

SOUTH AFRICA / JUDGMENT

**Nestle Nespresso S.A v Secret River
Trading CC t/a Caffeluxe Distributors
(20147/2014) [2015] ZAWCHC 137;
2015 BIP 413 (WCC) (5 October 2015)
[2015] ZAWCHC 137**

COURT

Western Cape High Court, Cape Town

BEFORE

Davis

CASE / FILE NUMBER

20147/2014

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IN THE HIGH COURT OF SOUTH AFRICA

(WESTERN CAPE DIVISION, CAPE TOWN)

CASE NO: 20147/2014

DATE: 05 OCTOBER 2015

Reportable

In the matter between:

NESTLE NESPRESSO S.AApplicant

And

SECRET RIVER TRADING CC t/a CAFFELUXE DISTRIBUTORS.....Respondent

JUDGMENT: 05 October 2015

DAVIS J

Introduction

- [1] Applicant seeks an interdict restraining respondent from infringing copyright in an original artistic work depicting the external design of the Nespresso Essenza espresso coffee machine (“the machine”) in terms of 23
- (2) of the Copyright Act 98 of 1978 (“the Copyright Act”)

[2] From the papers, it appears that there is no dispute that copyright in the Essenza drawings, which are central to this dispute, vests in applicant. The dispute between the parties concerns whether, in fact, there has been an infringement of applicant's copyright.

[3] For the relief sought applicant relies on s 23 (2) of the Copyright Act which provides as follows:

'(2) without derogating from the generality of subsection (1), copyright shall be infringed by any person who, without the licence of the owner of the copyright and at a time when copyright subsists in a work-

(a) imports an article into the Republic for a purpose other than for his private and domestic use;

(b) sells, lets, or by way of trade offers or exposes for sale or hire in the Republic any article;

...

If to his knowledge the making of that article constituted an infringement of that copyright or would have constituted such an infringement if the article had been made in the Republic.'

Applicant's Case

[4] According to Mr Weston, who describes himself as a director and general counsel of applicant, respondent has imported and distributed coffee machines to various retail outlets in South Africa which are clearly intended to compete directly with the sale and distribution of applicant's machine. Applicant is said to import a machine described as a Sienna Espresso Coffee Machine, which Mr Weston claims has been sold by Checkers Supermarkets.

[5] Mr Weston also refers to an accompanying affidavit by a design expert, Mr Neil Grantham, who performed an analytical comparison between the two designs. Mr Grantham concluded thus:

'Both the Essenza and Sienna coffee machines have basic features that make them recognisable as products that produce coffee. Both machines, like other coffee machines available on the market, have a coffee outlet component, a drip tray, coffee volume buttons and a water tank to name but a few common features. However, it is apparent, after my investigation, that the Sienna machine has design features that match and are almost indistinguishable from the equivalent design features the Essenza machine. These closely similar features and characteristics have been illustrated and are referred to above. Elements such as dimension, proportion, position and shape of components and function are nearly all very similar.

It is significantly improbable, bordering on impossible, that the designer of the Sienna coffee machine did not have the Essenza design available as a reference when designing the Sienna. The resemblance is simply too close. It is my opinion, based on my examination, that the design of the Sienna machine has been created so that substantial features of the Essenza remain recognisable in the Sienna machine.'

[6] Thus, Mr Weston claims that the imitation of and direct competition between applicant's machine and the Sienna Espresso machine is in breach of the Copyright Act. In his view, the designer and manufacturer of the Sienna Espresso machine would have had access to artistic work showing the external

features of the design of applicant's machine, work which had been made available to the public in various ways and in publications

in many countries in the world. Thus applicant contends that the Sienna Espresso machine incorporated design features which were clear reproductions of substantial parts of the design features of applicant's artistic work and accordingly the manufacture of the Sienna Espresso machine amounted to an infringement of applicant's copyright in terms of s 21 of the Copyright Act.

