

SOUTH AFRICA / JUDGMENT

Schultz v Butt (327/84) [1986] ZASCA 47; [1986] 2 All SA 403 (A) (15 May 1986)

[1986] ZASCA 47

COURT

Supreme Court of Appeal

BEFORE

Corbett, Hoexter, Boshoff, Nicholas, Nestadt

CASE / FILE NUMBER

327/84

Source: saflii.org · Research copy typeset by Esheria. Not court-issued or certified.

327/84

IN THE SUPREME COURT OF SOUTH AFRICA (APPELLATE DIVISION)

In the matter between:

DENNIS JOHN GEORGE SCHULTZ Appellant

AND

HUGH STANLEY BUTT Respondent

CORAM: CORBETT, HOEXTER, BOSHOFF, JJA, NICHOLAS et NESTADT, AJJA

HEARD: 10 March 1986 DELIVERED: 16 May 1986

J U D G E M E N T

NICHOLAS, AJA

This is an appeal against a judgment of MULLINS J
in

2in the Eastern Cape Division which is reported as Butt v
Schultz and Another 1984 (3) SA 568 (.ECD

Mr. Hugh Butt (the applicant in the Court a quo
and the present respondent) is a farmer and boat builder
of Kenton-on-Sea, near Port Alfred. Mr. Dennis Schultz
(the respondent in the Court a quo and the present appel

lant) is a boat builder of Port Alfred.

During the years 1954-1978 Butt developed the design of the hull of a catamaran-type ski-boat. First he created a concrete "plug" which embodied the shape of the hull in the inverted position. From the plug he made a mould by applying to it successive layers of glass fibre reinforced plastic (commonly called "fibre glass") and resin.....

3

resin until the required thickness was achieved. Hulls could be made as required from the mould.

Butt constructed his first plug and made his first mould in 1955. The boats made from hulls cast from this mould being unsatisfactory, he made a new mould in about 1959. From this he started making hulls which he sold under the name of "Butt-Cat". The design was modified in 1964 and again in 1974 and 1978. In the latter year he constructed a new plug, from which he made two moulds, one of which he called his No. 1 mould. About 75% of the Butt-Cat hulls now produced are made from the No, 1 mould. Over the years the development of the Butt-Cat hull has taken a great deal of time, trouble and money.....4money. Butt has had to make numerous experiments and to draw heavily on his experience as a seaman.

He has built up an extensive business in the manufacture and sale of Butt-Cat hulls, selling them to customers in many parts of the Republic and South-West Africa and as far afield as the Comoro Islands in the

Indian Ocean. In the years 1981, 1982 and 1983 respectively, he sold 25, 15 and 16 Butt-Cat hulls, making an average profit of about R1 500,00 on each one.

During 1983 Schultz and his father approached

Butt with a request that he sell them a mould which he was not using, in order (so they said) to build themselves one boat for their private use. Butt had doubts about

this.....5this because he knew that the Schultz's had from time to time manufactured boats for sale, and he refused to sell. In August 1983 Butt received information that Schultz had constructed a mould from a Butt-Cat hull, and was using it to make hulls for boats which he was selling in competition with the Butt-Cat. On 24 August 1983, Butt's attorneys made these a negations in a letter to Schultz and stated -

"Your dishonest action aforesaid is clearly calculated to cause damage to our Client and as such constitutes wrongful and unlawful competition, with our Client."

They called upon him to comply with certain demands. In a reply dated 5 September 1983 Schultz's attorneys wrote

inter alia:

"Our.....

6

"Our client denies absolutely the contents of your letter and takes

the strongest exception to the suggestion that his action has been dishonest.

Our client has filed the design of his boat hull, the window structure and the Super 20 Boat in the Designs Office in Pretoria and you are referred to the Application Nos. 830645/6/7."

At the beginning of September, Butt examined a boat named "Bon Voyage 3" which had reportedly been manufactured by Schultz. With slight differences its hull was identical with the Butt-Cat hull and it was obvious to him that it was a copy. Later that month, a photograph was taken of Schultz's mould at his premises: it was substantially identical with the Butt-Cat mould. He learned that Schultz had acquired a complete Butt-Cat

hull.....

7hull from one Beary to whom Butt had sold it as a reject in 1982 because the finish was unsatisfactory, and it was clear to him that Schultz had made his mould from this hull and was using it to make boats for sale. Arising out of the letter from Schultz's attorneys, dated 5 September 1983, Butt caused a search to be made of the Designs Register. It appeared from the reports received that Schultz had on 1 August 1983 made three applications for registration of a design, in each of which he made a declaration that

"The applicant claims to be the proprietor of the design and that to the best of his knowledge and belief the design is new and original."

