

SOUTH AFRICA / JUDGMENT

Georges Briere SA v Mthimunye Engineering Works CC and Others (2518/2011) [2013]

ZAKZDHC 70 (15 May 2013)

[2013] ZAKZDHC 70

COURT

Kwazulu-Natal High Court, Durban

BEFORE

Mbatha

CASE / FILE NUMBER

2518/2011

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IN

THE KWAZULU-NATAL HIGH COURT, DURBAN

REPUBLIC

OF SOUTH AFRICA

Case

No: 2518/2011

In

the matter between:

GEORGES

BRIERE

SA.....Applicant

and

MTHIMUNYE

ENGINEERING WORKS

CC.....First

Respondent

CHURCH,

GARY

JOHN.....

Second Respondent

CHURCH,

MICHAEL

DAVID.....Third

Respondent

JUDGMENT

Delivered: 15 May 2012

MBATHA J

- [1] The Applicant is a French private limited liability company duly incorporated in terms of the laws of France and having its principal place of business in France. The business of the Applicant is the design, manufacture and marketing of industrial pumps and components throughout the world.
- [2] The Applicant manufactures pumps for industrial used named BROQUET pumps, named for the inventor of the pumps, a certain Mr Broquet, who invented the pumps in the year 1880. Over the years the pumps had been redesigned and the Applicant continued to use the name BROQUET in relation to its pumps and acquired the trade mark in the early 1970's in France, but because of the time that had passed these patented designs have since expired. These pumps are called "gear pumps" or "external gear pumps" and were designed in such a way that it was capable of pumping viscous sugar fluids used in the sugar industry. This application concerns the type of Broquet pump called the BBMC type which has six (6) asymmetrical lobes and was available in seven
- (7) different sizes. It is generally referred to as massecuite pumps.
- [3] The deponent to the Applicant's founding affidavit is a Mr O F D Briere who explained that his great grandfather founded the company that was named after him in 1927. Both his grandfather and father were also involved with the business of the applicant and his father, J F Briere, deposed to an affidavit in the application. In this affidavit Mr Briere Sr explained that during the 1980's he conducted extensive tests of each of the Brouquet pumps and was able to prepare three (3) unique performance graphs including the curves/lines as described by his son in the founding affidavit and that these graphs represented original work carried out by him on behalf of the Applicant. These graphs are depicted as annexures "OB5 to OB8" to the application papers and forms the subject matter for the relief being sought in prayer 1 of the applicant's Notice of Motion. The Respondents were accused of infringing the copyright of the Applicant by reproducing and/or copying and/or making adaptations or distributing copies of annexures "OB5-OB8"
- [4] In the main answering affidavit filed on behalf of the Respondents it is conceded that the performance graphs depicted in annexure "OB9" to the papers are practically identical to those depicted in annexures "OB5-OB8". Annexure "OB9" contains the same graphs as those depicted in annexures "OB5-OB8" except that it purports to emanate from the First Respondent. In the answering affidavit a breach of copyright was admitted and in argument before me it was conceded on behalf of the First Respondent that the order in paragraph 1 of the Notice of Motion should be granted. I will deal with this aspect at the end of this judgment.

