
Judgments on Copyright



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LAUBSCHER v VOS AND OTHERS

WITWATERSRAND LOCAL DIVISION

NICHOLAS J

Case No: 278/74

In determining whether or not there has been an infringement of copyright by the reproduction of an artistic work, as contemplated in the Copyright Act (no 63 of 1965), it has to be determined whether there is a sufficient degree of similarity between the original work and the alleged infringement and whether there is some causal connection between the plaintiff's and the defendant's work. The first requirement will be met where the alleged infringer admits that he copied the work in question, but the test in respect of the second requirement is an objective one and will be met only if it is apparent that the alleged copy is so similar that it does in fact constitute a copy.

The plaintiff took colour photographs of three birds, a Forest Canary, a Natal Robin and a Malachite Sunbird. The photographs were accepted for publication in a book and appeared in the book when it was published.

After publication of the book, the second defendant and the third defendant published a calendar containing illustrations of South African birds. The illustrations were reproductions of pastel drawings made by the first defendant. They included pictures of the kinds of birds photographed by the plaintiff. The Forest Canary and the Natal Robin appeared among groups of other birds.

The plaintiff then instituted action against the defendants, claiming the sum of R5 000,00 being the estimated damages suffered by the plaintiff through loss to trade occasioned by the infringement, delivery of all infringing copies and plates used for the making of such copies and the rendering of an account.

It was established that the plaintiff was the holder of the copyright in the three photographs and that after summons was served in the matter, the first defendant admitted to the plaintiff that he had copied the three photographs. The main question for decision was whether the printing and publication of the pictures constituted an infringement of the plaintiff's copyright in the photographs.

In terms of section 4(4)(a) of the Copyright Act (no 63 of 1965), one of the acts restricted by the copyright in an artistic work (which included photographs) is 'reproducing the work in any material form'. The question whether there had been a reproduction was a question of fact which had to be taken in two stages: there had to be a) a sufficient degree of similarity between the original work and the alleged infringement and b) some causal connection between the plaintiff's and the defendant's work.

The first defendant's admission that he had copied the three photographs established the causal connection (a subjective determination). The question remained whether the first condition had been satisfied (an objective determination).

There is ordinarily nothing to distinguish one adult sparrow from another and the question whether one picture of a sparrow is a reproduction of another picture had to depend on the attitude in which the bird is depicted, the composition of the picture and the setting in which the bird appears.

In the case of the Malachite Sunbird, there was a considerable degree of objective similarity between the two pictures: in each case the bird was depicted standing on a substantially identical Protea, the number and arrangement of whose petals and

leaves were substantially identical, and the feet of the bird were in an identical position on the crown of the Protea behind which the rear foot was hidden. There were differences: the background of each picture was of a different colour, the stance of the birds slightly different. Such differences may have been explainable by the suggestion that the upper half of the first defendant's picture was copied from a photograph in another publication, but the considerable degree of objective similarity between the two pictures led to the conclusion that the defendant had used a substantial part of the plaintiff's photograph in making his picture. There had therefore been an infringement of the plaintiff's copyright in that work.

In the case of the Forest Canary, the bird was in both pictures depicted standing on a twig with a similar shape. Other details showed that the plaintiff's photograph was the source of the first defendant's picture. However, the defendant's picture could not be objectively regarded as so similar that it constituted a copy. The plaintiff's bird stood against a background of foliage, the first defendant's against a uniform greyish-green background. The birds were also depicted differently as far as their colouring and shape were concerned and their tails were markedly different. In the case of this bird therefore, there had been no infringement.

In the case of the Natal Robin, details similarly showed that the plaintiff's photograph was the source of the first defendant's picture. However, although both pictures depicted the bird on a rock, the colouration and shape of the birds were different enough to lead to the conclusion that there had also been no infringement in this case.

As the fee which the plaintiff would have charged and obtained for the Malachite Sunbird was R100,00, the plaintiff was entitled to damages in that amount. The plaintiff was also entitled to an order for delivery of the infringing copies. As far as the rendering of an account was concerned, the plaintiff was also entitled to recover the gross amount received by the sale of the picture of the Malachite Sunbird in spite of the fact that the defendants had incurred a loss on the publication of their calendar. Because the picture of that bird was sold by the defendants along with a number of other pictures, at the stage of the debate of an account rendered of the gross proceeds for the calendar, the court would make an apportionment in determining the damages for conversion of that matter.

Nicholas J: The plaintiff in this action has for many years been interested in ornithology and has devoted considerable time and money in the development of a method of photographing birds which is not subject to the problems, chances and difficulties encountered in attempts to photograph them in the wild state. He has succeeded in devising what he called a 'studio'. This is in effect a large box which is equipped with electronic flashlights, and in which the stage is set with properties to simulate the kind of scene in which the bird to be photographed would be found in nature. The bird, which can be obtained from an aviculturist is then introduced. The operator, who has his camera outside the box, observes the bird through a peep-hole and makes his exposures when he considers it opportune to do so.

During 1970 the plaintiff took colour transparencies of two birds by this

method: A Forest Canary and a Natal Robin. In February 1971, he took a colour transparency of a Malachite Sunbird. These were three of twenty-four photographs taken by the plaintiff which were accepted for publication in a book 'Bird Life in Southern Africa', which was produced and edited by Kenneth Newman, and published in the Republic of South Africa during 1971. The three photographs appear respectively on pages 115, 51 and 30 of this book.

During 1972-73, the second defendant herein printed, and the third defendant published, a 1973 calendar containing illustrations of South African birds which were referred to in the evidence as 'paintings' but which seem to have been reproductions of pastel drawings. All of the drawings were executed by Mr Henk Vos, the first defendant. They included for the month of April the picture of a Malachite Sunbird; for the month of July, a group of birds, one of which was a Forest Canary; and for the month of August, a group of three birds, including a Natal Robin.

Arising out of this publication, the plaintiff instituted action against the three defendants, alleging that the printing and publication of the pictures of the Malachite Sunbird, the Forest Canary and the Natal Robin constituted a breach of his copyright in the photographs taken by him and claiming the sum of R5 000,00 representing

'... the estimated damages suffered by plaintiff being the general loss to his trade occasioned by the infringement by the Defendants; delivery to the plaintiff of all infringing copies and plates used or intended to be used for making infringing copies; the rendering of an account reflecting the gross amount of moneys received by plaintiff for such infringing copies as the Defendants had converted to their own use, debatement thereof and payment of the amount to be found owing; interest; and cost of suit.'

The plaintiff was the only witness who gave evidence at the trial. His evidence established that he was at all material times the owner of the copyright subsisting in the three photographs, and this was not disputed in argument on behalf of the defendants.

The main question for decision is whether the printing and publication in the defendants' calendar of the pictures of the Malachite Sunbird, the Forest Canary and the Natal Robin constituted an infringement of the plaintiff's copyright in the three photographs.

The principles to be applied are reasonably clear.

In terms of section 4(4)(a) of the Copyright Act (no 63 of 1965), one of the acts restricted by the copyright in an artistic work (which, in terms of the definition of that expression in section 1 includes 'photographs, irrespective of the artistic quality thereof') is

'(a) Reproducing the work in any material form'

In this context 'reproducing' is the action or process of repeating in a copy.

In an action for infringement of copyright, it is for the plaintiff to prove that a substantial part of his original work has been reproduced and that such reproduction is causally connected with this work (Cf *Francis Day & Hunter Limited v Bron* 1963 ChD 587 at 618). The question whether there has been a reproduction is a question of fact which must be taken in two stages, one objective and the other subjective. In order to constitute reproduction within the meaning of the Act, there must be (a) a sufficient degree of objective similarity between the original work and the alleged infringement; and (b) some causal connection between the plaintiff's and the defendant's work (*ibid* at 614, 618): In other words, the plaintiff's work must be the work from which the allegedly infringing work was derived. In Copinger and Skone James on *Copyright*, para 496, p 210, it is said that—

'It has to be determined whether the defendant has used a substantial part of those features of the plaintiff's work, upon the preparation of which skill and labour has been employed. Once it is established that there has been such a use of the plaintiff's work, there will be an infringement, whether or not the defendant has used a different medium, and whether or not the infringing work has been derived directly from the plaintiff's. With regard to truly original artistic works, the question whether the defendant has made such a use of the plaintiff's work can generally be answered merely by comparison of the two works. It is to such cases that the well-known definition of 'copy', in *West v Francis*, is most readily applicable. In that case Bailey J said: "A copy is that which comes so near to the original as to give every person seeing it the idea created by the original."

In *Hanfstaenal v W H Smith & Sons*, Kekewich J, preferred the definition "a copy is that which comes so near to the original as to suggest that original to the mind of every person seeing it".

Whether or not there has been an infringement must be a matter of degree and in the case of artistic work, the degree of resemblance is to be judged by the eye. But in the case of commercial designs, general resemblance is not so good a test, since resemblance may be due to common subject-matter or stock designs, and it is necessary to make a close examination of detail to see whether there has been infringement.'

In the present case there is, so far as the first defendant is concerned, the uncontradicted evidence of the plaintiff that on the evening of 3.5.74., which was after the date of service of the summons in the present action, the first

defendant called at the plaintiff's house and in the course of a discussion with the plaintiff admitted that he had copied the three photographs which are the subject matter of the present action. While that admission establishes, as far as the first defendant is concerned, the causal connection between the plaintiff's photographs and the defendant's pictures of the three birds, it is still necessary to consider whether there is the necessary degree of objective similarity between each of the three pairs of pictures.

Upjohn J observed in *Francis Day & Hunter Limited v Bron (supra)* at 618:

'A defendant might in theory go into the witness box and say that he deliberately made use of the plaintiff's work, but that it is not an infringement, either because he did not make use of a substantial part of the plaintiff's work, or that, though the plaintiff's work has been utilised, he has been able to so alter it that it cannot properly be described as a reproduction. The *onus* is on the plaintiff to prove the contrary as a matter of purely objective fact, and if he cannot do so, then the morally dishonest defendant will escape the consequences of the allegation of the infringement.'

In the present case the first defendant did not go into the witness box, but he did admit to the plaintiff that he had copied the plaintiff's work. It was argued, however, that the differences between plaintiff's work and the defendant's work was such that the latter were not reproductions of the former.

Each of the pairs of pictures in the present case has in whole or in part a common subject matter, namely, a bird. There is ordinarily nothing to distinguish one adult sparrow from another. And the question whether one picture of a sparrow is a reproduction of another picture, must depend partly on the attitude in which the bird is depicted and largely upon matters such as the composition of the picture as a whole and the setting in which the bird appears.

In the case of the Malachite Sunbird, there is no doubt in my view that the defendant's photograph is a reproduction of the plaintiff's photograph. The composition of the two pictures is substantially similar. In each case the bird is depicted standing on a substantially identical Protea. The number and arrangements of the petals and of the leaves are substantially identical; and a blemish on one of the leaves as photographed has been exactly reproduced in the painting. The feet of the bird are in an identical position on the crown of the Protea, behind which the rear foot is hidden. That there are differences is true. The background of the photograph is a bright blue; that of the painting, a light grey. The stance of the birds is slightly different. The reason

would seem to be that suggested in cross-examination of the plaintiff by the defendant's counsel: while the lower half of the bird (that portion below a line joining the base of the beak and the tail) was compiled from the plaintiff's photograph, the upper half was copied from a photograph in 'The International Wild Life Encyclopedia' Vol 17, p 2303. Notwithstanding such differences, there is a considerable degree of objective similarity between the two pictures and, quite apart from the admission of the first defendant, a detailed comparison leaves no doubt that the defendant has used a substantial part of the plaintiff's photograph in the making of his picture. In the case of this photograph, therefore, I find the infringement by the defendant of the plaintiff's copyright to have been established.

In the case of the Forest Canary, the bird is in both cases depicted standing on a twig with a similar shape. In addition, a comparison of points of detail between the two pictures shows conclusively, in my opinion, that the plaintiff's photograph was the source of the first defendant's picture. Nevertheless I do not think that objectively regarded, the defendant's picture is so similar to the plaintiff's photograph that it constitutes a copy. The plaintiff's Forest Canary stands alone on the twig against a background of profuse foliage; the first defendant's Forest Canary, although standing on a similar bent twig, is part of a composition of four birds seen against a uniform greyish-green background. The colouring and shape of the plaintiff's bird and the defendant's bird are quite different: the plaintiff's bird has strong yellows and is slim; the defendant's is drab and plump in appearance. Their tails are markedly different. The plaintiff said under cross-examination that nobody could use the bird in the calendar for the purposes of identification. That observation is, in my opinion, undoubtedly correct, and it is sufficient, in my view to dispose of any suggestion that, from the point of view of objective similarity the defendants' bird is a copy of the plaintiff's. I do not think that the painting in any way suggests the original, and I accordingly hold that in this case no infringement of the copyright has been established.

The photograph of the Natal Robin shows the bird standing alone on a rock against a background suggestive of foliage. The defendants' picture of this bird depicts it also on a rock, but as one of a composition of three birds. The attitude of the plaintiff's bird and the defendants' bird is the same. Again a detailed comparison shows that the defendants' Natal Robin had its origin in the plaintiff's photograph. But once more there is an absence of that necessary degree of objective similarity. The colouration of the birds and their shape are quite different. The photograph shows a bright yellow highlight down the front of the bird, and striking blue areas on the wings. These are both missing in the painting. The bird in the painting appears

plumper and heavier, almost clumsy, compared with that depicted in the photograph. And as in the case of the Forest Canary, I do not think that the defendant's bird would be a reliable reference for identification purposes. Here too in my view the defendants' bird does not constitute an infringement of the plaintiff's photograph.

The plaintiff is accordingly entitled to relief in respect of the infringement of the photograph of the Malachite Sunbird, but not in respect of the photographs of the two other birds.

The plaintiff was not in his evidence able to establish any damage in his trade generally. All that he did prove was that as a result of the defendants' infringement the plaintiff was deprived of the fee which he could have obtained as a consideration for a licence to reproduce the photograph. The plaintiff said that he would not have consented to a reproduction in the defendants' calendar. He had no high opinion of the defendant's artistic ability and it was important to the plaintiff that he should receive a 'credit' for his picture—namely an acknowledgement of the fact that he was the author of it, and that he would not have wanted to get this in a case where what was reproduced was not his photograph, but what he regarded as an inferior copy of it.

It seems to me, however, that the matter must be approached realistically. The defendants have in fact reproduced the plaintiff's picture and the plaintiff must be compensated on the same basis as if he had agreed. At the end of the case it was common cause that the fee which the plaintiff would have charged and obtained was one of R100,00. And the plaintiff is entitled to damages in this amount.

The defendants' counsel informed the court that the only copy of this photograph still in the plaintiff's possession was the original pastel drawing. However that may be, it seems to me that the plaintiff is entitled to an order for delivery of infringing copies and I shall make an order accordingly.

In regard to the prayer for the rendering of an account and debatement thereof and payment of the amount to be found due, the defendants informed the plaintiff that they incurred a loss on the publication of their calendar, and I understood that the plaintiff accepted this statement. The defendants argued on this basis that it would be pointless to order an account. Plaintiff's counsel contended, however, that in terms of *Braby v Donaldson* 1926 AD 337, the plaintiff was entitled to payment of the full price, without deduction, received by the defendants for all copies of the work which had been sold, in addition to general damages over and above this. That case was decided under the terms of section 7 of the English Copyright Act of 1914, which was incorporated into Union Act (no 9 of 1915) by section 143. Section 7 of the

English Act reads as follows:

'All infringing copies of any work in which copyright subsists or of any substantial part thereof and all plates used or intended to be used for the production of such infringing copies, shall be deemed to be the property of the owner of the copyright, who accordingly may take proceedings for the recovery of the possession thereof or in respect of the conversion thereof.'

The Court held that by the English action of a conversion, a plaintiff can claim the gross amount of money which the wrongdoer has received for such copies as he has converted to his own use and sold. He can claim the gross amount of the sales without any deduction because the damages for conversion depend, not on the cost of production, but on the value of the thing which has been converted. (See pages 343/344).

Section 19 of the current Copyright Act (no 63 of 1965), does not incorporate the English law of conversion by reference as did section 143 of Act 9 of 1915 read with section 7 of the English Copyright Act of 1914. The present section reads as follows:

'19.

- (1) Subject to the provisions of this Act, the owner of any copyright shall be entitled to all such rights and remedies, in respect of the conversion or detention by any person of any infringing copy or any of the plates used or intended to be used for making infringing copies, as he would be entitled to do if he were the owner of every such copy or plate and has been the owner thereof since the time when it was made: Provided that any right of such owner of the copyright as are provided by this Section shall become extinguished by prescription after a lapse of thirty years from the time when such right arose.
- (2) A plaintiff shall not be entitled by virtue of this Section to any damages or to any sum of money (except costs) by way of relief if it is proved or admitted that at the time of the conversion or detention in question the infringing copy or plate -
 - (a) the defendant was not aware and had no reasonable grounds for suspecting that copyright subsisted in the work or other subject-matter to which the action relates; or
 - (b) where the articles converted or detained were infringing copies, the defendants believed or had reasonable grounds for believing that they were not infringing copies; or
 - (c) where the article converted or detained was a plate used or intended to be used for making any article, the defendant believed and had reasonable grounds for believing that the article so made

or intended to be made were not or (as the case may be) would not be infringing copies.'

There is, in my view, nothing in the new section to suggest that the Legislature, in enacting it, intended to alter the law as it was down in *Braby v Donaldson* (*supra*). And although an opportunity was afforded to the defendants to address written argument to court on the subject, they have not thought fit to do so.

I hold, therefore, that the plaintiff is entitled to recover, as damages for conversion, the gross amount received by the defendants in respect of the sale of the picture of the Malachite Sunbird. A difficulty arises in the present case from the fact that the calendar sold by the defendants is a composite article containing not only an infringement of the plaintiff's photograph of the Malachite Sunbird, but a number of other pictures which do not constitute an infringement. In these circumstances it may well be that the defendant is unable to render an account relating only to the Malachite Sunbird. If that is so, then it will be a compliance with the order which I shall make, if the defendants render an account of the gross proceeds for the calendar. It will then be for the court, at the stage of debatement of account and in the light of whatever evidence the parties may place before it, to apply a factor representing the proportion attributable to the infringing matter in order to determine the damages for the conversion of that matter.

It was argued that if the court should make an award for damages which would have been within the jurisdiction of the Magistrate's Court, I should allow costs on the appropriate scale of that court. It seems to me, however, that in considering the scale of costs which should be allowed, there should be taken into account not only the damages awarded in infringement of copyright, but also any damages which may be awarded for conversion. In these circumstances it seems to me that I should reserve the question of costs for decision at the final end of these proceedings.

I make an order for

- (i) Payment by the defendants, jointly and severally, the one paying the other to be absolved, of the sum of R100,00;
- (ii) Delivery to the plaintiff of all infringing copies and plates used or intended to be used for making infringing copies of the plaintiff's photograph of the Malachite Sunbird;
- (iii) (a) The rendering of an account duly supported by vouchers reflecting the gross amount of moneys which the defendants received for such infringing copies as defendants have converted to their own use;
(b) debatement thereof; and

- (c) payments of the amounts found to be due to the plaintiff.
- (iv) Interest, a *tempore morae*, on the said sum of R100,00 at the rate of 6% per annum from the date of judgement of the date of payment.
- (v) The costs are reserved for decision at the conclusion of the proceedings contemplated in para (iii) hereof.

Leave is granted to the plaintiff to set the matter down upon notice to the defendants for the purpose of the hearing contemplated in para (iii) hereof.

HUBERT DAVIES & CO LTD AND ANOTHER v CKK ENGINEERING (PTY) LTD AND ANOTHER

WITWATERSRAND LOCAL DIVISION
MELAMET J
16 NOVEMBER 1979

A respondent in an application for an interim interdict based on an alleged infringement of copyright and abuse of confidential information must be given sufficient time within which to file answering affidavits. The grant of a request for an extension of time in such circumstances must not be conjoined with an order for the provision of security even where there is evidence of the respondent's possible inability to pay damages which may be awarded later. The respondent should be allowed access to drawings used by the respondent and attached by the sheriff pursuant to the grant of such an interim interdict, where to prevent him from doing so would prevent him from carrying on business.

The first applicant produced locomotives for use in the mining industry and the first respondent produced locomotives of the same size and appearance. The second respondent was employed by the first applicant until September 1968 when he left to become a director of the first respondent. The applicants alleged that the bulk of certain drawings used by the first respondent for the manufacture of its locomotives were identical to those used by the applicants and that it held the copyright in the drawings.

The respondents had been manufacturing the locomotives for eleven years prior to the application and the applicants had known about this for two or three years prior to the application.

The applicants obtained an interim order against the respondents interdicting them from manufacturing, selling or offering for sale any locomotive or equipment the manufacture of which involved the use of confidential information or drawings which were the property of the applicants and interdicting them from infringing the applicants' copyright subsisting in certain drawings. It was also ordered that the deputy sheriff was authorised and directed to attach all the engineering drawings held by the first respondent relating to its manufacture of certain locomotives and their components. The application for the interim order was served on the respondents on 19 October 1979 with a return date of 31 October 1979. The affidavits in support of the application ran into 400 pages.

At a hearing for an extension of the order, the applicants contended that the drawings held by the respondents were identical with those used by the applicants and relied for this contention on the affidavit of an expert based on an examination he had made of a locomotive made by the respondents and the drawings attached by the deputy sheriff. Other affidavits were submitted to substantiate its allegation that it held the copyright in the drawings. The applicants also alleged that the first respondent had a share capital of only R200,00 and that consequently the substantial damages they may prove against it might be irrecoverable. The respondents did not deal in detail with the applicant's contentions, but sought mainly an extension of time to file affidavits in answer to those of the applicants. The respondents pointed out that the applicants clearly held no copyright in certain parts of the drawings and alleged that the applicants had gone beyond the terms of the order for the attachment by taking documents away which they were only entitled to make a list of and identify.

In response to the respondents' request for time within which to file their answering affidavits, the applicants requested that the respondents be ordered to provide security to ensure payment of their damages in the event of their being

successful in their application. The respondents also requested that the order for the attachment of the drawings should be terminated.

Because the applicants had known about the respondents' activities for two or three years prior to the application, it would be inequitable to interdict the respondents from continuing with those activities. The respondents had reason to request more time within which to file their answering affidavits for the applicants could never have expected the respondents to place their defence adequately before the court by the return date stated in the application. The respondents' had further reason to request more time when the applicants' supplementary affidavit was served on them. Their request was therefore not a request for an indulgence but for an adequate time within which to place their case before the court. It was therefore not appropriate to extract security from them as a condition for acceding to their request.

As far as the request for the termination of the order of attachment was concerned, because the respondent had not dealt in any detail with the contentions made by the applicants, it could not be held that the applicants had not made out a clear case against the respondents. Because of this, and because the drawings were in fact in the possession of the deputy sheriff, it was proper that they should remain under attachment but subject to the respondents having the right to peruse them in order to enable them to carry on business.

Melamet J: This is the extended return date of a rule *nisi* issued on the 19th October, 1979. In terms of the said order, the respondents were called upon to show cause why an order should not be granted interdicting the respondents or either of them from manufacturing, selling or offering for sale, any locomotive or equipment the manufacture of which involves the use of any confidential information or drawings which are the property of the applicants, or either of them, and in particular from the manufacture, sale, or offering for sale, of:

- 4.1.1 The Maxton six ton (5,7 metric ton) locomotive, the Maxton nine ton (9,1 metric ton) locomotive, equipped with either the 1750 11,4 horsepower motor and/or the 2750 29 horsepower motor, with operating voltages from 80 volts through to 120 volts DC, being the Maxton range equivalent of the 1/2M75A and D Goodman locomotives and the M75A and D (two-motor) Goodman locomotives made to the specifications wet out in paragraph 1 above;1.
 - 4.1.2 The Maxton equivalent of the Goodman 75 Battery/Trolley combination locomotive, the Goodman 158 Battery locomotive, the Goodman 158 Trolley locomotive for both 250 and 500 volt operation, the Goodman-type 188 Trolley locomotive for both 250 and 500 volt operation; and
 - 4.1.3 All the components for the complete range of the above locomotives.
- 4.2INTERDICTING the respondents or either of them from infringing the copyright subsisting in:

- 4.2.1 Annexure R1 to R76 (including all the drawings attached to such annexures) of the affidavit of Samuel Finlay.
- 4.2.2 Any other drawings used in the manufacture of Goodman locomotives or equipment in and respect of which copyright subsists and vests in the applicants or either of them.
- 4.3 Directing the respondents to make discovery in terms of Rule 35 within a period to be determined by this court of all drawings relevant to:
 - 4.3.1 The grant or refusal of the relief sought herein;
 - 4.3.2 The determination of damages suffered by the applicants or either of them.

The respondents were granted leave to anticipate the rule on 48 hours notice to the applicant.