The .8The first application (No 83/0645) was in respect of a "Boat Hull", and it was stated that

"The novelty claimed resides in the shape and/or configuration of a boat hull substantially as shown in the representation ..."

The second (No 83/0646) was in respect of a "Window Structure for a Boat". The third (No 83/0647) was in respect of a "Boat", it being stated that

"The novelty resides in the shape and/or configuration of a boat substantially as shown in the represen-

tation."

The representation showed a boat which was a composite of the hull shown in the representation of a boat hull in Application No 83/0645 and the window structure represented9presented in Application 83/0646. Registration of all

three designs was effected on 4 August 1983.

A comparison of drawings prepared from the Butt-

Cat hull with the representations of the hull in Application No 83/0645 showed that the designs were identical.

By notice of motion dated 26 October 1983 Butt

launched an application against Schultz, in which the

Registrar of Designs was joined as second respondent,

claiming cancellation by the Registrar of the registra-

tion of Designs Nos 83/0645 and 83/0647, and an interdict

and ancillary relief against Schultz. The Registrar of

Designs did not oppose the application but abided by the

decision of the Court.

Originally.....

10Originally Butt's claim for relief by way of interdict was based on passing off and "unlawful competition and for unlawful interference with my trade." In January 1984 leave was granted to Butt to supplement his founding affidavit, and to amend the notice of motion so

as to claim relief for breach of copyright in the Butt-Cat hull .

In his answering affidavit Schultz admitted that he had used the Butt-Cat hull which he had obtained from Beary to construct from it a mould which he used to create hulls for boats which he named "Supercats". He claimed, however, that he had made modifications to the Butt-Cat hull, spending 600 man hours "re-working" it and employing labour and materials which he valued at R16000.

Judgment

11

Judgment was delivered on 26 April 1984. In the judgment, MULLINS J referred to the modifications which Schultz alleged he had made but considered them to be the result of simple operations which did not affect the design of the hull as a whole. He said (at 580 B-D):

"All these modifications ... had as their starting point a mould which itself had been constructed from one of applicant's hulls. It does not require much imagination to appreciate the saving to first respondent in time, labour, and money by reason of his using one of applicant's hulls as a plug. First respondent admits that building a plug is a laborious process, whether it is being built from scratch or whether it is being redesigned. Even if he had one of applicant's hulls available, from which he could take measurements, the construction

of..... 12

of a plug would still be the vital starting point of the construction process. The using of applicant's hull as a plug from which to commence his construction process, and thereby avoiding the necessity to design his own hull, amounts in my view to unfair competition, against which applicant is entitled to be protected."

The learned judge found further that Schultz's conduct in

using a Butt-Cat hull in order to produce hulls, whether or not with the adaptations or modifications effected by him, constituted an infringement of the copyright which Butt had in the Butt-Cat plug, moulds and hull. He also found in Butt's favour in respect of the claim for cancellation of the registration of Designs Nos 83/0645 and 83/0647 The cause of action based on passing off was

abandoned

13

abandoned and it was not dealt with in the judgment. An order was granted as follows:

"1. The first respondent. (i.e.Schultz) is interdicted and restrained

(a) from using

(i) any catamaran hull, with or without

adaptations or modifications, manu-

factured by applicant; or (ii) any mould, with or without modifications,

made from a catamaran hull manufactured

by applicant

for the purpose of manufacturing catamaran hulls in the course of first respondent's trade or business

(b) from selling or otherwise disposing of in the course of trade any catamaran boat or hull presently in his possession manufac-

tured from any hull or mould referred to in paragraph (a) above.

2. The first respondent is ordered to deliver to the deputy sheriff for destruction any moulds or hulls presently in his possession which have

been.....

14

been manufactured, with or without adaptations or modifications, from a catamaran hull manufactured by applicant.

3. It is declared that the catamaran moulds and hulls presently manufactured by first respondent in the construction of boats marketed by him under the name of "Supercat" infringe the copyright in such mould and hull, which copyright vests in the applicant in terms of the provisions of the Copyright Act 98 of 1978 as amended by Act 66 of 1983.

4 . Second respondent is directed in terms of section 10(2) of the Designs Act No 57 of 1967 to cancel in his register the registration in. the name of first respondent of a boat hull and boat registered on 4th August 1983 under Nos 83/0645 and 83/0647 respectively.