- [5] The First Respondent is a close corporation and the Second and Third Respondents its members in equal shares. Third Respondent deposed to the main affidavit in opposition to the relief being sought. According to him First Respondent provides professional engineering services to various industries including the sugar industry. In the case of a pump the first respondent will only manufacture a specific pump to an order from a customer, which in the case of a Broquet pump initially consisted of manufacturing parts of the pump from specifications supplied to it by for example the sugar industry as the applicant did not have an active after service sales to readily supply spare parts to its pumps and it was sometimes just too expensive for the imports of the parts to be made. Third Respondent's father purchased an engineering workshop and conducted business under the style D & D Engineering in 1983. This business was the predecessor to the First Respondent and commenced providing replacement parts for numerous fabrications of machinery that were difficult to source during what was referred to in the affidavit as "the apartheid years". During or about 1985 D & D Engineering were provided with drawings made by the Illovo Sugar Group of various pinions, shafts and bushing for Broquet pumps and "reverse engineered" these parts to produce replacement parts for the Broquet pumps from the drawings provided. Eventually other sugar mills followed suit and by 1987 D & D Engineering had been approached by a foundry by the name of Rely Precision Casting, a Johannesburg based company, who made patterns of various parts of Broquet pumps from samples provided by sugar mills and D & D Engineering then machined these parts to the specifications provided. The First Respondent alleged that at that stage the sugar mills were the customers of Rely Precision Casting and D & D Engineering merely machined the parts on order from the latter. At a later stage Rely Precision Castings were able to supply complete pumps to the local market, similar in nature to the Broquet pumps and called its pumps RM pumps.
- [6] During 2001 the Applicant was formed and took over the business of D & D Engineering as a going concern and continued to provide precision machining services to Rely Precision Castings including complete RM pumps. During 2006 the driving force behind the pump business of Rely Precision Castings died and First Respondent took over the business in supplying pumps to industries similar to the Broquet pumps but changed the name of the pump from an RM pump to that of an MP pump and sold the first MP pump during 2007.
- [7] It was disputed that the First Respondent slavishly copied the Broquet pumps. Although the basis of the pump remained the same this is not due to any unique feature thereof as the pump in question has been in the public domain for approximately 30 years and its basic mould and features can be accessed on the internet. The fact that the mould resembles that of a Broquet pump is according to the Respondents entirely fortuitous as that is what an external gear pump with rotor lobes looks like. It is also claimed that the MP pumps had undergone significant changes from the original Broquet pumps the most notable of which is that stainless steel is used in its manufacture as opposed to ductile iron and mild steel, a wear plate was introduced and the direction of flow was configured to go both clockwise and anti-clockwise. Respondents were adamant that it was never the intention to pass its pumps

of as Broquet pumps and resisted the relief sought in the Notice of Motion, apart from that in paragraph 1 thereof.

[8] The applicant sought the following relief in the Notice of Motion:

- (a) Interdicting and restraining the Respondents from infringing the Applicant's copyright subsisting in its BBMC performance graph and in its brochures for its BROQUET BBMC pump indicated in annexure "OB 5" to annexure "OB 8" to the founding affidavit, by reproducing and/or copying and/or marking adaptations of these works and/or distributing copies thereof;
 - (b) Interdicting and restraining the Respondents from passing off their "MP" pumps or the components of their pumps (the "offending pumps"), as being that of the Applicant, or as being connected or associated in the course of trade with the Applicant or made under its licence, by
 - (i) Manufacturing or selling the offending pumps in the form shown in annexure OB9 to the founding affidavit;
 - (ii) Using the parts codes currently used by them in relation to the offending pumps; or
 - (iii) Using the performance graphs and other works covered by the order in (a) in relation to the offending pumps;
 - (c) Directing the Respondent to deliver up to the Applicant or its agents all offending pumps, including the components thereof, or other articles including drawings, moulds and/or computer programs or aids used for manufacturing the First Respondent's pumps and components thereof, in the possession of or under the control of the Respondents;
 - (d) Ordering an enquiry into damages;
 - (e) In the event of an enquiry in terms of prayer (d) above being ordered and the parties being unable to reach agreement as to the future pleadings to be filed, discovery, inspection or other matters of procedure relating to the enquiry, an order authorising either of or any party to make application to this Honourable Court for directions in regard thereto; and
 - (f) Granting the Applicant the costs of this application.
- [9] Subsequently an amendment was sought to delete paragraph (c) and to substitute for it a new paragraph (c) to read as follows:

"Interdicting and restraining the respondents from competing unlawfully with the applicants by selling the offending pumps in the form shown in annexure 'OB 9' to the founding affidavit in conjunction with the;

- (i) Parts codes currently used by them in relation to the offending pumps; or

(ii) The performance graphs and other works covered by the order in (a) in relation to the offending pumps.”

