3]Reportable

1]IN THE HIGH COURT OF SOUTH AFRICA

2](CAPE OF GOOD HOPE PROVINCIAL DIVISION)

3] CASE NO 3279/08

4]In the matter between:

5]PHILIPUS VAN DER MERWE ***Applicant***
6]MALAN CONRADIE ***Applicant***

7]and

8]JANNIE ELS ***First Respondent***
H CAT CATAMARAN CC Second Respondent

9]

10]JUDGMENT DELIVERED: 4 JUNE 2008

11]

12]GRIESEL J:

Introduction

13]This is an application for an interdict to restrain alleged unlawful competition on the part of the respondents. The applicants base their claim squarely on the principles laid down in the well-known case of *Schultz v Butt*,[1] in that the present case also concerns the copying of the hull of a catamaran and the applicants also claim that such copying amounts to unlawful competition.

14]The two applicants, Mr Philipus van der Merwe and Mr Malan Conradie, have been in partnership since approximately 2004. Conradie is a boat

1 1986 (3) SA 667 (A).

designer, with a diploma in mechanical engineering as well as a certificate in small boat design. Van der Merwe is financing the partnership. The first respondent, Mr Jannie Els, is a boat builder and is the sole member of the second respondent, H CAT Catamaran CC (*H Cat*).

15]Another person featuring prominently in the present litigation – albeit not as a party thereto – is Prof. Dr-Ing. K G W Hoppe (*Prof Hoppe*), a naval architect and former professor in the Department of Mechanical Engineering at the University of Stellenbosch. During the late 1970's he developed a hydrofoil, a 'wing-like structure which is installed under water and which is similar to an aircraft wing'. It is used largely on catamarans and substantially enhances the performance of those vessels. He also designed hulls to be used in conjunction with these hydrofoils. The resultant product became known as *Hysucat*, an acronym for *Hydrofoil-Supported Catamaran*, which is used to define a new type of high speed small craft. In 1983 the Hysucat technology – comprising both the hydrofoil system and the hull design – was patented internationally by Prof Hoppe, as inventor. Such patents were assigned to the University of Stellenbosch. The patents in question expired after 20 years, i.e. in 2003, since when Prof Hoppe has continued improving and refining his designs. (In the meantime, in 1999, Prof Hoppe retired from academic duties at the university in order to devote his time and effort to further development of foil assisted boats and to conduct practical design applications for the international maritime industry through his close corporation, Foil Assisted Ship Technologies CC (*FASTcc*).[2]

16]It is evident from the relevant patent claims and specifications,[3] extending

2 See: http://www.hysucraft.com/Default.aspx (accessed on 2 June 2008).

3 Record pp 203–211. See also: http://www.google.com/patents?id=aVQwAAAAEBAJ&printsec=abstract&zoom=4&dq=Hysucat (accessed on 2 June 2008).

over some 12 closely-typed columns and illustrated by numerous drawings and sketches, that the Hysucat design is by no means a simple one. It is this system that has been utilised – by Prof Hoppe and various others – in the subsequent design and development of Hysucats of varying lengths and sizes, ranging from 5,5 meters to 45 meters.

17]The present case concerns the alleged unlawful copying by the respondents of a 25 foot Hysucat. The applicants claim that in June 2007 Els made a mould from one of their 25 foot Hysucats, after which Els, through his CC, started manufacturing its own 26 foot *H Cat* range of boats from such moulds. H Cat also started advertising its own boats, using photographs of one of the applicants' products as well as the applicants' logo.

18]The relief claimed by the applicants in their notice of motion (as amended) is for an order interdicting the respondents –

'2.1 From copying or using for the purpose of manufacturing catamarans, any hull, deck or part of a 25 foot hydrofoil supported catamaran ("Hysucat"), with or without adaptations or modifications, manufactured by the applicants;

2.2 From using any mould, with or without modifications, made from any 25 foot Hysucat hull or deck or other part manufactured by the applicants, for the purpose of manufacturing catamarans in the course of their trade or business;

2.3 From selling or otherwise disposing of in the course of trade or business any 25 foot Hysucat or part thereof presently in their possession, manufactured from any hull, deck, part or mould referred to in subparagraphs 2.1 and 2.2 above.

2.4 From using any photograph, drawing, or other image or representation of any boat manufactured by the applicants to advertise or in any way promote their range of catamarans or any other product; and

2.5 From using on any advertisement, website, or other advertising medium or for any marketing or promotional purposes any photographs, drawings, logos or other images produced by or for the applicants and in respect of which the applicants own the copyright.

3. Directing the respondents to remove from their website all photographs, drawings, logos or other images produced by or for the applicants and in respect of which the applicants own the copyright.'