[8] Respondent, by way of an affidavit disposed to by Mr Kevin Katz, contends that it no longer imports or distributes the Sienna machine and indeed ceased doing so after September 2012. It also contends that it has a complete defence in terms of s 15 (3) A of the Copyright Act as the Sienna machines are allegedly three dimensional reproductions or adaptations of the applicant's relevant artistic work. Further Mr Katz states:

'During 2012, the respondent was approached by Shoprite Checkers with a view to procuring a substantial number of Sienna Espresso coffee machines. For commercial reasons, the respondent declined to supply Shoprite Checkers on the terms that were proposed, but elected to put Shoprite Checkers in contact with the manufacturer, with a view to Shoprite Checkers obtaining these coffee machines directly from the manufacturer.'

[9] In reply, Mr Weston states that, although it may be that no further machines had been imported or distributed after 2012, respondent has never given an undertaking, written or otherwise, that it had ceased importing or distributing the machines or that it will not import again in the future. Further, the Sienna Espresso machine contains the name Caffeluxe on the side of the machine. Furthermore, respondent continues to offer and deal in warranties on these machines, thereby linking itself directly to the importation and distribution of these products in South Africa. Accordingly, the consumer is entitled to assume that the respondent is responsible for the import of this product into South Africa and sells it to the public through a retailer such as Shoprite Checkers.

[10] In his answering affidavit Mr Katz explained the reason for the branding by way of the Caffeluxe name as follows:

'Despite the fact that the respondent played no further part in the importation and sale of the Sienna Espresso coffee machines, the respondent consented to the packaging of these machines continuing to display its Caffeluxe branding, and also consented to offer a warranty on these machines. The commercial rationale for the respondent consenting to the abovementioned arrangement is that the respondent's primary business is the sale of coffee capsules for use in coffee machines; and to this end it is beneficial to the respondent that as many of these coffee

machines are sold to the public and that its name is associated with these coffee machines in the mind of the purchasers of the machines. Further, the respondent wants purchasers to these machines to contact it as a supplier of compatible coffee capsules; hence it is advantageous for the respondent for its contact details to be displayed on the packaging. Furthermore the packaging invites purchasers to register on the respondent's website to upgrade their warranty and receive a free pack of capsules. This benefits the respondent in that the respondent gets the purchaser's contact details. Ultimately, the machines are sufficiently reliable and inexpensive that the abovementioned benefits and advantages outweigh the costs of providing the warranty.

The only coffee machine now imported and sold by the respondent is the Verona Espresso coffee machine.'

[11] By the time of the completion of the series of replying affidavits, it would appear that the real dispute has resolved into whether the respondent was adding or abetting a copyright infringement, by a Chinese manufacturer, of the Sienna machine, together with a South African importer, being Shoprite Checkers, which needless to say is not joined in this case and has played no part therein.

The question of an undertaking: its significance

[12] Much of respondent's argument, save for that which dealt with s 15 (3) (A) of the Copyright Act, turned on the question as to whether applicant was entitled to any relief when there was a clear statement in respondent's answering affidavit that since 2012 they had no longer imported any of these machines.

[13] Mr Marriot, who appeared on behalf of the applicant, correctly submitted that

an interdict may be granted where the applicant's rights are being infringed or where there exist reasonable grounds for apprehending that respondent will infringe applicant's rights unless restrained by a court order. In other words, an interdict can be granted not only for injuries actually committed but also those reasonably apprehended.

[14] In support of this submission, he relied on the dictum in *NCSPCA v Openshaw* [2008] ZASCA 78; [2008] 4 All SA 225 (SCA) at para 21 where the court said:

'The test in regard to the second requirement is objective and the question is whether a reasonable man, confronted by the facts would apprehend the probability of harm. The following explanation of the meaning of 'reasonable apprehension' was quoted with approval in *Minister of Law and Order and others v Nordien and another*:

"A reasonable apprehension of injury has been held to be one which a reasonable man might entertain on being faced with certain facts. The applicant for an interdict is not required to establish that, on a balance of probabilities flowing from the undisputed facts, injury will follow: he has only to show that it is reasonable to apprehend that injury will result. However the test for apprehension is an objective one. This means that, on the basis of the facts presented to him, the judge must decide whether there is any basis for the entertainment of a reasonable apprehension by the applicant."