[10] The application for this amendment came about after it became apparent that the Respondents admitted that annexure “OB9”

was a reproduction of the Applicant’s original documents relating to the Broquet pumps and the application was opposed on the basis that the Applicant now seeks to build a case from its replying affidavit which is impermissible in application proceedings. It is trite law that an application for an amendment should as a rule be granted unless the prejudice to the other party is of such a nature that the proposed amendment should not be granted. The amendment addressed facts that were fully canvassed in the affidavits and consist of an additional argument that may avail the Applicant based on the papers filed. It is difficult to imagine in what respects the Respondents would have changed the contents of the affidavits filed in opposition to the application had the proposed amendment been an order sought from the beginning. For these reasons the amendment is granted.

[11] The Applicant filed its replying affidavit out of time and also not within the period that Respondents agreed that it may have in addition to the time period provided for in Rule 6. The Applicant brought a substantive application for condonation for its late filing of this affidavit and this application was likewise opposed by the Respondents. I have been informed by the parties during argument that this aspect of the case had been settled and by consent the late filing of the Applicant’s replying affidavit is to be condoned with the Applicant to pay the costs of this application for condonation.

[12] The Respondents also filed an application to strike out certain portions of the affidavits deposed to by Shaun Lawrence Ayliffe and Dominique Chevillard in support of the Applicant’s application. The aim was to remove any references in these affidavits to evidence of a hearsay nature and conclusions drawn by the witness Chevillard. Hearsay evidence falls to be ignored

even in the absence of a formal objection thereto or an application to strike out the contents that amounts to hearsay evidence and the same will apply to conclusions drawn by a witness not supported by any facts and based on conjecture or idle speculation.

PRESIDENT OF THE REPUBLIC OF SOUTH AFRICA AND OTHERS v SOUTH AFRICAN RUGBY FOOTBALL UNION AND OTHERS[1]

[13] This was a fiercely contested piece of litigation and the Respondents in particular took every conceivable objection that seemed open to them and added considerably to the volume of the record. On behalf of the Respondents, by way of example, heads of argument were filed to cater for each of the objections taken. I fully intend to deprive the Respondents of costs of these applications, excluding the application for condonation which became settled, that cluttered up the record whatever the merits of the applications. More about this will follow in due course.

[14] What this case comes down to in the end is about passing-off and unlawful competition.

[15] A passing-off action protects the goodwill or reputation of a trader's business, merchandise or services against a false

representation by a competitor that the business and so on of the competitor is that of the Applicant or that it is associated with it. The onus of establishing the likelihood of confusion on a balance of probability rests upon the Applicant; and inasmuch as these proceedings are by way of affidavit I must decide whether the Applicant has succeeded in discharging that onus by virtue only of those facts that are admitted by the Respondents or which are not the subject of a genuine dispute.

SOLMIKE (PTY) LTD v WEST STREET TRADING CO (PTY) LTD[2]

[16] The test to be applied to determine whether a representation amounts to a passing-off, is whether there is a reasonable likelihood that the members of the public may be confused into believing that the business of the one is connected to the business of the other

CAPITAL ESTATE & GENERAL AGENCIES (PTY) LTD v HOLIDAY INN INC[3]

[17] The bulk of other case law that I was referred to deals with merchandise on sale to the general public where it is a lot easier

for such a confusion to be stealthily and cunningly created as the average shopper is not likely to spend time to give reflection on what he or she is purchasing and a body of shoppers may more easily be deceived by a creative and alluring passing-off into believing that what they are buying is the product of the Applicant whilst they would be buying the competitor's product instead.

