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100/96
CASE NUMBER: 522/94

IN THE SUPREME COURT OF SOUTH AFRICA

(APPELLATE DIVISION)

In the matter between:

PREMIER HANGERS CC

Appellant

and

POLYOAK (PTY) LTD

Respondent

CORAM: HEFER, KUMLEBEN, HOWIE, ZULMAN et

PLEWMAN JJA

HEARD ON: 16 AUGUST 1996

DELIVERED ON: 27 SEPTEMBER 1996

J U D G M E N T

PLEWMAN JA

Both the appellant, Premier Hangers Close Corporation ("Premier"), and the respondent, Polyoak (Proprietary) Limited ("Polyoak"), are manufacturers and suppliers of hangers to the clothing industry. Each may also engage in other activities but it is in the clothing field that they compete. The litigation between them, when it commenced, took the form of claims by Polyoak that Premier was passing off hangers manufactured by it as being those of Polyoak. It was alleged but only in the alternative that Premier was guilty of unlawful competition. The proceedings in the Court *a quo*, also involved claims brought (in the same action) by the joint managing director of Polyoak, Mr H J Louw ("Louw"), alleging infringement by Premier of certain designs, registered in terms of the Designs Act 57 of 1967 ("the Act"), of which he is the proprietor. This part of the litigation was disposed of by a consent order - Premier in effect conceding the claim. The Court

a quo held against Polyoak on its claims based on passing off. There is no cross-appeal against this order. It however held against Premier on the claim based on unlawful competition and what is in issue in the appeal is the Court's order on that claim.

It is perhaps necessary to recount that Polyoak's claims as originally pleaded (also on the leg of unlawful competition), were significantly more ambitious than is now the case. The exhibits handed in at the trial were prepared on the basis of the action as originally pleaded in order to illustrate and allow a comparison of the large number of hangers then in issue. When the parties came to trial a significant number of the hangers had ceased to be relevant. Polyoak's counsel in opening abandoned claims to relief in respect of certain hangers; others, he explained, were no longer being produced by Polyoak itself (and by implication also abandoned claims based thereon); yet others were said

to be examples of hangers pleaded (under different designations) in Louw's case, and as such were duplicates of the hangers in issue in that dispute (these too were abandoned). Another part of Polyoak's original case relating to the label plates of certain hangers, was said to be the subject matter of other litigation and this was likewise abandoned. In addition some of the hangers pleaded were relevant only to passing off and these too have fallen away. The result is that the record is somewhat confusing when one seeks to relate the evidence to the pleadings or to isolate the exhibits which remain relevant.

It is, however, not in dispute that the appeal concerns the order made in relation to three items only, namely:

- i) the "Uni range" of hangers, (A3 to the pleadings). The word "range" signifies that there are several hangers of various sizes but that they are all the subject matter of a single design. It was common cause

that size and indeed also colour, were not relevant considerations and Polyoak's case was limited to the appropriation by Premier of its main design for this range of hangers.

- (ii) The "knitwear" hanger (A4 to the pleadings); and
- (iii) The label plate of one hanger (A6 to the pleadings).

The somewhat complicated pleadings (a complexity which goes beyond my comments so far) and the problems associated with the proliferation of exhibits, can then be disregarded. Having so cleared the way, I can turn to the next feature of the case namely the admissions made (at various times) by Premier. In its plea Premier admitted that the general appearance of its clothing hangers, and the individual parts thereof, were similar to Polyoak's hangers and the parts thereof. It also, at a pre-trial conference held immediately before trial, admitted that the design of one of its range of hangers was derived from (that is had as its

origin) Polyoak's hangers in the Uni range referred to above. The admission (as recorded) was that it had made drawings of the Polyoak hanger and had used such drawings in order to produce the mould from which it manufactured its own hangers. All this reduces the ambit of the case very considerably and this brings me to what is an undisputed fact, namely, that the Uni range of hangers and the Knitwear hanger were not protected by design registrations in terms of the Act. This is the feature of the case which is crucial.