- [15] Respondent has refused to give such an undertaking. Mr Seale, who appeared on behalf of the respondent, submitted that, given the relief in paragraph 2 of the notice of motion, no purpose would be served by giving an undertaking specifically dealing with the importation of any further machines. Applicant had sought to bolster its case with a claim based upon aiding and abetting; hence there was no point in seeking to terminate the litigation by offering an undertaking that did not cover the entire basis of the relief sought by applicant.
- [16] Turning to the implications in principle of a failure to give an undertaking, the case law supports Mr Marriot's argument. In *Glenton and Mitchell v French Tea and Coffee Works Ltd* 1927 WLD 272 at 275, the court held that, as the respondent had infringed an applicant's trademark, an expression of intention not to infringe in the future did not constitute an answer to an application for the interdict:

'There must be some threat or probability that the infringement will be commenced, continued, or repeated, or the Court will not interfere; but if an actual infringement is shown to have occurred that is usually sufficient, and the plaintiff is not bound to wait until it has been frequently repeated, or until warning has been given and has been disregarded, for the life of trademark depends upon the promptitude with which it is vindicated. So an injunction has been granted where the defendant had altered the device and discontinued the use of the labels complained of, and offered to undertake not to use any more of them, although in some circumstances, the undertaking of an innocent infringer has been accepted by the Court. Without deciding that the law as there stated is the same as our law, it seems to me that the present case is one where an interdict should be granted.' (at

277)

- [17] A similar finding was reached by Diemont J in *Oude Meester Group v Stellenbosch Wine Trust* 1972 (3) SA 152 (C) at 164. Although an assurance was given by the respondent that it would no longer infringe applicant's copyright by using a particular label, Diemont J said that, given that there had been a clear breach of copyright, 'it appears to me that applicant cannot be expected to be content with respondent's assurances and more particularly if I accept as I do that respondent

deliberately copied the design on applicant's label.'

- [18] The source of this dictum can be traced to an earlier judgment of Schreiner J (as he then was) in *Peter Jackson (Overseas) Ltd v Rand Tobacco (1936) Ltd* 1938 TPD 450 at 453, to the effect that 'where there has been a deliberate copying of the applicant's mark by the respondent, this in itself casts such doubt upon the bona fides of the respondent as to entitle an applicant to an order, whatever undertaking may be given.'

Application of this principle

- [19] This principle however is subject to one important qualification, which is evident from the facts of this case. Aware that the importer of the Sienna machine was Shoprite Checkers, Mr Marriot contended that the respondent has aided and abetted Shoprite Checkers in its

importation and sale of the Sienna machine into South Africa. It did so in the full knowledge that the applicant enjoys copyright in the design of the machine and hence that the conduct of Shoprite Checkers constituted a clear infringement of this copyright. As it is common cause that Shoprite Checkers is the current importer of the Sienna machine, Mr Seale noted that it was significant that the latter was not a party to these proceedings and that there was no indication that any step had

been taken against Shoprite Checkers to interdict the importation of these machine.

[20] Even if the undertaking was otherwise relevant to the relief in this case, applicant's argument was based on the fact of an alleged close commercial involvement in the importation and distribution of the Sienna machine. The products continued to display the Caffeluxe branding and the respondents provided a warranty for these Sienna machines. Hence a case based on a failure of an undertaking must be viewed within the prism of the claim that respondent was aiding and abetting in the infringement of the Copyright Act.

[22] The background to this component of the case can be summarised thus: In his answering affidavit Mr Katz averred that respondent has played no further part in the importation and sale of the Sienna coffee machine since September

2012. In his reply Mr Western contends that 'the respondent remains closely commercially involved in the importation and distribution of the Sienna machines as described in paragraphs 10.2 to 10.5 of the Mr Katz's affidavit.' He further avers: 'the respondent continues and offers to deal with warranties on these machines and thereby directly links itself to the importation and distribution of these products in South Africa from the point of view of the relevant public.' Attached to Mr Weston's affidavit is an affidavit deposed to by Mr Jordaan, in which the latter states that on 09 February 2015 he observed a Sienna machine being available for sale on the shelves of a Checkers' store with an accompanying warranty being provided by respondent. In a further affidavit Mr Kats insists however that 'the last importing of Sienna Espresso coffee machines by the respondent was during September 2012'.

The reconfigured case

[23] If all applicants' affidavits are now read together, its case now appears to be based on an undertaking not to further aid and abet Shoprite Checkers to breach applicant's copyright.

