Report Information from ProQuest

28 May 2012 04:36

Table of Contents

A grey goods guide to South Africa

Author: Owen, Dean.

Publication info: Managing Intellectual Property 106 (Feb 2001): 43.

ProQuest document link

Abstract: None available.

Full Text: Headnote

SOUTH AFRICA: PARALLEL IMPORTS
Headnote

Owen Dean analyzes the South African law on parallel imports for trade mark and copyright-protected goods in the light of divergent court rulings
It has often been said that competition is the life blood of commerce. It is the availability of the same, or similar, products from more than one source that results in the public paying a reasonable price therefor. Hence competition as such cannot be unlawful, no matter to what extent it injures the custom built up by the trader who first marketed their particular product or first ventured into a particular sphere of commerce ... It appears to be generally accepted that, in the absence of statutory protection, the published idea or concept of a trader on which his product is based, may be freely taken over by a competitor even if the trader has through his efforts built up a demand for his product" (per van Heerden JA in Taylor &Horne (Pty) Limited v Den tall (Pty) Ltd 1991 (1) SA 412 (AD)).
Common law
The afore-going quotation is the statement of general principle on which the Appellate Division of the Supreme Court of South Africa based its decision on the Taylor &Horne case. In that case the court refused a claim of unlawful competition against a parallel importer who imported and sold a product named IMPREGUM, a patented rubber denture material used for making impressions for dentures and the like in dental surgery. In the classic parallel importation situation, the plaintiff sought to restrain the defendant from distributing IMPREGUM for so long as the plaintiff enjoyed the exclusive distribution rights in respect of the product in South Africa. The court justified its decision as follows:
Acceptance of this contention would certainly lead to startling consequences. It would mean that for as long as the sole agency endures the appellant would enjoy a monopoly, akin to that derived from a patent, in regard to the commercial distribution of IMPREGUM in this country. It would also mean that the agreement which created purely contractual rights between the parties thereto would in effect bind would be competitors no matter from what source or however honestly they obtained supplies of IMPREGUM. A further result would be to impose an unwarranted restriction on the right of ownership or a person who legitimately acquires supplies of IMPREGUM.

The plaintiff's contention that the defendant's competitive trading amounted to unlawful competition was founded on the proposition that the unfairness of the defendant's competition contravened the boni mores, or the general sense of justice of the community. The court found that the defendant's intrusion into the market for IMPREGUM which had been created by the plaintiffs efforts would not be condemned by the community as unfair or unjust in a legal sense.

Statutory protection

The Taylor &Horne case was decided in terms of the common law and the effect of it was to establish the principle that trading in grey goods is not per se unlawful. The Court's finding in terms of the common law was, however, qualified to the extent that it recognized that there may be instances where statutory protection is available to the plaintiff and thus may alter the position. Litigants have attempted to rely on statutory protection in preventing trade in grey goods, namely by contending that trading in grey goods constitutes trade mark infringement or copyright infringement.

Trade mark infringement

The Appellate Division of the Supreme Court heard and decided two grey goods cases based on trade mark infringement simultaneously and in one such case found in favour of the grey goods dealer, while finding in favour of the trade mark proprietor in the other case. The cases in question are Protective Mining &Industrial Equipment Systems (Pty) Ltd (formerly Hampo Systems (Pty) Ltd) v Audiolens (Cape) (Pty) Ltd 1987 2 SA 961 (A) (the Pentax case) and Television Radio Centre (Pty) Ltd v Sony Kabushki Kaisha tia Sony Corporation 1987 2 SA 994 (A) (the Sony case). The facts in these cases were slightly different and this lead to the court reaching the opposite conclusions in them.

The Pentax case

The Pentax case concerned trading in grey PENTAX cameras. The defendant operated in terms of the classical parallel importing scenario. Genuine PENTAX cameras were purchased abroad from a third party and then imported into and sold in South Africa in competition with the duly appointed exclusive distributor. The plaintiffs case was that any unauthorized use of the trade mark PENTAX in relation to cameras constituted infringement of the registered trade mark PENTAX in respect of such goods. It wrote to the defendant and advised it that it (the plaintiff) had been appointed as the exclusive distributor of PENTAX cameras in South Africa and that the trade mark proprietor had not authorized the use of the trade mark PENTAX in relation to any cameras which were not distributed in South Africa by its official distributor; insofar as any authorization to use the trade mark PENTAX could be implied from the fact that it appeared on a grey product, such authorization was explicitly withdrawn in the case of the defendant when selling grey goods with the result that the use of the trade mark PENTAX in relation to grey goods by the defendant was unauthorized use of that mark and thus trade mark infringement.