It was ordered further that these papers shall not be disclosed to the public and/or the press until after any reply has been filed by the respondents or either of them, or until this matter is again before the court. It was ordered that with immediate effect, the Deputy Sheriff be authorised and directed to attach, pending the determination of the application, all the engineering drawings of the first respondent relating to the manufacture by the said respondent of:

- 1.1 The Maxton six ton (5,7 metric ton);
- 1.2 The Maxton equivalent of the Goodman 75 Battery/ Trolley combination locomotive;
- 1.3 All the components for the complete range of the above locomotives.

It was further ordered that:

- 2.1 The applicants' expert, Professor Costa John Rallis, the applicants' attorney of record, Duncan Kerr Sinclair, a partner of the firm Bell, Dewar & Hall, and William Andrew Thurman Morton, the Deponent to the Founding affidavit in these proceedings, be authorised to accompany the Deputy Sheriff when attaching the drawings referred to in paragraph 1 above.
- 2.2 That the applicants' expert, Professor Costa John Rallis be authorised to inspect the drawings attached in terms of paragraph 1 hereof.

The respondents were given leave on notice on the applicants' reacho apply to set aside this part of the order. On the return date the Rule and application to set aside the portion of the order authorising the attachment of drawings on the ground that the order had been granted as a matter of urgency, was refused, and the application on the ground that it should not have been granted at all was postponed until the 9th November 1979. The rule *nisi* was extended to that date and it was ordered that the applicants replying affidavits, if any, to the affidavits filed by the respondents should be served by the 5th November 1979 and the respondents further affidavits if they deemed fit so to do, should be served by 7th November 1979. It was ordered

that the costs of 1st November 1979 should be reserved for decision by the court finally hearing the matter.

When the matter came before me, I was informed that the respondents would seek an extension of the Rule to allow the respondents adequate opportunity to file answering affidavits to meet the allegations contained in the applicants' founding and supplementary affidavits. The applicants did not contest that respondents should be entitled to an extension of the Rule for this purpose, but took up the attitude that if the extension was to be for any length of time the applicants would seek interim relief to protect their interests. The respondents intimated further that the respondents would seek the setting aside of the order for the attachment of the drawings, pending the decision in the application. The applicant company produces locomotives for use in the mining industry and the first respondent, which is managed by the second respondent, is producing locomotives of the same size and appearance.

The second respondent was until 30th September 1968, in the employ of the applicant, when he left to become a director of the first respondent which was incorporated some three months before with a registered share capital of R200,00.

It was alleged on behalf of the applicants that the bulk of the drawings used by the first respondent for the manufacture of its locomotives, are identical to those used by the applicants in the manufacture of their locomotives. The application for relief by the applicants is based on an averment that the copyright of the said drawings vests in the applicants and that such drawings are therefore the property of the applicants, alternatively such drawings were confidential information in the hands of the applicants which were misappropriated by the respondents.

In support of the contention that the drawings were identical with those used by the applicants and in fact a copy thereof, the applicant relied in the main on the affidavit of Professor Rallis, based on an examination he had made of a locomotive produced by the first respondent and secondly, on an examination he had made of the drawings which had been attached by the Deputy Sheriff in terms of the order issued by this court.

My attention was directed to the many points of similarity in the drawings and in the parts used in the respective locomotives and it was contended thereon that the drawings used in the locomotives manufactured by the first respondent were copied from those used by the applicants and many, if not all, the parts were a replica of those used in the locomotives produced by the applicants. In support of the contention that the applicants relied on the affidavits of one Calvin Campbell, the Chief Executive Officer of the second applicant, Charles Rowe, a practising lawyer in Chicago, specialising in Patent, Trade-mark and Copyright Law, Samuel Finlay, an engineer in the employ of second applicant, Paul S Pappa, a former employee of second

applicant, who was involved with the design and manufacturing of locomotives, Gunther V F Lehman, a Vice-President of the second applicant who is a mechanical engineer and was involved in the design and manufacture of locomotives and Julian F H Lowry, a director of the first applicant.

The aforesaid affidavits, as also that by William Andrew Thurman Morton, are relied upon to establish that the drawings were treated as confidential information in the possession of the applicant. It is averred on behalf of the applicants that the second respondent had access to the drawings being confidential information in the possession of the applicants and that the only inference from the facts alleged—the parts and drawings on comparison proving identical the length of time that it would in the normal course of events have taken to produce drawings for the manufacture of parts and the locomotive, the similarity and appearance of the locomotives—is that the confidential information—the drawings—were misappropriated by the respondents.

Since the order was granted there has been filed an affidavit by Professor Rallis complied after examining the drawings attached by the Deputy Sheriff. The affidavit, it is contended, confirms what was previously suspected in relation to infringement of copyright and misappropriation of confidential information. Attention is drawn to the fact that there was an admitted breach of copyright by the respondents, in respect of a brochure entitled 'Maxton Locomotives, Renewal Parts Catalogue'. In relation to certain parts it is pointed out that spaces which had been left for a particular purpose in a particular part, had been blindly duplicated in parts produced by respondent. It is contended that the designs were so similar that there could not have been an independent design.

In his affidavit Mr Morton avers that there is a grave possibility that the documents would be duplicated—rendering the order nugatory—or destroyed—rendering evidence unobtainable and destroying existing evidence if the notice was given to respondent.

It is on these allegations that the original order for attachment, and detention of the documents by the Deputy Sheriff was granted, pending the final hearing of the application. In accordance with the decided cases in which matters, it was so ordered to ensure the preservation of the documents as evidence at the ultimate hearing of the application or action.

Mr Morton in his affidavits averred further that the first respondent had been awarded a contract for the delivery of parts during 1979/1980, to an estimated value of one million rand and estimates that during the period 1976 to 1978 first respondent had sold approximately 500 locomotives, and a substantial quantity of spares. He estimates that as a result thereof applicants have suffered damages in the sum of five million rand. In this connection it

is pointed out further that first respondent has a registered share capital of only R200,00. The said affidavit continues that the applicants were advised during or about March 1979, that they had a legal right to prevent respondents from continuing with their unlawful activities. A locomotive had been ordered so that it could be checked, inspected, and broken up.

The services of Professor Rallis were obtained and he compared the various spare parts. The first applicant first sent its attorney, then junior counsel, then junior and senior counsel to Chicago to establish the acquisition and protection of copyrights in America. The legal advisers could only go in the middle of September 1979. They returned at the end of the month, and since that time the applicants legal advisers and its staff were occupied in preparation of affidavits which were filed on the 19th October 1979.

The respondents filed the answering affidavit which were designed to obtain time for the respondents to file affidavits dealing in detail with the averments in the founding and supplementary affidavits filed on behalf of the applicants. The affidavits filed by the respondents were by David H L Butcher, the group financial director of Lenning Holdings Limited, the holding company of the first respondent and by Norman Ian Cooper, the second respondent.

The affidavits were of necessity brief, having regard to the short period allowed the respondents, and were confined in the main to outlining the possible defences open to respondents which had to be investigated and examined more closely, and for which purpose time was sought.

In the first instance, attention was directed to the fact that first respondent had been producing and manufacturing parts for locomotives on the mines since 1968 and have manufactured locomotives since 1976, that is, for the last two to three years.

It is contended that this took place to the knowledge of the applicants and the applicants had taken no action in the matter until October of this year. The alleged theft of drawings by second respondent had previously been investigated with the assistance of private investigators, and found to be of no substance. It was contended that the applicants should be denied any relief at all, as the application had been brought *ex parte* without notice to the respondent and the applicants had not been candid with the court.

In this regard, attention was directed to the fact that copyright was claimed in drawings relating to the parts styled 'dead man's handle for control', where it was clear that the applicant had no copyright in such drawings.

The applicants countered in their further replying affidavit by averring that copyright was claimed in such drawings. As I understood the argument on behalf of the respondents it was desired to obtain a reasonable period

within which to reply to applicants and this argument was advanced to demonstrate that the applicants were overstating their case and claiming copyright in documents in which they did not have copyright.

These were matters which called for closer investigation.

The claim of the applicant it is contended, is based in the main on a breach of copyright, and that the copyright vested in the applicants. It is not accepted that copyright vested in the applicants in law and in fact, and it was necessary for this aspect to be examined, possibly in America. It was argued that there was no evidence of originality and authorship and these were aspects which called for detailed investigation. The use of the drawings extended over a long period and would necessitate a lengthy investigation. It is pointed out that the applicants commenced preparations for the application, launched in October 1979, in March 1979, that is seven months prior to the filing of application. By analogy it was contended that the respondents should be allowed at least five months to file their affidavits. I am of the opinion that this does not necessarily follow. The respondents know how the drawings came into their possession, and how and when they started manufacture. They do require however, a reasonable period of time within which to investigate several aspects relating to the claim of copyright by the applicants.

In this regard it was pointed out on behalf of the respondents that the respondents did not accept the contentions of the applicants in regard to the law as to copyright. The respondents did not accept further, in any event, that Copyright vested in the applicants. There was no evidence of a contract of service of apprenticeship with the originators of the drawings. There was also to be investigated, the defence of waiver, estoppel, and the *exceptio doli*. It is alleged that in the mining industry, manufacturers are obliged to furnish details of the articles manufactured with the ir Tender, so that the Offeree will not in future be obliged to buy such parts from them. This ensures open competition, and avoids monopolies. This, it is alleged, is known to the applicants.

No argument was directed on the aspect of the breach of confidential information, other than to dispute that the drawings were confidential information. It is clear therefore in my view, that the respondents are entitled to a reasonable period within which to prepare replies to the affidavits of the applicant. In determining such period, I will bear in mind that the court is in recess in any event during December 1979 and January 1980.

It was contended that the order for attachment should be set aside, because of the over- or mis-statement to which I have referred above in relation to 'the dead man's handle'. Further reasons advanced for the setting aside of the attachment, were that the allegations of theft of documents had been investigated and found to be groundless, and that there was only a bald

allegation in the affidavit of Morton, that there was fear that the documents would disappear. The documents on which copyright was claimed were not properly identified. It includes drawings in relation to the 'dead man's handle'.

It is concluded, further, that the conduct of the applicants since the issue of the order, shows a flagrant disregard by the applicant for the terms of the order. Professor Rallis was entitled only to make a list and identify documents.

Despite this, he took the documents away, employed two assistants in so doing and the documents appear to have been in the possession of the applicants attorney. The latter complaints of the respondents would support an argument for the termination of the order for attachment, and not for the setting aside thereof. The authorities in connection with the granting of an order of attachment on an *ex parte* application in matters of this nature, were considered by Cilliers AJ in *Roamer Watch Company of SA and others v African Textile Distributors* 1980 (2) SA 254 (W). The learned judge says the following at pages 37 to 38:

'I would suggest that, always keeping in mind this type of relief is aimed at the preservation of evidence, a plaintiff obtaining such *ex parte* order should not be given relief beyond that which is necessary to preserve the evidence relevant to his case, and should not in effect be afforded an opportunity to study and copy documents and other information which may contain trade secrets in respect of which it may ultimately appear that he is not entitled.

Of course, situations may arise where in practical terms, no effective distinction can be drawn between the studying of documents and other information and simply identifying such documents and information, and situations may also arise where a defendant would rather have the plaintiff copy the documents required for the running of his business, than have them attached and removed. But in principle, the court should, in my view, be extremely circumspect about allowing the copying of documents and information. It seems to me that once a plaintiff has been able to identify documents, other information and articles which he seeks to have preserved for their evidential value and such documents, information and articles, have been removed and placed in safe custody until all parties can be heard, the plaintiff should not be given more access to the defendant's documents information, and articles, than he can elicit by the ordinary Rules of Discovery, or other relief which he can obtain by the exercise of the inherent powers of the court after hearing all parties.'

It is clear that in each case regard should be had to the particular circumstances of the case. In the present case an order was granted *ex parte*, and I cannot say that on the uncontradicted version of the applicant a clear

case was not made out by the applicant.

As I have said above, the respondent has not dealt in detail with all such allegations, and is in fact seeking, in the main, to obtain an extension of time to file affidavits. On the papers as at present I cannot find the applicant has not made out a clear case on the respondent. I have not given consideration to the question whether in law the copyright vests in the applicants and am proceeding on the basis that it does so do.

In the light of this approach, I am of the view that justice between the parties would be done if the documents were to remain in the possession of the Deputy Sheriff. In this connection I am influenced to some extent by the practicalities of the situation. The Deputy Sheriff has made the attachment. The applicants have seen and examined documents which they consider of paramount importance to their case. There is no doubt that the documents, if not all of them, are material to the applicants' case. It is clear that I must have regard to the prejudice which the respondents will suffer and Mr Schreiner has contended, and in my view properly so, that if I am disposed not to set aside or terminate the attachment order, I should grant the respondents sufficient access to the documents in the possession of the Deputy Sheriff to enable the first respondent to carry on its business. I will do so in the order which I make.

I pass now to consider whether I should grant the applicants interim relief, pending the decision of the application. It's contended on behalf of the applicants that the first respondent has only a share capital of R200,00. It is said that the damages which the applicants are suffering is compounded each day that the respondents continue to do business.

It appears from the correspondence that a locomotive sells at approximately R18 000,00. It is alleged further that for the year 1980 respondents have orders for parts estimated at R1 million. It is averred that it is cold comfort for the applicants that the first respondent is a subsidiary company in a large group of companies, without an undertaking, it does not follow that its holding company will come to its assistance. It is said that an extension of 3 to 4 months could result in grave damage to the applicants, which might not be recoverable from the respondents. On the other hand there is the applicant's averment that the respondents have been active in supplying parts for locomotives for the past 11 years. It is contended that they only learned in March 1979 that they could stop the respondents from proceeding with such activities—for the past 2 to 3 years the respondents have been manufacturing and producing locomotives. The applicants must have known of such activities. It would be most inequitable to interdict the respondents from continuing with their activities, pending the hearing of the applicant, and without giving them an opportunity of filing affidavits—particularly having regard to the extensive nature of their

activities.

The applicants appreciate this position, and seek merely some form of security to ensure payment of their damages in the event of their being successful in the application.

It is contended on behalf of the applicants that the respondents are seeking an indulgence, and it is therefore incumbent on the respondents to ensure that the grant of such indulgence will not prejudice the applicant. It is submitted that in the absence of a guarantee by the company, which is shown to have, or accepted as having not the financial strength to meet any claim for damages arising between the date of this hearing and the final determination of the application can be achieved only by the granting of an interdict.

I have already indicated that the latter step is, in my view, inappropriate. I am of the opinion that the attitude of the applicant is based on an incorrect premise that the respondents is seeking indulgence. All that the respondents are seeking is adequate time within which to place their case before the court.

On the 19th October 1979, there was served on them an application, supported by affidavits running into some 400 pages. The return date of such rule is the 31st October 1979. The applicants could never have expected the respondents within that time period, to place their defence adequately before the court.

At that time the respondents filed an affidavit seeking time within which to file their affidavits. At the time that the respondents filed an affidavit seeking time within which to file their affidavits, a supplementary affidavit of some 100 to 200 pages, was served.

It is not due to any dilatory action on the parts of respondents that the application cannot be, or will not be heard during the court's recess extending over December 1979 to January 1980. The only indulgence, if it is that, that the respondent is seeking, is one possibly, of a month to file their affidavits. For such concession, if it is a concession, it would be wrong to extract from the respondents some form of security, having regard to the delay on the part of the applicants in launching the application.

In the circumstances I am not disposed to order that the respondents to furnish some form of security to obtain time within which to place their defence properly before the court. I am of the opinion that a proper exercise of my discretion in regard to the costs incurred in the agreement for setting aside of the attachment, the extension of the rule and the provision of security by the respondents during such period of extension, would be to reserve such costs for decision by the court finally hearing the application.

1. In the result the rule *nisi* issued on the 19th October, calling on the respondents to show cause why an order should not be granted in terms of paragraphs 4, 5 and 6 thereof, is extended till 12th March 1980.
2. The respondents are ordered to file their answering affidavits on or before

31st January 1980 and the applicants their replying affidavits on or before 29th February 1980.

Paragraph 1 of the order is to remain effective until the application has been determined.

Paragraph 2 of the order is to be supplemented by the addition of the sub-paragraph iii, reading as follows:

'The respondents are to be given access to documents sufficient to enable them to carry on the business of the first respondent, the costs of this hearing are reserved for decision by the court finally hearing the application.'

RAJSHREE FILMS v ORIENTAL FILM DISTRIBUTORS AND OTHERS

DURBAN & COAST LOCAL DIVISION

FRIEDMAN J

29 NOVEMBER 1979

An applicant who is not the original copyright holder of a copyright work who claims an interdict preventing an alleged infringement of copyright must do so on the grounds that it is either an assignee or the exclusive licensee in respect of the copyright work. It will fail to demonstrate such a proprietary interest in the work when it relies on hearsay evidence of the series of agreements allegedly transferring the copyright from the original holder to itself and that evidence is accompanied by doubt and confusion as to the authenticity of the documents evidencing the transfer of the copyright and the identity of the original copyright holder.

The applicant sought an interdict preventing the respondents from exhibiting a certain film. It claimed to be the exclusive licensee of the film within the meaning of the Copyright Act (no 63 of 1965) or the Copyright Act (no 98 of 1978).

In support of its claim to be the exclusive licensee, the applicant alleged that the maker and original copyright holder in the film was one Chopra or a company known as Yashraj Films (Pty) Ltd. (It was not clear which of these was the original copyright holder.) It alleged that that company appointed Trimurti Films (Pty) Ltd as the sole and exclusive world right controller and business executive in respect of the film, that Trimurti granted to Noel and Company on lease the right of exploitation, exhibition and distribution of the film for five years in Africa, and that Noel and Company gave the applicant the exclusive right and licence to exploit and distribute the film in South Africa for the same five years. The applicant annexed agreements signed by Trimurti as evidence of the alleged transactions. The signatures of the signatory for Trimurti were not those of one and the same person and there was no explanation in the papers as to who the stated signatory was or as to the signatories' authority to act for Trimurti.

Prior to the dispute which arose between the applicant and the respondent, the applicant's sole proprietor, one Vagar, had encountered another company which claimed rights to the film independently acquired by it from a firm in Singapore.

The film had at one stage gone astray in England. It was suspected that a copy of the film had then found its way to South Africa, and so company which appeared to be Trimurti's world-wide agent, Moroville Ltd, placed an advertisement in a South African newspaper warning of penalties should the film be exhibited in South Africa and indicating that it was the sole and exclusive agent for the producer. In reply to a response to the advertisement inquiring as to Moroville's alleged rights to the film, the attorneys acting for Moroville indicated that the maker of the film was Chopra, that Chopra had assigned his copyright to Trimurti who had appointed Moroville as its sole and exclusive agent for the film, and that Moroville had appointed Vagar as its sole agent in South Africa.

Where an applicant is not the original copyright holder, it must show either that it is the assignee of all or portion of the rights embodied in the notion of copyright, or that it is the exclusive licensee within the meaning of the term given in the Copyright Act. This must be demonstrated because to show an entitlement to an interdict against 'the world' the applicant must not be the holder simply of personal rights but of real rights capable of being enforced against all persons. In this case, this meant

the applicant had to show *prima facie* who the original copyright holder was and that there had been a valid series of written agreements from the original copyright holder to the applicant, giving the applicant the rights it sought to protect.

Much of what was alleged by the applicant was hearsay evidence, including all of the allegations regarding the making of the film and the basis on which Chopra or Yashraj Films (Pty) Ltd were said to have copyright. There was no direct evidence confirming the validity or veracity of any of the signatures on behalf of Trimurti. Because there were grounds for doubting the authenticity of the documentation and there was confusion as to the identity of the original copyright holder, indicated *inter alia* by the letter sent by the attorneys acting for Moroville, the hearsay evidence could not be taken into account.

The applicant had therefore not discharged the onus of showing what was required to be shown in interdict proceedings. The application was dismissed.

Friedman J: This application concerns a film, bearing the name 'Kaala Patthar' which was, so it seems, produced in India. The application claims to be the exclusive licensee of that film within the meaning either of the 1965 Copyright Act, or the 1978 Copyright Act, whichever one may be of application. The respondents, or various of them, are said to be in unlawful possession of copies of this film and are threatening to exhibit the film in defiance of the applicant's alleged rights.

The application itself has had a somewhat checkered history, if one has regard, not only to the present application, but also to what might be termed its predecessors-in-title. In order, however, to appreciate the precise course which this matter has taken it is necessary, at the outset, to outline the chain of events which, according to the applicant, entitled it to interdict the respondents from, *inter alia*, exhibiting the film and for certain other relief.

It is alleged, on behalf of the applicant, that the maker of the film, and therefore the original copyright holder in the film, was either one Yash Chopra or a company which might be considered an *alter ego* of Yash Chopra bearing the name Yashraj Films (Proprietary) Limited. It is claimed that Yashraj Films (Proprietary) Limited acting through Yash Chopra entered into a written agreement in terms of which Yashraj Films (Proprietary) Limited appointed another company, of Bombay, India, namely Trimurti Films (Pty) Limited 'as the sole and exclusive world right controller and business executives in respect of the said picture for a period of fifteen years from the date hereof and as the only authorised party to deal with the said picture for the entire world'.

Trimurti Films (Pty) Limited in turn, so it is claimed, concluded a written agreement with a company, or a firm, bearing the title Noel and Company and carrying on business in London, England, in terms of which Trimurti Films granted to Noel and Company, on lease, the right of exploitation, exhibition and distribution of the film for a period of five years for the entire Continent of Africa, excluding East Africa. I interpolate to say, as a matter

of interest, that the lease contract allegedly concluded between Trimurti Films and Noel and Company records that Shri Yash Chopra is the maker of the picture and is a director of the lessor, that is to say of Trimurti Films (Pty) Limited. It is then alleged, (in order to complete the chain of events), that Noel and Company, on the 17th August 1979, concluded an agreement with the applicant, the sole proprietor of which is one Vagar, in terms of which the applicant acquired the exclusive right and licence to exploit and distribute the film in the territory of Botswana, Swaziland and the Republic of South Africa for the same period of time for which Noel and Company had been granted its alleged rights.

For an applicant to succeed in an application of the present kind, it is, of course, necessary that it show some form of proprietary interest in the film, in the nature of copyright or the equivalent. Differently put, it means that where an applicant is not the original copyright holder it must show either that it is an assignee of all, or at any rate, portion of the rights embodied in the notion of copyright or, alternatively, and this is because of the special provisions in the Copyright Act, that it is an 'exclusive licensee' within the meaning of that term within the Copyright Act. This is so, because in order for an applicant to be entitled to an interdict against, as it were, 'the world', an applicant must be the holder, not simply of personal rights capable of being enforced against specific persons only but of real rights in the film capable of being enforced against all persons. And the applicant, recognising this, based its case upon the fact that it is the exclusive licensee of the film. It is also, of course, necessary to bear in mind that in terms of the Copyright Act for there to be a valid assignment of a copyright or the valid conclusion of an agreement of exclusive license a written agreement is required.

The applicant first made application to this court for an interdict relying simply upon the agreement which it had concluded with Noel and Company whilst, at the same time, alleging these facts in the chain of events leading up to Noel and Company having rights in the film. That application which came before me earlier this month, *ex parte*, was refused upon the basis that the papers did not disclose any written documentation reflecting the events leading up to Noel and Company acquiring its rights from the copyright holder. Shortly thereafter a further application was made on supplemented papers. This time an agreement was put up showing the alleged passing of rights from Trimurti Films to Noel and Company but there was nothing whatever to indicate the manner in which Trimurti Films has acquired its rights from the person alleged in the papers to be the copyright holder. For that reason the application was again dismissed. Finally, the application came before me again, as a matter of urgency, on the 17th November 1979, when a further document was added to the papers, namely an alleged agreement between Yashraj Films and Trimurti Films reflecting the passing of rights in

the film from former to latter. At that stage I granted a rule operating as an interim interdict returnable today. Certain of the respondents have now filed affidavits and the question with which I am concerned is whether or not I ought, as urged by the applicant, to confirm that rule *nisi* which is in terms to operate as an interim interdict pending the conclusion of an action to be instituted.

The papers presently before me raise considerable doubt as to the authenticity of all the documents relied upon or, at lowest, leads one to a somewhat uneasy feeling that all is not quite what it purports to be. Certain matters raised are worthy of mention.

In the first instance it appears that prior to the present dispute with the present respondents, Vagar had encountered difficulty with another firm of distributors in South Africa which claimed to have the South African rights to the film and which it alleged was acquired by it through a firm in Singapore. The applicant has annexed to its replying affidavit a copy of an agreement which Vagar concluded with a company, Infla-Protektor (Proprietary) Limited on the 25th September 1979, reflecting this particular dispute. The agreement reveals that Infla-Protektor claims it acquired rights to the film through Tropic International Company of Singapore, whereas Vagar contends that he acquired the South African rights to the film from Noel and Company, which in turn represents another company, namely, Moroville Limited; this latter company will be referred to again in due course.

The effect of this agreement was that confirmation would be sought by a third party directly from Trimurti as to the ownership of the distribution rights of the film in South Africa and both parties would be bound by it. The only significance of this agreement is that it appears that some time prior to the present series of applications some doubt must have arisen, even in the mind of Vagar, as to whether or not his documentation was as perfect as he now contends it to be since a competitor claimed also to have documentation giving it similar rights.

