

In conclusion, the law of delict has an important role to play in upholding fundamental rights, both now and in a post-bill-of-rights era. It is essential that the law of delict be developed to meet new challenges of protecting individual rights. Any bill of rights enacted for South Africa should expressly include a claim for damages in the range of remedies available to the victim of an infringement of its provisions. The introduction of a bill of rights in South Africa will, in my opinion, affect the scope and emphasis of the law of delict, which will have to play a part in ensuring that adequate protection is given to constitutionally

entrenched rights and will constitute a point of contact between public and private law.

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the university, without affording him a hearing, had intimated to the Department of Health that he was not making sufficient academic progress and was not considered a suitable candidate to prosecute further study in his chosen field. Although an administrative-law remedy (the setting aside of the decision of the university not to re-register him) was sought and obtained, he might well have been able to recover damages under the Aquilian action had he been able to prove that he suffered pecuniary loss as a result of the conduct of the university.

## COPYING INDUSTRIAL PRODUCTS – IV

### Unlawful competition in the *Bress Designs* case

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By  
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In my previous article<sup>1</sup> I recounted briefly the facts of *Bress Designs (Pty) Ltd v G Y Lounge Suite Manufacturers (Pty) Ltd & another*,<sup>2</sup> in which the first respondent 'slavishly copied'<sup>3</sup> the design of the applicant's 'Fendi' sofa in manufacturing a competing product, the 'Pisa', and sold 'Pisa' lounge suites in competition with the applicant's 'Fendi' suites.

The two bases of the applicant's claim against the respondents for an interdict to prohibit the sale of the 'Pisa' in competition with the 'Fendi' were copyright infringement and unlawful competition. The court's approach to the copyright-infringement claim was discussed in the previous article,<sup>4</sup> in which I stated that the failure of that claim amply demonstrates the emasculation of copyright as a means of combating the reverse-engineering of utilitarian products.<sup>5</sup>

Readers will recall that the applicant ob-

tained the inspiration for and basic design of its 'Fendi' sofa from a picture of an existing American sofa but subsequently expended considerable time and effort in making a prototype on a trial-and-error basis. The unusual or striking feature of the design of the 'Fendi' was that it had the shape of the letter 'M'.

The rivalry between the applicant and the first respondent, however, went back much

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<sup>1</sup> See (1991) 20 BML 141.

<sup>2</sup> Now reported in 1991 (2) SA 455 (W). See also Owen Salmon 'The Case of the Stripped-down "Sittable"' (1990) 20 BML 73.

<sup>3</sup> At 464H.

<sup>4</sup> Note 1 above.

<sup>5</sup> See also the first two articles in this series, in (1990) 19 BML 159 and 187.



**Questions of  
public policy  
may be  
relevant in  
a particular  
case.**

further than the marketing of the 'Fendi' and 'Pisa' suites. The applicant was formed and commenced business approximately ten years ago. Prior to its formation one of its co-directors had been employed by the first respondent. When the applicant began to compete against the first respondent in the furniture trade animosity arose between that director and the managing director of the first respondent. After a while hostility abated until, in June 1989, the applicant began losing valuable staff to the first respondent. After mediation took place between the two companies by the Furniture Manufacturers Association on the question of the poaching of staff, it was agreed that neither company would in future entice away the staff of the other.

This agreement was breached on 23 August 1988, when the first respondent solicited one of the applicant's employees. The applicant's managing director telephoned his counterpart at the first respondent to complain but was told that the first respondent's conduct was justified by the applicant's copying of the first respondent's furniture in the past. This the applicant denied having done, although it conceded that it had taken ideas from pictures of the first respondent's furniture. The applicant had, however, never stripped down a model of that furniture. The first respondent also alleged that an employee of the applicant was disparaging the first respondent's products, an allegation that was also denied by the applicant. The first respondent informed the applicant that the two companies were on course for an all-out war and that it would retaliate in every conceivable way.