5. (a) First respondent is ordered to pay the costs

of application, such costs to include the costs of two counsel, and the reserved costs of the postponements on 31st October, 1983, 24th November 1983 and 6th December 1983.

b).....

15

- (b) Leave is granted to first respondent, if so advised, to re-open the issue of the costs of the aforesaid postponements on notice to the applicant and the Registrar within 14 days of the date of delivery of this judgment, and thereafter to set the matter down for further argument in regard to such costs."

With the leave of the Court a quo, Schultz now appeals against the whole of the order.

UNFAIR COMPETITIONAs 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.....

16

an injuria for which the Aquilian action lies if it has directly resulted in loss. (See Matthews and Others v Young , 1922 A.D. 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 S.A. Merchants Combined Credit Bureau(Cape)(Pty)Ltd

.1968 (1) SA 209 (C) at 216 F-H, namely, trading in contravention

of.....

17

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 Dun and

Bradstreet (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 5 SC 405 emphasis was placed upon criteria such as fairness and honesty in competition.....¹⁸Petition 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, 1972(3) SA 152(C) at 161 G-H. In judging of fairness and honesty, regards is had to boni mores and to the general sense of justice of the community (Cp. Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano and Another 1981(2) SA 173(T) at 188-189 and the cases there cited, and Lorimar Productions Inc & Others v Sterling Clothing Manufacturers (Pty) Ltd 1981(3) SA 1129(T) at 1152 - 1153).

Van

19

Van der Merwe and Olivier, Die Onregmatige Daad in die Suid-Afrikaanse Reg, 5th ed., p. 58 note 95, rightly emphasize that "'die regsgevoel van die gemeenskap' opgevat moet word as die regsgevoel van die gemeenskap se regs-beleidmakers, 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 Lorimar Productions (ubi cit), questions of public policy may be important in a particular case, e.g., the importance of a free market and of competition in our economic system.

In the present case it seems that MULLINS J's conclusion that Schultz's conduct amounted to unfair competition was based, in part, on the application of principles extracted from dicta in the English cases of

20

Saltman Engineering Co Ltd v. Campbell Engineering Co Ltd (1948) 65 RPC 203 (CA) at 215, and Terrapin Ltd v. Builders' Supply Co (Hayes) Ltd 1960 RPC 128, which

were quoted and applied in *Harvey Tiling Co (Pty) Ltd v. Rodomac (Pty) Ltd & Another* 1977 (1) SA 316 (T).

The English judgments applied the broad principle of the English law of equity that he who has received information in confidence shall not take unfair advantage of it. In *Dun and Bradstreet* (supra) it was held at 213-215 that the equitable cause of action based on breach of confidence which is available in England does not exist in our law; but that does not mean that the misuse of confidential information in order to advance.....

21

vance one's own business interests and the expense of a competitor's may not constitute a wrongful act in the context of an action for unlawful competition. See *Dun and Bradstreet* (supra) at 221 C-E; *Ltd & Another and compare Stellenbosch Wine Trust v. Oude Meester Group Ltd* (supra) at 162. See also *Prok Africa (Pty) Ltd Another v NTH (Pty) Ltd & Others* 1980 (3) SA 687(W) at 696.

In the case of *Harvey Tiling* (supra), it is clear that, although there was no clear statement in the summons to that effect, the cause of action was unfair competition. The first defendant, *Rodomac*, manufactured a tile in competition with that manufactured by the plaintiff, *Harvey Tiling*. The second defendant, *Roux*, had

22

been employed as *Harvey Tiling's* works manager, but left its service and became a 33 3% shareholder and managing

director of Rodomac. The plaintiff's case as alleged in the summons was that Rodomac was manufacturing tiles according to a process that was the same as Harvey Tiling's process, and that the two defendants had always used and were using Harvey Tiling's know-how which they had wrongfully misappropriated. It was in these circumstances that counsel on both sides were agreed that the legal principles which were applicable were those stated in the English cases. (See p. 321 G).

MULLINS J stated the following as a test of confidentiality: "Information reasonably useful to a competitor.....

23

competitor, i.e., to gain an advantage over the holder of such information, may generally be regarded as confidential " and added, "I consider that the same considerations apply to cases where trade information is obtained from sources other than through an employee." (See at 577 B-C) . Having quoted from the judgment of LORD GREENE MR in the Saltman Engineering case, he indicated that he was "applying these principles to the present case".

In my opinion, the learned judge erred in this regard. Where nothing is said between the parties to a communication in regard to confidentiality, the criterion referred to will be relevant to the question whether

it was confidential. But it is of the essence that the communication should be of secret or private matters. To

be confidential, the information must

"have 24

"have the necessary quality of confidence about it, namely, it must be something which is not public

property and public knowledge."

