 (2) SA 916 (A) and *Premier Trading Co. (Pty) Ltd and Another v Sporttopia (Pty) Ltd* 2000 (3) SA 259 (SCA). The question whether or not there was, in fact, a passing off does not really arise. Once it is determined who of the parties owns the goodwill then the fact of passing off is accepted. I have therefore to examine the question whether Polaris acquired the goodwill associated with the detergent powder in Zimbabwe so as to become entitled to ride on or take advantage of it.

The position is that, at least from 1997, the detergent powder was sold to the public in Zimbabwe by Polaris only. Woodoc or Zapchem did not sell the product directly to the public in Zimbabwe. The question here is whether it is Polaris which owns the goodwill associated with the detergent powder or that that goodwill is owned by Zapchem. There is no dispute as to whether goodwill or reputation has attached to the detergent powder. What is in issue is whether the detergent powder is associated with Polaris or with Zapchem and *ipso facto* the goodwill. Polaris did not argue its case as a challenge to Zapchem's *locus standi*. In my view, its opposition is, in substance, based on exactly that: a challenge to Zapchem's *locus standi* to institute an action on the ground of passing off. The question which must be answered in the first place is who has the right to the goodwill of a product manufactured by one person in one country and sold or marketed almost exclusively by another person in another country. I must mention in this regard that it is also not in dispute that Zapchem has not registered the trademark ENERGY in Zimbabwe. It has, however, applied for registration of the trademark in its name. That application is still pending. Polaris has also applied to register the trademark ENERGY as its own. Its application has been opposed by Zapchem. The application is also pending. Both parties have conceded that the non-registration of the trademark is immaterial to the decision I have to make on this application. I agree because the issue before me is, as summarised in the applicant's heads of argument, simply

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“Whether or not it was the Applicant or the Respondent who had the goodwill in the product and the packaging get up.”

In *Kinemas Ltd v African Theatres Ltd* 1928 WLD 100, it was held that the owner of the goods or the person who has proprietary rights in the goods or the assignee of the goods has the *locus standi* to sue for passing off if his or her rights are infringed by the act complained of. As the issue of *locus standi* was not at all raised by any of the parties, I will assume that Zapchem has the *locus standi* to institute these proceedings. It may appear that by making this assumption I have pre-empted the decision I

have to make. That is not quite so. Polaris's argument is that Zapchem has not acquired the goodwill in the detergent powder because it has not only not sold the product in Zimbabwe but also that if that goodwill is attached to any entity it would be Starchem.

Polaris took issue in its heads of argument with Zapchem being a successor company to Starchem. It did not, however, take issue with this fact in its opposing affidavit and as such it would be inappropriate to raise that issue in the heads of argument. No opportunity was given to Zapchem to prove that it is the legal successor to Starchem. I will therefore accept as proved fact that Zapchem is the legal successor to Starchem, and that it is the manufacturer of the detergent powder.

I will now deal with the contentious issue whether a trader in the position of Polaris can acquire the goodwill in a product that it does not produce but in respect of which it is the exclusive vendor in a country other than the country of manufacture. The facts in this case are different from the facts in *Slenderella Systems Incorporated of America v Hawkins* 1959 (1) SA 519 (W). In *Slenderella* the applicants had not traded in South Africa or conducted any business therein at all and the court came to the conclusion that the applicant could not be protected against an alleged passing off. In coming to this conclusion the court however accepted as the position at law that a person who has sold his merchandise in the market can be protected. In this regard, it stated at 521A-D the following:

"The court will protect the right of property existing in another in regard to the name or goodwill enjoyed by that other in respect of a trade or goods. The right of property may be enjoyed by a *peregrinus* but only, it would seem, where that *peregrinus* has a right of property in regard to his name or goods within the jurisdiction. .... It is not necessary that the *peregrinus* should actually carry on business in the jurisdiction in which he seeks relief. It is sufficient if his goods are sold on the market within the jurisdiction and have thereby given him a right of property therein in a reputation, name or goodwill attaching to the goods or business."

The decision in *Slenderella's* case was followed in *Pick-N-Pay Stores Ltd v Pick-N-Pay Seperette (Pvt) Ltd* 1973 (3) SA 564 (R).

The position in this case is that Zapchem traded, through its agents in Zimbabwe - through New Group (Pvt) Ltd initially and later through Woodoc. The detergent powder was exported into Zimbabwe by Zapchem for delivery to Woodoc. Polaris then purchased the detergent powder from Woodoc and sold it to wholesale and retail outlets in Zimbabwe. Quite obviously Zapchem sold the detergent powder in Zimbabwe and therefore met the requirements of the *dictum* in *Slenderella supra*.