Polyoak where it could do so registered the design of its hangers. Louw and his co-director in Polyoak, Mackintosh, conceded in evidence that they were fully aware of the need to register designs if they wished to protect the design of their hangers. They were also aware (though this is a matter of law) that use of a design prior to an application for registration destroys its novelty and hence destroys its registrability. This

was clearly the case. The Designs Act 57 of 1967 (in force at the time but since repealed) so provided. The Designs Act 195 of 1993 also so provides. As cases of this nature are often also advanced on the basis of copyright, I should make it clear that neither copyright nor any other form of statutory protection was raised in the pleadings. What this appeal then concerns is the conduct of a trade rival who has adopted Polyoak's unprotected designs.

Competition which is conducted unlawfully, in the sense that it involves a wrongful interference with another's rights as a trader, and has resulted in loss, constitutes an *injuria* for which an Aquilian action lies. *Schultz v Butt* 1986 (3) SA 667 (A). The learned judge's conclusion in the Court *a quo* was that Polyoak had succeeded in proving its case on this ground. The learned judge took as his point of departure the *Butt* case and it is appropriate therefore to quote material portions of the

judgment. At 678F-679E Nicholas AJA said:

"Unfair competition

As a general rule, every person is entitled freely to carry on his trade or business in competition with his rivals. But the 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, that constitutes an *injuria* for which the Aquilian action lies if it has directly resulted in loss. (See *Matthews and Others v Young* 1922 AD 492 at 507; *Geary & Son (Pty) Ltd v Gove* 1964 (1) SA 434 (A) at 440-441.)

In order to succeed in an action based on unfair competition, the plaintiff must establish all the requisites of Aquilian liability, including proof that the defendant has committed a wrongful act. In such a case, the unlawfulness which is a requisite of Aquilian liability may fall into a category of clearly recognized illegality, as in the illustrations given by Corbett J in *Dun and Bradstreet (Pty) Ltd v SA Merchants Combined Credit Bureau (Cape) (Pty) Ltd* 1968 (1) SA 209 (C) at 216 F-H, namely trading in contravention of an express statutory prohibition; the making of fraudulent misrepresentations by the rival trader as to his own business; the passing off by a rival trader of his goods or business as being that of his competitor; the publication by the rival trader of injurious falsehoods

concerning his competitor's business; and the employment of physical assaults and intimidation designed to prevent a competitor from pursuing his trade. But it is not limited to unlawfulness of that kind. In the *Dun and Bradstreet* case *supra* at 218 Corbett J referred to the fact that in the cases of *Geary & Son (Pty) Ltd v Gove (supra)* and *Combrinck v De Kock* (1887) 5 SC 405 emphasis was placed upon criteria such as fairness and honesty in competition and said:

'Fairness and honesty are themselves somewhat vague and elastic terms but, while they may not provide a scientific or indeed infallible guide in all cases to the limits of lawful competition, they are relevant criteria which have been used in the past and which, in my view, may be used in the future in the development of the law relating to competition in trade.'

See also *Stellenbosch Wine Trust Ltd and Another v Oude Meester Group Ltd*; *Oude Meester Group Ltd v Stellenbosch Wine Trust Ltd and Another* 1972 (3) SA 152 (C) at 161 G-H. In judging of fairness and honesty, regard is had to *boni mores* and to the general sense of justice of the community (cf *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd and Others* 1981 (2) SA 173 (T) at 188-189 and the cases there cited, and *Lorimar Productions Inc and Others v Sterling Clothing Manufacturers (Pty) Ltd*; *Lorimar Productions Inc and Others v O K Hyperama Ltd and Others*; *Lorimar Productions Inc and Others v Dallas Restaurant* 1981 (3)

SA 1129 (T) at 1152-1153). Van der Merwe and Olivier *Die Onregmatige Daad in Die Suid-Afrikaanse Reg* 5th ed at 58 note 95 rightly emphasize that

"die regsgevoel van die gemeenskap' opgevat moet word as die regsgevoel van die gemeenskap se regsbeleidmakers, soos Wetgewer en Regter'.

