

SOUTH AFRICA / JUDGMENT

Esquire Electronics Ltd. v Executive Video (270/84) [1986] ZASCA 12; [1986] 2 All SA 210 (A) (13 March 1986) [1986] ZASCA 12

COURT

Supreme Court of Appeal

BEFORE

CORBETT, HOEXTER, JACOBS, SMALBERGER,
NICHOLAS

CASE / FILE NUMBER

270/84

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IN THE SUPREME COURT OF SOUTH AFRICA (APPELLATE DIVISION)

In the matter between:

ESQUIRE ELECTRONICS LIMITED Appellant

AND

EXECUTIVE VIDEO Respondent

CORAM: CORBETT, HOEXTER, JACOBS, SMALBERGER, JJA et NICHOLAS, AJA

HEARD: 20 February 1986

DELIVERED: 13 March 1986

J U D G M E N T NICHOLAS, AJA This appeal arises out of a judgment and subsequent order of DIDCOTT J sitting in the Durban and

Coast 2 Coast Local Division of the Supreme Court. The judgment (which concerned three similar applications which were heard together) is reported sub nom. Esquire Electronics Ltd and Another v. D Roopanand Bros (Pty) Ltd 1984 (4) SA 409 (D and C.L.D.); 1985 R.P.C. 83. The appellant (which was the first applicant in all three of the applications in the Court a quo) is Esquire Electronics Ltd, a company incorporated and having its principal place of business in Hong Kong. It manufactures, and distributes in many countries of the world, pre-recorded video cassettes. Such cassettes are popularly known as "video films" (inaccurately, because they are

recorded on magnetic tape, not film or 3 or simply as "videos". The videos produced by Esquire Electronics record cinema films made in India with Indian actors and depicting Indian ways of life. They are extremely popular in South Africa, especially in Natal. The respondent (which was the respondent in the second of the three applications in the Court a quo) is Executive Video, a firm which carries on the business of manufacturing and dealing in videos at 71 Victoria Street, Durban. Esquire Electronics is the registered proprietor of three South African trade marks all of which are registered in Part A of the register of trade marks in respect of class 9 of Schedule 4 to the Trade Mark

Regulations

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Regulations, 1971. They are:

Trade Mark 73/0190 , consisting of the word

ESQUIRE, with date of registration 11 January 1973, in
respect of

"Electrical apparatus and instruments (including wireless); sound recording and reproducing apparatus, instruments and media including radios, tape recorders, wire recorders, magnetic tapes, sound tapes, phonograph records, parts of and accessories for all the aforementioned goods."

Trade Mark 80/1576, consisting of the word ESQUIRE

and a device, with date of registration 20 March 1980, in respect of

"Sound and/or video recording media in the form of tapes and of wires, cassettes and cartridge discs for

use

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use with the aforesaid tapes; video and audio products and sound and/or video receiving and reproducing apparatus and instruments employing laser beam techniques."

Trade Mark 80/1577 , consisting of the word

ESQUIRE and a different device, with the same date of registration as Trade Mark 80/1576, also in respect of

"Sound and/or video recording media in the form of tapes and of wires, cassettes and cartridge discs for use with the aforesaid tapes; video and audio products and sound and/or video receiving and reproducing apparatus and instruments employing laser beam techniques."

The videos produced by Esquire Electronics

are made in the following way. It obtains the moving pictures on 35 mm cinematographic film from Bombay.

The

6 The optical images and sound track on each film are transferred to audio-visual magnetic tape by a process known as transfer. This recorded tape is called a first generation "U"matic master, which has a standard width of 4 inch. It may be used to make other "U"matic masters. It cannot be used in the ordinary domestic video cassette recorder (commonly called a "VCR"). For this purpose the recording on the "U"matic master is copied onto video cassettes containing magnetic tape with a standard width of 2 inch. These are called second generation tapes. Second generation tapes can in turn be copied by anyone who has the use of two VCRs.