It is possible to look at the question which has arisen in this case from a different angle. Is goodwill inseparable from the undertaking which manufactures the goods in issue or can it be acquired by virtue only of the marketing of the product as contended by Polaris? There is an informative analysis by the authors of *Unlawful Competition*, Van Heerden

& Neethling at pages 94-100 under the heading "Right to goodwill as immaterial property right". What I understand from the learned authors' analysis is that goodwill, the attracting force of an undertaking, is determined by a multiplicity of factors – the reputation of the undertaking, the fact that it is well-known, its creditworthiness, but more particularly the undertaking's locality, the personality of the entrepreneur or another person such as an employee who is connected with the business (at p 96). The analysis made by these authors boils down to the proposition that however goodwill is created or however it comes into existence, it cannot be created or come into existence independently of or outside the context of an undertaking. I agree with this proposition. The boxes into which Polaris packed or packs the detergent powder or the Austrian powder, as the case may have been, clearly indicated that the manufacturer of the detergent powder was Starchem. Although it was not clear from the evidence whether the boxes manufactured locally at the instance of Polaris indicated that the detergent powder was manufactured by Starchem, what is however evident, and Polaris did not make any averment to the contrary, is that at no stage was it indicated on the boxes that Polaris was the manufacturer or in any way connected with the detergent powder. This means that Polaris did not at any stage market or sell the detergent powder as its own product. Without any indication on the boxes that Polaris was the manufacturer of the detergent powder it is difficult to see how the Zimbabwean purchasing public would have associated the detergent powder with Polaris. The original boxes into which Polaris packed the detergent powder were clearly marked "Starchem Manufacturing (Pty) Ltd, 14 Pink Street, Isithebe (032) 459 1720" and "Manufactured by Starchem Manufacturing, 14 Pink Street Isithebe" to clearly indicate who the manufacturer of the product was. Polaris averred that if the goodwill did not accrue to it, it, at best for Zapchem, accrued to Starchem. Having held that Zapchem is the legal successor to Starchem, I have to accept that the goodwill accruing to Starchem accrued to Zapchem as legal successor.

To sum up: in arriving at the decision that the goodwill in respect of the detergent powder accrued to Zapchem, I have necessarily have had to reject Polaris's contention that the goodwill attached to it. The only situation in which a trader in the position of Polaris can acquire goodwill in respect of a product which is manufactured by another but sold by itself is postulated in *Unlawful Competition* (op cit) at p 168 where the learned authors state:

"The issue in question frequently enjoyed the attention of the courts in regard to *parallel importation*. A trader who has the sole right to sell and distribute in South Africa a product which is packed by a foreign manufacturer under his own trade name, and who sells and distributes the product completely unaltered without adding anything to the name of get-up, may not sue on the ground of passing off if a rival trader imports and distributes the product in the same get-up. Since the trade name and get-up distinguish the manufacturer's business and products, only the manufacturer, and not the distributing agent, acquires the right to a distinctive mark.

On the other hand where such agent (bare licensee) is not “a mere conduit for the goods of another” but “markets its own product under its own name”, he in principle has *locus standi* to institute an action for passing off. In this case the bare licensee acquires his own right to the distinctive mark.”

In my view, Polaris, though not an agent but outright purchaser of Zapchem’s product, is in no different position to the agent or bare licensee referred to in the above passage who does not market the product in its own name. It is “mere conduit for the goods of another”. Goodwill cannot exist in the air. It exists in the context of the undertaking which produces the goods to which the force of attraction relates. I am quite satisfied that the goodwill created in Zimbabwe is that of Zapchem as the manufacturer of the detergent powder and as successor to Starchem. Polaris did not sell the detergent powder as its own product or make it apparent in any way that the detergent powder was its own. How then could it have been associated with the detergent powder and the goodwill flowing from its sale in Zimbabwe. All that Polaris did was to pack Zapchem’s detergent powder into Zapchem’s boxes and sell it. Later it packed the Austrian detergent powder in boxes bearing Zapchem’s trade name and get-up and sold it to the public. In this sense it represented that the Austrian detergent powder (which is Polaris’s own product for the present purposes) is the detergent powder manufactured by or associated with Zapchem. Polaris clearly passed off its product as that of Zapchem or associated with Zapchem and thereby committed the wrong of passing off.

The issue in this application was, as I have already pointed out, whether the goodwill attached to Zapchem or to Polaris. There was no argument whether or not any goodwill had been created in Zimbabwe. In fact it was commonly accepted that the detergent powder had acquired a reputation in this country. Having resolved that the goodwill attached to Zapchem there is no longer any impediment to a finding in favour of Zapchem.

Although fault in the form of intent or negligence is not a necessary requirement for granting an interdict, in this case, Polaris intentionally



passed off its product as that of Zapchem. That to me is clear from its having simply packed the Austrian detergent powder into the boxes bearing Zapchem's trademark or name and its get-up. In such a case there is every justification to grant an interdict. It is not a requirement that the applicant for an interdict in a case such as this should show that he has actually been prejudiced or to prove that any potential customer has actually been deceived or confused because what the applicant must establish is a reasonable likelihood of deception or confusion on the part of the purchasing public. As authority for this see *Unlawful Competition* (op cit) at p 194-195 and the cases there cited. I am satisfied that the applicant has met all the requirements for granting an interdict - a clear right, an injury reasonably apprehended and the absence of similar protection by other ordinary remedy - as was laid down in *Tribac (Pvt) Ltd v Tobacco Marketing Board* 1996 (2) ZLR 52 (S). In the result there will be an order in terms of draft order attached to the founding affidavit.

*Honey & Blacknenberg*, applicant's legal practitioners.

*Coghlan, Welsh & Guest*, respondent's legal practitioners.