[24] This argument firstly necessitates an evaluation of 'aiding and abetting'.

Aiding and Abetting

- [25] The question of aiding and abetting has received a definitive treatment in *Cipla Medpro (Pty) Ltd v Aventis Pharma SA* 2013 (4) SA 579 (SCA). In this case the respondent sought to interdict the appellant from infringing a patent for a cancer drug by marketing a cheaper generic equivalent. The evidence suggested that the appellant had imported the constituents of the drug, but that local health workers would mix the constituents to make the infringing drug.
- [26] Respondent's claim necessitated an examination by Nugent JA of the question of contributory infringement within the context of a breach of a patent. Although the learned judge of appeal found that there was no provision in the South African Patent Act which would support such an action, he went on to say: 'Our law would be most deficient if it had no remedy against intentionally aiding and abetting infringement of a patent and in my view there is indeed no such deficiency.' (para 33)
- [27] Referring to *McKenzie v Van der Merwe* 1917 AD 41, Nugent JA noted that for almost a century it had been accepted that a person is delictually liable if he or she aids and abets another to commit a delict. Accordingly, based on ordinary delictual principles, it is unlawful to incite or aid and abet the commission of a civil wrong, irrespective of whether it is sourced in common law or in a statute. On the facts, the court held

that appellant's product was to be imported and disposed of with the specific and sole intention and that it would be used in a manner that would infringe the respondent's patent. Its conduct in doing was therefore unlawful. (para 34)

Evaluation

- [28] Leaving aside the defence raised against a breach of s 23 (2) of the Copyright Act and which is sourced in terms of s 15 (3) A of the Copyright Act, applicant is required to negotiate an imposing hurdle. It is to whether it negotiated it that I must now turn. Assuming for the purposes of evaluation, at this stage, that a s 15 (3) (A) defence stands to be dismissed, applicant's case for an interdict can be summarised thus: The applicant seeks an order restraining respondent from infringing the copyright in its original artistic work for the external design of the Nespresso Essenza, espresso coffee machine by importing and/or selling and/or by way of trade offering or exposing for sale and/or distributing in the Republic its Sienna Espresso Coffee machine.
- [29] Secondly, in terms of an amendment of its notice of motion, it seeks an order restraining the respondent:

'From infringing the copyright of the applicant in its original artistic work for the external design of its Nespresso Essenza coffee machine, as identified in annexure "NN1" to the founding affidavit of Daniel Weston, in terms of sections 23

- (1) and/or 23 (2) and 24 (1) of the Copyright Act, by causing another person to make unauthorised reproductions and/or adaptations of the applicant's original artistic work, and/or to import, and/or sell, and/or by way of trade offer or expose for sale, and/or distribute, in the Republic, the Sienna espresso

coffee machines as identified in annexures "NN6" and "NN10" to the aforesaid affidavit, and/or from adding

and/or abetting any other person to perform any of the aforesaid acts.'

- [30] Respondent has averred in its answering affidavit that it has not imported the Sienna Espresso machine into South Africa since September 2012 and does not sell new machines of this kind. Further, to the extent that the machines were imported into the country, they were imported by Shoprite Checkers (Pty) Ltd, which is not a party to this case. Hence, applicant in its replying affidavit has now sought to base its case on the argument that respondent aids and/or abets "any other person" (which in this case is Shoprite Checkers) to perform an act which is in contravention of s 23 (1) and (2) read together with s 24 (1) of the Copyright Act.

'It is true that the respondent says that it has no intention of using label "B" in future, but there is no admission on affidavit that such user would be wrongful, and I think applicants cannot, under all the circumstances be blamed in not attaching to much value to the expressed intention. Respondent has infringed applicant's trademark at least until December 23, 1926 and respondent's mere expression of intention not to infringe it in the future seems to be no answer to an application for the interdict.' at 276

- [32] In the present case, there are two very important distinctions that require elucidation. In the first place in Glenton and Mitchell, supra the infringement continued to take place, at least, until the 23 December 1926 which was less than three months before the application for an interdict was sought. Secondly, it was clear from the facts in Glenton and Mitchell, supra case that the breach of the trademark had been committed by respondent, in that the latter was the primary infringer.