(per LORD GREENE M.R. in the Saltman Engineering case at p. 215). The design of the Butt-Cat hull was in the public domain; there was nothing confidential about it..

In my view, therefore, the decision of the Court

a quo cannot be sustained insofar as it is based on the misuse of confidential information. That, however, was not the only basis of MULLINSJ's decision. He said at 579 D-F:

"Admittedly in the Dun and Bradstreet case the information was distributed by the plaintiff to its clients on a

confidential

And at 580 E-F:

25 confidential basis. I do not regard this however as the sole ratio decidendi of the judgment. The sale of an object such as a boat inevitably releases the design thereof, and in casu the hull, to the purchaser. This does not entitle the purchaser or anyone else, in my view, to make a mould therefrom and to copy that hull for commercial purposes. A rival manufacturer is entitled to examine hulls designed by his competitors, and to incorporate in his own design what he regards as the most desirable features thereof. He may not, however, in my view, copy such hull, the product of another's inventiveness and experience, in a manner which does not require him to apply his mind to such design or to exercise his own inventiveness and experience, even if he only uses it as a starting point and makes modifications thereto."

"There.....

26

"There is no question of granting applicant a monopoly in regard to the design of his hull. Anyone is entitled to design a hull with similar features. What applicant is entitled to be protected against is the use by first respondent of applicant's hull as a starting point. First respondent must start from the beginning, not on the second or third rung of the ladder. Applicant is not entitled to be protected against another person evolving his own design similar to that of applicant, or even against the copying of his design, but he is entitled to be protected against the use of one of his hulls to form a mould, with or without modification. See Callman on Unfair Competition para 4.60."

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

27

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* 10 RPC 245 (H.L.), where LORD HERSCHELL LC, having said (at p 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.....

28

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

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

This question has not arisen in any previous
case in South Africa. Nor do cases decided in England
provide any assistance, since it appears that English law
does not recognize an independent tort of unfair compe-
tition. (See the judgment of POWELL J sitting in the
Supreme Court of New South Wales which is included in the
report.....

29

report of *Cadbury-Schweppes (Pty) Ltd v. The Pub Squash Co Ltd* 1981 RPC 429 (PC) at pp 461-464). Some guidance is however to be obtained from the decision of the United States Supreme Court in *International News Service v. The Associated Press* [1918] USSC 194; (1918) 248 U.S. 215, a case which was considered by CORBETT J in *Dun & Bradstreet* (supra) at pp 219-221. In that case the Court held by a majority that it constituted unfair competition in trade for the defendant news agency to appropriate news gathered by the plaintiff news agency for the purpose of selling it to the defendant's clients. PITNEY J, who wrote the opinion of the Court, said at 239-240:

"The right of the purchaser of a single newspaper to spread knowledge

30

of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, maybe admitted,; but to transmit that news for commercial use, in competition with complainant - which is what defendant has done, and seeks to justify - is a very different matter. In doing this defendant, by its very act, admits that -it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill , and money, and which is salable by complainant for money, and that defendant in appropriating it and selling it as its own is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference

31

terference with the normal operation of complainant's legitimate business precisely at the point where the

profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself, and a court of equity ought not to . hesitate long in characterizing it as unfair competition in business. "

A - reversal of this approach occurred in two cases decided in 1964: *Sears, Roebuck & Co v. Stiffel Co* [1964] USSC 68; 376 U.S. 225 and *Compco Corporation v. Day-Brite Lighting Inc* 376 U.S. 234. In *Sears* the question was whether a State's unfair competition law

can.....

32

can, consistently with the federal patent laws, impose liability for or prohibit the copying of an article which is protected by neither a federal patent nor a copyright. It was stated in the opinion of the Court (pp 231-232):

"In the present case the 'pole lamp' sold by Stiffel has been held not to be entitled to the protection of either a mechanical or a design patent . An unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so. What Sears did was to copy Stiffel's design and to sell lamps almost identical to those sold by Stiffel. This it had every right to do under the federal patent laws. That Stiffel originated the pole lamp and made it popular is immaterial. 'Sharing in the goodwill of an article unprotected by patent or trade-mark

is..... 33

is the exercise of a right possessed by all - and in the free exercise of which the consuming public is deeply interested'... To allow a State by use of its law of unfair competition to prevent the copying of an article which represents too slight an advance to be patented would be to permit the State to block off from the public something which federal law has said belongs to the public."