Of more importance, however, is another event consisting of the exchange of certain correspondence which took place prior to the launching of this application. It seems that somewhere along the line, the exact point on the line being vague and uncertain, the company to which I have referred, namely Moroville Limited, which is apparently based in London entered the picture. The exact role or significance of this company is difficult to understand but it is, so far as one can make out, supposed to be the world-wide agent of Trimurti Films. At some stage prior to October this year a copy of the film, euphemistically speaking, 'went astray', somewhere in England and it was suspected that that copy may have found its way to South Africa. Moroville Limited then caused an advertisement to be placed in a local newspaper

threatening dire consequence to any person in South Africa who might wish to exhibit the film and indicating that it, that is to say Moroville Limited, is: 'The sole and exclusive agent for the producer', of the film, whatever that expression might mean. Following upon this advertisement a firm of attorneys wrote to Moroville Limited the letter, which is Annexure Z to the present application, and which was a letter written on behalf of the second respondent. The letter indicates that investigations reveal that the post office box number given in the advertisement as being that of Moroville Limited was in fact a post office box of Vagar and that it was apparently Vagar who caused the advertisement to be inserted. The import of the letter is that the second respondent was negotiating for the film and the letter enquired whether or not it could be shown that persons other than those with whom it was negotiating in fact held the rights in the film. Various questions are asked in this letter, the more important of which are the following:

Firstly it is asked:

'Will you please let us know whether Mr Raman Vagar, trading as Rajshree Release ...' (that is the present applicant) '... and/or VIP International has acquired the copyrights in the film 'Kaala Pathar' for this Territory.'

Later in the letter the following is said:

'We have been instructed by our clients that they are presently engaged in the acquisition of a copy of this film together with all the rights relating to it. It is not the intention of our client to infringe anyone else's rights of copyright in this film, and if you forward us details setting out your copyright of this film in the Territory of South Africa we shall advise them to break off all negotiations for this film for South Africa.'

This letter was replied to by the applicant's present attorneys on 8th October 1979. The letter, which is annexure 'V' to the application, reveals that the attorneys purported to act on behalf of Moroville Limited, as represented in South Africa by Vagar. The letter indicates that the maker of the film is Yash Chopra, not the company Yashree Films (Pty) Limited. It indicates that Yash Chopra has assigned his copyright to Trimurti Films. It then goes on to reveal that Trimurti Films have in turn appointed Moroville Limited of London as the sole and exclusive agents for the film for the rest of the world, excluding India and that Moroville Limited, in turn, have appointed Vagar as its sole agent in the Republic of South Africa.

Upon the basis of the authority of all the documentation now relied upon by Vagar as conferring exclusive licence on the applicant and, bearing in mind that the last of those agreements, namely the agreement between Noel and Company and the applicant, was allegedly concluded on the 17th August 1979, this reply is exceedingly strange. If that documentation was authentic and reliable and was, in Vagar's view, authentic, reliable and capable of being

proved, it is amazing that his attorneys did not, in reply to the direct question whether or not the applicant, or Vagar trading as the applicant, had acquired copyright in the film, answer that in fact it was the 'exclusive licensee' of the film.

The letter of the 8th October 1979, in fact indicates a totally different state of affairs. It does not seek to suggest that Vagar himself, or any of his firms, had acquired any real rights in the film but rather that he was merely the sub-agent for Trimurti Films (Pty) Limited which in turn was the world-wide copyright holder and holder of the world-wide distribution rights. The letter written by the second respondent's attorneys expressly and specifically, in the passage to which I have already referred, raised the question of copyright and this question was totally ignored except insofar as the maker Yash Chopra and Trimurti Films was concerned. All this leads one to entertain considerable doubt as to either the reliability of the documentation in terms of which Vagar acquired his so-called exclusive licence, or at any rate indicates an apprehension on the part of Vagar that all was not what it seemed to be. But the matter does not end there.

The agreement between Trimurti Films and Yashraj Films, the start of the chain of events, was signed on behalf of Trimurti Films, according to annexure 'H', by one M B Maharaj. That agreement is dated the 5th February 1979. The agreement between Trimurti Films and Noel and Company is dated the 23rd July 1979, and is also signed on behalf of the Trimurti Films by one Maharaj, the initials of whom are not entirely clear. What is, however, clear is that the signatures on behalf of Trimurti Films in these two documents are not those of one and the same person. Now, of course, as was pointed out by Mr Law, on behalf of the applicant, there may well have been two persons bearing the name Maharaj who had authority to act on behalf of Trimurti Films but there is no explanation at all in the papers as to who either Maharaj is or as to the authority of either of them to act on behalf of Trimurti Films.

For the applicant to succeed in obtaining confirmation of the rule it is necessary for it to make out a *prima facie* case, though open to some doubt, and to show that the balance of convenience favours the grant of the interdict. It is not claimed by anybody that a clear right has been shown.

In order to establish a *prima facie* case open to some doubt, it must be shown by the applicant, *prima facie* at any rate, who was the original copyright holder, that is to say the maker of the film, that there has been a valid series of written agreements, starting with an agreement to which the copyright holder is a party and ending with an agreement to which the applicant is a party, giving the applicant the necessary rights it seeks to protect. Quite clearly, for reasons I shall elaborate upon in a moment, not all the allegations made with regard to this are made as a result of direct

evidence by the deponent to the affidavit. A great deal of what is said regarding the making of the film, the original holder of the copyright in the film, and regarding the conclusion of the various agreements form the subject of hearsay evidence. This is recognised by the applicant who, at the same time, discloses, as he is obliged to in cases of this kind, the source of its information. But it seems to be reasonably clear that even where, in urgent matters, the source of information is disclosed, whilst the court can, it is not obliged, to act upon that evidence. There is no absolute rule which obliges a court to have regard, even in cases of urgency, to hearsay evidence simply because the source of the information and the grounds for the belief in its truth are stated. In this regard see *Yorigami Maritime Construction v Nissho-Iwai Company Limited* 1977 (4) SA 682 (C) at 692 B-D.

As I see the position therefore, the court has a discretion whether or not to act upon hearsay evidence. Very often the court, in matters of urgency, will do so since otherwise rights might be infringed before an applicant is able to place proper direct evidence before the court and in this way the interest of justice would be defeated. But each case must inevitably depend upon its own merits.

In the light of the history of this matter, as I have outlined it, some time elapsed before a rule was ultimately obtained and accordingly some additional time, perhaps not sufficient, was available at least to permit of an earnest attempt, to obtain the necessary direct evidence. Of course, a difficulty prevalent in this matter, which is prevalent in so many matters of this kind, is that because of an apparent trade embargo in India on persons there conducting business or any form of trade with persons in South Africa, Indian citizens and persons domiciled in India, are reluctant to make affidavits in proceedings in South African courts which might tend to suggest that they have, in some way or another, been guilty of a breach of this embargo. It is this, however, which causes difficulty, both in the present case and in other similar cases which have come before this court.

In the present case all the allegations regarding the making of the film are hearsay. The fact that the film was apparently made in India, censored for the first time in India, and made by Yash Chopra who in turn is said to be an Indian citizen, are allegations made by the applicant who does not have personal knowledge of this but claims that when he once met Yash Chopra he was given this information by Yash Chopra. Indeed, what is set out by Vagar in his originating papers regarding the starting point of the enquiry, is commenced with the words: 'When I met the said Yash Chopra he confirmed that ...'

There is a great deal of confusion, even on this hearsay evidence, as to whether it is Yash Chopra personally or the company Yashree Films (Pty) Limited which was the maker of the film and accordingly it is by no means

clear that the originating agreement, that is to say the agreement between Yashraj Films and Trimurti Films, was sufficient and that, if indeed the copyright holder was Yash Chopra personally, there was ever an agreement whereby he transferred his rights in the film to Yashraj Films. But be that as it may, all those allegations which are made as to the basis upon which Yash Chopra, either himself or his company, Yashraj Films (Pty) Limited is said to have copyright and as to the fact that various requirements of the South African Copyright Act in this regard have been complied with, are the subject of hearsay evidence.

When one traces the documentation thereafter it is true that the applicant says the signature of Yash Chopra is known to him, and that he can confirm Chopra's signature to the first agreement, (that is the one between Yashraj Films and Trimurti Films), but there is no direct evidence that confirms the validity or veracity of any of the signatures on behalf of Trimurti Films, either on the agreement between it and Yashraj Films or on the agreement between it and Noel and Company. An affidavit has been filed by the principal of Noel and Company but it does not seem from this affidavit that the despondent is able to speak, with personal knowledge, of Trimurti Films or of the authority of one or other of the Maharaj's who purported to act on behalf of Trimurti Films. There is nothing whatever to indicate that the agreement, for example, between Noel and Company and Trimurti Films was not concluded through the post and that therefore Noel and Company had direct knowledge of who or what Trimurti Films was or who had authority to act on its behalf.

In the light of the background of this case, which I have outlined in some detail, and bearing in mind the indications which must have been present to the mind of the applicant before the application was launched, as also the various indications in these papers as to the possible lack of authenticity of documents and as to the difficulty of who the initial copyright holder was, I am not prepared, in the exercise of my discretion, to have regard to any of the hearsay evidence. It seems to me that to have regard to the hearsay evidence results in a source of conflict and confusion in the present case and that where, as in the present case, there is reasonable and substantial ground for doubting the authenticity of the documentation and for doubting the facts and circumstances regarding the original acquisition of copyright, direct evidence should be insisted upon.

What I have said relates, of course, solely to the facts of the present case. It may well be, however, that in other cases, and having regard to the sort of difficulty that one encounters in applications of this kind, and which have plagued our courts for many years now, where documents of somewhat dubious origin are forever appearing in a massive set of affidavits and where one finds, as indeed I have found myself, documents bearing different

signatures all apparently emanating from a single source, that even in cases where there is nothing in the case itself directly to lead one to believe there is any doubt as to the validity or the authenticity of the documents, the court may well insist upon direct and not hearsay evidence even though rights are involved which require urgent protection. But this is, or possibly is something for the future.

In the present case I have no regard to those factors of general application to matters of this kind; I have regard simply to the matters which I have enumerated that are specifically relevant to the present application and which create a general background of confusion and suspicion and because of which I am not prepared to act on any of the hearsay evidence. It follows that if one, as I do, excludes from consideration the hearsay evidence, the applicant has not made out a case for relief either *prima facie* or otherwise.

In the result the rule is discharged with costs, such costs to include those consequent upon the employment of two counsel.

M C A INTERNATIONAL BV v MOVIE TIME

DURBAN AND COAST LOCAL DIVISION

PAGE J

17 MARCH 1980

To establish authorship of films, it must be shown that the person claiming authorship was the person by whom the arrangements for the making of a film were made. A bare allegation of a claim to authorship which does not demonstrate that this is what is meant by 'author' will not confer copyright protection on an applicant seeking such protection.

The applicant obtained a rule nisi interdicting and restraining the respondent from using, copying or hiring out all video tapes bearing thereon copies of cinematographic films to which the applicant held the exclusive copyright. Further, related, relief was obtained, inter alia authorising the sheriff to enter the respondent's premises, inspect the video tapes found there and hand over to the applicant certain specified video tapes. The respondent anticipated the return day and asked the court to discharge the rule.

The applicant was a company incorporated in accordance with the laws of the Netherlands, whose business was the licensing of films in which it held the copyright. In the applicant's papers, it was alleged that it was the author of the films to which the proceedings related and that it was the owner of the copyright in the films. The applicant omitted to state when any of the films in issue was made or first published.

Assuming that the Copyright Act (no 98 of 1978) applied, and not the 1965 Copyright Act, the matter was governed entirely by section 31 of that Act. This section provides that copyright shall be conferred on every work eligible for copyright of which the author is a qualified person. The provisions of the Act had been made applicable to Berne Convention countries, including the Netherlands. Since an 'author' was defined in the Act as the person by whom the arrangements for the making of a film was made, the applicant had to show: i) that it was the person by whom the arrangements for the making of the films was made, and ii) that it was at that time, a body incorporated under the laws of the Netherlands.

The allegation by the applicant that it was the author of the films did not mean that it was the author as defined in the Copyright Act. The fact that the allegation was made at the conclusion of a passage in which claim is laid to the copyright in the films and that there was a specific reference to the Copyright Act, did not establish that the applicant used the word 'author' to convey the specialised meaning of 'author' accorded the term in the Act. Unless the applicant set forth facts upon which the allegation was based, the bald statement that it was the author would be insufficient to prove the authorship required for copyright protection.

The rule nisi was discharged.

Page J: The applicant in this matter brought an urgent application, without notice to the respondent, for a rule *nisi* to operate as an interim interdict, and certain additional relief. An order was granted by my brother Milne on the 11th March 1980 in the following terms:

- '1. THAT a rule *nisi* do issue calling upon the respondent to appear and show cause, if any, to this Court on the 11th APRIL 1980 9.30 a.m., why an order should not be granted:
 - (a) interdicting and restraining the respondent from using, copying,

- hiring out or in any other way disposing of all video tapes bearing thereon copies of cinematograph films to which the applicant holds the exclusive copyright;
- (b) authorising the applicant to retain permanently the tapes referred to in Annexure ``A" hereto;
- (c) ordering the respondent to pay the applicant's attorney and client costs.
2. THAT the Deputy Sheriff and a representative of the applicant be and are hereby authorised to enter upon the premises of the respondent for the purpose of inspection and examination of all videotapes on the premises or in the possession or under the control of the respondent, and that for such purpose the applicant's representative may cause to be screened on the applicant's equipment all such video tapes and may bring on to the respondent's premises the necessary equipment for the purpose of identifying copies of those video tapes to which the applicant claims exclusive copyright.
3. THAT the respondent be interdicted from removing from its premises or from permitting the removal therefrom, of any video tapes until such video tapes have been examined in terms of paragraph 2 above.
4. THAT in respect of any video tapes sought to be hired by a customer of the respondent during the presence upon the said premises of the Deputy Sheriff and a representative of the applicant in terms of paragraph 2 hereof, such video tape be submitted for immediate examination, prior to it being so hired.
5. THAT the Deputy Sheriff be and is hereby authorised to hand over to the applicant all such video tapes and copies thereof as are listed on Annexure ``A" hereto.
6. THAT the above rule *nisi* operate as an interim interdict in terms of paragraph 1(a) above.'

The respondent has anticipated the return day of this rule and has asked the court to discharge the rule on the ground that the applicant did not in its founding affidavit make out the *prima facie* case necessary to entitle it to the relief claimed.

The application was based upon the applicant's alleged copyright in a number of cinematographic films. It was alleged that the respondent was infringing this copyright by using, copying, hiring out or otherwise disposing of, video tapes, which comprised, to its knowledge, infringing copies of the said films.

Respondent contended, firstly, that the deponent to the applicant's founding affidavit, one Brodie, had failed sufficiently to prove that he was duly authorised to represent the applicant in these proceedings. The relevant passages in his affidavit are the following:

'1. The Applicant is M C A INTERNATIONAL B V, a limited liability company incorporated in accordance with the laws of Holland carrying on business at Rijswijkstraat 175, Amsterdam, The Netherlands...

3. I am the Managing Director of the Applicant and I am duly authorised to represent the Applicant herein and to make this Affidavit, the facts herein contained being within my personal knowledge, save where otherwise stated.'

It was argued that this evidence was insufficient to establish his authority and reliance was placed upon the decisions in *Pretoria City Council v Meerlust Investments Limited* 1962 (1) SA (A) at 325 C-F, and *Griffiths & Inglis (Proprietary) Limited v Southern Cape Blasters* 1972 (4) SA 249 (C) at 252 G-H and 253 F.

Whilst these decisions establish the necessity for a deponent, purporting to act on behalf of a corporate body, to state that he has been properly authorised so to do, they are not authority for the proposition that the *form* of statement used by the deponent in the present case is inadequate for that purpose. On the contrary, in *Mall (Cape) (Proprietary) Limited v Merino Ko-operasie Beperk* 1957 (2) SA 347 (C) at 352, the wording employed in the present case was held to be sufficient. If the authority is challenged, the applicant may have to elaborate thereon in reply. But in the absence of challenge, a statement that the deponent is duly authorised to represent the body concerned is accepted as adequate *prima facie* proof of that fact. I am accordingly of the view that there is no substance in this point.

The principal argument advanced by the respondent was, however, that the applicant had failed to prove that it was the owner of the copyright on which its application was based. It was contended, firstly, that there was confusion as to whether the allegations upon which the averment of ownership was based related to the applicant itself or to an entity referred to as MCA TV.

The relevant passages in the evidence comprise, firstly, para 2 of Mr Brodie's affidavit, which reads as follows:

'The applicant carries on business, *inter alia*, as a manufacturer and producer and distributor of cinematograph films and video tape copies thereof through its division known as M C A TV.'

Para 11(a) of the affidavit describes one Don Gale as the applicant's salesman. The affidavit of Mr Gale himself, which was also filed on behalf of the applicant, states that he is a Vice-President of M C A TV.

It does not seem to me that this evidence warrants the conclusion that M C A TV is a legal entity apart from and independent of the applicant. But even if this were so, the statement that the acts described in para 2 were committed by the applicant through M C A TV is clearly, at the very least, an allegation that those acts were committed on behalf of the applicant. In

any event, these are not the acts upon which the allegation of ownership of the copyright is founded.

The main thrust of the respondent's argument was directed to the absence of adequate proof that the statutory requirements for the vesting of the alleged copyright in the applicant had been satisfied. It has been stressed in past decisions that it is essential for an applicant for relief, including interim relief, in relation to an alleged infringement of copyright, to establish that the alleged copyright exists and that he, by virtue of his ownership thereof or other title thereto, is entitled to enforce that right against the alleged infringer.

In *Vagar (t/a Rajshree Release) v Transvalon (Proprietary) Limited* 1977 (3) SA 766 (W), McEwan J said at page 775 C:

'Copyright is a technical subject. In my view it is essential that a person who claims to be the owner of a whole or partial copyright should offer evidence, even if it is hearsay evidence in circumstances which may justify the use of hearsay evidence, to cover the technical points necessary to establish his claim. That the applicant, in my opinion, has thus far failed to do.'

In *Avin Film Distributors (Proprietary) Limited (t/a Avalon International Films) v Adelphi Cinema and others* 1979 (1) SA 752 (N), which was an application for interim relief, my brother Hefer said, at p 754 A-F:

'It is, of course, of the very essence of an application for an interdict that the right which is sought to be protected, be proved and that is what the applicant will have to do in the action that is contemplated. But it is trite that for purposes of obtaining interim relief, all that is required is that the right in question be *prima facie* established, although it may be "open to some doubt". This principle also applies in cases like the present. (Cf *Chopra v Sparks Cinemas (Proprietary) Limited and another* 1973 (4) SA 372 D at 375). Nevertheless, it hardly needs stating that sufficient allegations must at least be made *prima facie* to show that the applicant possesses the "...right for which he contends".'

It thus becomes necessary to examine the nature of the allegations which are to be made in order *prima facie* to establish the right in the instant type of case. Applicant's counsel did not claim to be entitled to any form of common law relief; he rested his case squarely on the basis that the applicant is, as exclusive licensee, entitled copyright protection in terms of the Copyright Act, and it follows that the answer to the question whether he has *prima facie* established his right is to be sought in the provisions of that Act. Bearing in mind the fact that copyright does not subsist in just any cinematograph film and that infringement of copyright is only actionable at the suit of the owner thereof or at the suit of an assignee or exclusive licensee, it appears to be quite clear that, in order to establish the right in

respect of which protection is sought, an applicant has to establish, firstly, that there is in fact a right which is legally capable of protection, in this instance, copyright subsisting in a film, according to the provisions of the Act, and, secondly, that he, either as the owner, or as assignee or exclusive licensee, is entitled to protection against infringement thereof. These are the two requirements (apart from infringement or threatened infringement) for protection and the allegations in any application for protection must plainly be sufficient to afford *prima facie* proof of both.

The omission by the applicant to state when any of the films in issue was made or first published led to some debate as to whether the applicant's claim to copyright therein was governed by the provisions of the present Copyright Act (no 98 of 1978) or the repealed Copyright Act (no 63 of 1965). The applicant bases its case solely on the provisions of the present Act, and there can be no dispute that it has not made out a case for ownership of the copyright in question if the repealed Act applies. In the light of the conclusion which I have reached, however, it is unnecessary for me to decide which Act applies, and I shall assume in favour of the applicant that the matter is governed entirely by the provisions of the present Act, the relevant provisions of which are as follows:

section 31 provides that—

'Copyright shall be conferred by this section on every work eligible for copyright of which the author ... is, at the time the work or a substantial part thereof is made, a qualified person - that is ... (b) in the case of a juristic person, a body incorporated under the laws of the Republic'.

Section 1 of the Act defines 'author', in relation to a cinematographic film, as 'the person by whom the arrangements for the making of the film were made'. This is, obviously, an artificial and technical connotation far removed from the usual meaning of the word. (Cf *Laws of South Africa* Vol 5, p 230, para 331).

The provisions of the Act have, in terms of section 37 thereof, been made applicable to Berne Convention countries by Government Notice no 2565 dated 1978-12-22.

Para 2 of the Notice provides, *inter alia*, that -

'..... the provisions of the Act shall, in the case of any country specified in Schedule 1'

(which includes the Netherlands)

'..... apply in relation to bodies incorporated under the laws of that country as they apply in relation to bodies incorporated under the laws of the Republic'.

Applicant, as appears from the evidence already quoted, was, at the time of launching of the present application, a limited liability company incorporated in accordance with the laws of Holland. The effect of the

provisions recited is that, in order to establish its ownership of the copyright in the films in question, it was obliged to show that (a) it was the person by whom the arrangements for the making of each such film was made and (b) that it was, at the time when each such film or a substantial part thereof was made, a body incorporated under the laws on the Netherlands.

The evidence adduced to prove these facts, apart from that already quoted, was the following:

1. The applicant's business is stated to be the licensing of films in which it holds the copyright;
2. The applicant is stated to be 'in fact the author of all the films' to which the present proceedings relate;
3. The applicant is alleged to be the owner of the copyright in the said films.

Counsel for the applicant contended that it was a necessary inference from the context in which the statement that the applicant was the author of the films was made, that the dependent meant thereby the author *as defined* in the Copyright Act (no 98 of 1978). They further contend that if this was accepted, it followed as a necessary implication of that statement that the applicant was a body incorporated in the Netherlands at the time when the films were made because, if it were not, it could not have made the arrangements for the making of the film.

The contextual matters upon which reliance was placed were, firstly, the fact that the statement was made at the conclusion of a passage in the affidavit in which claim is laid to the copyright in the films, and, secondly, the fact that there is later in the affidavit a specific reference to the Copyright Act (no 98 of 1978), in connection with the averment that the respondent's conduct may constitute a criminal offence under that Act. Neither of these facts persuades me that the deponent was aware of the specialised meaning accorded to the word 'author' in the Act, or that he was necessarily using the word to convey that meaning in his affidavit. If that was his intention, the least he could have done was to say so. In any event, the bold statement that the applicant was the author of the films within the meaning of that term in the Act, would also in my view have been insufficient to comply with the requirements laid down in the authorities already quoted, unless the deponent also set forth the facts upon which that statement was based. (Compare the *Avin Film Distributors* case at 755 A-D). It follows that I am of the view that the applicant has failed to establish that it is the owner of the copyright on which it relies and is not entitled to the relief claimed. I may mention that although the founding affidavit was apparently drafted with a view to invoking the presumption created by 26(6) of the Act, the applicant's counsel disavowed any reliance thereon, conceding that the factual basis for the operation of the presumption had not been established.

1. In the result, the rule *nisi* is discharged.
2. It is declared that paras 2, 3 and 4 of the Order granted on 11th March 1980 shall cease to operate.
3. The Deputy Sheriff is directed and the Applicant ordered to return to the Respondent all video tapes and copies thereof removed from the possession of the Respondent in terms of para 5 of the said Order.
4. The Applicant is to pay the costs of the application, including those consequent upon the employment of two counsel.

**EHRENBERG ENGINEERING (PTY) LTD v TOPKA t/a TOPRING
MANUFACTURING AND ENGINEERING**

TRANSVAAL PROVINCIAL DIVISION

VAN DIJKHORST AJ

21 MAY 1980

In determining whether there has been copying of a copyright work, a close likeness between the two works is indicative of copying. Substantial copying will be proved even when it is shown that some of the differences between the two works are material differences. This will be the case when the important features of the copyright work are repeated in the other work. Similarities in the works cannot be explained by the fact that both works were produced using the same original work as a basis for production if the two works are also similar in the ways in which they both differ from the original work.

While he was in the employ of the plaintiff, one Kuhlman drew two engineering drawings. They were original works, and it was common cause that they fell under the definition of artistic work in terms of sections 2 and 3 of the Copyright Act (no 63 of 1965) and sections 2 and 3 of the Copyright Act (no 98 of 1978).

The defendant manufactured the bins pursuant to an order given to it by the plaintiff for their manufacture. Copies of the drawings were given to the defendant during the process of manufacture. Prior to manufacture, the defendant received a sample of the kind of bin required by the plaintiff and took measurements of it with a view to making the bins which had been ordered. This bin was a product of a Swedish company. The sample bin consisted in a container resting on a base of two shoes. It was designed to tip like a rocker chair and for this purpose had two curved semicircular tracks attached to the container. Pins inserted in holes in the bottom tracks prevented the container from slipping off the tracks.