19]The relief claimed in paragraphs 2.4, 2.5 and 3 above, based on breach of copyright and passing off, was conceded by the respondents and an order in respect thereof has already been granted by consent on 14 March 2008 by Hlophe JP on the occasion when the matter was postponed for the hearing of argument in respect of the further claims set out above. It accordingly requires no further consideration herein, save insofar as it may have a bearing on the question of costs, to which question I shall revert at the end of this judgment.

20]With regard to the balance of the relief claimed, Els admits that he is manufacturing and marketing 26 foot Hysucats under the name *H Cat*. He denies, however, that he is doing so using one of the applicants' moulds, alleging instead that he had obtained the right from one Hans Wegmuller.

21]Before considering the competing contentions of the parties in more detail, it is necessary to refer briefly to some of the relevant factual background.

Factual background

22]The design and development of the 25 foot Hysucat is shrouded in confusion and controversy. At different stages of the proceedings, 'design rights' and 'ownership' in respect of the relevant moulds have been asserted by or attributed to a variety of persons. Els, in turn, also appears to be ambivalent as to his authority for the right to manufacture his boats.

23]What does appear to be common cause is that the mould for a 22 foot Hysucat, originally designed by Prof Hoppe, was used to produce mouldings for the extended 25 foot Hysucat. The design and manufacture of the latter boat came about during 2004, when Conradie was approached by one Gary Vos, a boat builder, who wanted Conradie to build a 25 foot Hysucat for him (Vos). Vos made his moulds of the 22 foot boat available to Conradie for this purpose. (Vos had earlier, in 1995, contracted with Prof Hoppe to design the hull of a 22 foot catamaran.) In terms of their agreement, Conradie could use Vos's moulds in the construction of moulds for a 25 foot catamaran, in return for which Conradie would build and deliver to Vos, free of charge, a 25 foot catamaran.

24]At more or less the same time, Van der Merwe also ordered a Hysucat from Conradie. Because Conradie did not have tooling or moulds for a 25 foot boat, it was agreed that Van der Merwe would fund the development of moulds for a new 25 foot boat. Conradie would be in charge of the design and management of the boats and both of them would then have the right to sell products off the set of moulds developed in the course of the production process. (This arrangement appears to form the basis of the alleged partnership between the applicants alluded to by Van der Merwe.)

25]The hull of the 25 foot vessel was also designed by Prof Hoppe, which

design was ‘developed by Conradie working in association with Prof Hoppe’, according to Van der Merwe. Conradie designed the top deck of this particular model of Hysucat. The applicants claim that this entailed ‘a careful and time consuming process of trial and error in the period between 2004 up to the present day’. In the process, various changes to the original design were made on the advice of Prof Hoppe, which changes were ‘of considerable significance for the design of the vessel’.

26]Over the course of the next few years, the applicants contracted with various boat builders to build a total of twelve 25 foot Hysucats, apparently utilising the new moulds produced by Conradie. Els and his former company were responsible for the construction of seven of these boats, four of which were produced pursuant to a written agreement, entered into between Van der Merwe in his personal capacity (as ‘developer’) and Els ‘and all associated companies’ (as ‘boatyard’) in February 2007. The stated purpose of the agreement was ‘to set the rules of the Joint Venture on the development, marketing and building of the 250 Flyer’ (as the 25 foot Hysucat was referred to). In terms of the agreement, Els would be permitted to produce boats from the moulds of the ‘250 Flyer’, which moulds would remain the property of Van der Merwe. Els would pay Van der Merwe R10 000 for each of the first ten finished boats and R20 000 each for a further 20 boats. The moulds could not be duplicated without the consent of Van der Merwe.

27]According to Van der Merwe, Els ‘disregarded’ their agreement, with the result that Van der Merwe cancelled the agreement during June 2007. Pursuant to such cancellation, and by agreement with Els, Van der Merwe removed the moulds from Els’ premises.

28]Subsequently, during July 2007 Els, on behalf of H Cat, entered into two

separate agreements with Prof Hoppe's FASTcc, the effect of which was that the two entities would cooperate on the design and manufacture of a 22 foot as well as a 26 foot Hysucat. These agreements, however, were cancelled by Prof Hoppe during January 2008 by reason of alleged 'non-performance' by Els.

29]In the light of the factual disputes on the papers, counsel for the applicants applied, at the commencement of the argument before me, for the referral of certain issues to oral evidence in terms of rule 6(5)(*g*). Counsel for the respondents, however, resisted this suggestion, submitting that the matter was capable of resolution on the papers as they stand. I accordingly proceed to consider the matter on the papers before me.