The court rejected this argument on the basis that the underlying principle of a trade mark is that it is a badge of origin and that it was a sine qua non for trade mark infringement that there must be confusion as to the origin or trade source of the product before there could be any question of trade mark infringement. As the goods were the genuine goods, the use of the trade mark PENTAX by the defendant could not give rise to trade mark infringement. The goods in question were manufactured by the trade mark proprietor itself. The court left open the question of whether the position would be any different if the grey goods had been manufactured by a licensee whose territory was restricted to a particular geographical area not including South Africa. The court hinted that it might have reached a different conclusion in this situation.

The Sony case

The parallel importation scenario in the Sony case was essentially identical to that in the Pentax case and the plaintiff in that case advanced exactly the same arguments as were advanced in the Pentax case. It likewise purported to withdraw the authority to use the trade mark SONY appearing on the grey goods. The grey goods had also been manufactured by the trade mark proprietor.

There was, however, one important factual difference between the two cases. Unlike in the Pentax case where the defendant made no changes or alterations to the product but simply imported it and sold it onwards, in the Sony case adjustments were made to the goods by the grey goods dealer. The goods in question were video recorders which, of course, comprise a tuner component. The video recorders were intended for the European market and in order to enable them to receive the broadcasts of certain stations in certain places in South

Africa, it was necessary for the tuner component to be "tweaked" The court held that by virtue of this intervention by the defendant in the integrity of the goods, they were no longer the "genuine article" and the use by the defendant of the trade mark SONY in relation to them constituted trade mark infringement.

To sum up in regard to trade mark infringement, under South African law trading in grey goods cannot constitute trade mark infringement unless the grey goods dealer interferes with the integrity of the product or perhaps unless the grey goods are manufactured by a territorial licensee of the trade mark proprietor. The afore-going decisions were made under the now repealed Trade Marks Act 1963. The current Trade Marks Act 1993 no longer makes specific mention of a trade mark being a badge or origin and focuses entirely on the distinguishing function of a trade mark. It is possible (but to my knowledge has not yet been argued in a decided court case) that this change in the essential characteristics of a trade mark may lead to the court adopting a different approach to that mentioned above. It also raises the possibility of a foreign trade mark proprietor being able to assign his trade mark to his South African distributor without vitiating the validity of the registered trade mark and the new proprietor then claiming trade mark infringement against grey goods dealers. Such an assignment would have been dangerous under the previous Act.

Copyright infringement

Successful copyright infringement claims have been made against grey goods dealers and injunctions have been granted restraining the importation and/or distribution of grey goods. The cause of action is, however, complex and considerable preparatory work is necessary before a viable claim of copyright infringement can be made. In particular the owner of the copyright relied upon must assign his copyright for South Africa to his exclusive South African distributor or to some other party not involved in the manufacture of the relevant works, who will enforce the copyright. Under South African copyright law, design drawings and other technical drawings enjoy protection as artistic works and a product made from a design drawing is considered to be a three-dimensional reproduction of that drawing and can thus be an infringing copy of it if made without the authority of the holder of the South African copyright.

The leading case dealing with grey goods is Frank Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd 1993(4) SA 279 (A). In the Frank &Hirsch case the defendant dealt in grey TDK blank cassette tapes. TDK Corporation, being the worldwide holder of the copyright in the artwork which adorned the labels and printed inserts of the tapes, assigned the copyright for South Africa in such works to Frank &Hirsch. The South African Copyright Act provides where, in the case of an imported article, the making of that article in South Africa by the actual foreign manufacturer would have constituted an infringement of copyright if it had hypothetically been made in South Africa, the article is an infringing copy of that work and should unauthorized trading in it occur copyright infringement takes place.

Frank &Hirsch contended that it had not authorized TDK Corporation to manufacture the labels or printed inserts bearing the relevant copyrighted works in South Africa. Accordingly, if TDK Corporation had made the printed inserts and labels in South Africa, and thereby reproduced the copyrighted works, their unauthorized conduct would have constituted copyright infringement. In the circumstances, the grey goods were "infringing copies" of Frank &Hirsch's copyrighted works.

Before importation and distribution of infringing copies can give rise to a valid claim of copyright infringement against a defendant, it is necessary to show that the defendant knows that he is dealing in infringing copies. In order to impart this "guilty knowledge" to the defendant, the plaintiff caused its attorneys to write to the defendant to explain to them why the grey goods constituted infringing copies of the copyrighted works and that importing and distributing such articles without the plaintiff's consent constituted copyright infringement. After having taken this step, the plaintiff waited a few weeks and when it was plain that the defendant proposed ignoring the plaintiffs demands, the plaintiff purchased specimen grey TDK tapes. It must be emphasized that the plaintiffs claim did not relate to the actual tapes themselves but rather to the items of trade dress which accompanied the tapes.

The court found that the steps which the plaintiff had taken to impart guilty knowledge to the defendant regarding the infringing nature of the articles were sufficient to render the defendant possessed of the necessary knowledge and that the defendant's trading in the grey goods without the authority of the plaintiff constituted copyright infringement.