Shortly after this conversation the first respondent commenced manufacture of its 'Pisa' lounge suite, which was identical in appearance and construction to the 'Fendi'. While there were some differences between the two suites, Van Dijkhorst J found that the first respondent had probably stripped down and copied a 'Fendi' sofa. The first respondent sold the 'Pisa' to the public through the second respondent at a retail price approximately 20% less than the price of the 'Fendi'.

The 'Fendi' proved to be very successful and popular, and the applicant claimed that its appearance enjoyed a substantial repute and fulfilled the function of indicating the origin of the product. After analysing the facts, the court concluded that the first respondent had not been motivated by normal commercial considerations in manufacturing its 'Pisa' suite and selling it at a lower price than that of the 'Fendi'. Instead, Van Dijkhorst J held, the probabilities were that the first respondent sold its competing 'Pisa' suite out of sheer malice. He suggested that the first respondent's course of conduct was embarked upon mainly in order to inflict harm for its own sake and that the first respondent's intention had been, for reasons of vindictiveness, to destroy or jeopardize the

applicant's business in its 'Fendi' suite, the flagship of its furniture range.

The applicant's case under the heading of unlawful competition was brought on two bases: the passing-off of the 'Pisa' suite as having a connection with the business of the applicant, and the general delict of unlawful competition as it has evolved in recent case law, culminating in the decision of the Appellate Division of the Supreme Court in *Schultz v Butt*.<sup>6</sup>

In pursuing the passing-off claim, the applicant contended that the appearance of the 'Fendi' suite was distinctive; its design had, as a result of its commercial exploitation by the applicant, acquired a repute, designating the 'Fendi' as having its origin or trade source in the applicant. These allegations, if established, would have founded a claim for an interdict at common law on the basis of passing-off, one of the established species of unlawful competition.<sup>7</sup>

Van Dijkhorst J held, however, that the applicant had not established a reputation in the 'M'-shaped design of its 'Fendi' suite, for the facts showed that the applicant had not been the only manufacturer of this type of furniture before the 'Pisa' entered the market. Furthermore, the dissimilarity in names between the applicant's product and that of the first respondent rendered it unlikely that the 'Pisa' would be associated with the applicant: there was no possibility of confusion between the names of the two suites, which were entirely different and distinct. Besides, the applicant marketed its product as a 'Bress Design' while the first respondent's product was advertised as a 'Gerald Yosh original'; and the first respondent enjoyed a well-established reputation in the furniture business, identifying all of its products as 'Gerald Yosh' furniture. The claim based on passing-off accordingly had to fail.

Commenting on the state of the law after the case of *Schultz v Butt*, in which the 'general' common-law delict of unlawful competition was recognized, Van Dijkhorst J explained that as a general rule every person is entitled freely to carry on his trade or business in competition with his rivals but that such competition must remain within lawful bounds. If it is carried on unlawfully, in the sense that it involves a wrongful interference with another's rights as a trader, it constitutes an *injuria* for which the Aquilian action lies if it has resulted directly in loss. In order to succeed in an action based on unlawful competition, the plaintiff must establish all of the requisites of Aquilian liability, including proof that the defendant has com-

<sup>6</sup> 1986 (3) SA 667 (A).

<sup>7</sup> On passing-off generally, see Mervyn Dendy 'Pitfalls of Advertising — V: Passing-off' (1988) 17 BML 217.



mitted a wrongful act. In such a case the requisite unlawfulness may fall into a category of clearly recognized illegality or it may be constituted by unfairness and dishonesty, which are to be determined with due regard to the community's *boni mores* and general sense of justice. Questions of public policy, such as the importance of a free market and of competition in our economic system, may be relevant in a particular case. The delict of unlawful competition occurs when the competition is *contra bonos mores*.<sup>8</sup>