[18] I am mindful of the fact that it is virtually common cause that the pumps called MP pumps by the Respondents is outwardly similar to the Broquet pumps and was admittedly virtually duplicated over a long period of time. A passing-off can occur even if the name of the product does not have a similarly sounding brand name, as in this case, but the external appearance has become the embodiment of the product and the consumer would be easily convinced that the product is that of the Applicant despite the fact that the brand name is different and not capable of confusion with that of the Applicant. Whether a passing-off had occurred in such circumstances would depend on the peculiar facts of a case. Counsel for the Respondents has taken issue with what has been stated by me and I quote extensively from his heads of argument:

"16. Public policy is against protecting the shape and configuration of functional or utilitarian articles (as opposed to an article whose shape is capricious or which incorporates capricious features or shape as was the case in Weber Stephen Products Co. v Alrite Engineering (Pty) Ltd 1992 (2) (A) 496C-497B; 504 D-F). It is submitted that the Applicant is seeking to acquire, by the relief that it is asking for, a monopoly in respect of functional and utilitarian pumps of a particular shape and configuration and having particular attributes. It is submitted that as a matter of law it cannot do this. Its clear intention in this regard appears from its founding papers and the relief sought (to which reference has been above).

Briere 7.3-7.7/24-26

17. It is well established that the law pertaining to passing –off (and indeed the law pertaining to trade marks) does not create monopolies.
18. Competition is fundamental to our economic system. The overriding principle was stated in Premier Hangers CC v Polyoak (Pty) Ltd [1996] ZASCA 119; 1997 (1) SA 416 (a) 423 D-E

‘What does see, in general, to be established in that the absence (or expiration) of statutory protection is regarded as opening the field to competition by copying or imitating and that is quite legitimate.’

And at 424 H-I (with reference to Schultz v Butt 1986 (3) 667 (a)

‘The finding was that the 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.’

See also: Aruba Construction (Pty) Ltd v Aruba Holdings (Pty) Ltd 2003 (2) SA 155 © 171 - 172

19. This principle is reinforced particularly in the law relating to passing-off whereas as a matter of policy passing-of relief is excluded in the case of the shape or configuration of functional or utilitarian articles or components of functional or utilitarian articles.
20. In John Waddington Ltd v Arthur & Harris (Pty) Ltd 1968 (1) SA 38 (T), (upheld on appeal 1968 (3) SA 405 (T) the Court stated (at 407H-408A)

‘Once the patent of, say a machine, has expired, the rights to the making and selling of that machine became public property. I conceive the position to be that anyone can then go to the patents office and get a copy of the specifications. I think he is then entitled to copy those and make a machine, line to line, angle for angle, also as to the length, width, thickness and quality of materials exactly the same as the machine that had been patented... He is entitled to make an exact replica.’

See also Benchairs Ltd v Chair Centre Ltd [1974] RPC 429 435-436

21. In Agriplas (Pty) Ltd v Andrag & Sons (Pty) Ltd 1981 (4) SA 973 (C) 881H, the Court after reviewing the authorities stated:

‘It seems to me therefore that on purely logical grounds that reputation and goodwill for which a trader can seek protection must relate to the non-functional elements only and that purely functional elements of the article can in the absence of a statutory or contractual limitation be freely copied. It follows that the get-up which the competing trader cannot relate to the non-functional elements only.’

In making these comments the learned departed from the decision in *William Lasar v Sabon Precision Machine Co (Pty) Ltd* 1954 2 PHA 37

c/f Daimler Chrysler Aktiengesellschaft v Afinta Motor Corporation (Pty) Ltd [2001] 2 All SA 219 (T) 230a-231h

Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd (supra)

22. It is submitted that public policy has set its face against the monopolisation of functional shapes in the absence of statutory

protection such as a design registration or patent protection.”

[19] I do not think the passages and references to the case law leads to the inevitable conclusion that a passing-off cannot be said to have occurred if the brand name of a product is not its essentially recognisable feature, but its shape is.