7 The results of such copying are called third generation tapes. Because of the ease with which copies can be made, a thriving industry in "pirated" videos has mushroomed in South Africa. When making the "U"matic masters Esquire Electronics causes one or more of its trade marks to be superimposed on the record of the film at various parts of the tape. In the ordinary course, the trade marks appear on second generation and subsequent generation tapes. The trade marks are usually superimposed at places where the sound track is crucial to the flow and continuity of the presentation so that any attempt by a "pirate" to edit out the trade marks will result in a

serious

8 serious impairment of its integrity and intelligibility. Esquire Electronics does business by supplying "U"matic master tapes to authorized distributors, including a South African company. Big Screen Home Video (Proprietary) Limited, which was the second applicant in the relevant application. From these master tapes such distributors then manufacture second generation tapes in which they deal in the respective areas for which they are authorized. In September 1983 it came to the notice of Esquire electronics and Big Screen that Executive Video was making and selling unauthorized copies of its videos of Indian films. An investigator acting on behalf of Esquire Electronics

and 9 and Big Screen purchased from Executive Video a video of the film BETAAB. It was obvious that this was a direct copy of Esquire Electronics's video, for it included Esquire trade marks (usually as part of the words "An ESQUIRE presentation") superimposed on the record at various places. Esquire Electronics and Big Screen thereupon made an application against Executive Video, ex parte and in camera, in which, relying inter alia on trade mark infringement, they sought orders interdicting Executive Video from using the trade mark "ESQUIRE" on video cassettes and advertisements therefor, and from dealing in video cassettes bearing that trade mark.

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10 A rule nisi was granted. On the return day, this application and two others came before DIDCOTT J. At the request of all the parties the learned judge agreed to limit himself at that stage to preliminary rulings on three points. In the result he dealt with only one of the points, and concluded that Esquire Electronics had no cause of action for infringement of its trade marks. That was his ruling. (See 1984 (4) SA 409 at 415 I.) Arising out of this ruling, the learned judge at a later date granted an order dismissing the application and ordering Esquire Electronics to pay the costs.

DIDCOTT J then granted leave to Esquire Electronics

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tronics to appeal against this order, and directed that the costs of the application for leave be costs in the appeal. The parties agreed that the appeal should be limited to the issue of trade mark infringement and that the appeal would finally determine the litigation between the parties. So far as it is relevant to the present matter s. 44 of the Trade Marks Act, No 62 of 1963, provides:

"44.(1) 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 12

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:

"Mark" and "trade mark" are defined as follows in s. 2(1)

of the Act:

"'mark' includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral or any combination thereof or a container of goods;

'trade mark', other than a certification mark, means a mark used or

proposed

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proposed to be used in relation to goods or services for the purpose of -

- (a) indicating a connection in the course of trade between the goods or services and some person having the right, either as proprietor or as a registered user, to use the mark, whether with or without any indication of the identity of that person; and (b) distinguishing the goods or services in relation to which the mark is used or proposed to be used, from the same kind of goods or services connected in the course of trade with any other person; "

S.s. (2) and (3)(a) of s. 2 of the Act provide -

"(2) References in this Act to the use of a mark shall be construed as references to the use of a printed or

other

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other visual representation of the mark, and in addition, in the case of a container, use of such container and, in the case of a mark which is capable of being audibly reproduced, the use of an audible reproduction of the mark.

3(a) References in this Act to the use of a mark in relation to goods shall be construed as references to the use thereof upon, or in physical or other relation to, goods."

In these provisions there are various expressions relating to "use" of a mark: "use as a trade mark" (s. 44(1)(a)); "use in the course of a trade", "Use otherwise than as a trade mark (s.44(1)(b)); "used in relation to goods" (definition of "trade mark" in s. 2(1)); "the use of a printed or other visual representation of the mark" (s.2(2)); "the use (of the

mark

15 mark) upon, or in physical or other relation to, goods" (s.2(3)(a)). These expressions are all facets of the essential function of a trade mark, namely, to indicate the origin of the goods in connection with which it is used; it is "a badge of origin" of such goods. (See *Aristoc Ltd v. Rysta Ltd* (62) 1945 RPC 65 (H.L.) passim; *Shalom Investments (Pty) Ltd and Others v. Dan River Mills Incorporated* 1971 (1) SA 689(A) at 699 H) Cp. para (a) of the definition of "trade mark"). The following dicta are

illustrative:

"A trade mark must be registered in respect of goods, it must be used in relation to goods, it must indicate a connection in the course of trade between goods and the user

of 16

of the trade mark. A trade mark must thus be used in trade. 'Trade' is no doubt a wide word but its meaning must vary with and be controlled by its context. A connection with goods in the course of trade in my opinion means in the definition section an association with the goods in the course of their production and preparation for the market."