In *Schultz v Butt* the respondent, Butt, had designed the hull of a catamaran-type ski-boat, which Schultz had copied by using an actual hull of Butt's boat as a 'plug' for making a mould to manufacture hulls for his own boat. Schultz then registered the design of the hull he had thus made under the Designs Act 57 of 1967. He was not, however, treated as having behaved unlawfully merely by virtue of his copying the design of Butt's hull: what the Appellate Division considered wrongful was the manner in which he had gone about this copying and his conduct associated with the copying generally. The fact that he had registered the design of the hull that he made was treated as an exacerbating factor. As I said earlier in this series:

'One is left with the clear impression that if Schultz had taken one of Butt's hulls, measured it in fine detail, constructed his own concrete "plug" in conformity with his measurements and then made a mould for his hull in the normal manner, the courts would probably not have held his conduct to be wrongful.'<sup>9</sup>

The court in *Bress Designs* shared this view. The imitation of the 'Fendi' by the first respondent, said Van Dijkhorst J was as effective as in *Schultz v Butt*, although the method of copying differed. Not all imitation, however, was unlawful. Legislative protection existed in the fields of patents, designs, copyright, trade marks and plant-breeders' rights. Beyond the limits of statutory protection, however, the field was open to imitators: the applicant took no steps to register its design and therefore could not complain if it was copied. If one was entitled to copy that which was in the public domain, it could make no difference what the method of imitation was: whether the measurement was taken with the eye or with a tape measure; whether the findings were recorded in a retentive memory, in a notebook or through the lens of a camera; or whether only the exterior or also the interior was examined. The mere fact that the 'Fendi' was disassembled *per se* created no unlawfulness; indeed, the applicant had itself copied the 'Fendi' from an American design and there was no suggestion that it had acted wrongfully in doing so.

The fears I expressed in the earlier article have been realized, namely, that our courts will be unlikely to hold that reverse-engi-

## A forfeiture of benefits

'[D]ebts to trade creditors must be paid and paid in full, unless there are sound legal grounds why they should not be so paid. The benefits of limited liability are not for those who knowingly try to pass the commercial risks of their ventures on to their trade creditors without disclosing that that is in effect what they are doing. To do so will usually be knowingly to conduct the company's business recklessly, and in some cases fraudulently, and thereby to become liable to be declared personally responsible to the trade creditors.'

— *per Stegmann J in Ex parte De Villiers NO: in re M S L Publications (Pty) Ltd (in liquidation) 1990 (4) SA 59 (W) at 87F-H.*

neering in circumstances other than those in *Schultz v Butt* constitutes unlawful competition. It seems that the law of unlawful competition, while admittedly evolving on a continuing basis, will probably afford protection only against extreme forms of copying. This, as I submitted,<sup>10</sup> is an unsatisfactory state of affairs. The development and perfection of utilitarian and three-dimensional objects not qualifying for patent or design protection call for considerable expertise and effort, not to mention the expenditure of large sums of cash. It is inequitable that a competitor should be able to reap the benefits of this investment of time and money simply by copying an earlier product, thus placing himself in a position to compete against it both with a minimum of trouble and expense and with the advantage of lower development expenses.

Fortunately, however, Van Dijkhorst J did not stop there but went further, for an important component of the first respondent's behaviour — its motive in copying the 'Fendi' suite — could not be overlooked: the first respondent had copied the 'Fendi' and sold its 'Pisa' suite not in order to improve its own market position, but rather so as maliciously to destroy the applicant's business.

Van Dijkhorst J likened this behaviour to the doctrine of abuse of right — the exercise of one's rights, not to benefit oneself, but to harm

<sup>8</sup> Cf 1986 (3) SA at 678F–679F.

<sup>9</sup> See (1990) 19 BML at 190.