Kuhlman had used the bin as the basis upon which to make the drawings. In them, he altered the sample bin so that the pin and holes were interchanged, incorporated a retaining pin and supporting bracket, cut off one of the sharp corners and changed the internal dimensions of the shoes to accommodate the standard prongs of fork-lifting trucks in South Africa. The alterations he had effected on the original bin were also features of the defendant's manufactured bin. However, there were some differences between the drawings and the manufactured bin. These were caused by the backward positioning of the curved track, larger holes, a change in the lip, length of the handle and length of the rail at the back.

The question for decision was whether or not there had been an infringement of the plaintiff's copyright.

The defendant's manufactured bins were so similar to the depictions given in the drawings that the parties could not have reached their two versions entirely independently. The fact that the drawings were the original work of Kuhlman drawn while in the plaintiff's employ meant that the plaintiff held the copyright in the drawings.

The defendant had the plaintiff's drawings during the process of manufacture and this showed that he had it available for copying if he wanted to. The fact that there was a close likeness between the drawings and the manufactured bin was indicative

of copying and the similarity between them led to the conclusion that the drawings or similar drawings were used in the production of the bins. The similarities, being in those respects where the drawings and the manufactured bins both differed from the original bin, the similarity could not be explained by the suggestion that both parties attempted to copy the same original bin.

As far as the admitted differences were concerned, the lengths of the handle and the rail at the back were not of any importance. The first three were material differences, but this did not detract from the fact that a substantial part of the copyright work had been copied.

The important features of the drawings all appeared in the bins. Where alterations had been made, these were relatively minor and they were made not as new design features, but enforced by practicalities such as available material. To be a reproduction, an exact replica is not required. This was the position under section 47(1) of the 1965 Copyright Act and remains the position under the 1978 Act, as is evident from a reading of sections 7 and 23(1) of the later Act.

The inference to be drawn was that the manufactured bins were three dimensional reproductions of the plaintiff's drawings and it followed that an infringement of the plaintiff's copyright had taken place.

Van Dijkhorst AJ: At this late stage of the proceedings, during argument, two sets of amendments were applied for by Mr Bowman, on behalf of the plaintiff.

The first set of amendments is set out in a document which I marked 'X' and which is in handwriting. These amendments related to the prayers. The application in respect of those amendments was not opposed, and I granted those amendments.

The second application pertains to certain amendments to the further particulars and the particulars for trial.

The application was to amend, firstly, paragraph 3(c) of the further particulars at page 17 of the pleadings to read as follows in the introductory portion thereof:

'The defendant made working drawings from the original drawings or copies thereof and built the "donkey" bins from those drawings.'

In the further particulars for trial an amendment is sought at page 48 of the pleadings in paragraph 3(a) which is now to read as follows:

'Yes - the plaintiff handed said Annexure "A" and "B" and/or copies thereof to the defendant.'

In support of this application for amendment, Mr Bowman referred me to the defendant's discovery affidavit, items 2 and 3, which refer to an original drawing, not a copy of the drawing and he states that this amendment arises from the attitude taken up by defendant during argument, which attitude is of a technical nature. I do not entirely agree with him. The pleadings up to this stage were that certain drawings, Annexures A and B to the further particulars supplied in amplification of the particulars of claim were in fact

used by the defendant in the manufacture of these bins. The case so far has not been that EXHIBITS 2(b) and 1(b) which were discovered by the defendant were used by the defendant for this purpose.

Mr Plewman opposed the amendment. He stated that he deliberately did not lead evidence on EXHIBIT 2(b), that he would have to ask for particulars of the amendment and that he had not dealt with this aspect at all.

The application for amendment arose from difficulties I put to counsel during the argument. Throughout the trial it was common cause, as I see it, that EXHIBITS 1 and 2 were never in the possession of the defendant, but that what was in the possession of the defendant were EXHIBITS 1(b) and 2(b). I have duly considered the objection of Mr Plewman and I have also considered the manner of the presentation of the case by both sides. I have come to the conclusion that to do proper justice between the parties, the amendment is to be allowed. Any prejudice that may result from this late amendment may be met by a postponement of the proceedings or a reopening of the proceedings and/or an appropriate order for costs. It is therefore ordered that the amendments be allowed.

This matter relates to an alleged infringement of copyright in two engineering drawings drawn by one Kuhlman in 1972 when he was in the employment of the plaintiff. The drawings are EXHIBIT 1 and 2. Annexures A and B to the pleadings. They were made under the following circumstances: Asea Electric placed an order for certain bins of a Swedish design with the plaintiff, which order was in turn placed by the plaintiff with the defendant, who manufactured them. The purpose of such a bin is to convey goods or material therein. It is a container resting on a base consisting of two shoes. The bin is designed to tip, much as a rocker chair does, and for this purpose two curved, semicircular tracks attached to the container itself, roll forward and backward on two flat tracks attached to the base. To prevent the container from slipping sideways off the tracks, pins are attached to the tracks, and these pins attain the required stability of the container by engaging in holes in the opposite track. In the Swedish bin these holes are in the bottom tracks and the pins form part of the upper or curved tracks. The shoes are open-ended to permit the pick up of the bin by a forklifter.

According to the plaintiff's managing director, Mr Von Ehrenberg, the plaintiff, not wanting to market a copy of the Swedish bin, instructed its employee and manager, Mr Kuhlman, to design a bin for marketing in South Africa. The result of Kuhlman's efforts are the engineering drawings, the subject of this dispute.

The bin allegedly designed by Kuhlman differs from the Swedish bin in the following respects:

1. The pin and holes are interchanged. Whereas in the Swedish bin the pins

- are in the top track, in the new design the pins are in the bottom track.
2. The new design has a retaining pin and supporting bracket, which prevents the container from moving off the track.
 3. Whereas the Swedish bin has a sharp corner at the locking device, the new design is more compact and the sharp corner is cut off.
 4. The internal dimensions of the shoes are changed to accommodate the more standard prongs of forklifting trucks in South Africa.

According to Dr Greenland, expert for the plaintiff, the new design is a substantial improvement on the Swedish bin and one on which a lot of time, work and effort were expended. This is obvious when one compares the Swedish bin as depicted in the brochure, EXHIBIT 5 (document 4), with the design on the engineering drawings, EXHIBITS 1 and 2.

I find that the drawings fall under the definition of artistic work in terms of sections 2 and 3 of the Copyright Act of 1956 and also sections 2 and 3 of the Copyright Act (no 98 of 1978).

As far as originality is concerned, there is a dispute of fact. The plaintiff's witness, Mr Von Ehrenberg, testified as follows: He stated that the previous manager of Ehrenberg Engineering, Mr Kuhlman, is at present 76 years old, suffers from his heart and has over the last 6 to 8 months deteriorated rapidly. He cannot drive, and his memory has started failing, and from that it follows that Mr Kuhlman is not able to attend court to give evidence. He was not called on behalf of the plaintiff. Mr Von Ehrenberg stated further that he was the managing director of the plaintiff, had been so at all relevant times, and that he made the final decisions on customers and also decided if the plaintiff should represent firms from overseas.

Kuhlman daily reported to him in respect of the business of the plaintiff. According to Mr Von Ehrenberg, Kuhlman was a very experienced man who had done designs overseas and in this case he also did the drawings. The witness saw Kuhlman drawing sketches and drawing a bin and saw him make cardboard forms of the proposed bin. He also discussed various possibilities in respect of the proposed design of the bin with Kuhlman and the snags that they would have in the production thereof. Although he stated that the whole design of the ultimate bin was that of Kuhlman, it is clear from his evidence that ideas were suggested by himself and Kuhlman although he cannot recollect which features were suggested by him and which were suggested by Kuhlman.

He placed before the court document 10, in EXHIBIT 5, which is a letter dated 5 June 1972, proposing an arrangement between the plaintiff and the defendant, and which is in the following terms:

'Topring Manufacturing & Engineering ...
re: MANUFACTURE OF TRANSPORT BINS

We intend to put on the South African market a special transport bin of our own design. For the manufacture and sale we propose the following agreement:

We place orders for the manufacture solely with you and expect that you pass all enquiries, which you may receive, directly to us. The marketing is to be carried out by us at design features and prices worked out together. The advertising and publication of articles is our obligation but will also be subject to mutual cooperation.

We propose for the time being that this agreement is valid for two years and subject to cancellation 6 months before the expiry date 1st June 1974. During this time no bins of any similar design can be manufactured or sold without mutual consent.'

He placed before the court the copy which was still in the files of the plaintiff. This copy is initialled by himself and by Mr Kuhlman, and he stated that the original had been handed to the defendant. This is not disputed.

With reference to the words 'transport bin of our own design' his evidence is that the plaintiff created its own design and that that design was handed to Topring. He states that Kuhlman did this design from the illustration he got from Asea, which is part of the documents before court and also from dimensions which he brought back from Pretoria. Obviously, the witness was not present when the dimensions were taken, but ostensibly the dimensions were taken by Kuhlman at Asea's works in Pretoria. After the first order was obtained, the plaintiff decided to market the bin and not only manufacture the few bins ordered by Asea. The intention was to lay the bins in stock and as the first order from Asea referred to an existing design of Swedish origin, the witness insisted on a re-design. He did not want to market a copy of the Swedish bin.

He stated that after the dimensions had been taken by Kuhlman, Kuhlman started the design and first of all produced EXHIBIT 7, which is also Annexure C to the pleadings. This drawing is dated 25 May 1972 and is a drawing very much like the picture of the Swedish bin in the brochure which is part of EXHIBIT 5 in the form of document number 4.

He states that he saw dimensions in the possession of Kuhlman, that he saw this drawing being made by Kuhlman, that he saw him trying to establish the centre of gravity, and that it is a very near copy of the Swedish bin, compared with the photograph in the brochure.

He instructed certain alterations to be made to this design so that it could not be regarded as a copy of the Swedish bin and thereupon put pins into the shoes, and not in the curved section of the tracks. His reasons were the following:

1. There was a manufacturing reason. It would be easier to put the pins in

the shoes (as he called them - elsewhere they have been called the lower tracks).

2. Pins in the upper section might be a hazard.
3. The haltering of the bin should be altered. The retaining brackets should be of a different design he decided upon.
4. The back release mechanism is different. Asea had reported that the mechanism was being damaged by the forklifts, and they thereupon moved the mechanism away from the back and chamfered it to place it to a certain extent out of reach.
5. The shape of the back was slightly inclined in the Swedish design, and they straightened it out vertically.

Thereupon Kuhlman produced EXHIBITS 2 and 1. EXHIBIT 1 is not to be found on EXHIBIT 7. EXHIBIT 2 contains the features which were inserted on the instruction of the witness, Mr Von Ehrenberg.

Although Mr Von Ehrenberg did not supervise everything that Kuhlman did and Kuhlman must have carried out many of his duties without the witness being present, Kuhlman would report back to the witness on important happenings and alterations according to the witness. They discussed changes of the drawing and he relates these changes to the writing of the letter to the defendant, document number 10 in EXHIBIT 5, which I have read out. The witness in fact saw Kuhlman making the changes in the drawings and the witness reiterated during cross-examination that the idea was evolved by Kuhlman on paper with the witness.

The witness did not have any important dealings with the defendant. Once or twice he visited the defendant's workshop to see how production went on while the bins were being manufactured, but in the main the contact between the plaintiff and the defendant was through medium of Kuhlman. On the technical side the defendant dealt with Kuhlman exclusively.

At a stage they did obtain a bin from Asea. Kuhlman arranged for the bin to be sent from Asea to Topring by truck in order to be utilised as a sample after Kuhlman had asked the permission of the witness for this to be done. Whether in fact the bin was sent or not, whether it was in fact sent by truck or not, the witness obviously cannot say, but on the probabilities the bin was sent and there is no dispute about the fact that a sample was received and kept for a couple of hours by the defendant at the defendant's workshop in order that the defendant could take certain measurements.

The witness stated that document number 10 in EXHIBIT 5 (the letter I have read out) is in fact an agreement between the plaintiff and the defendant. He stated that Mr Topka, the defendant, agreed to the terms thereof, that his signature was on the letter, and that therefore the defendant was bound thereby.

During cross-examination it was put to him that he had not disclosed a signed copy. He was requested to obtain the signed copy, signed by the defendant, and he was unable to do so, despite search. Cross-examined on this aspect, he had to concede eventually that on the probabilities, the document had not been signed by Mr Topka, especially in view of the fact that the original of this document was disclosed by the defendant, and that original had not been signed by Mr Topka.

The gist of the evidence by Mr Von Ehrenberg on behalf of the plaintiff is therefore that Kuhlman designed the bin depicted on EXHIBITS 1 and 2 and that the defendant played no parts in this design.

The defendant gives an entirely different version. He states that in April 1972 he was approached by Kuhlman who requested whether he would be able to manufacture bins. Kuhlman explained the bins to him but he (Mr Topka) requested a sample. Kuhlman thereupon had the sample delivered at the end of April or the beginning of May. He only obtained a pamphlet from Kuhlman and there was not much on it. He produced in court photographs set out in EXHIBIT 5, document 1, which he took when the sample was on his premises for a couple of hours. These are photographs of the Swedish bin sent on the truck of Asea to the premises of the defendant, for sampling purposes. It is the big bin called the T 1100. He states that he made a large number of sketches of this bin and took the important measurements, to enable him to build the bin.

He informed Kuhlman that he was not in a position to manufacture that specific bin as his firm was very small and he had only a few machines; certain adaptations were necessary. He stated, however, that he needed nothing else from Kuhlman apart from this sample which he had seen, the photographs he had taken and the brochure, and three or four days later he obtained the order. This order is document 8 in EXHIBIT 5, which is dated 5 May 1972 and reads as follows:

'We have much pleasure in confirming our verbal order for the following:
4 transport bins similar to type T 300 dimensions as obtained from
existing bins in Asea's workshop
Price ex works, Johannesburg R92-00 each R368-00
4 Transport bins similar to type T.1100
dimensions as obtained from existing
bins in Asea's workshops
Price ex works, Johannesburg R144-00 each R576-00
Time of delivery: 4 weeks'

and it is signed on behalf of Ehrenberg Engineering by the plaintiff.

He states that he took as a starting point the existing steel plates in South Africa to design the sides of this bin. He contacted Mr Nel, the production

engineer of Asea, explained his problems to Mr Nel, and Mr Nel told him to proceed and to send a prototype first of all to be inspected by Asea. He had no drawings at all, and step by step he made templates and jigs for the purpose of the manufacture of these bins. He only worked on the basis of templates and, of course, the jigs. The change in the position of the pins from the curved section of the track, on top, to the bottom track, below, was done as a result of his first problem and that is that he only had a hand bending machine, for the purpose of manufacturing the curved section. It would have been difficult to do this with the pins in that section and therefore the pins were obviously to be moved to the lower section, the straight section of the track. This was the idea of Mr Topka, according to him. It is his design.

He states that drawings 1B and 2B were in his possession; he had obtained them in the middle of July from Kuhlman, he never used them for the purpose of these bins. There are certain markings or notes on EXHIBIT 2B which are his markings or notes, but these markings or notes were put on EXHIBIT 2B because he and Kuhlman worked together closely. Kuhlman was always interested in what he was doing and he indicated on drawing 2B to Kuhlman what was wrong in the drawing and what portion of the drawing did not coincide with the bin. Before he obtained this drawing, EXHIBIT 2(b), he had already manufactured a jig with which to manufacture the curvature. He did not use and does not use any drawings for this purpose.

The gist of the defendant's evidence is that drawings EXHIBITS 1B and 2B were only received by him in July 1972 when the work on the bins was virtually completed, and that he did not have regard thereto. The bins were manufactured from measurements taken from the actual bin of Swedish design provided by Asea and templates and jigs were utilised in the further manufacture. The defendant merely informed Kuhlman that his drawings EXHIBITS 1B and 2B were incorrect in certain material respects.

This version of the defendant would constitute a complete defence to a claim of infringement, and it completely negatives the allegations of reproduction of the drawings upon which the plaintiff has to rely. I have to choose between the two versions.

At the outset I wish to state my impression of the two main witnesses. Mr Von Ehrenberg created an honest impression but one must guard against accepting his evidence without proper scrutiny, as he was apt to draw inferences and as his evidence was not entirely satisfactory in respect of EXHIBIT 5, document 10, the so-called agreement. As stated, he first gave evidence that it had been signed by both parties, and thus constituted an agreement. Thereafter in cross-examination he was challenged to produce the signed agreement, and could not, and had to concede that it was never signed by the defendant as the latter had the original, unsigned, still in his

possession.

On the other hand, the defendant Mr Topka, did not impress me as a reliable witness. He was distinctly uncomfortable when cross-examined on the contents of certain documents dealt with below. He could not give satisfactory answers to certain material questions and some of his evidence is highly improbable. I give the following examples:

1. Paragraph 2 of the summons states that the defendant is Mr Topka, carrying on business as Topring Manufacturing and Engineering, manufacturing and selling *inter alia* storage bins for factories and having his place of business at - and then the address given. This paragraph of the summons was admitted in the plea. It is clear from the evidence that these facts are incorrect, and that in fact since 1975, a company has been manufacturing and selling these storage bins, and that Mr Topka has not been doing so since that date. The effect of this incorrect admission is that the real manufacturer of these storage bins is not before court and, although the defendant is bound by his admission, and my decision will be given on that basis, I must state that this state of affairs is unsatisfactory. On the other hand it is clear that it is convenient for the defendant to admit paragraph 2, and so let the company off the hook. That is, however, not a very important feature as far as the evidence of Mr Topka is concerned, and it is conceivable that this might be a slip on the part of the legal representatives in the sense that the instructions they received might not have been as clear as would have been expected.

2. Document number 3 in EXHIBIT 5, dated 28 April 1972, addressed by the plaintiff to the defendant reads:

'Dear Sirs,

Would you kindly quote for 4 bins, general dimensions as shown on attached leaflet T.300 and 4 bins type T.1100, detailed particulars are shown on the attached sketches.'

The defendant admitted that he had received this letter, but disputed that any sketches were attached. He states that this reference to the detailed particulars which were shown on the attached sketches was a reference to the brochure, document 2 in EXHIBIT 5. In my view the brochure cannot be described as indicating detailed particulars and in fact the defendant said so himself. Yet the defendant himself disclosed detailed sketches in the form of EXHIBIT 8A, a number of which sketches bear the same date as this letter, 28 April 1972.

This date could not be satisfactorily explained by the defendant on his version. There was no reason for him to make sketches on 28 April 1972. He had not up to that stage, and some time after, seen any bin and he had not got an order. He would not have had any reason to make sketches until he had

seen the sample from Asea which only came in end April/May 1972. These sketches might, of course, be sketches by Kuhlman, taken over by the defendant. I need not speculate on this, but it is clear that there is no proper explanation by the defendant in this regard. His explanation that these sketches were backdated is totally unacceptable, as there is no reason for him to backdate these sketches to a date 28 April 1972. It may be highly coincidental that that date coincides with the date on document 3, EXHIBIT 5, the request for a quotation.

3. Document 5 in EXHIBIT 5 bears out Mr Von Ehrenberg's version that Kuhlman took measurements from bins in Asea's premises. It is dated 3 May 1972 and the relevant portion thereof reads:

'4 transport bins similar to type T.300 dimensions as obtained from existing bins in your works, rim section as locally obtainable.'

The same statement is made in respect of the type T.1100 bins. The words 'your works' refer to the works of Asea Electric SA Limited to whom the letter is addressed. Though Mr Von Ehrenberg was not present, he testified that Kuhlman brought back measurements after a trip to Pretoria, ostensibly to Asea. On the defendant's version Kuhlman did not give him more than the brochure, document 4 in EXHIBIT 5. It is unlikely that this would have happened if Kuhlman had dimensions as appears from document 5. There was no reason for Kuhlman to keep the dimensions to himself and only give the brochure to the defendant. The fact that Kuhlman did in fact measure the bins in Asea's workshop is also indicated by document 7 and 8, addressed to the defendant by the plaintiff, signed by Kuhlman, dated 5 May 1972, which reads:

'We have much pleasure in confirming our verbal order for the following:
4 transport bins similar to type T.300 dimensions as obtained from existing bins in Asea's workshop.'

The same is stated in respect of the type T.1100. On the basis that this letter was received by the defendant, which is common cause, I find that it is probable that Kuhlman in fact gave certain dimensions to the defendant.

4. The defendant admits that he received document 10, EXHIBIT 5, from Mr Kuhlman, which document is dated 5 June 1972, the alleged basis of agreement. The defendant states that Kuhlman handed him this letter, that he did not sign it, and that he said that he would consider it. Neither Kuhlman nor the defendant ever referred to the letter again. This version of the defendant is so improbable that it has to be rejected. Kuhlman would never have let the matter rest there and yet continue placing orders for bins with the defendant. It is more probable that document 10 was tacitly accepted by both parties as the basis of an agreement. It is however not necessary to decide

this. The words 'our own design' are significant. They disprove the evidence of the defendant that it was his design. The defendant states that the plaintiff had done nothing as far as design was concerned, yet he never took up with Kuhlman the alleged incorrect claim by the plaintiff to ownership of the design. It is highly improbable that had the defendant been in fact the author of this design, he would have let the matter ride in the way he states he did. 5. Document 11, EXHIBIT 5, is a letter written by the plaintiff to the defendant dated 19 June 1972. It reads as follows:

'We have much pleasure in ordering the following:

1 Transport bin similar to T.300 (ASEA)

Drawing submitted 5th June, 1972

Price to be advised, not exceeding R92-00

Delivery as soon as possible.'

This letter was in fact received by the defendant. This is not conceded by Mr Topka. Mr Topka says that there was no drawing submitted to him on 5 June 1972 or at any stage before or thereafter in respect of a T.300 bin. He says that he does not know what the plaintiff is talking about in his letter. He knows nothing of the drawing. Yet, he never took this matter up with Kuhlman or the plaintiff and he never pointed out to them that he had not received a drawing on 5 June 1972. It is highly improbable that his version is correct. This is in fact an order for one transport bin similar to T.300 of Asea on the basis of a drawing submitted on 5 June 1972. If no drawing had in fact been received it is highly improbable that a manufacturer would start with the manufacture of a bin without the drawing to which the order relates. 6. The defendant's evidence is that he manufactured the small bins without any drawings. This evidence is not only contrary to document 11, EXHIBIT 5, but the method allegedly employed by him, that is, scaling down from a larger bin, is highly unlikely to render a functioning bin without trial and error, as alleged by the defendant. A comparison between EXHIBIT 8 and the measured large bin clearly shows no evidence of any direct scaling down. The defendant's evidence in this regard is also to be rejected.

From the above it is clear that Mr Topka is an unreliable witness and I cannot therefore accept his evidence, especially not when it is clearly refuted by the documentary evidence. The documentary evidence indicates, firstly, that Kuhlman made drawings in the form of EXHIBIT 7 on 28 May 1972 and in the form of EXHIBIT 2 on 26 June 1972. Secondly, that drawings and dimensions were forwarded by the plaintiff to the defendant. This appears from EXHIBIT 5, documents 3, 5, 7/8 and 11. And thirdly, that the design was regarded by the plaintiff as its own design. This appears from EXHIBIT 5, document 10.

The similarity between EXHIBITS 1 and 2 on the one hand and the bins

of the defendant is so great that it is unlikely that the parties reached their two versions entirely independently, and this is not alleged. The defendant alleges that his design of the bin was taken over by the plaintiff, and the plaintiff alleges that the defendant copied his drawings. I find that the defendant's version has to be rejected as untrustworthy for reasons set out above and that the evidence of the plaintiff must be accepted that the drawings are the original work of Kuhlman in the plaintiff's employ. It follows that the plaintiff is the owner of the copyright in Annexures A and B to the pleadings, EXHIBITS 1 and 2, before the court.

Has this copyright been infringed? It is clear that there can be a reproduction of a two-dimensional object like an engineering drawing in a three-dimensional form, like a bin. See for example *Pan African Engineering (Pty) Limited v Hydro Tube (Pty) Limited and another* 1972 (1) SA 470 (W), and the definitions of reproduction in the Copyright Acts of 1965 and 1978. It has therefore to be determined whether the bins, admittedly manufactured and marketed by the defendant and measured and examined by the experts, were a reproduction of drawings 1 and 2.

In support of such a finding the following acts could be tabulated:

1. The order was given by the plaintiff to the defendant for the manufacture of bins. One would expect the plaintiff to supply drawings or sketches.
2. Normally drawings are utilised for this purpose.
3. There are drawings in existence, see for example, EXHIBIT 8, the sketches dated 28 April, 1974, Annexure C (now EXHIBIT 7), (the old bin) dated 25 May 1972. EXHIBIT 2 (the new bin) dated 29 June 1972 and EXHIBIT 1, also dated 19 June 1972.