What the Court decided was a constitutional question. It did not deal at all with the question whether Sears's conduct amounted to unfair competition. The case has therefore no bearing on the present problem.

The way in which unfair copying had been dealt with in Western European countries is of interest

34

interest. Some examples are given in Christine Feliner, *The Future of Legal Protection for Industrial Designs* (ESC Publishing Limited, Oxford, 1985):

"319 On 9 November 1978 a plaintiff complained to the Court of Appeal at Ghent about slavish copying of his advertisements for carpets. He did not allege copyright infringement, but said that he had originated the theme of bare feet on a carpet suggesting a feeling of pleasant comfort, and had used and developed this theme for many years at considerable cost. The defendant had, the Court found, taken care to avoid confusion but had taken advantage of this original 'theme', and there was substantial similarity of presentation. An injunction was granted, based entirely on the 'parasitic' exploitation of the investment and ideas of another. Confusion was not necessary "

A.....

35

"471. A further recognised type of unfair competition is the direct misappropriation ('unmittelbare Leistungsubnahme') of the work of another by using his artefact as a mould or prototype for the competitor's own product. This principle was used to combat pirate record pressing before the existence of 'mechanical copyright' in records. Recent examples include the copying of a plastic boat by using the competitor's boat as a mould and the copying by direct casting of carefully selected sets of 'off the peg' false teeth. The unfairness here resides in the method of copying; the defendant is taking the fruits of the plaintiff's money, skill and labour intact, without investing any of his own. Where this is not the case, the action will not lie "

See also Van Heerden en Neethling, *Onregmatige Mededinging*, pp. 144-145.

Fellner

36

Fellner (op. cit p. 200) refers to the ways in which "foreign jurisdictions selectively control slavish imitation through their unfair competition laws", saying:

"In the absence of specific industrial property rights, by no means all copying is prohibited; but where it is felt to be 'unfair', the law will provide a remedy. As well as the fact of copying, the judge can consider the scale of the plaintiff's initial investment, the originality and commercial success of his product, the ease with which it

was copied, the technical and commercial feasibility of product differentiation,

and the economic sense or nonsense of requiring investment in redesigning a satisfactory product from scratch. He can also scrutinise the behaviour of the parties, taking account, for example, of any unfairness in the way information was obtained,

impropriety

37

impropriety of motive, and dubious marketing practices, including public deception. His aim is to reach a decision which is fair as between the parties while paying due regard to the public's interest in free, as well as fair, competition. In certain jurisdictions at least he can grant a remedy which is tailored to the facts, such as a limited injunction or damages only."

In my view the principles enunciated in the Inter-

the principles national News Service case, and appearing from the passages

quoted from Fellner, are generally in accordance with the

broad equitable approach adopted by South African courts

in unfair competition cases.

The question then is, what is the result of the

application of these principles to Schultz's conduct?

In.....

38

In the American case of American Safety Table Co Inc v. Schreiber

(1959) 269 F 2nd 255, it was said at 271-272:

"...(At) first glance it might seem intolerable that one manufacturer should be allowed to sponge on another by pirating the product of years of invention and development without licence or recompense and reap the fruits sown by another. Morally and ethically such practices strike a discordant note. It cuts across the grain of justice to permit an intruder to profit not only by the efforts of another but at his expense as well."

However, this initial response to the problem was curbed in deference to the greater public good:

"For imitation is the life blood of competition. It is the unimpeded availability of substantially equi-valent units that permits the normal

operation

39

operation of supply and demand to yield the fair price society must

pay for a given commodity

Unless such duplication is permitted, competition may be unduly curtailed with the possible resultant development of undesirable monopolistic con-

ditions. The Congress, realizing

such possibilities, has therefore confined and limited the rewards of originality to those situations and circumstances comprehended by our patent, copyright, and trademark laws.

When these statutory frameworks are inapplicable, originality per se remains unprotected and often unrewarded. For these reasons and with these limitations the bare imitation of another's product, without more, is permissible. And this is true regardless of the fact that the courts have little sympathy for a wilful imitator."One's initial response to Schultz's conduct in the present case is no different. There can be no doubt that the

community would condemn as unfair and unjust

Schultz 40Schultz's conduct in using one of Butt's hulls (which were

evolved over a long period, with considerable expenditure

of time, labour and money) to form a mould with which to

make boats in competition with Butt. He went further.

Having trespassed on Butt's field, he added impudence to

dishonesty by obtaining a design registration in his own

name for the Butt-Cat hull, with the object no doubt of

forbidding the field to other competitors.