[20] It is common cause that the Respondents supplied the parts of pumps and the MP Pumps with its own trade name affixed to the pumps to specific consumers such as the sugar industry and not to the general public. The consumers of the Respondents’ pumps could not possibly have been under any misapprehension that what were sold to them were not Broquet pumps but pumps manufactured by the First Respondent given the long history of the initial manufacture and cloning of parts of the Broquet pumps by the predecessors to the First Respondent and later the manufacture of the MP pumps by the First Respondent. The probabilities are simply overwhelmingly in favour of the fact that the specific consumers knew that they were not purchasing Broquet pumps and any evidence in the affidavits to that effect was in any event based on inconclusive speculation and hearsay.

[21] I therefore conclude that the Applicant has failed to establish that leg of its application.

[22] I now consider the amended portion of the Applicant’s application dealing with unlawful competition.

[23] The deponent to the Applicant’s founding affidavit referred to the turnover of its business in South Africa in Euros which I was invited to multiply by 10 to provide the South African equivalent in Rands. The Applicant’s turnover in new pumps was R221 500.00 in 1993 and peaked at R1 058 180.00 in 1998. Thereafter a downward trend was noticeable with all sales terminating by 2005 when the turnover reached the zero mark with regard to new pumps and R6 400.00 in respect of spare parts supplied. It is this decline in business that caused the Applicant to launch investigations and to determine, probably correctly, that the decline in business was due to the activities of the First Respondent.

[24] Competitive trading is unlawful if it involves a wrongful interference with another trader's rights and is actionable in terms of the *lex aquilia* if it directly results in loss. The test for wrongfulness is one of fairness and honesty having regard to the *boni mores* and the general sense of justice of the community. Questions of public policy may be important in a particular case, for example the importance of a free market and competition.

SCHULTZ v BUTT[4]

[24] For this leg of the application the Applicant relied heavily on the admission by the First Respondent that it used the Applicant's

brochure and infringed the Applicant's copyright. The explanation advanced on behalf of the First Respondent that it did

not copy the performance graphs directly from material of the Applicant but was given the material by Rely Precision Casting when

it purchased its business as a going concern did not sit well with the deponent to the Applicant's affidavit. He says this explanation lacks candour and should therefore be rejected as false. Given the history of the First Respondent I do not necessarily agree that this infringement was based on the bad faith alleged on the Applicant's behalf. It had ceased to be any kind of competitor at all since 2005 and it was only during November 2009 that a letter was addressed to the First Respondent on behalf of the attorneys acting on behalf the Applicant to address the issue of passing off. The allegation of infringement of copyright was not addressed in this letter but in fairness to the Applicant it may not have known about it at that stage. Suffice it to say that I do not think that the infringement of the Applicant's copyright, which may occur even if not done in a direct and deliberate manner, ought to be given the weight that the Applicant attaches to it.

[25] On behalf of the Applicant considerable reliance was placed on the facts and conclusions reached in the case of *Shultz v Butt* supra. I can do no better than quote the relevant argument from the Applicant's heads of argument:

"17. As noted in the locus classicus in the field, Schultz v Butt:

"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.... But it is not limited to unlawfulness of that kind. In the *Dun and Bradstreet* case supra at 218 CIRBETT 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.”

18. The relief sought by the applicant in prayer (c) of its notice of motion, as it is sought to be amended, is based on the law as it is stated *Schultz v Butt*. The applicant does not contend that the reverse engineering (i.e. duplication) of its valves is per se unlawful, but it is existence of extraneous factors – some special unfairness in what has been done – that has rendered

the copying unlawful.

19. The facts in *Schultz v Butt* are illustrative of the manner in which copying can be rendered unlawful. It will be recalled that *Schultz* had, in that case,

reverse engineered a boat hull designed and developed by *Butt* and had then spent some hours (600 in total) “re-working” it. *Schultz* then sold boats, including the copied hull, in competition with *Butt*. In addition, *Schultz* registered a design right in respect of a boat including an identical hull to that which had been developed by *Butt*.

