



THE SUPREME COURT OF APPEAL OF SOUTH AFRICA
JUDGMENT

Case No: 722/12

Reportable

In the matter between:

**BAYERISCHE MOTOREN WERKE
AKTIENGESELLSCHAFT**

Appellant

and

GRANDMARK INTERNATIONAL (PTY) LTD

First Respondent

ALLAN C. HO

Second Respondent

Neutral citation: *Bayerische Motoren Werke Aktiengesellschaft v Grandmark International* (722/12) [2013] ZASCA 114 (18 SEPTEMBER 2013)

Coram: BRAND, NUGENT, CACHALIA and WALLIS JJA and SWAIN AJA

Heard: 26 AUGUST 2013

Delivered: 18 SEPTEMBER 2013

Summary: Designs Act 195 of 1933 – designs for replacement parts of motor vehicles – whether aesthetic designs – Trade Marks Act 194 of 1993 – descriptive use.

ORDER

On appeal from: North Gauteng High Court, Pretoria (Ranchod J sitting as court of first instance):

The appeal is dismissed with costs that include the costs of two counsel.

JUDGMENT

NUGENT JA (BRAND, CACHALIA and WALLIS JJA and SWAIN AJA CONCURRING):

[1] The appellant – Bayerische Motoren Werke Aktiengesellschaft (BMW) – is a German corporation that designs motor vehicles and, by itself and through licencees, manufactures and distributes the vehicles internationally. It was the proprietor of various designs registered under the Designs Act 195 of 1993 until they expired after commencement of these proceedings. It is also the proprietor of various trade marks registered under the Trade Marks Act 194 of 1993.

[2] Four of its registered designs, and one of its registered trade marks, are relevant to this appeal. The designs are for certain components of particular models of BMW motor vehicles – a bonnet, a grille, a headlight assembly, and a front fender. They were registered as ‘aesthetic designs’ in Class 12 in Part A of the register.¹

¹ Registration Numbers A1989/0062, A1998/0064, A1998/0065, and A1998/0056, respectively.

[3] Grandmark International (Pty) Ltd – the respondent – imports and distributes motor vehicle components manufactured mainly in Taiwan. The affidavits disclose – and it was common cause – that amongst the articles it imported were exact embodiments of the four designs. The packaging of one of the components also contained writing that is said to infringe one of BMW's trade marks.

[4] BMW applied to the North Gauteng High Court for orders interdicting the alleged infringements, and for related relief so far as the designs are concerned, which has become superfluous now that the period for which they were registered has expired. What is now sought by BMW if the designs were infringed is a declaration to that effect, which will be relevant to proceedings it has commenced for payment of royalties.²

[5] In response to the claims of design infringement Grandmark counter-claimed under s 31 of the Act for revocation of their registration, on the grounds that the designs did not qualify for registration under s 14. In the event that its claim for revocation failed it asked for an order referring the matter to the Competition Tribunal established under the Competition Act 89 of 1998, alleging abuse of dominance by BMW. As for the trade mark, it denied the writing infringed. Ranchod J upheld the claim for revocation, which made it unnecessary to consider referring the matter to the Competition Tribunal, and dismissed the claim of trade mark infringement, but granted BMW leave to appeal to this court.

² Section 35(3)(d) entitles the registered proprietor of a design to recover from an infringer a reasonable royalty in lieu of damages.

[6] The Designs Act distinguishes between ‘aesthetic designs’ and ‘functional designs’ and allows for the registration of each in parts A and F of the register respectively. It defines an aesthetic design to mean

‘any design applied to any article, whether for the pattern or the shape or the configuration or the ornamentation thereof, or for any two or more of those purposes, and by whatever means it is applied, having features which appeal to and are judged solely by the eye, irrespective of the aesthetic quality thereof’.

and a functional design to mean

‘any design applied to any article, whether for the pattern or the shape or the configuration thereof, or for any two or more of those purposes, and by whatever means it is applied, having features which are necessitated by the function which the article to which the design is applied, is to perform, and includes an integrated circuit topography, a mask work and a series of mask works’.

[7] It is evident from the definition that to qualify for registration in part A a design need not be exclusively aesthetic, but may combine both aesthetic and functional features. Where it incorporates functional features, however, those features are excluded from protection by s 14(5). Moreover, s 14(6) excludes from the protection of a registered functional design any feature of pattern, shape or configuration of an article that is in the nature of a spare part for a machine, vehicle or equipment. That section might, by implication, contemplate that those features are also not capable of falling within the category of protectable aesthetic designs, but we are not called upon to decide whether or not that is so.

[8] In view of the long history of design protection in England the jurisprudence of that country can provide assistance at times in construing comparable statutes in this country, but always bearing in mind that our legislation does not replicate that of England, and that there have been

developments in recent years towards harmonising the laws of the European economic community.