In South Africa the legislature has not limited

the protection of the law in cases of copying to those who

enjoy rights of intellectual property under statutes.

The fact that in a particular case there is no protection

by way of patent, copyright or registered design, does not

license.....

41

license a trader to carry on his business in unfair competition with his rivals. In my view there is not in the present case any sufficient countervailing public interest to displace one's initial response to Schultz's methods of competition.

In my opinion, therefore, MULLINS J was right in his conclusion that Schultz's conduct amounted to unfair competition, against which Butt was entitled to be protected.

INFRINGEMENT OF COPYRIGHT

It is common cause that Butt is the "author" of the Butt-Cat hull and that he is a "qualified person" in terms of s. 3(1) of the Copyright Act, No 98 of 197

In.....

42

In terms of s. 2(1)(c) of the Act, "artistic works" are eligible for copyright if they are original. Prior to the amendment of s. 1(1) of the Act by s. 1(a) of the Copyright Amendment Act, No 66 of 1983 (which came into force on 17 October 1983) "artistic work" was defined as meaning inter alia:

"(c) Works of artistic craftsmanship not falling within either paragraph (a) or (b)."

By the amendment a new paragraph (c) was substituted, namely,

" (c) works of artistic craftsmanship, or works of craftsmanship of a technical nature, not falling within either paragraph (a) or (b) " .

It is common cause that the Butt-Cat hull is a

"work.....

43

"work of craftsmanship of a technical nature" falling within para (c). As such it became eligible for copyright

for the first time on October 1983.

It was submitted on behalf of Schultz that -

(a).....

44

- (a) The 1983 amendment did not create copyright retrospectively. Consequently there was no copyright in the Butt-Cat plug, mould and hulls because they had been made before 17 October 1983.
- (b) In any event, there could have been no infringement of copyright before 17 October 1983.
- (c) By virtue of s. 43(a)(ii) of the Act, there was no copyright in the Butt-Cat plug, mould and hulls because such copyright did not subsist prior to 11 September 1965.

Schultz's counsel did not press submission (a) with any conviction. .. That was not surprising in view of the provisions of s. 43 of the Act:

"43. This Act shall apply in relation to works made before the commencement of this Act as it applies in relation to works made thereafter; provided that -(a) nothing in this Act con-

tained shall -

(i)

(ii) be construed as creating any copyright which did not subsist prior to 11 September 1965 "

It

45

It follows that if the substituted para (c) of the definition of "artistic work" had been included in the definition of that expression in the 1978 Act, there could have been no doubt that it would have operated retroactively: And the mere fact that it was substituted by amendment in 1983 cannot have a different result.

Butt's counsel did not quarrel with submission

(b). Clearly any copying by Schultz before 17 October 1983 was not an infringement because prior to that date no copyright existed in respect of works of craftsmanship of a technical nature, and there is nothing in the 1983

amendment which makes conduct unlawful which was lawful when it was committed.

In.....

46

In regard to submission (c): if the hull acquired by Schultz from Beary was made from a mould or plug created prior to 11 September 1965, Butt had no copyright therein. The probability is, however, that the Beary hull was made from the plug and mould which Butt created in 1978. The 1978 plug was "original", not, it is true, in the sense of being the first work of that type which was created, but in the copyright sense of originating from the author. Even though it was developed from and resembled the original plug, it was in itself a "work of craftsmanship of a technical nature", in which Butt owned the copyright. In terms of s. 7 of the Act, copyright in an artistic.....

47

artistic work vests in the owner of, the copyright the exclusive right inter alia of reproducing the work in any manner or form, and of making an adaptation thereof. It is clear that Schultz infringed that right subsequently to 17 October 1983, and consequently a declaratory order in, terms of para 3 of the order made by the Court a quo was properly granted.

CANCELLATION OF REGISTERED DESIGN

In terms of s. 10(2) of the Designs Act, No 57 of 1967,

"10(2) At any time after a design
has been registered any person interest-
the ed may apply to the court for cancellation
of the registration of the design on any of the following grounds, namely,
(a).....

48

(a) that the design was not new or original; (b) that the applicant for registration was, not the
proprietor; or (c) that the application was in fraud of the proprietor,

In Design No 83/0647, the boat is represented in
plan, side and front views:

49 Dennis John George SCHULTZ3 Sheets Sheet No 1
830647

SEE ORIGINAL JUDGMENT SKETCH Plan View

The novelty, claimed resides in the shape and/or configuration of a boat: substantially as shown in
the representation

Dennis John George SCHULTZ3 Sheets
Sheet No 2

50

The novelty claimed resides in the shape and/or configuration of a boat 'substantially as shown in
the representation.