Delivery of the four small bins, to which EXHIBIT 8 relates was made on 24 June 1972, after the date of the drawings 1 and 2. There was a dispute as to whether a large bin had in fact been delivered to Asea prior to that. On the one hand there is a document before court, a delivery note, in the form of EXHIBIT 5, document 14, dated 24 June 1972, which states that one has already been delivered. I find that on the reading of this document it appears that what has been delivered is a size T.300 tipping bin, the small bin, and that what is to follow is 4 size T.1100 large tipping bins.

On the other hand, there is the evidence of the defendant. The defendant states that what was in fact delivered as a prototype was the large bin and not the small bin. I have already found that the defendant is an unreliable witness and I can therefore not rely on this evidence at all.

This means then that at the time of the delivery of the large bins on 17 July 1972 there were in existence the drawings EXHIBITS 1 and 2 before the court. I take the date 29 June 1972 as *prima facie* evidence of the creation of EXHIBIT 2. We know that EXHIBIT 2 was intended for the production of

bins. We know that it was intended to be handed to the defendant—this is the evidence of Mr Von Ehrenberg. We know that it was found in a slightly different form, in the form of EXHIBIT 2(b) in the possession of the defendant. The defendant states that he only received it in July 1972 and did not use it, but the defendant has already been found by me to be unreliable, and the condition of EXHIBIT 2(b) and also EXHIBIT 1(b) (though the latter to a lesser extent) is not indicative of non-usage. Further, the notes and corrections on EXHIBIT 2(b) indicate adaptations and modifications in use as would be put on a drawing during the process of manufacture.

On the probabilities I find that Kuhlman would have given a copy of EXHIBIT 2 in the form of EXHIBIT (b) to the defendant during the process of manufacture of the large bins, between the 29th June 1972 and 17th July 1972, and that the defendant therefore had EXHIBIT 2(b) available for copying if he wanted to. The fact of the close likeness between EXHIBIT 2 and the existing bin is indicative of copying.

Counsel for the defendant argued that if two parties both attempt to copy the same Swedish bin their results would be similar and that therefore the similarity between EXHIBIT 2 and the defendant's bins is not indicative of copying. This argument does not counter the fact that the similarities between the defendant's bins and EXHIBIT 2 are in those respects where both differ from the Swedish bin. The argument therefore loses its force. The similarity of form of EXHIBIT 2 and the defendant's bins is to my mind such as to lead to the conclusion that EXHIBIT 2, or a similar drawing, was used in the production of the said bin. On the basis of what has been stated as to dimensions and drawings supplied, I reject the defendant's evidence that the bins were manufactured without drawings from jigs and templates only.

The evidence of Mr Van Rensburg, who joined the defendant in 1975, is of no assistance in this respect. The latter use of templates and jigs does not exclude prior use of the drawings in making the prototype which is duplicated by means of templates and jigs.

Is the similarity between EXHIBIT 2 and the defendant's bins such that it leads to an inference that the bins are three-dimensional reproductions of the drawing EXHIBIT 2, or for that matter EXHIBIT 2(b)? The expert witnesses are agreed that there are some differences between the defendant's bins and EXHIBIT 2. Those found by Dr Greenland are set out on EXHIBIT 3 in red figures, and those found by Mr Duggan do not differ materially therefrom. These differences between EXHIBIT 2 and the bin are caused mainly by:

1. A backward positioning of the curved track, with resultant repositioning of the holes.
2. Larger holes, resulting in wider bottom tracks.

3. A difference in the lip.
4. The length of the handle.
5. The length of the rail at the back.

These last two do not appear to be of any importance. The first three differences are of course material differences, but that in my view does not mean that this precludes the bins from being reproductions of the drawing EXHIBIT 2. To be reproduction exact replicas are not required: provided a substantial part of the copyright work be copied, reproduction takes place. This was the position under section 47(1) of the 1965 Act and is still the position under the 1978 Act, although this section has not been re-enacted. See section 23(1) read with section 7 of the 1978 Act, and see also Copeling's notes of the new Act, pages 25 and 26, and the *Law of South Africa s.v. COPYRIGHT*, paragraphs 249 and 351, note 5.

In *Laubscher v Vos and others*, case number 278/1974, (WLD) unreported, Nicholas J said the following:

'In an action for infringement of copyright, it is for the plaintiff to prove that a substantial part of his original work has been reproduced and that such reproduction is causally connected with that work (Cf *Francis Day & Hunter Limited v Bron*, 1963 ChD 587 at 618). The question whether there has been a reproduction is a question of fact which must be taken in two stages, one objective and the other subjective. In order to constitute reproduction within the meaning of the Act, there must be (a) a sufficient degree of objective similarity between the original work and the alleged infringement; and (b) some causal connection between the plaintiff's and the defendant's work. In other words, the plaintiff's work must be the work from which the allegedly infringing work was derived. In *Copinger and Skone James on Copyright*, para 496, page 210, it is said that:

'It has to be determined whether the defendant has used a substantial part of those features of the plaintiff's work upon the preparation of which skill and labour has been employed. Once it is established that there has been such a use of the plaintiff's work, there will be an infringement, whether or not the defendant has used a different medium, and whether or not the infringing work has been derived directly from the plaintiff's. With regard to truly original artistic works, the question whether the defendant has made such a use of the plaintiff's work can generally be answered merely by comparison of the two works. It is to such cases that the well known definition of 'copy', in *West v Francis*, is most readily applicable. In that case, Bailey J said:

'A copy is that which comes so near to the original as to give every person seeing it the idea created by the original.'

In *Hanfstaengl v W H Smith & Sons*, Kekewich J preferred the definition 'a copy is that which comes so near to the original as to suggest that original to the mind of every person seeing it'.

Whether or not there has been an infringement must be a matter of degree and in the case of artistic work, the degree of resemblance is to be judged by the eye. But in the case of commercial designs, general resemblance is not so good a test, since resemblance may be due to common subject matter or stock designs, and it is necessary to make a close examination of detail to see whether there has been infringement."

In *British Norfolk Ltd and others v Texteam Blackburn Ltd and another* 1974 RPC 67 at pages 72 and 73, McGarry J is reported to have said:

'Furthermore, I do not think that the word "reproduction" in its normal use carries any necessary implication of exactitude of likeness between that which is reproduced and the reproduction itself. Not every reproduction is a perfect reproduction. It may well be that there must be a high degree of similarity before one thing can be said to be a reproduction of another, but I do not think that minor or trivial differences prevent one work from being a reproduction of another. It may be that reproduction has much the same meaning as copy and that it suffices for a reproduction if it makes a substantial use of the features of the original work in which copyright subsists. But in the present case I am content to treat reproduction as bearing the somewhat stricter meaning I have indicated. With that in mind I have compared the three-dimensional objects of the defendants with the two-dimensional drawing of the plaintiffs, not once, but on several occasions, both during the hearing and afterwards. To an eye that had never before examined any parts of a loom the very close similarity between the parts and the drawings was striking. Indeed, with barely an exception, even prolonged study failed to indicate any real difference between the drawings and the part In copyright proceedings relating to drawings, where much will depend on the impression made upon the judge's mind by the original and the alleged copy, a mere verbal description of differences is likely to prove most unsatisfactory.'

In this case the photographs were annexed to the pleadings in the form of Annexure E and F, and they depict the bin with reasonable clarity. Together with the description given in evidence, I am able to compare the end product with the drawings.

Has a substantial part of the drawing, EXHIBIT 2, been copied? By substantial it is not meant quantity so much as quality. The important features of EXHIBIT 2 all appear in the bins. In some relatively minor respects there

have been alterations made not as new design features, but enforced by the practicalities, like for example, available material. I find that these modifications between EXHIBIT 2 and the bins are not substantial.

It follows that, taking all the evidence into account, I find that the inference to be made is that the bins are three-dimensional reproductions of EXHIBIT 2 or EXHIBIT 2(b) which is a copy thereof. This inference has not been displaced by any reliable evidence on the defendant's part. See for example in this respect *L B Plastics Ltd v Swish Products Ltd* 1979 RPC 551. The copyright of the plaintiff in EXHIBIT 2 has therefore been infringed. The section 112 defence out in paragraphs 6 of the plea was not argued by counsel for the defendant. The defence of waiver, which had been pleaded, was not established. It was agreed that the defence of prescription would stand over.

As stated, the prayers were amended by notice marked 'X' and this amendment was granted during argument. I therefore make the following order:

1. An order is made interdicting the defendant from infringing the copyright -
 - (a) in the two drawings of the large rocker bins dated 29 June 1972, EXHIBITS 1 and 2 before court, also being Annexure A and B to the pleadings, by the production of donkey bins or any other bins, more particularly those designated as B 526, from the said drawings or copies thereof, or from three-dimensional forms of the said drawings; and
 - (b) otherwise infringing the plaintiff's copyright in the said drawings.
2. An order is made directing the defendant to deliver to the plaintiff all donkey bins and all bins designated B 526 in its possession, and all drawings, brochures and other documents containing representation therefor which constitute infringements of the said drawings.
3. An order is made directing the defendant:
 - (a) To render within one month an account supplemented by vouchers reflecting the gross amount of moneys which the defendant has received from infringing reproductions of the said bins, which the defendant has converted to its own use up to 31 December 1978;
 - (b) Debatement of that account.

Prayer 3(c) stands over, as does the defence of prescription, and also prayer 5.

I further order that the action be postponed to a date to be arranged, in order that the question of damages suffered by the plaintiff from 1 January 1979 may be investigated and determined by the court. I order that the defendant pay the costs of the plaintiff. These costs are to include

the costs consequent upon the employment of two counsel, and I further order that the qualifying fees of Dr Greenland be allowed.

TREWHELLA BROS (UK) LTD v DETON ENGINEERING (PTY) LTD

APPELLATE DIVISION
WESSELS JA, RABIE JA and KOTZÉ JA
31 AUGUST 1981

In order for a company to prove that it holds the copyright in drawings made by one of its employees, it must show that there exists a contract of service and that the drawings were made in the course of the employment of that employee. It is not necessary to prove what the terms of that contract are.

By the end of 1921 or the beginning of 1922, Trehwella interested himself in the re-establishment of a branch in England of Trehwella Bros (Pty) Ltd. Trehwella had worked as an employee of that company for sixteen to seventeen years prior to the closure of the branch during the 1914 - 1918 war. Thereafter, he had been an employee of a motor manufacturing company. Trehwella Bros (Pty) Ltd was formed in Australia in 1912 in order to take over a partnership business started by Trehwella's father and uncle.

With a view to establishing the operations of the branch, in January or February 1922, Trehwella made certain engineering drawings each of which bore the legend 'Trehwella Bros (Pty) Ltd - Birmingham'. It was uncertain when exactly the drawings were made, but they were made either as an employee of the company or on Trehwella's own initiative when enquiring into the feasibility of re-establishing the Birmingham branch. Trehwella also negotiated with a firm for the manufacture of monkey jacks which Trehwella Bros (Pty) Ltd was to undertake the marketing of. As when he was an employee of the first branch, Trehwella was in charge of the new branch as an employee of the company. There was no evidence that his employment was governed by a formal written contract of service.

Evidence on commission as to the events surrounding the making of the drawings was obtained from Trehwella. Trehwella was at that time 93 years old. When asked for whom he was working when he made the drawings, Trehwella said 'Mainly for myself, of course'.

The appellant brought a claim against the respondent interdicting it from infringing its copyright in the drawings made by Trehwella. It averred that when he made the drawings, Trehwella was in the employ of Trehwella Bros (Pty) Ltd, and the drawings were made in the course and scope of his employment with that company under a contract of service, thereby conferring on the company ownership of the copyright in the drawings. It was further averred that in terms of an agreement concluded in 1962, the Australian company assigned the copyright in the drawings to the appellant.

The court a quo gave an order of absolution from the instance. In the appeal brought against that order, the sole issue for determination was whether or not the drawings were made in the course and scope of Trehwella's employment with the Australian company.

The appellant had to establish that when the drawings were made, there existed a tacit contract of service between Trehwella and Trehwella Bros (Pty) Ltd, and that the drawings were made in the course of his employment. The appellant did not however, have to prove what the terms and conditions of the tacit contract were.

Although the answers to questions given by Trehwella in the course of evidence being taken on commission were equivocal, they pointed to the fact that when he

made the drawings he was probably no longer employed by an employer other than the Australian company. His answer 'Mainly for myself' indicated that he was working for an employer as well as himself: since he had no other employer besides the Australian company, the words must have alluded to that company. The appearance of its name in the legend 'Trehwella Bros (Pty) Ltd - Birmingham' must therefore have been a reference to this company and must have been imprinted for the purpose of identifying that company as its owner.

In spite of the fact that there had been no direct evidence of communications between Trehwella and the Australian company prior to the re-establishment of the British branch, it was improbable that the contract for the manufacture of the jacks could have been negotiated and concluded without reference to the Australian company at that time. Being a family company, it was probable that he was in close communication with it at this time.

The evidence as a whole showed that Trehwella made the drawings as an employee in the course and scope of his employment with the Australian company pursuant to a tacit contract of service with that company. The appeal was accordingly allowed.

Wessels JA: Appellant's appeal to this court is from a judgment of Esselen J sitting in the Transvaal Provincial Division, in terms of which absolution from the instance with costs was ordered in respect of its claim, *inter alia*, for an order interdicting respondent from infringing appellant's copyright in certain engineering drawings made by one Benjamin Hosking Trehwella in England during the year 1922. It was averred in appellant's particulars of claim that at the time he made the drawings in question, Trehwella was a British subject resident in England and in the employ of an Australian company (Trehwella Bros (Proprietary) Limited). It was further averred that the drawings were made by Trehwella in the course of his employment with the Australian company under a contract of service; that, in the premises, the Australian company was the first owner of the copyright in the drawings in question; and that in terms of a written agreement dated 22 June 1962, the Australian company assigned, *inter alia*, the copyright in the drawings in question to appellant.

Several issues of fact were raised in respondent's plea. For reasons which will appear later in this judgment, it is, however, unnecessary to refer to them in detail. For the purposes of this judgment, it is sufficient to refer to only one of these issues, namely, that which arose from respondent's denial of the appellant's averment in its particulars of claim that when Trehwella made the drawings in question during 1922 he did so in the course of his employment with the Australian company under a contract of service with it. It was at all times common cause between counsel that, having regard to the relevant statutory provisions governing the question of the copyright in the drawings in question, appellant could only succeed in the action if it were to prove on a preponderance of probabilities, *inter alia*, that when Trehwella made the

drawings in 1922 he did so in the course of his employment with the Australian company under a contract of service with it. I, therefore, do not regard it necessary to discuss the various relevant statutory provisions. They are dealt with in the judgment of the court *a quo* and referred to in appellant's heads of argument.

Prior to the hearing of the matter in the court *a quo*, appellant successfully applied for an order authorising the taking of Trehwella's evidence on commission in England. At that time Trehwella was 93 years old. His evidence was duly taken on commission in Birmingham, England, on 12 December 1978. A certified transcript of his evidence forms part of the appeal record.

The hearing of the matter in the court *a quo* commenced on 9 May 1979. We were informed by counsel that, though it does not appear from the record, the evidence taken on commission had been read out in court prior to the leading of *viva voce* evidence. By the morning of the fourth day of the trial the evidence-in-chief of appellant's managing director (Mr P W L Saywell) had been completed and he had been cross-examined on certain matters. At that stage, Esselen J, *mero motu*, pointed out that he might well decide to exercise his discretion under Rule 33(4) of the Uniform Rules and direct that the issue concerning the ownership of the copyright in the drawings in question be decided initially as a separate issue. After some debate, the learned judge ruled that the above-mentioned issue should be dealt with as a separate issue. Before making the order, the court asked appellant's counsel whether there was any evidence other than that which had already been recorded, relevant to the issue of Trehwella's employment at the time he made the drawings in question. The answer was in the negative. However, on reconsideration, appellant's counsel applied for a postponement in order to obtain evidence from a Mr George Trehwella in Australia, who had been a director of the Australian company at the relevant time. Evidence was led indicating that information might be forthcoming from that source. The application was, however, refused with costs. After the court *a quo* had given its judgment on the main issue, ie the issue relating to the ownership of the copyright in the drawings in question, appellant unsuccessfully applied to the presiding judge for leave to appeal to this court against his refusal of the application for a postponement of the trial. The appellant did not petition this court for leave to appeal, but simply noted an appeal against the aforementioned order of the court *a quo*. However, at the commencement of the hearing of the matter in this court, appellant's counsel intimated that, since the order refusing the application for a postponement of the trial was of an interlocutory nature, the appeal in regard thereto was not being pursued. As to this, see *Sparks v David Polliack and Co (Pty) Limited* 1963 (2) SA

491 (T) at page 492 E-F.

I next deal with the question whether the court *a quo* correctly ordered absolution from the instance with costs in respect of the issue relating to the ownership of the copyright in the drawings in question at the relevant time, ie on 28 January, 2 February and 11 February 1922, when the drawings were made.

As appears from the judgment of the court *a quo*, the learned trial judge held that the evidence of Trehwella was equivocal in a number of material respects and that it, moreover, derived no cogent support from the probabilities. Upon that evaluation of Trehwella's evidence, it was concluded that appellant (as plaintiff) had not discharged the burden of proof resting upon it in regard to the issue which required determination. In passing, I should mention that Trehwella's credibility was not questioned at all. The main criticism directed at his evidence was that, having regard to his age and the fact that he was called upon to testify in regard to events which took place some 55 years before he gave evidence on commission on 12 December 1978, his testimony was unreliable and equivocal in certain material respects.

Before considering the correctness or otherwise of the trial court's evaluation of the probative worth of Trehwella's evidence, it is necessary to summarise briefly the historical background of the litigation between the parties. The facts referred to are either common cause or, at any rate, were not matters in dispute at the hearing of the appeal before this court.

Towards the end of the 19th century Trehwella's father (Benjamin Trehwella) and his uncle (William Trehwella) carried on business in Australia in partnership as Trehwella Bros. It was part of the partnership's business to manufacture and market so-called monkey jacks which had been invented and patented by Trehwella's uncle who was a qualified engineer. He was apparently instructed by his uncle, *inter alia*, in the art of engineering draughtsmanship. According to Trehwella his employment as apprentice was not governed by any formal agreement in writing. After the turn of the century, the partnership established a branch in Birmingham, England. During or about the year 1910 Trehwella accompanied his uncle to England in order to 'sort out' certain problems which had arisen in connection with the carrying on of the branch business. Trehwella remained in England and, in fact, never returned to Australia to take up residence there. He resided permanently in England and eventually became a British citizen. Shortly after his departure for England, Trehwella's father died. During the year 1912 a company—Trehwella Bros (Pty) Ltd—was formed to take over the partnership business, which included the branch in Birmingham. Trehwella remained in charge of the branch business as an employee of the Australian company. There is no evidence proving that his employment was governed

by a written agreement entered into with the Australian company. The fact that he remained in charge of the branch business after the formation of the Australian company was, however, not a matter in dispute at the trial. During the 1914-1918 war, the branch business in Birmingham was closed down. Some of the machinery used in connection with the branch business was shipped to Australia. It is impossible on the evidence to determine the date on which the branch business was closed down. It was on a date 'during the war'. For the purposes of this judgment, I accept that after the branch business had been closed down, Trehwella ceased being an employee of the Australian company. After the branch business had been closed down, Trehwella obtained employment with a company manufacturing motor vehicles. There is also some reference in Trehwella's evidence to the fact that he was employed by a firm called Wrigleys. This may well be a reference to the company which manufactured motor vehicles. In his evidence Trehwella stated that he was employed by the company which manufactured motor vehicles for some 4-5 years. He did not refer to any specific period of employment with Wrigleys. However that may be, it appears that by the end of 1921 or beginning of 1922 Trehwella interested himself in the re-establishment of the Birmingham branch of the Australian company. To that end, (1) he made the drawings in question, each of which bears the legend 'Trehwella Bros (Pty) Ltd - Birmingham' and (2) negotiated with a firm called Brockhouse in regard to the manufacture of monkey jacks for the Birmingham branch of the Australian company which was to undertake the marketing thereof. It was not disputed that Brockhouse commenced manufacturing jacks at some time during 1922 and continued doing so for a period of about 20 years. It was likewise not disputed that by the time the Birmingham branch commenced with its marketing operations, Trehwella was in charge thereof as an employee of the Australian company. There is, however, no evidence that his employment was at any stage governed by a formal written contract of service between him and the Australian company. On 10 May 1962 the appellant company was incorporated in the United Kingdom as a subsidiary of a British company, Hoskins and Horton Limited. On 22 June 1962 the Australian company assigned to appellant, *inter alia*, the goodwill of the Birmingham branch including copyright in the abovementioned drawings.

I next deal with the question whether the court *a quo* erred in holding that appellant failed to prove that at the time he made the drawings in question Trehwella was in the employ of the Australian company under a contract of service and made them in the course of his employment. Although it had not been pleaded, appellant sought to rely on a tacit contractual relationship between Trehwella and the Australian company. The court *a quo* dealt fully

with this issue in its judgment. On appeal before this court, respondent's counsel conceded that appellant was entitled to rely on a tacit contract even though it had not been specifically pleaded.

In so far as the burden of proof which rested on appellant on this issue is concerned, it is stated in the judgment of the court *a quo* that a plaintiff who relies on a tacit contract is required to establish that the person whom it is proposed to fix with the contract was fully aware of all the circumstances connected with the transaction. Furthermore the conduct relied upon by the plaintiff must not be of an equivocal nature. In this connection the learned trial judge referred, *inter alia*, to *City of Cape Town v Abelson's Estate* 1947 (3) SA 315 (C) at p 328, *Parsons v Langemann & others* 1948 (4) SA 258 (C) at p 263 and *Blaikie-Johnstone v Holliman* 1971 (4) SA 108 (D) at page 119 C. In so far as the first mentioned principle is concerned, it would seem to be more appropriate to the type of case where a plaintiff claims relief from a defendant on the basis of a disputed tacit contract. In the present case applicant did not seek to 'fix' the Australian company with a tacit contract in the sense indicated above. In my opinion, appellant had to establish by a preponderance of probabilities that at the relevant time there was in existence a tacit contract of service between Trehwella and the Australian company and that the former made the drawings in question in the course of his employment. In my opinion, appellant was not required in addition to prove what the terms and conditions of the tacit contract were.

In the course of his evidence-in-chief given before the Commissioner, Trehwella was asked to identify one of the drawings in question. As to that the record reads as follows:

'Mr Trehwella, I have put before you a drawing ...

Yes, I have seen it before.

Are you able to identify it?

Yes.

As being what, Mr Trehwella?

One of my drawings.

And it bears a date, the 11th February 1922. Would that be the date on which you made the drawing?

Yes.

And it also bears the legend, "Trehwella Bros. (Proprietary) Limited, Birmingham."

Yes.

Where was it that you would have made this drawing. Would it have been in Birmingham?

Yes.

For Trehwella Bros. (Proprietary) Limited?

MR COPELING: Not too much leading, please.

THE WITNESS, MR TREWHELLA: I should have gone into his history and made a few notes.

MR BOWMAN: Mr Trehwella, for whom were you working at the time you made this drawing?

That is a simple question. We were so mixed up then with the war. It was an awful nuisance, the war, and it upset everybody. (ASIDE). For whom was I working when I made this drawing? Mainly for myself, of course. (IN REPLY.) What with the war, deaths, and moving about from one side of the world to another, it is a bit difficult to sort it out. Cut it down to short questions, please.'

Counsel appearing for appellant before the Commissioner reverted to the question of Trehwella's employment at a later stage during his evidence-in-chief. As to this, the record reads as follows:

'Mr Trehwella, may we put these different drawings away for a moment? There are various other things that I want to ask you about. At the time when you made those drawings, were you making drawings as part of your job?

Yes.

What were you doing, what work?

I practically did the lot. I did not sweep the shop up, but pretty nearly everything else.

Is that for Trehwella Bros?

Yes, but I was in charge anyway, that is the simple and short answer.'

I next refer to paragraph 6 of an affidavit sworn to by Trehwella on 4 April 1977, the correctness of which was confirmed by him in the course of his evidence given before the Commissioner. It reads as follows:

'With a view to re-establishing the British branch after the war, in 1922 I asked a British company, Brockhouse, if they would manufacture jacks for me to sell in Great Britain. I wished to resume selling the jack which had previously been sold in Great Britain, namely a 10 ton jack designated CE which had been designed in Australia, I believe by my uncle, and I also decided to introduce a smaller, lighter jack of my own design to supplement the CE jack. This additional jack was to be a 6 ton jack designated CD. I asked Brockhouse to make both the CE jack and the CD jack, and this they did from 1922 for about 20 years.'

In concluding that Trehwella's evidence in regard to the issue which required determination was equivocal and unreliable, the learned judge *a quo* refers to the following aspects thereof;

1. It does not appear from his evidence or affidavit precisely when during the first world war the British branch closed down, nor when it was re-

established.