While fairness and honesty are relevant criteria in deciding whether competition is unfair, they are not the only criteria. As pointed out in the *Lorimar Productions* case *ubi cit*, questions of public policy may be important in a particular case, eg the importance of a free market and of competition in our economic system."

Nicholas AJA then discussed the basis of the decision of the court *a quo* (in that case) and, in particular, the learned judge's reliance on English authority and continued (at 681A-E):

"Counsel for Schultz submitted that the main question in the appeal was whether the copying of something which was not protected by the Copyright Act, the Patents Act or the Designs Act, can be unfair or unlawful.

If that would be the main question the answer would be clear. Anyone may ordinarily make anything produced by another which is in the public domain: One may freely and exactly copy it without his leave and without payment

of compensation. So, in *Steers v Rogers* [1893] AC 232 (10 RPC 245 (HL)), where Lord Herschell LC, having said (at 251) that a patent does not confer upon the patentee a right to manufacture according to his invention, continued:

'That is a right which he would equally effectually have if there were no Letters Patent at all - only in that case all the world would equally have the right. What the Letters Patent confer is the right to exclude others from manufacturing in a particular way and from using a particular invention.'

See also *John Waddington Ltd v Arthur E Harris (Pty) Ltd* 1968 (3) SA 405 (T) at 407-408.

But the question to be decided in this case is not whether one may lawfully copy the product of another but whether A, in making a substantially identical copy, with the use of B's mould, of an article made by B, and selling it in competition with B, is engaging in unfair competition."

Counsel for Premier has, in like vein, submitted that the main (indeed the only) question in the appeal is whether the copying of an industrial design not protected by the Act can be unfair or unlawful. It is a question which must be further examined, but I must first state that it appears to me, with respect both to the learned judge in the Court *a*

quo and to counsel, that in the pleadings, the evidence and the judgment, the intricacies of the interrelationship between the protection afforded industrial designs in the Act and the equivalent forms of protection afforded by copyright, on the one hand, and patent protection on the other, were completely neglected. An appreciation of the ambit of the other forms of protection is a very necessary background to the debate which would in the ordinary course take place. The field is one in which significant developments have taken place both in this country and elsewhere in recent times. The problem is an infinitely more complex one than the judgment, with respect, suggests. The work by Christine Fellner *The Future of Legal Protection for Industrial Design - a Report Commissioned by the Common Law Institute of Intellectual Property and the Intellectual Property Unit, Queen Mary College London 1985* - provides some insight into the scope of the remedy of unfair competition

as it has developed in foreign systems. Much of it is judge-made law.

What does seem, in general, to be established is that the absence (or expiration) of statutory protection is regarded as opening the field to competition by copying or imitating and that this is quite legitimate. In making this comment it is of course appropriate to sound a warning with regard to seeking guidance from foreign systems. Frequently the remedies applied in other countries are founded upon or influenced by procedural and legislative practices not known in our law. Often they depend upon the adherence or non adherence to international conventions by the country whose system is being considered.

In this country the role of other statutory protection is a subject touched on in cases such as *Lorimar Productions Inc and Others v Sterling Clothing Manufacture Pty Ltd* 1981 (3) SA 1129 (T) at 1153B-1154D and *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty)*

Ltd and Others 1981 (2) SA 173 (T) at 187H-788F. The judgments in both these cases contain an extensive review of the law relating to the protection of industrial and other works in our system and also consider the ambit of the remedies in certain foreign systems. It is clear too that in the *Butt* case Nicholas AJA (see the passage already cited) regarded it as axiomatic that in a situation where there was no statutory protection copying by a competitor was legitimate. Certainly in so far as patent law is concerned, this is the rationale for the system as a whole. See *Lewis Berger & Sons Ltd v Svenska Ojeslageri Aktiebolaget* 1959 (3) SA 604 (T) at 612 A-C where it was said:

"The basic theory of the patent system postulates that it is desirable in the public interest that industrial techniques should be improved. In order to encourage improvement, and to encourage also the disclosure of improvements in preference to their use in secret, any person devising an improvement in a manufactured article, or in machinery or methods for making it, may upon disclosure of his

improvement at the patent office demand to be given a monopoly in the use of it for a fixed period. After that period it passes into the public domain; and the temporary monopoly is not objectionable, for if it had not been for the inventor who devised and disclosed the improvement, nobody would have been able to use it at that or any other time, since nobody would have known about it. Furthermore, the gaining of the monopoly encourages the putting into practice of the invention, for the only way the inventor can make a profit from it (or even receive the fees for his patent) is by putting it into practice: either by using it himself, and deriving an advantage over his competitors by its use, or allowing others to use it in return for royalties; See *Patents for Inventors*, by T.A. Blanco White, 2nd ed. p. 1."

This statement has often been approved in this court in the many patent extension applications which have come before it. The introduction of section 15 (3A) to the Copyright Act 98 of 1978 in 1983 authorising "reverse engineering" under given conditions also serves as an example of an ongoing common thread in intellectual property legislation favouring a freedom to copy works which have been permitted

to pass into the public domain.

I know of no similar judicial pronouncement on the rationale underlying design legislation in this country. But largely influenced, as it has been, by English law, where this form of protection goes back to 1787 and where it has developed hand in hand with the other well known forms of statutory protection such as patents, copyright and trade marks, it is difficult to see that it could be based otherwise than on the same underlying premise.

What is also clear is that in general in our system of law, as with the English system and other systems, efforts have been made both to prevent double or overlapping protection and to ensure strict time limits to the monopoly periods granted. This, as I hope to show, has a bearing on the present case.

Finally it remains to say that in most foreign systems where unfair

competition rules apply there appears to be a search where relief is to be given for some special unfairness in that which has been done. This, all too frequently, is a difficult task because it is hampered in a case such as the present by the vast differences in the amount of effort and skill which is called for in the design of articles which could warrant statutory protection. This is acutely so where what is under consideration are matters of shape or appearance.

In my view it was considerations such as the foregoing that underlie the decision in the *Butt* case. The finding was that copying *per se* was not unlawful. It was only the existence of extraneous factors that rendered the unsuccessful party's conduct unlawful. Thus it appears to me that in our law, as in many of the foreign systems to which Ms Fellner refers, where statutory protection can be claimed but is not or where statutory protection expires or is lost, anyone is free to copy.

In the present case Polyoak's counsel did not support the Court *a quo*'s judgment on the basis that some extraneous unfairness had been shown. Instead he presented his client's case on the basis of an assumption that copying *per se* is unlawful. The appeal can accordingly be disposed of on the simple basis that Polyoak did not procure for itself the benefit of statutory protection and, by its own acts, caused or allowed the designs in question to pass into the public domain. Premier was free to copy.

This strictly renders it unnecessary to examine the facts in relation to considerations relevant to the *boni mores* or the general sense of fairness of the community. But the evidence gives an additional perspective to the case which warrants mention and I therefore turn to the facts of the case and the learned judge's reasons for holding that Premier's competition was unlawful.

The evidence of Louw shows that trends, fashions, and the hangers of other manufacturers, are routine sources of inspiration in the field. A number of Polyoak's designs were based on what Louw had seen overseas or knew to be designs being used overseas. Louw referred to the imitation of a Marks & Spencer hanger as an example. The Uni range itself was produced with a particular section (described by Louw as the C section) copied from an overseas hanger. It was also said that hanger design is influenced by the need to adapt a hanger so as to display dresses with, for example, broad straps, or to necessitate further modification when narrow straps are in favour. Another example given by him was that a particular material such as silk may become fashionable. This would require rounded edges to the hangers as sharp edges would be unsuitable for such use. Another feature of the industry testified to by Louw was that changes were made to hangers

incrementally and largely in accordance with customer suggestions or demands. So too, sizes of hangers are determined solely by the standard measurements of dressmakers, and label plates are added, altered or removed in accordance with the customers' wishes. I say this not to denigrate Polyoak's endeavours but to illustrate that in the general sense of justice of the community (quite apart from the question of design registration) copying in this field would not be regarded as improper. In short copying is very much the order of the day while individual innovations are rare.