[9] Relying upon jurisprudence from that country this court – in *Homecraft Steel Industries (Pty) Ltd v SM Hare & Son (Pty) Ltd*³ – considered the principle underlying the protection of aesthetic designs, with reference to the definition of a design under the former Designs Act. That Act did not distinguish aesthetic from functional designs, nor allow for registration of the latter, but nonetheless distinguished the two by excluding functional features in the definition of ‘design’. The effect of that exclusion is that the definition of a ‘design’ under the former statute corresponds substantially with that of an ‘aesthetic design’ in the present statute, and what was said in *Homecraft Steel Industries* has equal application in this case. Corbett JA said the following:⁴

‘In the leading English case of *Amp Incorporated v Utilux (Pty) Ltd* [1972] RPC 103, Lord REID discussed the apparent policy of the legislation relating to registered designs as follows (at 107-8):

"Those who wish to purchase an article for use are often influenced on their choice not only by practical efficiency but by appearance. Common experience shows that not all are influenced in the same way. Some look for artistic merit. Some are attracted by a design which is strange or bizarre. Many simply choose the article which catches their eye. Whatever the reason may be, one article with a particular design may sell better than one without it: then it is profitable to use the design. And much thought, time and expense may have been incurred in finding a design which will increase sales.

Parliament has been concerned to see that the originator of a profitable design is not deprived of his reward by others applying it to their goods."

Lord REID went on to point out that under the legislation in question protection was given not to everything that could be called a design, but only to a design falling within the definition. In the same case Lord MORRIS of BORTH-Y-GEST referred in particular to the requirement of the definition that the features in the finished article “appeal to and are judged solely by the eye”. He said (at 112):

³ *Homecraft Steel Industries (Pty) Ltd v SM Hare & Son (Pty) Ltd* 1984 (3) SA 681 (A).

⁴ At p. 691 A-I.

"The question is raised as to the sense in which the features in a finished article are to appeal to and are to be judged solely by the eye. I think that it is clear that the particular feature which is in question or under consideration must be seen when the finished article is seen. But the words of the definition point, in my view, to considerations other than that of merely being visible. The phrases 'appeal to' and 'judged solely by the eye' denote features which will or may influence choice or selection . . . This does not mean that the 'appeal' or the attraction must be to an aesthetic or artistic sense – though in some cases it may be. The features may be such that they gain the favour of or appeal to some while meeting with the disfavour of others. Beyond being merely visible the feature must have some individual characteristic. It must be calculated to attract the attention of the beholder."

In his speech in this case Lord PEARSON said, with reference to the definition of "design" (at 121):

"The emphasis is on external appearance, but not every external appearance of any article constitutes a design. There must be in some way a special, peculiar, distinctive, significant or striking appearance – something which catches the eye and in his sense appeals to the eye."

Similar views were expressed by Lord AVONSIDE in the Scottish Court of Session in the case of *G A Harvey & Co (London) Ltd v Secure Fittings Ltd* [1966] RPC 515 in the following terms (at 518):

"The judge of the design is the eye and the eye alone and to the eye it must appeal. The design, to appeal, must be noticeable and have some perceptible appearance of an individual character. Where, as in the present instance, the design is for a shape or configuration of the article as a whole, the only effective application of the design rests in making an article of that shape or configuration. In that situation, in order to achieve application of the design to an article, the article produced must be such as appeals to the eye as possessing, by reason of its shape or configuration, features which distinguish it from others of its type and class."

(This judgment was referred to with approval in the *Amp Incorporated* case *supra* at 112-3, 119 and 121-2.)

These citations give, I think, a general indication of the features which a design must possess in order to appeal to and be judged by the eye. And the next question which arises is: whose eye?'

[10] In answer to that question the learned judge adopted what had been said in *Swisstool Manufacturing Co. v Omega Africa Plastics*⁵ as follows:

‘This question was discussed at length by ELOFF J in *Swisstool Manufacturing Co v Omega Africa Plastics* 1975 (4) SA 379 (W) at 382F-383F. Here reference is made to the *Amp Incorporated* case *supra* in which it was held that the eye in question must be the eye of the customer. (See also *Benchairs Ltd v Chair Centre Ltd* [1974] RPC 429 at 442-3; *Ferrero's Design Application* [1978] RPC 473 at 482-3.) ELOFF J stated (at 383B) that it would not be inconsistent with what has been said in previous South African cases

"to hold that while the eye is to be the eye of the Court, the Court should view the design through the spectacles of the customer".

I think, with respect, that this statement pithily expresses what I conceive to be the correct approach, viz that while the Court is ultimately the arbiter it must, when determining these matters, consider how the design in question would appeal to and be judged by the likely customer of the class of article to which the design is applied.

This visual criterion is, of course, of cardinal importance not only in determining whether a design meets the requirements of the definition, but also in deciding questions of novelty and infringement.’