(per LORD MACMILLAN in the Aristoc case at p. 79 line ')

49 to p. 80 line 5).

"The word 'origin' is no doubt used in a special and almost technical sense in this connection, but it denotes at least that the goods are issued as vendible goods under the aegis of the proprietor of the trade mark, who thus assumes responsibility for them, even though the responsibility is limited to selection, like

that

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that of the salesman of carrots on commission in Major

- v. Franklin, (1908) I K.B., 712. By putting them on the market under his trade mark he vouched his responsibility, and the carrots were 'his goods' by selection though he was neither the owner nor grower of them. The limitation in the Act of 1938, 'in the course of trade', sufficiently, in my opinion, preserves the essential and characteristic function of the mark. The proprietor is required to be a trader who places the goods before the public as being his goods. That is the vital connection, "

(per LORD WRIGHT *ibid* at p. 82 lines 43 to 51.)

Executive Video in its answering affidavit admitted that it had made and distributed copies of six videos produced by Esquire Electronics, and there is not

to 18 to be found in that affidavit any suggestion that in such copies the word "Esquire" did not appear when the videos were played on a VCR. Executive Video's case was essentially that in copying and distributing the videos, it did not infringe any of the trade marks of Esquire Electronics. There was some debate during the argument on whether the expression "magnetic tapes" in Trade Mark No 73/0190 related only to sound tapes and did not include video tapes. On the face of it this would seem to be so: the relevant genus is "sound recording and reproducing apparatus", and "magnetic tapes" as a species of that genus would not include video tapes. It is,

however 19 however, unnecessary to decide the point: the word "Esquire" is the dominant feature of the other two trade marks which relate *inter alia* to "video recording media in the form of tapes and ... cassettes" and they clearly include video tapes. The first question to be answered is whether . Executive Video "used" the trade marks. In his judgment (at 413 E) DIDCOTT J posed the question,

"But can it be said with any cogency that, by reproducing or trading in reproductions of video tapes which record the mark, the respondents are using it within the meaning of s 44(1)?"

He answered that he did not think so, saying (at 413 F-G),

"The difficulty lies in the form the word 'Esquire' takes on the

tapes 20.

tapes, on both the originals and the reproductions. It is composed of nothing but magnetic signals.

Section 2(2) of the Act is important in this connection. In those re-spects which now count, it dictates: 'References in this Act to the use of a mark shall be construed as references to the use of a printed or other visual representation of the mark '

The mark must therefore be visually represented before the use of it can amount to such for the purposes of s. 44(1)."

Referring to the case of *Unic SA v. Lyndean Products Ltd* 1964 RPC 37, which he distinguished on the facts, the learned judge said:

"There the Court had a representation of the mark which was visual, though not easily visible. Here the mark's representation is neither.

It

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It is not one which can be seen with the aid of instruments magnifying it, clarifying it, illuminating it, or penetrating some coating which conceals it. It does not have the form enabling it to be seen. In no circumstances and under no conditions can that be done. Before anything at all is discernible the magnetic signals must be converted by an electronic process into an image. They must be transformed, in short, into something entirely different. The image, to be sure, is both visual and visible. But it exists solely on the screen. It is not what represents the mark on the tape itself. There one finds nothing visual, nothing which is capable of the use postulated by s 44(1)."

On appeal counsel for Esquire Electronics did not attack this part of the judgment. They relied only on 22

on the representations of the mark which appear on the television screen when the video is played on a VCR. These, it is true, were not a use of the mark on goods nor a use in physical relation to goods - they appeared only on the television screen. The contention was, however, that the use was "in other relation" to goods. *DIDCOTT J* accepted that such images are "visual representations of the mark" within the meaning of s. 2(2), but held that this was not a use "in relation to" a video cassette. It was a use "in relation to" the images emitted by the tapes (see p. 414 F-G; p. 415 H). He relied on dicta in the judgment of *JENKINS LJ* in *Spillers Ltd's Application* (1953) 70 RPC 51 (C.A.), which

were

23 were approved in the opinion of LORD OAKSEY in the appeal to the House of Lords (reported sub nom. Hovis Ltd v. Spillers Ltd (1954) 71 RPC 234 (H.L.)). In Spillers's case it was decided that a mark placed on bread was not used "in relation to" the flour from which it was baked. DIDCOTT J did not think that the present case was analogous to that: "the tapes of the first ap-plicant could hardly be regarded as ingredients or com-ponents of the movies shown from them". He considered, however, that the principle to be extracted from the dicta was relevant. He said at p. 415 (G-H)