2. It is uncertain when his employment with the motor manufacturing company terminated.
3. The evidence does not establish in what capacity he took steps in order to re-establish the British branch.
4. With reference to para 6 of his affidavit (quoted above) the use of the personal pronoun rendered his evidence equivocal.
5. The evidence furnished by the legend on the drawings in question (ie 'Trehwella Bros (Pty) Ltd Birmingham') was equivocal regarding the question whether Trehwella made them as an employee of the Australian company.
6. The lack of evidence that there was any form of communication between Trehwella and the Australian company during the relevant time in regard to the re-establishment of the British branch.
7. Trehwella's evidence that he was in charge of a shop at the time he made the drawings was equivocal. In his judgment the learned judge *a quo* stated that while it could indicate that he was being employed, it was equally consistent on the evidence as a whole with him being an employer or an independent party who, on his own initiative, intended to set about the re-establishment of the British branch.

It was submitted on appellant's behalf that it was apparent from the evidence which was taken on commission and also from that given by Saywell, that what Trehwella said must be evaluated bearing in mind the fact that he was elderly, that his mind wandered somewhat and that his recollection was by no means infallible. It was not contended that Trehwella's frailty excused appellant from establishing an essential element of its case, nor that it served to affect the incidence of the burden of proof. It was, however, submitted that the abovementioned background constitutes the explanation as to how a matter which should ordinarily have been capable of easy and clear proof must of necessity be inferred from facts and extracted from the not always clear replies given by Trehwella at the hearing before the Commissioner.

It is, of course, so that on Trehwella's evidence it cannot be determined with any degree of certainty when the British branch closed down. Trehwella's evidence that Brockhouse commenced manufacturing jacks during 1922 was not disputed. It was not suggested to Trehwella that he personally, and for his own account, marketed the jacks manufactured by Brockhouse. It was not disputed that when the marketing of the jacks was commenced with, it was undertaken by the re-established British branch and that at that time Trehwella was an employee of the Australian company.

The court *a quo* correctly held that the evidence did not disclose with any

degree of exactness when Trehwella's employment with the motor manufacturing company terminated. As to this, I should point out that it was not suggested to Trehwella that his employment terminated consequent upon a notice of dismissal. It seems more probable in the circumstances that Trehwella left his employment of his own volition. I shall hereunder consider whether this gives rise to a probability that he then intended or contemplated once more entering the employ of the Australian company. In my opinion, however, it is probable that when Trehwella made the drawings in question he was no longer an employee of the motor manufacturing company. I have above referred to a passage in his evidence in which he stated that at the time he made the drawings he was in charge of a 'shop' and made them as part of his 'job'. He also stated that the work he did was for Trehwella Bros. Some of his answers were given in reply to leading questions, and would in ordinary circumstances not have been accorded any real degree of weight. However, the questions were not objected to and the evidence was not really challenged in cross-examination. Moreover, the evidence that he was making the drawings in a shop and that he was in charge of that shop was not given in response to leading questions. Making the drawings in question for a purpose unrelated to his employment with the motor manufacturing company and in a shop where he was in charge, gives rise, in my opinion, to the probability that at the relevant time (ie January and February 1922) he was no longer an employee of the abovementioned company. It does not follow, of course, that he was, therefore an employee of the Australian company.

A further aspect of Trehwella's evidence which was commented upon by the learned judge *a quo* was that it did not establish in what capacity Trehwella took steps in order to re-establish the British branch. The court *a quo* held that though it could not be determined when he became a director, he probably held that office at the time he investigated the possibility of re-establishing the British branch, and made the drawings in question. In this connection it should be pointed out that it is conceivable that Trehwella may have acted as a director when he investigated the feasibility of re-establishing the British branch in Birmingham. It was, however, not contended on respondent's behalf that the making engineering drawings was ordinarily part of a director's duty. It would seem that Trehwella made the drawings either as an employee of the Australian company or possibly on his own initiative in connection with his enquiry into the feasibility of re-establishing the British branch. I shall revert to this question later in this judgment.

The use of the personal pronoun in the above-quoted par. 6 of Trehwella's affidavit does not, in my opinion, render his evidence equivocal. In evaluating Trehwella's evidence, it must be borne in mind that it should not be approached in the same manner as would be appropriate where a court

undertakes the interpretation of a document. In my opinion, it is quite clear that Trehwella's evidence was to the effect that he had in mind re-establishing the British branch of the Australian company and to that end negotiated with the Brockhouse company in regard to the manufacture of two types of jacks, namely a 10 ton jack which had previously been sold in Great Britain by the British branch and also a smaller and lighter jack to be manufactured according to his (Trehwella's) own design. What he had in mind was that both jacks would be marketed by the re-established British branch and that he would be in charge of that branch. In my opinion, it was no misuse of language for a layman, like Trehwella, to have used the personal pronoun where he knew and intended that the marketing of the jacks would be undertaken by the British branch and not by him personally for his own account.

I next deal with the doubts expressed by the learned judge *a quo* on the question whether the legend on the drawings ('Trehwella Bros (Proprietary) Limited - Birmingham') gives rise to a probability tending to furnish support for the appellant's case on the issue in question. In this connection the learned judge *a quo* referred to the reply given by Trehwella when he was asked for whom he was working when he made the drawing dated 11 February 1922, namely, 'For whom was I working when I made this drawing? Mainly for myself, of course'. I would emphasise the use of the word 'mainly' which on the face of it appears to indicate that he was also working for somebody else. I have already pointed out above that it was probable that Trehwella was no longer employed by the motor manufacturing company when he was in charge of a shop where he made the drawings in question. As a matter of probability the only other party he could have had in mind would have been the Australian company. I realise that Trehwella may possibly have understood the question to mean 'for whose benefit' were you making the drawing. On the evidence it is quite clear that the re-establishment of the British branch would have benefitted Trehwella because he would then have secured employment for himself. There are, as a matter of speculation, various explanations why the legend appears on the drawings in question. In my opinion, however, the most probable explanation is that the legend was printed on the drawings for the purpose of identifying the owner thereof.

The learned judge *a quo* also refers to the total lack of direct evidence that there was any form of communication between Trehwella and the Australian company prior to the re-establishment of the British branch. In my opinion, however, it is quite inconceivable that there would have been no communication whatsoever between Trehwella and the Australian company prior to the former taking active steps to re-establish the British branch. It is most improbable that Trehwella would have negotiated with Brockhouse and

concluded a contract with that company for the manufacture of the two types of jacks for the British branch without reference to the Australian company. It is unlikely that Brockhouse would have entered into a contract without satisfying itself that Trehwella had been authorised to negotiate with that company. I am not overlooking the fact that Trehwella may have acted in his capacity as a director of the Australian company. However, in whatever capacity Trehwella acted, it appears to be at least probable that there must have been communication between him and the Australian company in regard to the re-establishment of the British branch. It would have been an essay in futility for Trehwella to have embarked upon a frolic of his own only to learn at a later stage that the Australian company was not interested in the re-establishment of the British branch.

In conclusion the learned judge *a quo* considered the effect of Trehwella's evidence that he was in charge of a shop when he made the drawings in question. In this regard the learned judge *a quo* observed that this evidence, though consistent with the conclusion that he was then an employee, was equally consistent with the conclusion that he may have been in charge as a self-employed or independent party investigating the feasibility of re-establishing the British branch. His evidence that he made the drawings whilst he was in charge of the shop was likewise, so the learned judge *a quo* observed, equally consistent with the view that his making of the drawings was an independent engagement which was done on his own initiative with a view to re-establishing the British branch of the Australian company. If the evidence is considered in isolation, the observation of the learned judge *a quo* may well be correct. In my opinion, however, the correct approach to the evidence in the circumstances of this case is not to proceed to a piecemeal analysis of every aspect thereof, but to have regard to the evidence as a whole in order to determine ultimately whether, or not, on the overall picture presented by it there was a preponderance of probabilities in favour of the party bearing the burden of proof in respect of the issue in dispute between the parties.

I am of the opinion, for the reasons which follow, that the learned judge *a quo* erred in concluding that appellant had not discharged the burden of proof resting upon it and in ordering absolution from the instance with costs.

It is of some importance to bear in mind that by the time the British branch was closed down during the first world war, Trehwella had been in continuous employment with the Australian company for a period of some sixteen to seventeen years and that he resumed his employment with that company at some time during 1922. The crucial question, of course, is whether he was already an employee when he made the drawings in question during January and February of that year. Trehwella's evidence that at that

time he was in charge of a shop was not challenged in cross-examination and no reason was suggested in argument before this court why it should not be accepted. I have already referred to the fact that this evidence was not given in response to questions of a leading nature. Moreover, this evidence is, in my opinion, inconsistent with his still being an employee of the motor manufacturing firm at that time. In this connection it must be borne in mind that Trehwella's evidence was that the British branch was closed down during the war, and not at the beginning or towards the end thereof. The period of four to five years with the motor manufacturing company mentioned in his evidence is not inconsistent with the finding that at the beginning of the year 1922 he was no longer an employee of that company. In his evidence given under cross-examination Trehwella said that whilst he was still employed by the motor manufacturing company he probably conceived the idea of designing a jack which would be smaller and lighter than the 10 ton jack previously marketed by the British branch. It seems likely that at that stage he was already contemplating the possible re-establishment of the British branch and the termination of his employment with the motor manufacturing company. On a common sense approach to the evidence as a whole, it is indeed probable that he would have been mindful of the need to secure other employment. He had been employed by the Australian company up to the time the British branch was closed down. Although the partnership business was taken over by the Australian company upon its incorporation in 1912 it none-the-less remained a 'family business' and was still so in 1922. In my opinion, therefore, it is more than a speculative possibility that when Trehwella contemplated securing alternative employment his thoughts turned to the Australian company, especially since, as the court *a quo* found, he probably was a shareholder and director of the company at the time he was in charge of a shop where he made the drawings in question.

With this in mind, I ventured the opinion above that, despite the lack of direct evidence in regard thereto, it would appear that there must have been some form of communication between Trehwella and the Australian company in connection with the possible re-establishment of the British branch. Trehwella was, after all, 'one of the family'. In passing, I might mention that it appears from Trehwella's evidence that at the relevant time he was in possession of some earlier drawings which belonged to the Australian company. It also appears that in his negotiations with Brockhouse, the possibility of manufacturing the 10 ton jack, to which I have already referred, was discussed. In this regard the question may well be asked: is it in any way likely that Trehwella would have negotiated the contract with Brockhouse without him having sought and obtained the authority of the Australian company to do so? I next deal with the legend appearing on the drawings in

question. Various possible explanations for the appearance of the legend on the drawings were mentioned in the judgment of the court *a quo* and suggested in the course of argument by respondent's counsel. None of these explanations was put to Trehwella while he was testifying before the Commissioner. There is not justification, in my opinion, for assuming that Trehwella had some dishonest motive when he added the legend to the drawings, eg so as to induce a belief on the part of Brockhouse that Trehwella was acting for the Australian company whereas he knew that he had no authority to make any representation that he was acting for that company. In my opinion, having regard to the evidence as a whole, it is probable that the appearance of the legend on the drawings is indicative of an intention to identify the owner thereof. It is to be noted that when the aforementioned assignment of its rights was executed by the Australian company in 1962, it purported to cover the copyright in the drawings in question. If Trehwella was indeed the first owner of the copyright in the drawings in question, the Australian company could only have acquired ownership thereof if Trehwella were to have assigned his rights to the Australian company on some date after the making thereof. This possibility was at no time adverted to in the cross-examination of Trehwella.

Against this background I proceed to consider the probative worth of Trehwella's evidence-in-chief to the effect that he made the drawings in question as 'part of his job', when he was 'in charge of the shop' and that the 'work' he did was 'for Trehwella Bros'. The reference to 'Trehwella Bros' was obviously a reference to the Australian company. I find it unnecessary to repeat what I said earlier in this judgment in regard to his evidence that he was working 'mainly' for himself. The probative worth of the abovementioned evidence of Trehwella is no doubt weakened by the fact that some of it was elicited in response to questions of a blatantly leading nature. Against that, however, it must be borne in mind that the evidence was given without any objection on the part of respondent's counsel and without the matter being pursued in the cross-examination of Trehwella. There was, understandably, no countervailing evidence. A number of issues were canvassed with Trehwella in the course of cross-examination, notably so the question whether Trehwella himself, and not some other draughtsman, made the drawings in question. The question whether he was an employee of the Australian company at the time he made the drawings was not effectively put in issue during the course of cross-examination.

Having regard to the evidence as a whole, I am satisfied that appellant established by a preponderance of probabilities that when Trehwella made the drawings in question, he did so as an employee in the course of his employment with the Australian company pursuant to a tacit contract of

service with that company and that the court *a quo* erred in holding to the contrary.

In the result, the appeal is allowed with costs, including those occasioned by the employment of two counsel, and the matter is remitted to the court *a quo* for the hearing and determination of the further issues raised on the pleadings.

Rabie JA and Kotzé JA concurred

**TOPKA t/a TOPRING MANUFACTURING AND ENGINEERING v
EHRENBURG ENGINEERING (PTY) LTD**

APELLATE DIVISION

GALGUT AJA, WESSELS JA, MILLER JA, VILJOEN JA and BOTHA JA

8 MARCH 1983

Infringement of copyright is shown where there is a substantial degree of objective similarity between two works and there is a causal connection between them.

While he was in the employ of the plaintiff, one Kuhlman drew two engineering drawings. They were original works, and it was common cause that they fell under the definition of artistic work in terms of sections 2 and 3 of the Copyright Act (no 63 of 1956) and sections 2 and 3 of the Copyright Act (no 98 of 1978).

The defendant manufactured the bins pursuant to an order given to it by the plaintiff for their manufacture. Copies of the drawings were given to the defendant during the process of manufacture. Prior to manufacture, the defendant received a sample of the kind of bin required by the plaintiff and took measurements of it with a view to making the bins which had been ordered. This bin was a product of a Swedish company. The sample bin consisted in a container resting on a base of two shoes. It was designed to tip like a rocker chair and for this purpose had two curved semicircular tracks attached to the container. Pins inserted in holes in the bottom tracks prevented the container from slipping off the tracks.

Kuhlman had used the bin as the basis upon which to make the drawings. In them, he altered the sample bin so that the pin and holes were interchanged, incorporated a retaining pin and supporting bracket, cut off one of the sharp corners and changed the internal dimensions of the shoes to accommodate the standard prongs of fork-lifting trucks in South Africa. The alterations he had effected on the original bin were also features of the defendant's manufactured bin. However, there were some differences between the drawings and the manufactured bin. These were caused by the backward positioning of the curved track, larger holes, a change in the lip, length of the handle and length of the rail at the back.

The issues in the appeal were: i) Did copyright subsist in the drawings? ii) Had the defendant infringed the copyright by making working drawings from them or by manufacturing bins from them?

The improvements which Kuhlman's drawings had effected on the Swedish bins showed that a lot of skill, labour, effort and time had been expended on the drawings. It followed that the drawings were artistic works within the meaning of the term in the law of copyright. Copyright therefore did subsist in the drawings.

Following the test for infringement as given in the case of *Laubscher v Vos and others*, on all the evidence it had to be held that, notwithstanding the differences between the drawings and the manufactured bins, there was a substantial degree of objective similarity between the two. There was, too, a causal connection between them. Infringement had therefore been proved.

The appeal failed.

Galgut AJA: The respondent, plaintiff in the court below sued the appellant,

defendant in the court below, claiming that it was the owner of the copyright subsisting in two engineering drawings for transport bins known as rocker bins. I shall refer to the parties as plaintiff and defendant. Plaintiff alleges that defendant had infringed and was still infringing its copyright by reproducing, without a licence from plaintiff, the drawings in material form by the manufacture of rocker bins.

The author of the drawings was one Kuhlman. In 1972 when the drawings were made he was in the employ of plaintiff and he made the drawings in the course of his employment. Copies of Kuhlman's original drawings were annexures to plaintiff's further particulars of claim and marked A and B. The original drawings were handed in at the trial and were marked exhibits 1 and 2 respectively. They are dated 29 June 1972.

The purpose of such a bin is to convey goods or material therein. It is a container resting on a base consisting of two shoes. It is designed to tip, much as a rocking chair does. More details about this bin later.

Plaintiff in its particulars of claim alleges that an illustration of a transport bin, annexure D to the particulars, had appeared in a Swedish brochure; that Kuhlman had made working drawings from the Swedish bin. A copy of those working drawings is annexure C to plaintiff's further particulars. It is then alleged that drawings A and B were made by Kuhlman from annexure C; that on or about 29 June 1972 Kuhlman had on plaintiff's behalf handed drawings A and B (ie exhibits 1 and 2) to the defendant in person; that defendant had made working drawings from annexures A and B and had built bins from those working drawings and marketed them under the name of Donkey Bins.

The defendant, in his plea, admitted that Kuhlman had made the drawings A and B. He denied that they were original works; that copyright subsisted in them; that the bins he admittedly made infringed any copyright in the drawings. The issues at the trial were therefore the following—

- (a) Did copyright subsist in the drawings, annexures A and B (being exhibits 1 and 2) to the plaintiff's further particulars?
- (b) Was the plaintiff the owner of any such copyright?
- (c) Had the defendant infringed such copyright by making working drawings from exhibits 1 and 2 and building Donkey Bins from those drawings?

In the course of argument, plaintiff applied to amend its allegations by stating that defendant had infringed its copyright by making working drawings from exhibits 1 and 2 *or copies thereof*. The words underlined constitute the amendment. The application for amendment was strenuously opposed on the grounds that the whole case had been contested on the basis that defendant breached the copyright by making working drawings from Kuhlman's original drawings A and B, being exhibits 1 and 2; that the

evidence proved that exhibits 1 and 2 had never been in defendant's possession; that the defence had only deemed it necessary to investigate whether defendant had received exhibits 1 and 2 and not whether what he had received were in fact copies of exhibits 1 and 2. The amendment was granted and for reasons which will appear later correctly so.

The learned trial judge held that copyright subsisted in the drawings, exhibits 1 and 2, and that the plaintiff was the owner thereof; that Kuhlman had given exhibits 1B and 2B (which were claimed to be copies of exhibits 1 and 2) to defendant between 29 June 1972 and 17 July 1972; that the bins manufactured by defendant were 'three-dimensional reproductions of exhibit 2B'. He accordingly granted an order interdicting the defendant from infringing the copyright in the two drawings exhibits 1 and 2. The usual ancillary relief was also granted. The appeal is against that order and the above findings.

The drawings were made in 1972. The Copyright Act (no 63 of 1965) (the Act) was then in force. By sections 46 and 47 of the Copyright Act (no 98 of 1978) the 1965 Act was repealed with effect from 1 January 1979. However, section 43 of the 1978 Act provides—

'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 contained shall—

(i) affect the ownership, duration or validity of any copyright which subsists under the Copyright Act (no 63 of 1965); or

(ii).....'

It was common cause that the provisions of the 1965 Act are relevant to the question of the subsistence of copyright and its ownership; to the question of infringement and the relief available to the owner of copyright up to 31 December 1978; that the provisions of the 1978 Act are relevant to the question of infringement and the relief available from 1 January 1979.

As to the ownership of copyright

Kuhlman is a 'qualified person' as defined in sec 1 of the Act. He made the drawings whilst in the employ of plaintiff and in the course of his employment, in other words, whilst under a contract of service with plaintiff. It follows that by virtue of the provisions of sec 5(4) of the Act if there is copyright in exhibits 1 and 2, plaintiff is the owner thereof.

The relevant provisions in the Act

In terms of section 4 of the Act, save for certain exceptions which are not relevant, 'copyright shall subsist ... in every original artistic work which is unpublished and of which the author was a qualified person ...'.

Artistic work is defined in section 1 as meaning *inter alia* 'drawings'

which again in terms of sec 1 is defined as including any 'diagram chart of plan'.

Sec 4(4)(a) of the Act provides that the acts restricted by the copyright in an artistic work include 'reproducing the work in any material form'. 'Reproduction' is defined in section 1, in relation to an artistic work, as including a version produced by converting the work into a three-dimensional form and references to reproducing a work are to be construed accordingly.

As we have seen from section 4 of the Act copyright subsists in every original artistic work. The question of what is meant by 'original' in the law of copyright has given rise to difficulty. The purpose of copyright is to protect the works and not the idea. What is protected is the original skill and labour in execution and not the originality of thought. All that is required is that the work should emanate from the author himself and not be copied. See *Copyright Law* by Copeling at p 48; *Copinger and Skone Jones on Copyright*, twelfth edition, at paras 103, 109 and 110. In terms of sec 3(1) copyright also subsists in original literary works. In *G A Cramp and Sons Ltd v Frank Smythson Ltd* 1944 AC (HL) 329, the issue was whether copyright had been infringed by the publisher of a diary who had copied seven tables (ie a literary work: of the definition of literary work in sec 1 of the Act) which had appeared in another publisher's diary. Viscount Simon, when discussing the issue of originality, said at p 335—

'In the law on the observation in delivering the judgement of the Judicial Committee in *Macmillan & Co Limited v K & J Cooper (1)* lays down the law on the subject in terms which are universally accepted. He said: "What is the precise amount of the knowledge, labour, judgement or literary skill or taste which the author of any book or other compilation must bestow upon its composition in order to acquire copyright in it within the meaning of the Copyright Act of 1911 cannot be defined in precise terms. In every case it must depend largely on the special facts of that case, and must in each case be very much a question of degree".'

See also the *dicta* of Lord Porter at page 340 of the same case. The test of originality is obviously the same whether one is considering artistic works such as the drawings in this case or literary works.

Mr J W Von Ehrenberg, the managing director of plaintiff, gave evidence as to what led up to the making of exhibits 1 and 2. He testified that on 3 May 1972, pursuant to inquiries made, plaintiff quoted to Asea Electric SA Ltd ('Asea'), a firm in Pretoria, for the manufacture of certain bins of two types, T 300 and T 1100, the dimensions of which were to be—

'as obtained from existing bins in your works, rim section as locally obtainable.'

(The T 300 were small bins and the T 1100 were large bins.)

Asea on 4 May 1972 placed a written order with plainle to attend couins and on 5 May the plaintiff in turn placed a written order with the defendant for the manufacture of such bins—

'similar to type T 300 and T 1100 dimensions as obtain from existing bins in Asea's workshop.'

The bins in Asea's workshop were, as we shall see later, of Swedish design.

Von Ehrenberg testified that after this initial order had been placed plaintiff decided to market transport bins. He, however, insisted that a re-design take place as he did not want plaintiff's bins to be copies of the Swedish bin. In a letter dated 5 June 1972 he proposed an arrangement with defendant. This letter reads—

're: MANUFACTURE OF TRANSPORT BINS

Dear Sirs,

We intend to put on the South African Market a special transport bin of our own design. For the manufacture and sale we propose the following agreement:

We place orders for the manufacture solely with you and expect that you pass all enquiries, which you may receive, directly on to us. The marketing is to be carried out by us at design features and prices worked out together. The advertising and publication of articles is our obligation but will also be subject to mutual cooperation.

We propose for the first time being, that this agreement is valid for two years and subject to cancellation 5 months before the expiry date, 1st June 1974. During this time no bins of any similar design can be manufactured or sold without mutual consent.'

Kuhlman was in 1972 the manager of plaintiff's works. Plaintiff did not call Kuhlman to testify at the trial. The evidence of Von Ehrenberg was that Kuhlman was 76 years old, that his heart had caused him a lot of difficulties, that he had deteriorated rapidly, that his memory had started to fail him. On this evidence the trial judge found that he was not able to attend court and give evidence. Plaintiff to rely on Von Ehrenberg's evidence as to how Kuhlman came to make the drawings. Von Ehrenberg testified that his firm had had previous dealings with Asea; it manufactured cable drums for Asea; that Kuhlman regularly visited Asea; that Kuhlman came back with an inquiry from Asea for bins; that that led to the above quotation to and order by Asea. He went on to say that he and Kuhlman had daily discussions about the 'progress of the last day and what he (Kuhlman) would do the next day'. The following is an extract from his evidence—

'And now Mr Kuhlman, did he undertake any draughtsmanship? — He is a very experienced man and he has been overseas also working in

design offices before he more or less concentrated his activity on sales. But did he do the drawings with which this case is concerned? — Yes, he did.

Now what did you see of him doing those drawings? — When he did the drawings he had some difficulty in that he had to design the bin from measurements which were taken from a brochure and the main measurements from a bin which he had seen at Asea.

What do you know about that? — (Mr Plewman intervenes and objects.)

Mr Plewman: My learned friend should be careful. He puts the question carefully, but he must watch it.

Mr Schreiner: Yes, I am not asking you ... I am only asking you about what you know Mr von Ehrenberg. — I know that. I know he went to Asea.

By the Court: But you were not present when he saw something at Asea? — No, he reported it.

Then you must just give evidence on what you yourself know about, not what you heard from him — Oh, I see.

Mr Schreiner: Now the question that I put to you originally concerned what you saw of Mr Kuhlman making drawings. That is the drawings with which this case is concerned? — I saw him drawing sketches, and I saw him drawing a bin, and I saw him making hardboard models to determine the centre of gravity of a shape which was similar to that of the bin. And also to determine the point where the tipping action would occur, and to determine the point where the bin should move back into its original position.

Now you saw all that for yourself? — That I saw on his drawing board. Now did you have any part at all in giving ... in the design of any of these drawings? — I discussed with him the manufacturing possibilities and the snags we may have in handing it into a workshop. That is the answer, or do I have to enlarge on that?