20. In that case, the court made it clear that the boat hull which had been reversed engineered by *Schultz* was in the public domain and that there was nothing confidential about it. It added that:

“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.”

21. The court went on, however, to make clear that the question in that case (as in this case) is:

“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.”

- [26] I do not consider that the facts in the *Shultz v Butt* case compare favourably to the facts in the present application. The use of the specifications of the Brouquet pump was freely available and there is an absence of the contemporaneous and dishonest type of activity so apparent in the *Schultz v Butt* case. The Applicant could apparently not have cared less about its pumps in South Africa for the period 2005 to November 2009 when it ought to have known that it had pumps working in the sugar industry that will at least require replacement parts from time to time.

- [27] As it is the duty of the court to assess the general sense of justice of the community or *boni mores* in determining the aspect of unlawfulness of competition in the trade, I should record that having regard to all the facts in this

case the actions of the First Respondent do not provoke in me any sense of moral indignation. Such competition as there were has

therefore not been shown by the Applicant to warrant the label of unfairness.

[28] It follows that the application must fail on this leg as well.

[29] In the answering affidavit on behalf of the First Respondent it was immediately conceded that the performance graphs and its publication constituted an infringement of copyright and a tender was made to refrain from continuing to do so. The fact that prayer 1 of the Notice of Motion has to be granted does not necessarily mean that the Applicant will be entitled to the costs of this application. The infringement of copyright formed part of the evidence for the other and more material relief sought and in that the Applicant was singularly unsuccessful. It is not possible to separate the costs incurred in respect of the copyright infringement from the overall costs of the application.

[30] I intend to deprive the Respondents of the costs of the interlocutory applications as the application for amendment of the Notice of Motion has been granted. The Applicant will not be awarded the costs of the application for the amendment as it should have asked for the relief it subsequently sought at the stage when the application was launched. Although there was some merit in the First Respondent's application to strike out, I have mentioned elsewhere in this judgment that this constituted an unnecessary exercise and the Applicant ought not to be burdened with the costs of this application. To avoid any confusion I intend to disallow all the costs incurred in respect of the interlocutory applications (excluding the opposed application for condonation) including heads of argument filed pursuant thereto.

[31] I therefore make the following orders:

- (a) Interdicting and restraining the Respondents from infringing the Applicant's copyright subsisting in its BBMC performance graph and in its brochures for its BROQUET BBMC pump indicated in annexure "OB 5" to annexure "OB 8" to the founding affidavit, by reproducing and/or copying and/or marking adaptations of these works and/or distributing copies thereof is granted.
- (b) The Applicant is ordered to pay the Respondents costs including the costs consequent on the employment of two (2) counsel where

applicable, and the costs will include the Respondents costs incurred in the application for condonation for the late filing by the Applicant of its replying affidavit.

- (c) There will be no orders of costs in respect of the interlocutory applications.

Date of hearing: 23 September 2011

Date of Judgment: 15 May 2012

Counsel for the Applicant: Adv G.D. Marriott SC

Instructed by: D M KISCH ATTORNEYS

Locally represented by:

SHEPTSTONE & WYLIE

24 Richefond Circle

Ridgeside Office Park, Umhlanga Rocks

c/o 35 Samora Machel Street (Aliwal Street)

DURBAN

Counsel for the Respondents: Adv G.E. Morley SC

Instructed by: ADAMS & ADAMS ATTORNEYS

3rd floor, Lincoln House

30 Dullah Omar Road (Masonic Grove)

[1] 2000

(1) SA 1 (CC)1 (para 105)

[2] 1981

(4) SA 706D & CLD at 712 H

[3] 1977

(2) SA 916 AD

[4] 1986

(3) SA 667 AD

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