

33/87

465/85/AV

IN THE SUPREME COURT OF SOUTH AFRICA
(APPELLATE DIVISION)

In the matter between:

TELEVISION RADIO CENTRE (PROPRIETARY)
LIMITED

APPELLANT

AND

SONY KABUSHIKI KAISHA
trading as
SONY CORPORATION

1st RESPONDENT

AND

TEDELEX SOUND & VISION (PROPRIETARY)
LIMITED

2nd RESPONDENT

CORAM: CORBETT, HOEXTER, GROSSKOPF, NESTADT, AJJ et
NICHOLAS, AJA

HEARD: 24 February 1987

DELIVERED: 30 March 1987

J U D G M E N T

GROSSKOPF ...

GROSSKOPF, JA

The appellant in this case is Television Radio Centre (Proprietary) Limited ("Television") a South African company carrying on business in Johannesburg as an importer and distributor of a variety of merchandise. This includes video cassette recorders, which are the articles with which this appeal is concerned. The first respondent is Sony Kabushiki Kaisha trading as Sony Corporation ("Sony"), a company registered under the laws of Japan. Sony is a manufacturer and distributor of audio-visual equipment, including video cassette recorders. It distributes its audio-visual goods in the Republic of South Africa and certain adjacent territories through the agency of Tedelex Sound and Vision (Proprietary)

Limited

Limited ("Tedelex"), which is the second respondent in this appeal. Sony is the proprietor of the trade mark "Sony" which is registered, pursuant to the Trade Marks Act, no 62 of 1963 ("the Act"), in respect of a wide range of goods, including video cassette recorders. Tedelex is a registered user of this trade mark in terms of the Act.

There are three television signal systems in operation throughout the world - the PAL system used inter alia in parts of Europe and South Africa; the SECAM system used, for example, in France, and the NTSC system used principally in the United States of America and Canada. The PAL system is also not uniform, and there are differences between the South African version and those respectively utilized in,

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for instance, the United Kingdom and West Germany. As a result of these differences, television receivers or tuners (i.e., that part of television receiving equipment which picks up the television signal) must be compatible with the specific television system in use in a particular country. In other words, it is not sufficient that a television tuner should be designed to receive the PAL system of television: a tuner must in addition be designed to receive a specific version of the PAL television system. If designed for one version of the PAL system it may however be adapted to render it compatible with another version. Thus, for example, a television tuner designed for use in the United Kingdom or West Germany may be adapted

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to make it compatible with the South African version of the PAL system.

Video cassette recorders contain tuners by means of which they receive the television broadcasts which they record. It follows that video cassette recorders which are not designed specifically for the South African version of the PAL system would have to be adapted for use in this country. I deal later with the nature of the alterations which would be required for this purpose.

Sony manufactures its video cassette recorders in Japan specifically for the various markets served by it.

Its trade mark is applied to the recorders at the time of manufacture. To denote the market for which a recorder is intended

intended, Sony adds various letters as suffixes to the model numbers. Thus the suffix UB indicates that the recorder was designed for the United Kingdom. The model intended for Western Europe would bear the suffix E, and that intended for South Africa the suffix SA. In exceptional circumstances Sony authorises Tedelex to adapt machines designed for use elsewhere so that they may be used in South Africa. Such adaptation is, however, strictly controlled and supervised by Sony.

In 1983 Sony and Tedelex became aware that Television was importing and selling Sony video cassette recorders.

These recorders were imported from the Far East, and were models designed for use in the United Kingdom. Before sel-

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ling the machines, Television had them adapted for use in South Africa. Sony and Tedelex objected to this conduct, alleging that it not only constituted an infringement of Sony's trade mark rights, but also amounted to passing off and unlawful competition vis-à-vis both Sony and Tedelex. Subsequent events, which I need not detail, caused the complaints of passing off and unlawful competition to be no longer in issue between the parties. The same applies to a further complaint that Television had infringed the copy-right in the operating instructions which Television had supplied to purchasers of Sony video cassette recorders sold by it. In application proceedings instituted by Sony and Tedelex in the Transvaal Provincial Division against Television

vision, the only remaining disputed issue was that of alleged trade mark infringement. The court a quo decided this issue in favour of Sony and Tedalex, the applicants in that court. The material orders granted by the court (M J STRYDOM AJ) read as follows:

"1 The respondent, its servants and agents, are interdicted from infringing the rights of the first applicant in its registered trade marks Nos 61/0167 SONY and 80/3855 SONY by using either of them in relation to video cassette recorders which are not designed and supplied by the first applicant for use in the Republic of South Africa and which are adapted for use in the Republic of South Africa by a party other than the first applicant or its duly authorised agents (such video cassette recorders hereinafter referred to as "infringing goods")

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2 the respondent, its servants and agents are interdicted from infringing the rights of the first applicant in its registered trade marks Nos 61/0167 SONY and 80/3855 SONY by using them in relation to infringing goods without the authority of the first applicant"

Further orders granted by the court were either consequential on the above, or were not in dispute on appeal. With the leave of the court a quo Television now comes on appeal to this court.

As I have indicated, the only remaining dispute between the parties relates to the alleged infringement of Sony's trade mark. The parties' contentions in this regard require a consideration of sec. 44(1) of the Act. This section, in so far as it is relevant, reads as follows:

"The

"... the rights acquired by registration of a trade mark shall be infringed by -

- (a) unauthorized use as a trade mark in relation to goods or services in respect of which the trade mark is registered, of a mark so nearly resembling it as to be likely to deceive or cause confusion; or
- (b) unauthorized use in the course of trade, otherwise than as a trade mark, of a mark so nearly resembling it as to be likely to deceive or cause confusion, if such use is in relation to or in connection with goods or services for which the trade mark is registered and is likely to cause injury or prejudice to the proprietor of the trade mark."

This section was considered by this court in the case of

Protective Mining and Industrial Equipment Systems (Pty) Ltd

v Audiolens (Cape) (Pty) Ltd in a judgment which is being

delivered contemporaneously herewith. I do not intend re-

peating what was there said save in so far as it may be

necessary

necessary to deal with contentions advanced in the present appeal.

The main argument advanced by Mr. Ashton, who appeared for Television, was based on the proposition that the expression "use as a trade mark" in sec. 44(1)(a) of the Act is limited to use which associates goods with the trade mark proprietor in the course of their production and preparation for the market. Use of the trade mark after the goods had reached the market, such as the sale of trade marked goods by a retailer, could thus, according to this contention, not be "use as a trade mark" and could at most be use "otherwise than as a trade mark" pursuant to sec. 44(1)(b). In support of this contention Mr. Ashton relied on a dictum in

Aristoc

Aristoc Ltd. v Rysta Ltd. (1945) 62 RPC 65 (HL) at 82, which was quoted in Esquire Electronics Ltd v Executive Video 1986

(2) SA 576 (A) at 587 G. This contention was considered in the Protective Mining case (supra) where it was held that these cases do not bear on the point in issue.

As a matter of language, sale by a retailer of trade-marked goods falls within the natural and ordinary meaning of the words "use as a trade mark" read with the definition of "trade mark" in sec 2 of the Act, since the seller is using the trade mark for the purpose of indicating a connection in the course of trade between the goods and the proprietor of the mark, and of distinguishing the goods from those connected with any other person. Conversely sub-sec.(1)(b) cannot

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apply because the retailer's use is not for any purpose other than indicating a connection between the goods and the proprietor; and of distinguishing them from the goods of another person. It is therefore in my view sub-sec.(1)(a) which is applicable, and not sub-sec.(1)(b). This does not, however, necessarily mean that the sale of trade-marked goods amounts to an infringement of the trade mark, as was shown in the Protective Mining case (supra).

In view of my conclusion that the applicable provision is sub-sec.(1)(a) and not sub-sec.(1)(b), it is not necessary to consider the remainder of Mr. Ashton's argument, the substance of which was that, if Television's conduct fell within the terms of sub-sec.(1)(b), there would be no infringe-

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ment unless its use of the mark was "likely to cause injury or prejudice to the proprietor of the trade mark". In the circumstances of this case, it was contended, Television has, by affixing an appropriate notice to recorders sold by it, obviated any possibility of injury or prejudice to Sony as the proprietor of the trade mark. As I have said, I need not consider this argument because in my view Television's conduct falls under sub-sec.(1)(a) and not sub-sec.(1)(b).

In the alternative Mr. Ashton contended that, if sub-sec.(1)(a) is applicable, Television did not commit an infringement because the video cassette recorders sold by it were genuine Sony products on which the trade mark had been affixed by Sony itself as the proprietor of the trade mark.