- [33] In the present case, three years have passed since the respondent, on its version, played any role in the importation of the Sienna machine, a point that has only been placed in dispute in an indirect fashion by way of the Jordaan affidavit. Secondly, the party which appears to import these machines and, on the assumption that applicant's copyright has been breached, is the primary party committing the breach is not before the court. The only case which applicant now seeks to make, based on the substance of the papers, is that respondent has aided and abetted Shoprite Checkers (Pty) Ltd in its infringement of the Copyright Act.>

- [34] I accept that there should be no reason in principle why the same dicta which were applied in Glenton and Mitchell and in Stellenbosch Wine Trust Limited, supra should not have traction in a case where a party aids and abets the primary infringer of a copyright. But, in

this case there is nothing on the papers which justifies the conclusion by a court of a reasonable apprehension of a continued infringement of the copyright by way of aiding and abetting. The only piece of evidence which is suggestive thereof is a short affidavit by Mr Jordaan to the effect that he found one of these machines with respondent's name on it in a Shoprite Checkers store on 09 February 2015. On its own and without more, this cannot substantiate the relief sought by the applicant.

[35] It is for good reason that our courts have laid down a rule that applicant must make out its case in a founding affidavit. See *Bayat v Hansa* 1955 (3) SA 547 (N) at 553; *Shakol Investments (Pty) Ltd v Town Council of the Borough of Stanger* 1976 (2) SA 701 (a) at 704 F – G :

‘In proceedings by way of motion the party seeking relief ought in his founding affidavit to disclose such facts as would, if true, justify the relief sought and which would, at the same time , sufficiently inform the other party of the case he was required to meet.’

This dictum was approved recently *National Council of SPCA v Openshaw* 2008 (5) SA 339 (SCA) at para 29.

[36] This approach to affidavit evidence is subject to a qualification. There is not an absolute rule for the court has a discretion to allow new matter in a replying affidavit, giving the respondent the opportunity to deal with it in a second set of answering affidavits. Thus,

‘a distinction must be drawn between a case in which the new material is first brought to light by the applicant who knew of it at the time when his founding affidavit was prepared and a case in which facts alleged in the respondent's answering affidavit reveal the existence or possible existence of a further ground for relief sought by the applicant. In the latter type of case the court would obviously more readily allow an applicant in his replying affidavit to utilize and enlarge upon what has been revealed by the respondent and to set up such additional ground for relief as might arise therefrom.’ Erasmus Supreme

Court Practice. Looseleaf at D 1 – 66.

[37] In this dispute, the case now advanced by applicant appears in reply. Even if this Court exercised the greatest latitude to a case being supplemented in a replying affidavit, on these papers it does not appear to me that applicant has made out a case sufficient to justify the relief it claims. The founding affidavit was signed on 23 September 2014. By then, it was clear that applicant knew of the role of Checkers (see para 4.2 of the founding affidavit; see also supporting affidavit of Ms Mashida). Yet no mention of the role played by Checkers is even suggested in the founding affidavit. On the papers, applicant appears not to have even bothered to correspond with respondent after November 2012. It is small wonder that it was required to make out its entire case in reply, for it seems to have relied on a factual matrix of 2012 in the compilation of its founding affidavit deposed to on 23 September 2014 and relief sought even a year later!

- [38] For these reasons it is not necessary for me to examine the interesting arguments raised with regards to s 15 (3) A. In essence, s 15 (3) (A) provides that where the alleged infringer (the manufacturer) makes a three dimensional reproduction of the authorised reproduction, there is a defence to a case made out in terms of s 23 (2) of the Copyright Act.
- [40] The difficulty with these passages of evidence is that they then raised the necessity of respondent having to submit a further affidavit from Mr Mulder, an industrial designer, to gainsay this qualified evidence where Mr Grantham claims that the source of the manufacture of Sienna machine could not have been the drawings above.
- [41] The application to have the court condone the late finding by respondent of this affidavit was opposed by the applicant. Given the finding to which I have arrived, it is not necessary for me to evaluate respondent's application for condonation of the late filing of this affidavit nor to resolve the dispute on the s 15 (3) (A) defence, save to comment that the matter is not free of considerable difficulty.
- [42] For all of these reasons, the application is dismissed with costs.

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