SEE ORIGINAL JUDGMENT SKETCH

Side View

APPLICANTS PATENT ATTORNEYS

51

Dennis John George SCKULTZ3 Sheets Sheet No 3
83064

Front View

The novelty claimed resides in the shape and/or configuration of a boat substantially as shown in
the representations

ADAMS ADAMS APPLICANTS PATENT AT.

52

Design No 83/0645 is for a boat hull, which is the same as the hull of the boat represented in Design No 83/0647.

Design No 83/0646 is for a window structure for a boat, which is the same as the window structure represented in Design No 83/0647.

It is conceded that the registration of Design

No 83/0645, in respect of a boat hull, was properly cancelled on the ground that the Design was not new or original at the effective date. In my opinion the registration was also liable to cancellation on grounds (b) and (c). Butt, not Schultz, was the author of the design and hence the proprietor within the definition in s. 1(1) of the Act.

Schultz's declaration that he was the proprietor was to his.....

53

his knowledge untrue and he made it with the intention of procuring a registration to which he was not entitled.

The registration of Design No 83/0646 was not attacked and no order was made in regard thereto.

In regard to Design No 83/0647, cancellation of registration was claimed on the ground that it was not new or original.

In terms of s. 4(2) of the Act, a design shall be deemed to be a new or original design if, on or before the date of application for registration thereof, such design or a design not substantially different there-

from was not;"(a) used in the Republic".

The general concept of a "design" was discussed

in.....

54

in the judgment of this Court in Homecraft Steel Industries(Pty)Ltd

(Pty) Ltd & Another : v S M Hare & Son [1984] ZASCA 36; 1984 (3). SA 681{A} at pp 690 D - 692 H. As

appears therefrom, the elements of design are pattern,

shape, configuration or ornamentation; and for the exter-

nal appearance of any article to be registrable as a design there must be something special, peculiar, distinctive, significant or striking about its pattern, shape, configuration or ornamentation, something which catches the eye -and in this sense appeals to the eye - and which distinguishes the article from others of its type and class. * Moreover, the proviso to the definition of "design" excludes from consideration (i) any feature in so far as such feature

is dictated solely by the function which the article is in-

tended.....

55

tended to perform and (ii) any method or principle of construction. As was observed in that case (at p, 692 D) -

"The visual criterion is, of course, of cardinal importance not only in determining whether a design meets the requirements of the definition, but

also in deciding questions of novelty and infringement."

The question whether a design is novel and original is thus a question of fact to be decided by the eye, upon comparison between the registered design and an alleged anticipation. What has to be considered here is a comparison between Design No 83/0647 and the design of a boat which differs only in respect of the window structure.

It..... 56

It may be accepted for the purposes of the present

case that the design of Schultz's window structure was new

or original. But that is not sufficient to justify a

Registered

finding in his favour. . In Clarke's Design (1896) 13

A

RFC 351, LINDLEY LJ said at 360 lines 28-30:

"Where a design is composed of old parts and is registered, the design, as one whole, is what is protected; not the design for some or one of the component parts taken separately from any of the others, and it is not necessary to distinguish what is old from what is new."

Compare what CHITTY J said in *Walker & Co v A G Scott & Co*

(1892) 9 RPC 482 at p. 485 lines 50-55:

"The design may be valid within the Act although all the parts are old except some particular part only which is new

or..... 57

or original. The novelty or originality of the particular part may be sufficient to impart the character of novelty and originality to the whole."

Where the novel part of a design is nothing more than an ordinary trade variant, it is insufficient to impart that character. See *Phillips v Harbro Rubber Co* (1920) 37 RPC 233 at p. 240 lines 31-36. LORD MOULTON said (ubi cit at lines 9-13):

"The working world, as well as the trade world, is entitled at its will to take, in all cases, its choice of ordinary trade variants for use in any particular instance, and ... no registration of a design can prevent an ordinary workman from using, or not using trade knowledge of this kind."