So you are telling his Lordship as far as you know the whole design of the ultimate bin was Kuhlman's? — Yes.'

Von Ehrenberg also testified that he saw Kuhlman drawing the bins, and re-designing them from the dimensions he had brought back from Pretoria (from Asea) and from certain illustrations; that he was always present and in and out of Kuhlman's office when the latter was doing the drawing work; that he saw dimensions in the possession of Kuhlman; that he saw him making annexure C to the further particulars; that he thought annexure C was a very near copy of the Swedish bin; that he had insisted on a re-design because he did not want his firm to market a product which was a copy of the Swedish bin; that the nature of the alterations which should be made were discussed

and decided on together. A further extract from his evidence reads:

'Yes, now would you look, would you identify exhibits 1 and 2? If you can? Can you say what those are of your own knowledge? — These are drawings with revised features of bins which we intended putting on to the market.

What is the date of that? — The date is 29.6.1972.

Who drew those? — Mr Kuhlman.

Did you see him drawing them? — I was always present in and out of his office when he was doing the drawing work.

These actual drawings? — Yes.'

Von Ehrenberg conceded in cross-examination that he was not with Kuhlman all the time and that the latter carried out his duties without him (Von Ehrenberg) being continually present and accordingly he could not be precise as to what Kuhlman did at any particular time.

In addition to the fact that he did not want plaintiff to market a copy of the Swedish bin there were other factors which caused him to instruct changes. These were—

1. There was a manufacturing reason. It would be easier to put the pins in the shoes (as he called them—elsewhere they have been called the straight track) rather than higher up because pins in the upper section might be a hazard.
2. He thought the haltering of the bin should be altered. Therefore the retaining brackets should be of a different design.
3. He thought the back release mechanism should be different. Asea had reported that the mechanism was being damaged by the forklifts, and therefore the mechanism should be moved away from the back and chamfered so as to place it to a certain extent out of reach.
4. The shape of the back was slightly inclined in the Swedish design, and he wished it straightened out vertically.

It appears that a bin had been manufactured by the defendant and delivered direct to Asea on 22 June (ie, before exhibits 1 and 2 had been made). This precipitated an argument between plaintiff and defendant as plaintiff did not want defendant to make delivery direct to plaintiff's clients. Von Ehrenberg was adamant that the bin so delivered was a type T 300 and not a type T 1100. As we shall see later an order for a T 300 bin was placed on 19 June and it referred to a drawing which had been given to defendant on 5 June.

The only other witness called by plaintiff was Dr Greenland. He was qualified to give and gave evidence as an expert. Dr Greenland, on the assumption that Kuhlman's drawings were made with reference to the Swedish brochure (annexure D), said (I quote at some length for reasons

which are self-evident):

‘Yes, on the assumption that the source of information upon which the drawings 1 and 2 have been arrived at, and that annexure C represents an intermediate stage between the said source and drawings 1 and 2, and I am of the firm opinion that a great deal of work went into the preparation of drawings 1 and 2, because what is involved is not only the conversion of dimensions from European metric standards to dimensions more suitable for manufacture from the sizes of raw materials in South Africa, which to this day are still largely based on the old inch/foot system, but also because in my opinion between the source information, that is page 22 (annexure D), between that and drawings 1 and 2 there are also substantial design changes, which involve a great deal of thought, creativity and time-consuming expenditure, and in this respect I would refer to the curved track, the straight pins which represent not merely an improvement on the source documents, but a design change, that is improving ... (intervention).

That is the fact that if you look at annexure D on page 24 you see that the holes are on the straight track and that the pins are on the curved track? — The pins are in fact on the straight track and the holes have been changed around, so that in drawings 1 and 2 the pins are on the straight track, the holes are in the curved track, which provides one with a more convenient means of manufacture. One eliminates some of the manufacturing errors.

.....
And then, having produced a drawing like annexure C which contains some dimensional changes to suit South African raw material sizes, and also go some way to introducing new design changes, one would then produce yet another set of drawings which in this case appears to be drawings 1 and 2, which represents the next stage of development. ... And I think it is possibly better suited to the purposes of this court in my opinion if I stress the differences between the source and the drawings 1 and 2. It is to these differences that I wish to address myself. As I have said, between the source documentation as I see it here before me and drawings 1 and 2 there are a number of dimensional changes, some of which will have been introduced so that the bins I measured could more conveniently be manufactured from the sizes of raw materials available to South African manufacturers, for manufacturing convenience, and also in order to cut down on wastage of material by choosing the right plate sizes from which to cut so that your waste factor is reduced.

Yes? — Then I would also like to say that there are substantial design differences and improvements between the source documentation and

drawings 1 and 2, and I mentioned, and I mention again, that the pins and the holes have been interchanged, resulting in my opinion in a more efficient, a safe design. If somebody puts his foot on a straight track he will feel the pins, and he will be more inclined to take his foot away, thereby saving himself possibly from a crushed foot if the bin is tipped while his foot is in that position, whereas in the holes in the Swedish design he would feel nothing. It is also easier to locate the pins in a straight line and vertically on a straight track than to locate the pins as is the case in the Swedish design, radially in the curved track. Another point is that it is possible that there is a good self-cleaning action that takes place, because it is more difficult for foreign material to enter into the holes on the curved track in drawings 1 and 2 than would be the case in the Swedish designs. Possibly the most important—certainly one the most important—design changes and improvements is in the retaining pin and supporting brackets which prevent the bin from jumping off the shoes, and which also act as guides to ensure that the bin moves forward and backward on its shoes and remaining in line which it does so. My observation of the Swedish one is that there are no such retaining pins, which means that under certain circumstances the bin could actually roll off its shoes and provide a ... constitute a hazard apart from anything else.

.....
Can you say whether the drawing, exhibit 1, is a copy of annexure C ...? —

No, between annexure C and drawing 2 there are substantial changes, which indicate that drawing 2 is an improvement and a substantial way from annexure C.

Can you form any estimate as to the time it takes, assuming one had annexure C to produce exhibit 2? — Yes, I am of the firm opinion that this would take at least a few days.'

The above evidence of Dr Greenland shows that a great deal of skill, labour and time was spent on making exhibits 1 and 2 and illustrates the differences between the design of the Swedish bin as depicted in annexure D and the working drawings made therefrom, annexure C.

It was submitted that Dr Greenland had at one stage conceded that the making of exhibits 1 and 2 required only clerical skill. This submission cannot be sustained as appears from the following extract from his evidence—

'Yes, it involves skill of two kinds. The one is in relating and choosing dimensions which would suit raw material availability in South Africa as opposed to that available overseas, and it also involves design, of which I would say much greater skill is required. In the one sense it is clerical

skill of a fairly high degree because one has to be meticulous and fastidious, and on the other type of skill is what I would call creative ability.'

The defendant's version of the events leading to the manufacture of the bins is very different from that of plaintiff. He testified that 28 April 1972 he received a letter from plaintiff which read—

'Would you kindly quote for -

4 bins, general dimensions as shown on attached leaflet T 300 and

4 bins type T 1100, detailed particulars are shown on the attached sketches.'

He said that the sketches attached were from the Swedish brochure, annexure D, together with measurements as to the length, width and height of the Swedish bin. He went on to say that Kuhlman came to see him shortly after he received the letter; that he told Kuhlman he needed prototype ('monster') to work from; that Kuhlman then arranged for a prototype to come from Asea which remained there for some hours; that it was the large Swedish bin T 1100; that he took photographs of it; that he made sketches of it; that he took the important measurements to enable him to build the bin; that he told Kuhlman that he had only limited equipment and that adaptations were necessary. He went on to say that he needed nothing more than the photographs and his sketches and the brochure and that a few days later he received the above order dated 5 May 1982. Defendant went on to explain how he set about manufacturing the bins. The learned judge *a quo* summarised this part of defendant's evidence as follows:

'He states that he took as a starting point the existing steel plates in South Africa to design the sides of this bin. He contacted Mr Nel, the production engineer of Asea, explained his problems to Mr Nel, and Mr Nel told him to proceed and to send a prototype first of all to be inspected by Asea. He had no drawings at all, and step by step, he made templates and jigs for the purpose of the manufacture of these bins. He only worked on the basis of templates and, of course, the jigs. The change in the position of the pins from the curved section of the track, on top, to the bottom track, below, was done as a result of his first problem and that is that he only had a hand bending-machine, for the purpose of manufacturing the curved section. It would have been difficult to do this with the pins in that section and therefore the pins were obviously to be moved to the lower section, the straight section of the track. This was the idea of Mr Topka, according to him. It is his design. He states that drawings 1 B and 2 B were in his possession; he had obtained them in the middle of July from Kuhlman; he never used them for the purpose of these bins. There are certain markings or notes on exhibit 2 B which are his markings or notes, but these

markings or notes were put on exhibit 2 B because he and Kuhlman worked together closely. Kuhlman was always interested in what was wrong in the drawing and what portion of the drawing did not coincide with the bin. Before he obtained this drawing (exhibit 2 B) he had already manufactured a jig with which to manufacture the curvature. He did not use and does not use any drawing for this purpose.

The gist of defendant's evidence is that drawings, exhibits 1 B and 2 B, were only received by him in July 1972 when the work on the bins was virtually completed, and that he did not have regard thereto. The bins were manufactured from measurements taken from the actual bin of Swedish design provided by Asea and templates and jigs were utilised in the further manufacture. The defendant merely informed Kuhlman that his drawings, exhibits 1 B and 2 B, were incorrect in certain material respects.'

Mr Nel, an employee of Asea, was called. He was called to support the defendant's allegation that he had sent a prototype of the large bin to Asea on 22 June (ie before exhibits 1 and 2 had been made by Kuhlman). Mr Nel agreed that a prototype had been received by Asea from defendant but was unable to say when it was received. Hence his evidence does not assist defendant as to the date when the prototype of the large bin was sent to Asea.

Defendant also called an expert, Mr Duggan. He had examined a bin manufactured by defendant and compared it with the drawings, exhibits 1 and 2. I will discuss his evidence when I deal with the issue of infringement. All that need be said at this stage is that he stated that although it was possible, it was impossible that the small bins could have been made by scaling down from the large bins. He also said it was highly improbable that the large bins would have been made from templates and jigs.

If defendant's version is correct, no question of infringement can arise. It also has a bearing on whether exhibits 1 and 2 were the original work of Kuhlman or resulted from the joint efforts or discussions of Kuhlman and defendant. The Judge *a quo* stated he had to choose between the versions of plaintiff and defendant. Despite the fact that Von Ehrenberg had made one mistake in his evidence and was inclined to draw inferences, he found him to be an honest witness. I pause to say that the mistake he made was such that it does not detract from his credibility and, further, that I am of the view that the inferences which he drew were justified. A reading of his evidence leaves one with the distinct impression that he was not seeking to overstate anything.

The judge said that defendant 'did not impress me as a reliable witness. He was distinctly uncomfortable when cross-examined on the contents of certain documents ... He could not give satisfactory answers to certain

material questions and some of his evidence is highly improbable'. Despite counsel's urgings that the judge had erred in disbelieving defendant, I find myself in agreement with the learned judge. A reading of defendant's evidence leaves one in no doubt that he was not merely uncomfortable but also evasive. Furthermore his reaction to certain letters, his conduct generally and the probabilities are such that his evidence cannot be accepted. I quote only the following examples.

1. In its letter of 5 June, being the alleged basis of agreement, plaintiff alleges that the bins which it intends marketing will be 'of our own design' and that it will place the orders for the manufacture thereof solely with defendant. Defendant says that when he got this letter the wording thereof caused him a great deal of worry; that he discussed it with his wife. A perusal of his evidence shows that he realised the import thereof. Had the bins which he was manufacturing been from the templates and jigs made by him and not from plaintiff's (ie Kuhlman's) designs, one would have expected him to react and say so. This was never done. His efforts to explain why he did not so react do not ring true.
2. On 19 June plaintiff placed an order with defendant for -
'1 Transport bin similar to T 300 (Asea). Drawing submitted 5 June 1972.'
This clearly states that he was given a drawing on 5 June. He, however, testified that he did not receive a drawing and that he did not know to what plaintiff was referring. His efforts to explain why plaintiff should place the order in this form and why he did not react thereto are unacceptable. He persisted that he had made the small bin by scaling down the measurements of the big bin and had used templates and jigs.
3. It was common cause that exhibits 1 B and 2 B were in the possession of defendant. He says that Kuhlman gave them to him in mid-July; that he pointed out mistakes therein to Kuhlman; that to do so he put some figures on them; that he made no use of them. This story is obviously untrue. We have been furnished with exhibit 2 B. It is a soiled document which has been taped together with sticky tape; there are parts where the edges have frayed; it has often been folded and opened; there is a wearing of the creases; cellotape has been stuck onto it to keep it together; it bears grubby grease marks. To use Duggan's description of it: 'It is certainly not a new drawing which has merely been stored in a drawer and not used.' The condition of exhibit 2 B proves that it was used often and extensively. The evidence of defendant is unacceptable.
4. There is also Duggan's evidence that it is improbable that the bins were manufactured from templates and jigs as claimed by defendant.
In the result the rejection by the trial judge of defendant's evidence that he had delivered a prototype of the large bin to Asea on 22 June and his

acceptance of Von Ehrenberg's evidence that the bin then delivered (pursuant to the order of 19 June) was a small bin, cannot be faulted.

It follows from all the above that any suggestion from defendant that he was totally or partly responsible for Kuhlman's drawings must be rejected.

I have set out above what the issues were at the trial. As already stated, if copyright exists in Kuhlman's drawings, the plaintiff is the owner thereof. Hence issue (b) falls away. Due to the amendment of plaintiff's claim (and assuming at this stage that the amendment was correctly granted) the issues in this appeal are—

- (aa) Whether copyright subsists in the drawings;
and
- (cc) Whether defendant infringed that copyright by making working drawings from exhibits 1 and 2 *or from copies thereof* and/or by manufacturing 'Donkey' bins from exhibits 1 and 2 *or from copies thereof*.

Ad (aa): DOES COPYRIGHT SUBSIST IN EXHIBITS 1 AND 2?

The plaintiff accepted that it bore the *onus* of proving that the drawings, exhibits 1 and 2, were 'original' works within the meaning of the 1965 Act. Kuhlman, for the reasons stated above, was not called as a witness. The issue is, has Von Ehrenberg's evidence proved that exhibits 1 and 2 were original works. I do not propose to further lengthen an already long judgment by detailing the contents of the relevant documents. The evidence shows that Asea wanted a quotation from plaintiff for bins; that Kuhlman was in regular contact with Asea; that he came back to the plaintiff firm with the brochure annexure D which depicted the Swedish bin; that the only source from which he could have received the brochure was Asea; that the quotation to Asea and the order placed with defendant refer to dimensions as from the Asea bins; that Von Ehrenberg saw Kuhlman making the working drawing, annexure C, from the Swedish bin as depicted in the brochure; that Von Ehrenberg did not want to market a copy of the Swedish bin; that he instructed that changes be made; that he and Kuhlman discussed these changes; that he saw Kuhlman make cardboard models; that he saw Kuhlman making exhibits 1 and 2. The evidence shows that the bin designed by Kuhlman in exhibits 1 and 2 differs from the Swedish bin in the following respects:

- (i) The pin and holes are interchanged. Whereas in the Swedish bin the pins are in the top track, in the new design the pins are in the bottom straight track.
- (ii) The new design has a retaining pin and supporting bracket, which prevents the container from moving off the track.
- (iii) Whereas the Swedish bin has a sharp corner at the locking device, the new design is more compact and the sharp corner is cut off.

- (iv) The internal dimensions of the shoes are changed to accommodate the more standard prongs of fork-lifting trucks in South Africa.

Dr Greenfield testified that Kuhlman's design in exhibits 1 and 2 is a substantial improvement on the Swedish bin and one on which a lot of skill, labour, effort and time were expended. This is also evident when one has regard to the differences between the design and the Swedish bin detailed above.

It follows that the plaintiff has proved that exhibits 1 and 2 are original artistic works within the meaning of those words in the law of copyright.

Before dealing with the question whether defendant has infringed plaintiff's copyright it is necessary to decide whether the aforementioned amendment to plaintiff's pleadings was correctly granted.

Plaintiff alleged in its particular of claim, as amplified by the further particulars, that the infringement complained of consisted in the manufacture by the defendant of bins from the original drawings alternatively from copies of the drawings and that the defendant had made working drawings from those drawings and built the bins from those drawings. However, in its further particulars for trial in answer to a specific request, the plaintiff stated that annexures A and B (ie the original drawings, exhibits 1 and 2) had been handed to the defendant on 29 June 1972. On those allegations the matter went to trial. It was plaintiff's case that the bins manufactured by defendant were three-dimensional copies of its drawings; it was defendant's case that his bins were manufactured without any use being made of the plaintiff's drawings whether original or copies and that he had built his bins using templates and jigs only. That, as we have seen from evidence, was the issue between the parties. In argument counsel for the defendant submitted that in the further particulars for trial plaintiff had relied upon an actual delivery of its original drawings to the defendant, viz exhibits 1 and 2, whereas the evidence was that only copies, ie exhibits 1 B and 2 B, were handed to him. The amendment sought was to allege that it was from the original drawings *'and/or copies thereof'* that the defendant had manufactured his bins and that it was the original drawings *'and/or copies thereof'* which had been handed by Kuhlman to defendant. Defendant's counsel opposed the amendment because it meant that plaintiff could rely on exhibits 1 B and 2 B and this had not been the basis on which the matter went to trial and he had not investigated all aspects of these drawings.

In his reason for judgment allowing the amendment the learned judge said:

‘Mr Plewman opposed the amendment. He stated that he deliberately did not lead evidence on exhibit 2(b), that he would have to ask for particulars of the amendment and that he had not dealt with this aspect at all. The

application for amendment arose from difficulties I put to counsel during the argument. Throughout the trial it was common cause, as I see it, that exhibits 1 and 2 were never in the possession of the defendant, but that what was in the possession of the defendant were exhibits 1(b) and 2(b). I have duly considered the objection of Mr Plewman and I have also considered the manner of the presentation of the case by both sides. I have come to the conclusion that to do proper justice between the parties, the amendment is to be allowed. Any prejudice that may result from this late amendment may be met by a postponement of the proceedings or the re-opening of the proceedings and/or an appropriate order for costs. It is therefore ordered that the amendments be allowed.'

Despite the judge's invitation counsel for defendant elected to make no application and the record then reads:

'It is considered that the case is closed on both sides.'

Counsel for plaintiff drew our attention to the fact that (save for some writing in the block which does not form part of the drawings) the exhibits 1 and 2 are for all practical purposes tracings of exhibits 1 B and 2 B. The lines, the angles, the original dimensions, the curves are identical in the respective exhibits. There are some ink figures in 1 B and 2 B which obviously were placed there later by someone working with the drawings. (I should point out that we have not been given the actual exhibit 2 which was handed in to the trial court. We have, however, annexure B and a copy of exhibit 2.) It appears from the evidence that the casual link between Kuhlman's drawings and defendant's bin is exhibits 1 B and 2 B. As 1 and 1 B and 2 and 2 B are identical (save for some 'ink' figures obviously later inserted), there can be no doubt that the judge *a quo* correctly found that to do proper justice between the parties the amendment should be allowed.

Ad (c) and (cc): HAS DEFENDANT INFRINGED PLAINTIFF'S COPYRIGHT ?

As stated earlier in this judgment one of the acts restricted by the copyright in an artistic work is 'reproducing the work in any material form' (sec 4(4)(a) of the Act) and 'reproduction' includes a version produced by converting the work into a three-dimensional form (sec 1(1) of the Act). In an unreported judgement delivered in the Witwatersrand Local Division on 14 November 1975 (case No 278/1974) in the matter of *Laubscher v Vos and others*, Nicholas J said:

'In an action for infringement of copyright, it is for the plaintiff to prove that a substantial part of his original work has been reproduced and that such reproduction is causally connected with that work (*Francis Day and Hunter Ltd v Baron* (1963) C 587 at 618). The question whether there has

been a reproduction is a question of fact which must be taken in two stages, one objective and the other subjective. In order to constitute reproduction within the meaning of the Act, there must be (a) a sufficient degree of objective similarity between the original work and the alleged infringement and (b) some causal connection between the plaintiff's and the defendant's work. (*Ibid.* at 614, 618); in other words, the plaintiff's work must be the work from which the allegedly infringing work was derived.'

See also *Copinger and Skone Jones, supra*, at paras 456-461. In terms of section 47 of the Act (also sec 2A of the 1978 Act) the copying, to constitute an infringement, must be a copying of a substantial part of the copyright work.

I turn now to consider the evidence as to infringement. Dr Greenland measured one of the bins admittedly made by defendant and compared it with exhibit 2. Prof Duggan measured another of the bins manufactured by defendant and also compared it with exhibit 2. Both found differences in the dimensions as measured with the drawing. The differences were exhaustively dealt with in the evidence of both experts. Certain of the differences were related to each other in that a single alteration resulted in more than one consequential dimensional change. Prof Duggan testified that one dimensional change caused three further dimensional changes. A summary of his evidence appears later.

Von Ehrenberg testified that certain of these differences arose because of the gauge of rim sections 'locally available' and also because plaintiff gave defendant specific instructions on 27 July to make certain alterations. The instruction reads—

'Kindly manufacture two large rocker bins ... as previously made but with longer place covering the arresting pin up to the lever which should be upright.'

Dr Greenland's evidence on this aspect is self-explanatory. It reads—

'Taking into account the few exceptions I have mentioned and the consequent resultant automatic dimensional changes arising out of these few exceptions, I am of the firm opinion that the bins I measured in order for them to be manufactured, substantial reference to, and substantial usage of, drawings 1 and 2 would have had to be made. In fact I will go further. I am of the opinion that the bins I measured could not have been made without substantial reference to, or substantial usage of drawings 1 and 2 or copies of drawings 1 and 2 ...

What is your view as an expert as to whether or not the bins which you examined are reproductions in three-dimensional form of the drawings,

exhibits 1 and 2? — It is my opinion that the bins I measured are indeed three-dimensional reproductions thereof with the exception of the few exceptions I have mentioned.

And would you regard as an engineer those exceptions as substantial, or not? — I would regard the bins I measured as indeed three-dimensional representations of drawings 1 and 2.'

Prof Duggan was of the view that the bins were not made from exhibit 2 because of the 'important dimensional differences'. A summary of the effect of his evidence appears from the following passages:

'So to summarise, Mr Duggan, would it be fair to say that there really are three areas of difference between the drawing which is annexure 2, and the article which you measured and those areas of difference at the lip, the movement back of the curved track, and the width of the track? — My Lord, I would say that there are certainly three areas where there are differences—whether this was caused by a movement I don't know—but there are differences in positions.

Yes, and then there is the length of the handle which is also different? — The length of the handle which is also different and the length of that rail at the back.

.....
We have discussed those dimensional changes, Mr Duggan. Would you agree that the similarity between so many of the dimensions is—it would be too much of a coincidence for the two to have created totally independently the one of the other? — If one is assuming that there was no other source of dimensions, yes.

.....
And if the Topka bin that you measured was put in front of you and you had the drawing in front of you, would you read that article onto that drawing, without going into the minor details? — Without measuring it? Without measuring it? — Just by looking at it?

Yes? — Well, at a first glance certainly from outside they would look the same.'

On all the above evidence I am of the view that the plaintiff has proved firstly a substantial degree of objective similarity between the bins manufactured by the defendant and the drawings, exhibit 2 and/or exhibit 2 B; secondly, despite defendant's denial, the causal connection between the drawings and the bins manufactured by defendant. It must be remembered that defendant's evidence was unacceptable and his denial that he used the drawings was rejected. Hence plaintiff has proved that its copyright has been infringed.

In the result the appeal cannot succeed. The order made is that—
The appeal is dismissed with costs, which costs are to include the costs of two counsel.

Wessels JA, Miller JA, Viljoen JA and Botha JA concurred

ECONOSTAT (PTY) LTD v LAMBRECHT AND ANOTHER

WITWATERSRAND LOCAL DIVISION

ACKERMANN J

16 MAY 1983

A data bank and a suite of programmes created to manipulate it constitute a literary work as contemplated in the Copyright Act. Analysis effected on such data may obtain the originality required for copyright protection but the untreated raw data may not. The holder of the copyright in the work eligible for copyright protection will not be the company for which the marketing of the sale of the information produced by the analysis was established unless it can be shown that a contract of service was entered into between the author of the work and the company.

The applicant was formed in 1972 for the purpose of marketing a client service which aimed to provide economic analysis and projection. The shares in the applicant were owned in equal shares by the respondent and one Diamond. The respondent was mainly responsible for the compilation of the data bank and the programmes which were used to interpret the data and present it in usable form to purchasers of the service. He executed the research required for the service. A computer was used for the purposes of the analysis and projection and the system was named the Econocycle system.

Towards the end of 1977, the respondent embarked upon a revision of the analysis parameters and the programmes in order to meet major structural changes in the medium-term cycle pattern of the economy, and in order to accommodate the systems of a new computer purchased by the applicant. The respondent completely rewrote and reorganised the suite of analysis programmes.