Discussion

30]The core issue in dispute in this matter relates to the element of unlawfulness (or wrongfulness) of the respondents' conduct. In this regard, counsel for the applicant submitted that the fundamental issue for decision was 'whether he (Els) had authority to copy the hull of the 25 foot Hysucat'. If that were the true question, the answer would be simple because, as pointed out by Nicholas AJA in *Schultz v Butt,*[4]

31]'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.'

Nicholas AJA went on to state, however, that the question to be decided in that case was not 'whether one may lawfully copy the product of another but whether A, in making a substantially identical copy, with the use of B's mould, of an article made by B, and selling it in competition with B, is

4 At 681B.

engaging in unfair competition'.[5] That question was answered in the affirmative against the following factual background:

5 At 681D–E.

a) During the years 1954 to 1978 Butt developed the design of a hull of a catamaran type ski boat. Over more than 20 years the development of the Butt-Cat hull took 'considerable expenditure of time, labour and money'.[6]

b) Butt had, on the basis of this investment, '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'.[7]

c) 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 refused to sell, because he had doubts about the good faith of the Schultz's.

d) 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.

e) At more or less the same time, Schultz made application in the Designs Office to register the design of the hull in his own name.

32]In these circumstances, the court held:[8]

33]'There can be no doubt that the community would condemn as unfair and unjust Schultz' 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

6 At 683H.

7 At 675I–J.

8 At 683H–I.

hull, with the object no doubt of forbidding the field to other competitors.'

34]Counsel for the applicants relied heavily on that judgment in support of their present claims. In my view, such reliance is misplaced. As pointed out by Dean,[9] the decision in *Schultz v Butt* 'has given recognition to a remedy of unlawful competition of very limited scope in the field of the copying of three dimensional utilitarian objects'. He submits that the case falls far short of giving a general remedy of unlawful competition for restraining reverse engineering of technological products.

35]Dean refers, furthermore, to the significance of the amendment of the Copyright Act 98 of 1978, more particularly the introduction of s 15(3A), which reads as follows:

36]'(3A)(a) The copyright in an artistic work of which three-dimensional reproductions were made available, whether inside or outside the Republic, to the public by or with the consent of the copyright owner (hereinafter referred to as authorized reproductions), shall not be infringed if any person without the consent of the owner makes or makes available to the public three-dimensional reproductions or adaptations of the authorized reproductions, provided –

37](i) …

38](ii) the authorized reproductions primarily have a utilitarian purpose and are made by an industrial process.'

Dean accordingly submits, rightly in my view, that this section appears to have *reduced* the scope for arguing that reverse engineering of technological objects constitutes unlawful competition.[10]

39]A similar conclusion was reached by Plewman JA in *Premier Hangers v*

9 O H Dean 'Reproduction of Three Dimensional Utilitarian Objects – Copyright Infringement and Unlawful Competition' (1990) 1 *Stell LR* 49 at 64.

10 Dean *op cit* at 64.

Polyoak (Pty) Limited,[11] where he said the following, with reference to s 15(3A):

40]'The introduction of s 15(3A) to the Copyright Act 98 of 1978 in 1983 authorising "reverse engineering" under given conditions also serves as an example of an ongoing common thread in intellectual property legislation favouring a freedom to copy works which have been permitted to pass into the public domain.'[12]

He further emphasised 'the intricacies of the interrelationship between the protection afforded industrial designs in the [Designs] Act and the equivalent forms of protection afforded by copyright, on the one hand, and patent protection on the other'.[13] He pointed out 'that the absence (or expiration) of statutory protection is regarded as opening the field to competition by copying or imitating and that this is quite legitimate.'[14] He concluded as follows:

41]'Thus it appears to me that in our law, as in many of the foreign systems to which Ms Fellner[15] refers, where statutory protection can be claimed but is not, or where statutory protection expires or is lost, anyone is free to copy.'[16]

42]In the light of these *dicta* from *Premier Hangers*, together with the amendment of the Copyright Act referred to above, it appears that the 'remedy of very limited scope' created by *Schultz v Butt* has been diluted even further. The inference seems irresistible, as submitted by counsel for the respondents, that the legal landscape has changed quite considerably since *Schultz v Butt*

11 1997 (1) SA 416 (A).

12 At 424C–D.

13 At 423B.

14 At 423D–E.

15 *The future of legal protection for industrial design – a report commissioned by the Common Law Institute of Intellectual Property and the Intellectual Property Unit* Queen Mary College, London, 1985.