The window structure of a sea-going ski boat is

the..... 58

the equivalent of the wheel-house of a larger boat - its

function is to provide some protection to the occupants against wind and spray. Basically its design is determined by that function, and variants are matters of taste or choice in the trade. That such variants are numerous is evident from the copies of illustrations from publications annexed to Schultz's affidavit. In my opinion, Schultz's window structure is no more than an ordinary trade variant of window structures in common use in the boat-building trade. As such, its introduction cannot make the design of the boat new or original. If it were otherwise, one would have the absurd position that anybody could obtain registration of the de-

sign..... 59

sign of a boat comprising a Butt-Cat hull and a variant of a window structure. The observations of ASTBURY J in *Allen West & Co Ltd v British Westinghouse Electric, and Manufacturing Company Ltd* (1916) 33 RFC 157 are apposite. The learned judge said at p. 162 lines 27-40:

"The encouragement given by the Patent Law to those who produce new and use-ful inventions, and by the law relating to Designs to those who produce new and original Designs, is primarily to advance our industries, and keep them at a high level of competitive progress; but in administering these provisions it is, I think, most/important to bear in mind the fact that they are not intended, and ought not to be allowed, to paralyse or impede the natural and normal growth and development of the manufactures which they are intended to benefit. I think this case ought to be

determined

60

determined upon the question whether the difference in the registered Design of the right-angled finger support is or is not sufficient to make it an original Design within the meaning of the Act, or, whether, on the contrary, it is not an ordinary and natural alteration of the shape of a known article for the purpose of fitting it into a case or apparatus in which it is desired that it shall work.."

and at p. 164 line 4 6 to p. 165 line 15:

"In *Le May v Welch* (L.R. 28 CD. 34) Lord Justice BOWEN said: '-It is not every mere difference of cut,' - he was speaking of collars - 'every change of outline, every change of length, or breadth, or configuration, in a simple and most familiar article of dress like this, which constitutes novelty of Design. To hold that would be to paralyse industry and to make the Patents, Designs and Trade Marks Act a trap to catch honest

traders

61

traders.' There must be, not a mere novelty of outline, but a substantial novelty in the Design having regard to the nature of the article. Lord Justice FRY said: '-It has been suggested by Mr Swinfen Eady that unless a Design precisely similar, and in fact identical, has been used or been in existence prior to the Act' - prior to the date of registration I think it ought to be - 'the Design will be novel or original. Such a conclusion would be a very serious and alarming one, when it is borne in mind that the Act may be applied to every possible thing which is the subject of human industry, and not only to articles made by manufacturers, but to those made by families for their own use. It appears to me that such a mode of interpreting the Act would be highly unreasonable, and that the meaning of the words "novel or original" is this, that the Design must either be substantially novel or substantially original,

having

62

having regard to the nature and character of the subject-matter to which it is to be applied,"

My conclusion is that Design No 83/0647 was not novel or original, and that MULLINS J was correct in ordering the cancellation of the registration.

FORM OF ORDER

It was submitted on behalf of Schultz that paras 1 and 2 of the order made by the Court a quo were too wide. I agree that the order should be amended to make it clear that the interdict relates solely to the Butt-Cat hull (which was the only hull in issue in the application), and that the order for delivery up in para 2 should relate solely to the period after 17 October 1983.

In

63

In the result the appeal will be dismissed except insofar as it relates to the amendments of the order. This is a matter which occupied very little time at the hearing of the appeal, and I do not think that Schultz's limited success in this regards calls for any special order in regard to costs.

The following order is made:

1. Paragraphs 1 and 2 of the order of the Court a quo are amended to read:

"1. The first respondent is interdicted and restrained (a) from using

(i) any Butt-Cat hull, with or without adaptations or modifications, manufactured by applicant; or (ii) any mould, with or without

modification64

modifications, made from such hull manufactured by applicant

2.

for the purpose of manufacturing catamaran hulls in the course of first respondent's trade or business.

(b) from selling or otherwise disposing, of in the course of trade any catamaran boat or hull presently in his possession manufactured from any hull or mould referred to in paragraph (a) above. The first respondent is ordered to deliver up to the Deputy Sheriff for destruction any moulds or hulls presently in his possession which have since 17 October 1983 been manufactured, with or without adaptations or modifications from a Butt-Cat hull manufactured by applicant."

2. Save as aforesaid the appeal is dismissed with costs, including the costs of two counsel. CORBETT, JA HOEXTER, JA BOSHOF, JA NESTADT, AJA

Concur

H C NICHOLAS, AJA

Source & reproduction note

Judgment wording, source notices and original paragraph numbers are retained. Esheria supplies the layout and this PDF's page numbers; these are not the source pagination. This is a research copy, not an official or certified court document. Check quotations, citations and publication restrictions against the original source before relying on it.

ORIGINAL SOURCE <https://www.saflii.org/za/cases/ZASCA/1986/47.html>

CASE PAGE <https://chat.esheria.ai/case-law/south-africa/schultz-v-butt-unknown-topic-asca-1986>

Prepared on 11 October 2026 · Esheria