In the wake of the Frank &Hirsch case several successful claims of copyright infringement in like circumstances have been brought against dealers in grey hi-fi equipment, watches, and other three-dimensional articles where the copyrighted work relied upon was a design drawing and the infringing articles were three-dimensional reproductions of such drawings.

Technical and philosophical issues

In neither the trade mark infringement nor the copyright infringement cases were the philosophical or policy issues of trading in grey goods dealt with by the court, by contrast with the Taylor &Horne case. In the trade mark infringement and copyright infringement cases the court concerned itself solely with technical issues relating to trade mark infringement and copyright infringement. In each instance, however, the plaintiffs presented the arguments against the practice of trading in grey goods (eg the parasitical nature of grey goods dealers, the unfairness towards exclusive distributors who are required to maintain a full inventory of spares, maintain guarantees, and so forth) while the defendants relied upon the perceived benefits to consumers through lower prices, the beneficial effect of increased competition and the like.

These arguments were advanced in order to win over the heart of the court and thus approach the technical issues in the matter favourably disposed towards the party in question. In the absence of the court having expressed any views on these arguments it is difficult to judge whether the court was swayed by them in reaching its conclusions.

However, it is thought that the attitude of the court in the Taylor &Horne case probably represents the basic standpoint of the South African court on the principle issue of trading in grey goods.

Sidebar

FORTHCOMING EVENTS

Sidebar

Pharmaceutical Trade Marks Group AGM and 62nd Conference, Scandic Hotel Copenhagen, March 19 and 20, details from Reginald Grogan, secretary, PTMG, tel: +44 20 8657 2680, +44 20 8966 5703, fax +44 20 8966 8079.

AIPPIAnnual Meeting, Melborne 25-30 March. Contact AIPPI Congress Secretariat, GPO Box 128, Sydney NSW 2001 AUSTRALIA, tel: 612 9262 2277, fax: 612 9262 3135, email: aippi2001@tourhosts.com.au

Sidebar

Inter-Pacific Bar Association Annual Meeting, April 22-25 2001, Tokyo, Japan, tel +813 3263 6474, fax 813 3263 7077, email ipbareg@ics-inc

The International AntiCounterfeiting Coalition 2001 Annual Spring Conference, The Silverado Resort, Napa, California, May 2 to 4 2001. Contact Richard Wynne at IACC for more information on + 1202 223-6667 or rwynne@iacc.org or see www.iacc.org for the fill conference agenda, registration form, and weekly updates.

INTA Annual Meeting, Mosconi Centre, San Francisco May 5-9. For information please contact Amy Nickerson at anickerson@inta.org

Sidebar

ECTA Annual Meeting, Rotterdam, June 13 to 16, details from www.ecta.org, or ECTA Secretariat, Bisschoppenhoflaan 286, Box 5, B-2100 Deurne-Antwerpen, Belgium, tel +32/3-326 47 23, fax +32/3-326 76

13, email: ecta@ecta.org
BIO 2001, June 24-27 2001, San Diego Convention Centre, San Diego. Contact Bio Meeting Department, tel + 1 202 857 2506, fax + 1202 331 8132, email bio2001@bio.org
Sidebar

REGULATORY MEASURES
Sidebar

Exclusive distributors have achieved a measure of success in counteracting grey goods on a regulatory level. The Harmful Business Practices Act makes provision for a Business Practices Committee to outlaw certain trading practices which are considered to be contrary to the public interest. The Business Practices Committee had occasion to consider the desirability of trading in grey goods in relation to electronic goods. It came to the conclusion that trading in grey goods is in the public interest provided it is made clear to consumers that they are being confronted with grey goods and that appropriate notice is given by grey goods dealers to customers that the goods do not necessarily enjoy the support of the manufacturer and that guarantees and service facilities may not be provided by the manufacturer or its official exclusive distributor. Failure to observe these stipulations can lead to a finding by the court that a grey goods dealer is acting in an unlawful manner which would enable an exclusive distributor to bring an unlawful competition claim against the grey goods dealer, but only in order to restrain him from selling grey goods without the specified notification to consumers; it would not enable him to prevent trading in the goods per se.
AuthorAffiliation

(C)2001 Owen Dean. The author is a partner of Spoor and Fisher in Pretoria

Publication title: Managing Intellectual Property

Issue: 106

Pages: 43

Publication year: 2001

Publication date: Feb 2001

Year: 2001

Publisher: Euromoney Trading Limited

Place of publication: London

Country of publication: United Kingdom

Journal subject: Law

ISSN: 09605002

Source type: Trade Journals

Language of publication: English

Document type: PERIODICAL

ProQuest document ID: 233234201

Document URL: http://ez.sun.ac.za/login?url=http://search.proquest.com/docview/233234201?accountid=14049

Last updated: 2012-01-20

Database: 2 databases; -ABI/INFORM Complete; -ProQuest Entrepreneurship; ;