"The principle which the dicta es-tablish, if I may express it in my own words, is the following. It is

not 24

not enough for the use of the mark to relate to goods related in turn to those for which the trade mark is registered. Its use must relate to the very goods for which the trade mark is registered. I go along with that. It seems inescapable here too, the moment one has a hard look at s 44(1).

It also puts paid to the notion, I believe, that the use of a mark in relation to images derived from video tapes is tantamount to its use in relation to the video tapes themselves. The tapes and the images are intrinsically different things, no less than flour and bread.

The conclusion I have consequently reached is that the first applicant has no cause of action for an infringement of its trade marks on any of the grounds alleged, and that is my ruling."

The principle is clear enough, but in my opinion DIDCOTT J

erred 25

erred in applying it in this case. The images derived from a video tape are not "goods": they are insubstantial, evanescent, transitory. Nor are they "things" different from the video tape which records them. They are the translation into optical terms of the information recorded in magnetic patterns along the length of that tape, apart from which they have no existence. A reference to the case of the Cheshire cat is not inapposite:

"... This time it vanished quite slowly, beginning with the end of the tail, and ending with the grin, which remained some time after the rest of it had gone.

'Well! I've often seen a cat with-" out a grin,' thought Alice, 'but a

grin 26

grin without a cat! It is the most curious thing I ever saw in my life."

The goods in respect of which the trade marks were registered included video tapes. Video tapes may be blank, in which case they are acquired for the purpose of making recordings thereon; or they may have a programme pre-recorded thereon, in which case they are acquired for the purpose of playing the programme. But in both cases they are video tapes - objects not

intrinsically different. I do not think that the ordinary viewer would consider that the words "An ESQUIRE presentation", which appear on the screen, applied to the images: he would regard them as referring to the performance recorded on the video tape which is being played.

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27 I am accordingly of the opinion that, subject to the other contentions of Executive Video which remain to be dealt with, it was established that the trade marks were infringed. There was a use of the trade marks in the form of a visual representation on the television screen. It was a use in the course of trade. It was a use in relation to pre-recorded video cassettes. It indicated that the goods had their origin in Esquire Electronics - that the goods were used under the aegis of Esquire Electronics, the proprietor of the mark.

In supplementary heads of argument filed at a late stage, counsel for Esquire Electronics contended for the first time that Executive Video's conduct constituted trademark infringement under s. 44(1)(b) of the Act. In view of my conclusion in regard to s. 44(1)(a), it is unnecessary to consider whether, having regard to what took place in the Court *a quo* when application was made for leave to appeal, it is competent for Esquire Electronics to raise this contention, or whether it is well-founded. At the hearing of the appeal counsel for Executive Video advanced a submission not raised in the Court *a quo* or referred to in their heads of argument, namely, that for there to be infringement of a trade mark, there must be use by the alleged infringer personally or through his servant or agent. No authority was cited

in

29 in support of this submission, which was said to be implicit in the relevant provisions of the Act. In the present case Executive Video did no more than produce the videos and market them. That did not involve a visual representation of the mark of Executive Video or its servants or agents, since it appeared only when the video was played in a VCR by the customer. I do not think that this argument has any merit. The modern law of trade mark infringement is statutory, but its origins are to be found in the common law rule that it is an actionable wrong, *ie*, a delict, to filch the trade of another by imitating the name, mark or device by which that person has acquired a reputation for his goods (see

Policansky

29(a)

Policansky Bros Ltd v L & A Policansky 1935 AD 89, at p 97). A delict is committed not only by the actual perpetrator, but by those who instigate or aid or advise its perpetration. See McKenzie v.

Van

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Van der Merwe, 1917 AD 41. In that case SOLOMON JA

said at p. 51:

"Under the Lex Aquilia not only the persons who actually took part in the commission of a delict were held liable for the damage caused, but also those who assisted them in any way, as well as those by whose command or instigation or advice the delict was committed. To a similar effect is the passage which was quoted from Grotius (3, 32, 12, 13) that everyone is liable for a delict 'even though he has not done the deed himself, who has by act or omission in some way or other caused the deed or its consequence: by act, that is by command, consent, harbouring, abetting, advising or instigating'."