All this suggests that where (as here) a particular shape of hanger has found its way into the market and been widely used and its features are a matter of common knowledge, it may be copied. The ultimate product will in any event be dictated by what the customer desires at any particular time. Where a person undertakes his own manufacture and

markets the product under his own chosen name but is influenced by what he encounters in the market he has not acted unfairly. All this was established with regard to Premier's manufacture. In the result I conclude that on this ground too Premier did not act unlawfully.

In coming to a different conclusion the Court *a quo* listed eight considerations which I shall call findings, which induced it to hold that Premier's competition was unlawful. The first finding related to Premier's admission that the general appearance of its hanger was similar to Polyoak's. If Premier wished to compete, as it was entitled to do, it seems to me that it would obviously ensure that its product was similar to and offered similar advantages as Polyoak's and unless competition *per se* is objectionable this observation by the judge does not justify a finding of unlawfulness or unfairness. The second finding related to Polyoak's turnover, market and reputation. I am unable to discern how

these considerations assist a finding that Premier's competition was unfair. The third finding is again related to the similarity, and in one case identical nature, of Premier's hangers to those of Polyoak. With respect to the learned judge, I find nothing in this to justify a conclusion of unlawfulness. If Premier was entitled to copy that which was in the public domain its success in so doing cannot be held against it. Save for the observation that Premier's product was said to be of poorer or cheaper quality the fourth, fifth and sixth reasons again are relevant only to copying. In so far as the cheaper price is concerned Louw's evidence was that price was something which was determined, in part, by the volume of production which was then a matter of negotiation with the customer. The example he gave was of a customer who consented to Polyoak also selling what had been manufactured for it to another customer so as to increase the volume and reduce the price. If it were

so that factors affecting price were a matter for open debate, arranging one's production to sell at a lower price must also be legitimate. This too is therefore not a finding which can justify the conclusion that Premier's competition was unfair. The seventh and eighth findings are also simply examples of Premier's ability to supply at a lower price than Polyoak. I would in this regard draw attention to the judgment of this court, in *Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd* 1991 (1) SA 412 (A). At 421J-422B Van Heerden JA said:

"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 who first marketed a particular product or first ventured into a particular sphere of commerce."

I should also deal with the criticism by the learned judge of the fact that

Premier called no evidence as to how it made its hangers. This related to the terms of the admission at the pre-trial to which I have referred. It however seems to me that the admission was accepted in its full terms which would have meant that no evidence was required. The case seems to have proceeded on the basis that Premier had done no more than eliminate the initial stage of the design and manufacturing process. At worst for Premier it can be said that if Premier's method of copying demonstrated unlawfulness it was for Polyoak to adduce facts to prove what was done. This it did not do. There is therefore nothing to be made of the fact that Premier called no evidence dealing with this aspect.

In all the circumstances it is difficult therefore to see how the learned judge's findings can be supported. To this must be added a further comment on the effect of the finding of the Court below. The result would be that designs which would (in terms of the Act now in

force namely Act 195 of 1993) give rise to a monopoly for, in the case of a functional design, ten years, would by the Court's order be protected (as against Premier), in perpetuity - a result contrary to the whole spirit of limited statutory monopolies.

The absence of statutory design protection in all the cases of the hangers inevitably leads to the conclusion that the copying was not unlawful. In so far as the label plate is concerned I have found little specific evidence relevant to it in the record but having regard to what I have said above (as to it being as it were an optional feature), I consider it must follow the same fate as the hangers.

In the result I hold that the reasoning of the court below was flawed. All that was shown by Polyoak was competition by a process of copying which was not in the circumstances of this case unlawful.

In the result I make the following order.

- 1) The appeal is allowed with costs.
- 2) The order of the Court *a quo*, save in so far as the consent order made in the action by Louw (that is paragraph B) and the refusal to grant relief in respect of passing off are concerned, is set aside and there is substituted therefor "The plaintiff's claim is dismissed with costs".



C PLEWMAN JA

CONCUR

HEFER JA)
KUMLEBEN JA)
HOWIE JA)
ZULMAN JA)