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In the Protective Mining case (supra) such conduct was held, in general, not to constitute infringing "use as a trade mark" for the purposes of sub-sec.(1)(a). However, in that case, otherwise than in the present, the goods in question had not been altered after their marking with the trade mark and before their sale by the alleged infringer, and the legal effect of such alteration was expressly left open. It must accordingly be dealt with in the present appeal.

The basis of the decision in the Protective Mining case was that no infringement of a trade mark is committed by a trader who sells genuine goods properly marked with the trade mark by or with the consent of the trade mark owner. This is consonant with the origin of trade mark infringement as a species

species of passing off. What the trade mark proprietor is entitled to prevent is that the goods of another person are represented as his. If another person alters the goods, they are, to the extent to which they have been altered, no longer the goods to which the trade mark was affixed by the proprietor. It then, it seems to me, becomes a matter of degree whether there has been a change in the goods sufficiently appreciable to render them no longer the "genuine goods", i.e., the goods which the trade mark proprietor had marked. In determining this issue, one would have regard inter alia to the nature of the goods and the nature, purpose and extent of the alteration. This issue is essentially a practical one, and each case must be decided on its own facts

facts in the light of ordinary business practice and the reasonable expectations of purchasers.

I turn now to consider the alterations effected to the video cassette recorders in the present case. Evidence on this score was given on affidavit by Mr. G.D.Bishop, the Group Chief Engineer of Tedelex, and by Television's managing director, Mr. Harry Donde. Mr. Donde testified that he was a qualified radio technician by training and had "expert knowledge of the importation, retail selling and promotion

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of consumer electronic equipment" including video cassette recorders. Mr. Donde accordingly did not claim to have expert knowledge of the engineering technicalities of instruments like video cassette recorders, and in argument it was common cause that he was not an expert in this field. Mr. Bishop admittedly is such an expert, and his opinions must prevail on the technical matters which are in issue.

Mr. Bishop stated that the "following important and major alterations are necessary" to adapt the video cassette recorders imported by Television for use in South Africa:

- "1. The tuner must be exchanged or fundamentally altered. This fundamental alteration which is necessary to the tuners originally supplied consists of removing the tuner from the video cassette recorder, removing the covers, and thereafter altering the os-

cillator

cillator and tuned radio frequency coils by 'knifing' to reduce the inductance. The coils are physically opened so as to encompass the higher frequencies. This requires a great deal of skill and expertise to effect accurately, and also needs good test equipment to ensure accurate 'tracking' of R/F and oscillator stages.

2. The intermediate frequency filters should be changed. These are called 'Surface Acoustic Wave filters' and are specifically designed to suit each transmission standard.
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3. The audio frequency is altered by substitution of 6 MHz ceramic filters and traps for the 5,5 MHz ceramic filters and traps.
4. The chroma take-off circuits should be modified to cover the chroma band and characteristics.
5. The luma delay line should be changed to compensate for the difference in Group Delay Times."

Examination of a recorder sold by Television indicated,

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in Mr. Bishop's opinion, that Television "only performs inexpertly the first three of the above operations". His overall conclusion was as follows:

"The effect of the modifications wrought by (Television) is to change the nature of the video cassette recorder entirely, not only in so far as its physical attributes are concerned but also in so far as its operation is concerned. It is indeed a different machine, otherwise it would not work in South Africa."

More specifically, Mr. Bishop stated that the sensitivity of the tuner of the converted machine was in some respects lower than normal. Moreover, both the sound performance and picture quality were below standard.

To sum up: the recorders imported by Television will not work at all in South Africa unless converted. Conver-

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sion requires operations of a technical nature which are not insubstantial. Even after conversion, the recorders perform less well than may reasonably be expected of new machines. In these circumstances I agree with Mr. Bishop that the recorders converted by Television must, for purposes of this appeal, be regarded as machines different from those imported. It follows therefore, that the recorders sold by Television are not the "genuine goods" which were marked by Sony with its trade mark. The sale of such recorders bearing Sony's trade mark constitutes, in my view, an infringement pursuant to sec. 44(1)(a) of the Act.

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In the result the appeal is dismissed with costs, including the costs of two counsel.

E M GROSSKOPF, JA

CORBETT, JA	}	Concur
HOEXTER, JA		
NESTADT, JA		
NICHOLAS, AJA		