In the present case Executive Video produced the videocassettes and disposed of them, knowing and intending that

they

31 they would be put to use for the purpose for which they were purchased or hired and that such use would necessarily involve the visual representation of the trade mark. In the circumstances it is idle to contend that Executive Video is innocent of infringement. An alternative defence raised by Executive Video was that the registration of Trade Marks Nos 73/0190, 80/1576 and 80/1577 was invalid. The basis was that "video recording media in the form of tapes" were not encompassed by any of the goods in class 9 of Schedule 4 to the Trade Mark Regulations, 1971 in respect of which the trade marks were registered. This point was argued in the Court a quo but DIDCOTT J did not find it

necessary 32 necessary to deal with it. (See p. 412 F - 413 B). In my opinion this point cannot properly be considered without the Registrar of Trade marks having been joined. A decision upholding the point might have far-reaching consequences, affecting the validity of numerous other trade marks on the register. More-over, Regulation 4(4) provides that if any doubt arises as to what class any particular description of goods or services belongs to, the doubt shall be resolved by the Registrar. It is plain that the Registrar is directly and substantially interested in the point and that it should not be decided unless he is given an opportunity of being heard. (See Amalgamated Engineering Union

v

33 v. Minister of Labour 1949(3) SA 637 (A)). It was argued that Executive Video was entitled to rely on the alleged invalidity of the registration as a shield and a defence as between immediate parties. But while it is true that a decision by this Court upholding the point would not be binding on the Registrar as *res judicata*, it would, by reason of the *stare decisis* rule, effectively be as binding on the Registrar as if it were *res judicata*. DIDCOTT J heard the argument at the end of February 1984 when the question of the interest of the Registrar of Trade Marks was raised. Since then there have been no proceedings instituted for rectification of

the

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the register, nor has there been any application either to the Court a quo or to this Court for the joinder of the Registrar. In the circumstances I think that this Court should now decline to consider the point.

"It is necessary, finally, to deal with a further alternative submission by Executive Video which was not made in the Court a quo. In counsel's formulation, this was that

"An unlawful infringement in terms of Section, 44 can only take place where the use of the trade mark precedes its circulation or the sale or hire of items on which it appears and where it is accordingly relied upon, or could be relied upon by the prospective purchaser or lessee before the purchase or lease.

There

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There can be no infringement where the mark comes into existence for the first time after the circulation, sale or lease takes place."

It was submitted that this proposition was squarely supported by the cases of *Smith Kline & French Laboratories Ltd v. Stirling-Winthrop Group Ltd* 1976 RPC 511 at 534; and *Unilevers (Striped Toothpaste) Trade Mark Application* 1980 FSR 280. Neither of those cases is in point. Infringement was not in question; the issue in each case was in regard to the registrability of a mark. Nor is there anything in s. 44 of the Act from which such a proposition can be extracted.

The result is that the appeal succeeds. It

was

36 was agreed between the parties that in this event Esquire Electronics would be entitled to all the costs in the Court a quo and on appeal.

The following order is made:

1. The appeal is upheld with costs, including the costs of two counsel.
2. The order of the Court a quo is set aside, and there is substituted therefore an order in the following terms.

"1. The Respondent, its agents and servants are interdicted and restrained from infringing Trade Mark Nos 80/1576 and 80/1577 contrary to the provisions of section 44 (1) (a)

of 37

of the Trade Marks Act No 62 of 1963 as amended by using the said trade marks,

(a) in relation to video cassette tapes

- (b) to describe or advertise video cassette tapes onto which films are recorded in the course of trade;
- (c) alienating, hiring, disposing of or in the course of trade in any manner dealing in any video cassette tapes on which any film of Indian origin and the trade marks have been recorded and which have been marketed on 15 August 1983

or will be marketed thereafter. 2. The respondent is ordered to pay the costs of the first 38 first applicant, including the costs of two counsel."

H C NICHOLAS, AJA

CORBETT, JA)

HOEXTER, JA) ConcurJACOBS, JA)

SMALBERGER, JA)

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