16 At 424I–J.

was decided more than twenty years ago. After all, how can the *boni mores* denounce as unlawful conduct that is specifically authorised by the legislature in s 15(3A) of the Copyright Act?[17]

43]Quite apart from the foregoing considerations, I am of the view that the present case is in any event distinguishable on its facts from *Schultz v Butt*:

•First, on the applicants' own version, their investment in time, money and effort in developing the 25 foot boat is significantly less than that of Mr *Butt*. As a fact, it was Prof Hoppe – and not the applicants – who had dedicated 'the greater part of [his] working life over the past 30 years [to] improving and perfecting the Hysucat designs, involving considerable expertise, time and financial commitment on his part'.[18] The 25 foot hull itself was designed by Prof Hoppe.[19] At best for the applicants, Conradie merely worked 'in association with Prof Hoppe' in evolving the existing 22 foot hull into the 25 foot one.[20] In these circumstances, there is limited, if any, scope for the applicants to seek protection against alleged unlawful competition in circumstances where the product in question is for all practical purposes the intellectual property of someone else.

•Second, the whole Hysucat design which, until 2003, had been protected by registered patents, passed into the public domain after that date, thereby opening the field to competitors freely to reproduce the items previously

17 Cf Dean *op cit* at 64–65.

18 Record p 12 para 22.

19 Para The hull of the 25 foot vessel was also designed by Prof Hoppe, which design was 'developed by Conradie working in association with Prof Hoppe', according to Van der Merwe. Conradie designed the top deck of this particular model of Hysucat. The applicants claim that this entailed 'a careful and time consuming process of trial and error in the period between 2004 up to the present day'. In the process, various changes to the original design were made on the advice of Prof Hoppe, which changes were 'of considerable significance for the design of the vessel'. above.

20 Id.

protected by such patents.[21]

•Third, unlike Mr Butt, who had built up an 'extensive business' in the manufacture and sale of Butt-Cat hulls, the applicants' partnership has never produced the 25 foot boats on a commercially sustainable basis. Thus, Van der Merwe concedes that 'in recent years the market (for Hysucats) has been dominated by competitors to Conradie's business, which has now ceased manufacturing these boats'.[22] Later, however, he states:

44]'Although we have struggled to obtain the finances and a suitable builder necessary to produce the 25 foot Hysucat on a large-scale commercial basis, we have now reached the point where we are satisfied that we have developed the design to the point where it is sufficiently effective to sustain a commercially successful product.
We have secured the necessary finances and wish to proceed with the process of manufacturing and marketing the 25 foot Hysucat on a large scale.'

It is apparent from these statements that the present application is not directed at protecting the existing goodwill developed and built up over many years in relation to a particular product; instead, it aims at preventing a competitor from trading in a market in which the applicants would like to become active. This is not, in my view, the aim and purpose of the aquilian action based on unlawful competition.[23]

•Fourth, Dean[24] summed up the effect of *Schultz v Butt* as follows:

45]'The unfairness and wrongfulness in the *Schultz* case in fact lies in the undue benefit which Schultz made of the expertise, effort and financial outlay of Butt and it is this principle which ought to apply in the area of the copying of three-dimensional technological

21 Para above. See also *Lewis Berger & Sons Ltd v Svenska Ojeslageri Aktiebolaget* 1959 (3) SA 604 (T) at 612A–C; *Letraset Ltd v Helios Ltd* 1972 (3) SA 245 (A) at 249E–F.

22 Record p 16 para 42.

23 See 2(2) *Lawsa* 2 ed (2003) *s.v. Competition* para 263.

24 *Op cit* at 65.

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objects.’

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On the evidence before me, I am unable to reach a similar conclusion with regard to the respondents' conduct. In a nutshell, I am not persuaded that the respondents, in copying the Hysucat hull, are deriving 'undue benefit' from the 'expertise, effort and financial outlay' of the applicants.

46]It follows that the application for a final interdict falls down over the first hurdle, namely the requirement of a clear right. The applicants have not even managed to surmount the lesser hurdle for an interim interdict, sought in the alternative, namely a 'prima facie right, though open to some doubt'. On the applicants' own papers, therefore, the application must fail.

Costs

47]As mentioned earlier, the relief initially claimed was wider than that presently before me. The respondents have in effect conceded that the applicants were entitled to an order restraining passing off and infringement of their copyright and an order to that effect was granted by agreement on 14 March 2008, when the matter was postponed for argument regarding the remainder of the relief claimed. Thus the applicants were substantially successful in pursuing the relief granted by agreement. They were, however, wholly unsuccessful with regard to the relief pursued subsequent to that date. In these circumstances, the applicants are entitled to a costs order in their favour up to the date of the consent order, but they are liable for the respondents' costs incurred subsequent to that date.

Order

48]The following order is accordingly issued:

1. The application is dismissed.

2. **The respondents are ordered, jointly and severally, to pay the applicants' costs incurred up to and including 14 March 2008.**

3. **The applicants are ordered, jointly and severally, to pay the respondents' costs incurred subsequent to the aforesaid date.**

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50]**B M GRIESEL**
Judge of the High Court