<sup>10</sup> *Ibid.*



others, which is unlawful inter partes.<sup>11</sup> This doctrine is an exception to the general principle that motive is not a material element of civil liability. After considering the authorities, the court reached the conclusion that motive is a relevant consideration in the field of unlawful competition. He said:

'In my view a clear line should be drawn between acts of interference with the interests of another when the object is the advancement of a person's own interest and such acts whose sole or dominant purpose is the infliction of harm for its own sake. Whereas in law the advancement of one's own economic interests is, generally speaking, a legitimate motive for action, there can be no doubt that the community would condemn as contra bonos mores the malicious destruction or jeopardizing of a sound business through the marketing of identical furniture at cut-throat prices for reasons of personal vindictiveness. I have no doubt that not only by the community in general but also in the field of the ethics and morality of the furniture manufacturers such conduct is not acceptable, though copying each other's products may be the order of the day.'<sup>12</sup>

In the result, although the court considered the mere copying of the 'Fendi' suite to be perfectly lawful, when the first respondent's motive was taken into account its conduct became prima facie an infringement of the applicant's rights by means of unlawful competitive practices. He added that, by selling the offending 'Pisa' suite, the second respondent supported the first respondent's wrongful conduct and therefore also infringed the applicant's rights.

The court therefore confirmed a temporary interdict previously granted against the respondents to restrain them from marketing the 'Pisa' in competition with the 'Fendi'.

In the third article in this series I suggested that there was a clear need for the law of unlawful competition to fill the hiatus created by the amendment of s 15(3A) of the Copyright Act 98 of 1978 by s 2 of the Copyright Amendment Act 13 of 1988.<sup>13</sup>

### Talk is cheap

'[O]ral statements are notoriously difficult to fully comprehend and to recall and reproduce adequately. The smallest change of inflection or nuance could change their meaning and words uttered in casual conversation are particularly vulnerable to these defects. "Talk is cheap" is an old adage which, I think, is as apt to hearsay evidence as it is to unkept promises.'

— per *Conradie J* in *Mnyama v Gxalaba* 1990 (1) SA 650 (C) at 654B–C.

### No court, no contempt

'There is no contempt of court where a tribunal is not a judicial one. Where it is one then it has an inherent power to act summarily in cases of contempt of court in facie curiae. But there must be a contempt in facie curiae of a court and not of an inquiry such as one before a commissioner appointed in terms of s 418 [of the Companies Act 61 of 1973] before summary steps against the defaulter can be taken . . . .'

— per *Tebbutt J* in *Van der Berg v Schulte* 1990 (1) SA 500 (C) at 507A–B.

On analysis of the *Bress Designs* case, however, I do not believe that the court took up the challenge of filling that hiatus. Although the case was ultimately decided in favour of the applicant, relief was granted essentially on the basis of the first respondent's extraordinary motive in copying the applicant's sofa. The presence of malice in this case was comparable to the use by Schultz in *Schultz v Butt* of one of Butt's own hulls as a 'plug' for making his mould and the registration by Schultz of the design of his hull on the pretext that it was 'new and original'.<sup>14</sup> The pattern of the two cases, and doubtless of cases to come, is that there must be some additional factor other than the mere copying of the fruits of someone else's labours before unlawful competition will be held to have occurred. Perhaps that factor will in time come to be so widely and generally construed as to be present in every case in which a defendant unfairly reaps where he has not sown. In effect, copying per se will then be treated as unlawful in such cases.

For the time being, however, the law of unlawful competition, while remaining capable of filling the breach brought about by the decline of copyright protection in the realm of reverse-engineering of utilitarian products, is not, in practice, doing so effectively. Perhaps designers should seek succour elsewhere — by endeavouring to secure protection for functional designs of utilitarian products under the Designs Act, for example. Although such protection is not currently available, however, an effort should surely be made to find a home for it within the ambit of designs legislation.

<sup>11</sup> On abuse of right generally, see *Kirsh v Pincus* 1927 TPD 199 and *Gien v Gien* 1979 (2) SA 1113 (T).

<sup>12</sup> At 475–476A.

<sup>13</sup> See (1990) 19 BML at 190 and (1991) 20 BML at 141.

<sup>14</sup> 1986 (3) SA at 676G.