[11] What emerges from that analysis is, essentially, that aesthetic designs are those that invite customer selection – and customer discrimination between articles – solely by their visual appeal.

[12] In this case BMW says that considerable money, time and expertise goes toward designing the appearance of its motor vehicles, which plays a material role in customer selection of its vehicles in preference to others, and I am sure that is true. It goes on to submit that because the designs of its vehicles qualify as aesthetic designs, albeit that they might incorporate functional features, it follows that the components that go to make up that design are also aesthetic designs. I don't think that is correct. On the contrary, that submission seems to me to point to why the designs of the components are not aesthetic designs.

⁵ *Swisstool Manufacturing Co. v Omega Africa Plastics* 1975 (4) SA 379 (W).

[13] The designs now in issue are designs of individual components, and must be judged for the qualities of the individual components, independently of the design of the built-up vehicle. The articles embodying the designs are not selected by customers for their appeal to the eye. They are selected solely for the function they perform – which is to replace components so as to restore the vehicle to its original form.

[14] Counsel for BMW submitted that an owner of a BMW vehicle may choose to replace a component with a component of a different design, suitable modified if needs be, so as to alter the appearance of the vehicle. We are not concerned, of course, with components of a different design that might be fitted to BMW vehicles, but with BMW's components, and the submission needs to apply the other way round. Perhaps there are eccentric motorists to whom it might appeal to fit a BMW fender, for example, to a vehicle of a different kind – though it is difficult to imagine one – but the designs are not to be judged by their appeal to eccentricity. The eye through which the design must be judged is that of the likely customer, who will choose it so as to maintain the form of the vehicle. Indeed, it can be accepted, from their nature, that most customers will not even see the component before it is fitted to the vehicle, nor make any selection at all, other than by giving instructions for the restoration of the vehicle.

[15] There are some motor vehicle components – examples given in a case before the Registered Designs Appeals Tribunal in England are wing mirrors, wheels, seats and the steering wheel⁶⁶ – that are intended to be inter-changeable between vehicles, and perhaps their designs are capable of being registered as

⁶⁶ *Ford Motor Company Limited and Iveco Fiat SpA's Design Applications* [1993] R.P.C. 399, and on appeal [1994] R.P.C. 545 (QB).

aesthetic designs, but we are not concerned with designs of that kind. There is no suggestion that the purpose of the BMW components is to be fitted, upon selection by customers, to vehicles of a different kind. The purpose they are intended to serve is solely to replace the components of the respective BMW vehicles.

[16] In those circumstances the designs are purely functional and were rightly held not to qualify for registration as aesthetic designs.

[17] So far as the alleged trade mark infringement is concerned, before us BMW alleged infringement of only one of its registered trade marks – the letters BM. It alleged that the trade mark is infringed by its appearance on two articles reflected in photographs attached to the founding affidavit. There is no explanation in the papers of what those articles are but we were told they are labels attached to the packaging of one of the components.

[18] One article contains a composite of the following lettering and numbering: GORDON AUTO BODY PARTS CO.LTD; MFG LOT; 1004A; GD471; BM 3 SRS 92-05 HOOD'. The other contains the following letters and numbers following immediately after one another: 'BM3S01HD4 BM 3 SERIES (E46) PARTSLINK NO BM 1230 115'.

[19] In *Commercial Auto Glass (Pty) Ltd v BMW AG*⁷ Harms ADP said of trade mark infringement:

‘[As] this Court recently held in line with developments in Europe and the United Kingdom, the defendant's use must have been "trade mark use", meaning that –

⁷ *Commercial Auto Glass (Pty) Ltd v BMW AG* 2007 (6) SA 637 (SCA) para 3. See, too, *Verimark (Pty) Ltd v BMW AG* 2007 (6) SA 263 (SCA) paras 5-6.

"[t]here can only be primary trade mark infringement if it is established that consumers are likely to interpret the mark, *as it is used by the third party*, as designating or tending to designate the undertaking from which the third party's goods originate."

'What is, accordingly, required is an interpretation of the mark through the eyes of the consumer as used by the alleged infringer. If the use creates an impression of a material link between the product and the owner of the mark there is infringement; otherwise there is not. The use of a mark for purely descriptive purposes will not create that impression but it is also clear that this is not necessarily the definitive test.'

[20] A customer would not view the trade mark 'BM' in isolation of its surrounding features. In the first case it can hardly be said that the trade mark is used as a badge of origin when the label states it to have a different origin. Moreover, the numbering surrounding, and immediately following, the mark clearly reflects its use to identify of the component concerned, and the same is to be said of the lettering and number on the second tag. In my view the marks are clearly not used as trade marks and the claim for infringement correctly failed.

[21] In view of my findings it is not necessary to deal with the claim for referral to the Competition Tribunal.

[22] The appeal is dismissed with costs that include the costs of two counsel.

R W NUGENT
JUDGE OF APPEAL

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