On 17 November 1980, the respondent and Diamond entered into an agreement in terms of which the respondent sold his shares in and claims against the applicant to Diamond for R50 000,00.

The respondent then created a new version of the analysis and projection programmes which he had created for the applicant. A number of printed copies of the data histories of certain time series collected by the respondent in developing the previous data bank and system were used as a basis for building a new data bank, but this data was eventually replaced with data from original sources. The software used by the new computer employed in the respondent's new venture was incompatible with that used by the applicant's computer.

The respondent's new version, named the Equicycle system, differed from the Econocycle system in that it had a new style and format of presentation and communication of analysis and had important technical and conceptual improvements in regard to the analysis process.

On some of the material produced by the applicant, there appeared a copyright warning notice containing the applicant's name.

The applicant then brought an application for an interdict preventing the respondent from infringing its copyright in its data bank and in its suite of computer programmes known as the Econocycle system and from using the data bank or suite of programmes or information derived therefrom.

The first question for decision was whether or not the data bank and the suite of computer programmes were eligible for copyright protection. The compilation of the data bank and suites of computer programmes was a continuous process which commenced in the late 1960's and continued until at least November 1980. In terms of section 43 of the Copyright Act (no 98 of 1978), that Act applied to works made before its commencement; its conditions therefore had to be met as far as that process was concerned. They were met, because the reduction of the respondent's work to material form in the shape of tapes, discs and print-outs meant that it was a literary work as defined in section 1(1) of that Act.

The second question for decision was whether or not the work was original as understood in copyright law. The analysis effected on the raw data involved sophisticated economic and statistical techniques, computer programmes designed on the strength thereof, and sophisticated computer skills. It was therefore 'original' for this purpose. However, the raw data was not original in this sense because it had not been shown that the extraction of it involved any particular skill or labour giving the stored data any new quality or character so as to render it original.

The third question for decision was to determine who the owner of the copyright in the copyright work was. The first respondent was undoubtedly the author of the data bank and the suites of computer programmes. The fundamental question which followed was whether the applicant had established that when he became the author, the first respondent was under a contract of service entered into between himself and the applicant. The applicant's affidavit in support of its application did not establish this and the whole tenor

of the first respondent's answering affidavit was to refute this. The first respondent's allegation that the applicant was formed as a marketing vehicle in which Diamond and the first respondent would hold equal shares reflecting the distribution of profits, was the very antithesis of a service contract with the applicant. The absence of any allegation of some agreement in terms of which the ownership of the data bank and the copyright therein was transferred to the applicant indicated that there was no contract of service, as did the absence of any allegation of when the contract of service was concluded, whether it was written or tacit or what any of its terms were. The applicant's reference to the copyright warning notice was of no assistance to the applicant because there was no indication that they were not issued in relation to material produced by the applicant after the parties' agreement concluded on 17 November 1980. It followed that there was no contract of service, and the copyright in the data bank and computer programmes never vested in the applicant.

Ackerman J: This is an application on motion in which the applicant, a private company, Econostat (Pty) Limited ('Econostat') seeks a final order against the two respondents in the following terms:

1. Interdicting and restraining the respondent from—
 - (a) Infringing the copyright of the applicant in its Data Bank;
 - (b) Infringing the applicant's copyright in its suite of computer programmes known as the "Econocycle" system or technique;
 - (c) Using in any way the said Data Bank or suite of programmes or any information derived therefrom, or any copy of any information stored in or produced by use of such Data Bank or suite of

- programmes.
2. Ordering and directing the respondents to deliver up forthwith to the applicant:-
 - (a) Any copy made in any form (and whether on magnetic tapes or otherwise) of the said Data Bank or suite of programmes;
 - (b) Any documentation produced using the said Data Bank or suite of programmes.
 3. Authorising the applicant to destroy the items so delivered in terms of prayer 2 above.
 4. Costs of suit.
 5. Further or alternative relief.'

There was no request for the matter to be referred to evidence, and the interdict applied for was final in form. In those circumstances it was not disputed that the application could succeed only if the facts as stated by the respondents, together with such facts advanced by the appellant as were admitted by the respondents, justified the order sought (*Stellenbosch Farmers' Winery Limited v Stellenvale Winery (Pty) Ltd*, 1957 (4) SA 234 (C) at 235 E and *National Chemsearch (SA) (Pty) Limited v Borrowman and another* 1979 (3) SA 1092 (T) at 1095 B-C.)

It was also common cause that, in order to succeed, in respect of prayer 1, Econostat was required to establish a clear right, injury actually committed or reasonably apprehended, and the absence of similar protection by any other ordinary remedy (*Setlogelo v Setlogelo* 1914 AD 221 227). The other relief sought is dependent upon Econostat's success in respect of the interdict sought in prayer 1. (In what follows I shall therefore restrict myself to the facts alleged or admitted by the respondents and disregard the disputed facts.)

Although the main thrust of Econostat's case, both on the papers and in argument, was that respondents had infringed Econostat's copyright in its data bank and its suite of computer programmes known as the 'Econocycle' system or technique, it was also contended that respondents' actions had amounted to unfair competition and at least certain of its actions to breach of contract.

The case in its essence concerns a conflict between Charles Diamond and the first respondent, to whom I shall refer as Lambrecht. At a stage Diamond and Lambrecht each owned 50% of the issued shares in Econostat and were its sole directors. Consequent upon an agreement concluded on 17 November 1980 Diamond became owner of all the shares in Econostat. Lambrecht is the beneficial owner of all the shares in second respondent.

The historical background of the relationship between Diamond and Lambrecht, and its breach, was canvassed at the greatest length in the papers.

I shall refer only to so much of it as is strictly relevant to the present dispute or strictly necessary to properly understand the dispute. A great deal of the matter in respondents' answering affidavit and in the replying affidavit is irrelevant, unduly prolix and tends to obfuscate rather than illuminate the issues between the parties.

Lambrecht is an expert exponent of the so-called 'mathematical school' of economics, which does not restrict itself to considering cause and effect relationships in economics in a qualitative manner only but endeavours to measure economic relationships in quantitative and statistical terms. This latter approach and technique is known as 'econometrics' and its development has been closely linked with that of electronic computers. Lambrecht commenced his study of mathematical economics at the University of Kiel in 1954 and completed his studies at the University of Gottingen where he obtained the equivalent of a Master's degree in economics. In 1963 he joined the economics department of Nedbank Limited in South Africa and set up a section for quantitative economic analysis. During this period Lambrecht began a private research project concerned with a method of financial market analysis commonly known as 'technical trend analysis'. He experimented with unorthodox concepts of behavioural theory which, extended to economic activity in general, formed the basis from which Lambrecht says he developed, over a period of years, a method of analysis which he called the 'Econocycle technique'. Extensive use was made of graphs not only as a mode of presentation but as a tool for detecting relationships and interdependencies between economic and financial indicators. The indicators most frequently used were statistical observations made over periods of time (typically at weekly, monthly, quarterly and yearly intervals) of economic activity such as manufacturing output, consumer spending, bank lending, and of financial phenomena such as interest rates, turnover velocity of bank deposits and so forth. These statistical observations made over periods of time are referred to as 'time series'. In addition several hundred time series of daily share price data was collected.

During 1968 Lambrecht transformed a company Statisinform (Pty) Ltd ('Statisinform') into an institute for special financial and economic research. In the course of doing this he established a comprehensive library of financial reports of listed companies which were critically and systematically analysed according to a specifically designed format. From time to time surveys of sectors of industry and trade were published. Lambrecht's private research into technical market analysis was in due course used to supplement the 'fundamental' analysis undertaken by Statisinform and a computer used to store, on tape or disk, the various price series, their analysis as well as the

parameters defining each trendline. As information was fed into the computer new graphs of price series and trendlines would be produced. While computer engineers wrote and tested the required computer programme to Lambrecht's specification, his wife (on his behalf) established a computerised 'data bank' of price series in the form of punched cards. This form of computer-assisted analysis was extended to the financial analysis of companies' balance sheets. Lambrecht claims that the data bank and analysis systems were the first of their kind in the country. Although promoted to the position of Head of the Economic Department of Nedbank, Lambrecht remained manager of Statsinform and extended the techniques he had devised to quantitative economic analysis which involved, *inter alia*, the presentation of economic and financial information in graph or chart form, which was subsequently also computerised. In this context Lambrecht first compiled a data bank of economic time series. One problem encountered was the creation of sufficient referencing systems to bring order to the diversity of information. An important reference system is one relating to various levels of aggregation. A particular time series may reflect total manufacturing production, another manufacturing of food, another manufacturing of tinned food and yet another manufacturing of tinned vegetables. Food production thus belongs to the first 'level of disaggregation' relative to total production, tinned food production to the second level of disaggregation and tinned vegetable production to the third level of disaggregation. Economic time series have, according to Lambrecht, to be carefully referenced according to their exact position in the hierarchical pyramids of disaggregation. Various hierarchical pyramids are necessary relating to information other than production such as, for example, sales data, inventory levels, capacity utilisation, etc.

A point that Lambrecht stresses is that, contrary to what Diamond says, the quality of an economic data bank cannot be judged by the number of time series it contains, but by the framework of references used in its composition and the use to which they are put and can be referenced and utilised. The collection of so-called 'raw data' poses no problem. The storing in a data bank of, say, one thousand time series can be accomplished within a few weeks and at slight expense. The greater problem is to achieve a structural coherence between the time series stored and for this the skills of an economist experienced in all aspects of quantitative analysis is essential.

The size of the operation that Statsinform developed became a concern to Nedbank with the result that in due course the Old Mutual, South African Breweries and Johannesburg Consolidated Investments took up shares in Statsinform. Lambrecht found support for a new research project aimed at

constructing an economic model for the South African economy based on econometrics. As already indicated, econometrics is an attempt to measure, in quantitative terms, the relationships postulated in an economic theory or model of interaction. The economic model consists of a number of relationships expressed in mathematical terms, between 'variables'. So-called 'endogenous' variables are determined within the particular market itself such as demand, supply and price. 'Exogenous' variables are those determined outside the particular market such as tax and other factors. The econometric approach to quantitative economic analysis has two major weaknesses. The first is the demand made on the analyst to explain such endogenous variables as the sum of influences by other variables and, secondly, the difficulty of estimating the exogenous variables. In the result Statsinform's economic model of the South African economy proved disappointing.

The results spurred Lambrecht to explore alternatives to econometric analysis which resulted in the Econocycle technique. His appointment as special economic adviser to the general management gave him sufficient opportunity for Lambrecht's private research. Lambrecht's plan was to create a pragmatic service addressed to the problems of the average business executive, which would emphasise micro-economic details and use a communication medium which would enable the transmitted information to be absorbed without interpretation by a specially qualified economist.

In developing his Econocycle technique, Lambrecht adopted the following principles:

'I started from the premise that economic analysis had to reach the lower levels of the pyramid of sub-sectoral disaggregation if it were to be generally and practically relevant to business. From this I derived the idea of using economic time series, which represented the highest possible degree of disaggregation, as building stones for construction models of sectoral activity and combining these, in turn, to form a model for the economy as a whole. This process reversed the direction of traditional economic analysis which moves from the general to the particular. This "micro" approach to economic analysis implies that forecasting techniques have to be applied to the time series constituting the building stones, not to the sectoral aggregates derived from them.

The principle of analysing and extrapolating the basic time series first, and then aggregating them into sectoral units, has an important advantage. It tends to cancel out errors due to the inherent randomness of economic data and results in projections for the aggregate which are more stable and reliable than the "basic" projections derived from the individual component series.

The problem of aggregating time series of different denominations, such as, for instance, physical production index, number of employees, percentage utilisation of capacity, value of inventories, is overcome by using, instead of the absolute values of the time series, the rate of change in the absolute values from month to month as a common denominator. It is this rate-of-change concept which is central to the Econocycle projection technique.'

A weighing factor is assigned to each component series which determines its relative influence on the aggregate. Lambrecht called this the 'diffusion technique' and refers to the aggregates as 'diffusion models'. Lambrecht also sought for a means of obtaining more relevant results on the 'micro' level of econometric analysis. He achieved this by using techniques of the so-called 'auto-regressive' kind which are based on an extrapolation of any constant or repetitive features exhibited by the performance pattern of the past. The technical analysis of share market trends is a form of auto-regressive time series analysis. From time to time structural changes occur which settle price movements in a new pattern with a new trend direction. The only way in which such transition changes can be handled efficiently is by constant monitoring, which approach formed an important feature of Lambrecht's econocycle system. By 1971 Lambrecht had compiled a data bank of time series sufficient in scope for testing his diffusion technique of economic model building on a comprehensive scale.

Lambrecht met Diamond in 1969 or 1970 when the latter was economist with Rand Mines. In the course of time a loose partnership or joint venture came into being between the two for purposes of writing articles on economic topics and other reports. Lambrecht contributed his specialist experience in quantitative economics and did the analysis work, prepared with graphs and draft the text, the latter being edited by the two jointly. Diamond, who according to Lambrecht had no experience or background of quantitative economics at all, contributed his contacts and marketing skills. The proceeds of the projects were divided equally between the two.

By 1972 Lambrecht's researches into so-called econocycle techniques had reached a stage where the implementation of a client service appeared feasible. He discussed this possibility with Diamond who suggested that this service be included in their marketing agreement. In fact Diamond suggested the formation of a company using the name Econostat to serve as a marketing vehicle. In this was it was agreed that a marketing and administration company called Econostat (Pty) Ltd (the applicant) be formed, which was duly done in 1972. It was agreed that Lambrecht and Diamond would hold equal shares reflecting the distribution of profits which already applied in

their joint venture. The only written agreement entered into between the parties was one concluded in 1976 which dealt with rights of pre-emption and the devolution of the shares in Econostat. Lambrecht states that his right to practice independently as a consultant was never in issue nor was there any suggestion of his relinquishing any copyright or other rights to his research, data systems, or techniques to Econostat.

Lambrecht's continued research led him to the conclusion that it might be possible to perceive rate of change patterns derived from economic time series as the composite effect of fairly regular growth cycles of different wavelengths. He then started applying frequency analysis techniques to economic time series and after experimenting with different sets of analysis parameters he considered the system ready for practical application. As the system was not specially geared to identifying and projecting economic cycles, Lambrecht named it the 'Econocycle System'.

Lambrecht states that Diamond was at no stage involved in any way in the research activities relating to the analysis system and the data bank, nor was he capable of such involvement. According to Lambrecht, Diamond only has a superficial understanding of the systems developed and does not even full comprehend some of the requirements, principles or techniques involved.

Lambrecht emphasises in the answering affidavit (for example paragraph 7.35 at p.109 and paragraph 7.41 at p.116) that Econostat was 'the vehicle through which my systems were to be marketed'. These allegations are not denied in these paragraphs of applicant's replying affidavit dealing with the above paragraphs of the answering affidavit.

In 1973 Union Acceptances entered into an exclusive agreement with Econostat for a service based on the Econocycle System. In 1975 Union Acceptances were taken over by Nedbank which cancelled the Econostat service. With the exclusivity restraint on the Econocycle System removed, Econostat found major companies such as Anglo American and Anglo Vaal prepared to subscribe to the service and a rapid growth of service contracts ensued.

In addition to research and data bank administration Lambrecht had to prepare the computerised statistical reports which clients received monthly under the service agreements. Lambrecht says that Diamond could be of no assistance in this regard because he lacked the required background, experience and skills. Lambrecht's ex-wife was employed by Econostat to alleviate his work load. In 1977 Lambrecht gave up all lecturing to meet the demands of the Econostat service. At about the same time Diamond gave up lecturing and according to Lambrecht 'concentrated totally on marketing my system and administering the applicant'.

In consultation with his ex-wife Lambrecht established a data bank and production organisation which she could manage under his supervision with one assistant. For the preparation of the statistical reports they employed the services of a computer service bureau. The analysis and projection of economic time series and the construction of diffusion models could not be delegated and was handled by Lambrecht personally.

Although Diamond was mainly concerned with the marketing of the system, Lambrecht was also involved because he was needed to persuade clients of the validity of the Econocycle approach. Lambrecht says that Diamond was not able to handle marketing sessions without him. Lambrecht says that within a year he realised that he had grossly overrated the value of Diamond's marketing input and that his 50% share in Econostat was not justified by his contribution.

Several approaches to Diamond to re-negotiate their association failed. Lambrecht says that he asserted his rights to independent action and in July 1977 entered into an agreement in his private capacity with Prognos AG, an economic research institute and subsidiary of the Swiss Bank Corporation in Basle, in terms whereof Lambrecht would make his econocycle system available to Prognos for their exclusive use in Western Europe and the United Kingdom. Diamond was extremely upset when he was informed of this agreement, particularly in regard to the exclusivity that Lambrecht was prepared to grant Prognos for the United Kingdom. In order to avoid further unpleasantness Lambrecht agreed that portion of the revenue accruing to him personally from the association with Prognos would be channelled through Econostat. Although the Prognos venture got off to a promising start, it soon became apparent that Lambrecht would have to spend a considerable time in Europe if the venture was to be successful. Despite lucrative offers from Prognos, Lambrecht declined to leave South Africa with the result that the Prognos venture never achieved any real success, though cordial relations were maintained between Prognos and Lambrecht and the association continued until 1979.

Towards the end of 1977 it became clear to Lambrecht that there was a major structural change in the medium-term cycle pattern of the economy which the existing econocycle system could not cope with. The changes were such that not only the analysis parameters but the programmes themselves had to be revised to suit the changed conditions. For this revision Lambrecht had to embark on months of original research during which he completely rewrote and reorganised his suite of analysis programmes. In 1979 Econostat acquired its own Hewlett Packard computer which was installed at the end of the year. The systems of this computer were significantly different from

those of computers which had previously been used and this required major adjustments to Lambrecht's programmes. In fact the programme operating the diffusion technique had to be re-written in its entirety.

At about this time Lambrecht met one Baer, an Austrian engineer, who had plans to launch a financial market service based on computerised technical analysis under the name of 'Equitest'. With a view to a possible association between Baer and Econostat, Lambrecht tested certain of Baer's 'Equitest' programmes on the Econostat computer. According to Lambrecht, Diamond consented to this. Having run the tests Lambrecht copied the analysis programmes belong to Baer onto a computer tape and handed it to him as a gesture of courtesy as it seemed improbable that any association between Econostat and Baer would result. A copy of Baer's programme remained on the storage disk of Econostat's computer. Lambrecht says that he did not purge these programmes from the disc and he further states that Econostat retained no claim to the tape given to Baer. He denies that he is in possession of the Baer tape.

Relations between Lambrecht and Diamond became strained. Diamond was resentful of Lambrecht and Lambrecht had become disenchanted with their association for a number of reasons. Firstly, Lambrecht felt that the computer the Econostat had acquired was not as well suited to operating the applicant's service as was originally believed. Lambrecht had obtained information about another type of Hewlett Packard computer, which had greater capabilities in precisely the areas Lambrecht needed to realise his ideas about the ways in which the Econostat service should operate. There were various other reasons why this new computer would answer Lambrecht's needs better. Another important reason for Lambrecht's dissatisfaction was the state of Econostat's data bank. Lambrecht had built up a data bank of about 1600 series over the years. To this had been added about 12,000 time series, mainly European international indicators. Lambrecht found the quality of these series poor and for the greater part quite useless for South African clients and that its bulk made the data handling system unwieldy and inefficient. Nevertheless Diamond insisted that the inflated data base be maintained to impress clients. Lambrecht also began to have reservations regarding his own data bank. He had come to the conclusion that for a data bank to maintain acceptable standards of quality it should be entirely re-created from original sources every few years. He says that his data bank had reached the stage where such a re-creation exercise was due.

When, therefore, after some unsuccessful initial negotiating Diamond suggested that the association be terminated by Diamond buying out Lambrecht, Lambrecht found this acceptable as it would enable him to make

a new start and put into operation his new concepts and to formulate a new service concept.

Consequently Diamond, Lambrecht and Econostat entered into a written agreement dated the 17th November 1980 in terms whereof Lambrecht sold his shares in and claims against Econostat for a total purchaser consideration of R50 000,00.

In terms of clause 4.2.1 of the agreement, R25 000,00 of the purchase price was to be paid by Diamond to Lambrecht on the '15th November 1980, or within a period of ten (10) days of the signature of this agreement'. In terms of clause 7 Lambrecht was employed by Econostat as a consultant as from date of signature of the agreement to the 18th March 1981 on the terms set forth in Annexure 'A' to the agreement. In terms of clause 8.2 of the agreement Lambrecht undertook, immediately on signature of the agreement to return to Econostat, *inter alia*:

'8.2.1 All computer tapes, programme listings and all documentation belong to ECONOSTAT:

8.2.2 ---- 8.2.3 ---- 8.2.4 ----

8.2.5 All such documents which may be in the possession of Mrs Emmie Lambrecht, the ex-wife of the SELLER, insofar as they relate to the affairs of ECONOSTAT.'

Clause 9 placed a restraint on Lambrecht in the following terms:

'Without prejudice to the obligations imposed at Law upon the SELLER by virtue of his relationship with ECONOSTAT and provided these are no more onerous than the present restraint, the SELLER specifically undertakes from date of signature hereof to the 28th March, 1981, not to be, or become engaged in, or with, or buy, or be interested in, or interest himself or be or become financial interested directly or indirectly in any of the existing clients of ECONOSTAT which are reflected in Annexure "B" hereto.'

On the 17th November 1980 the parties concluded a written addendum to the aforementioned agreement of sale, paragraph 1 whereof providing as follows:

'The parties agree and record that the PURCHASER shall effect payment of R25 000,00 (TWENTY FIVE THOUSAND RAND) to Attorneys IVOR TRAKMAN LANG AND PARTNERS on the 17th November 1980, which amount is to be retained in trust by the said IVOR TRAKMAN LAND AND PARTNERS until such time as the SELLER has complied with all of his obligations in terms of clauses 5.1.1, 5.1.2 and 8 of the said Agreement of Sale dated the 17th November 1980. Thereafter the said IVOR TRAKMAN LANG AND PARTNERS shall

pay the said sum of R25 000,00 (TWENTY FIVE THOUSAND RAND) to the SELLER, upon written advice by the PURCHASER, that the SELLER has complied with his aforementioned obligations.'

Under cover of a letter dated the 24th November 1980, Ivor Trakman, Lang and Partners paid the aforesaid sum of R25 000,00 to Lambrecht's attorneys.

Immediately after conclusion of the agreement of sale Lambrecht began preparing himself for entry into the market with his own service. He ordered and used a computer of the new type he wanted and second respondent was formed.

Having regard to the advantages of the new computer which Lambrecht used he did not even try to translate any of his old programmes of the 1977 rewrite version but created a new version from first principles. What had previously taken him many months to accomplish on the old computer could not be achieved in weeks. The new analysis system was called 'Equicycle System' and the service to be based on it the 'Equitest Business Monitor'.

As a basis for building a new data bank Lambrecht used a number of printed copies of the data histories of time series collected by him over the years in developing the data bank and his system. The software of Lambrecht's computer was not compatible with that of the Econostat computer. There was accordingly no purpose in obtaining tape transcripts of Econostat's data bank. Starting with the reconstructed data as a base Lambrecht began replacing it with data from original sources. The efficiency of the computer was such that a thousand monthly time series with a data history of twelve years could be loaded from original sources within less than eight weeks. Between the time that Diamond obtained a copy of material issued by second respondent at the end of July 1981 and the launching of the application Lambrecht, in the ordinary course of developing his new service, replaced all the old time series.

Lambrecht further states that for purpose of his new analysis system, because he was redesigning the projection programmes entirely, the projections added to the original time series could not be used. Lambrecht furthermore says that as he had completely re-designed the computer programmes used in the 'derivation' process he had no use for any of the 'derived' time series which had been stored in Econostat's computer.

In this regard Lambrecht makes the following important allegation (paragraph 7.61, p.139):

'Neither the whole data bank nor parts of it were transferred to my own computer system. There was neither the technical facility nor any reason for doing so. All data series in the applicant's data bank used in

establishing my new data bank were of the kind which may be readily extracted from published sources or can and are what I characterise as raw data, in relation to which no copyright subsists or is claimed, even by the original compilers thereof. This raw data, is, simply a series of established statistics and is, in any event compiled and published for the very purpose of being utilised by subscribers.'

It is apparently common cause that during the restraint period Lambrecht made no marketing approaches to prospective clients for the Business Monitor Service at all.

When setting up his new data bank after July 1980, Lambrecht followed for a start the coding system previously used in the data bank in Econostat's computer. He says, however, that there is nothing novel or inventive in regard to these code names and numbers, which are generally descriptive.

After the period of restraint Lambrecht launched his new service and, within the first six months of active marketing, had acquired fifteen service contracts, most of them with major South African corporations.

Lambrecht explains the working principles of his Equicycle system in fair details and explains how it differs from Econostat's Econocycle system. There are apparently two major obvious differences. In the first place the Equicycle system has a completely new style and format of presentation and communication of analysis obtained with the Equicycle system are a major advance in the communication of the information to the user. Furthermore the Equicycle system has important technical and conceptual improvements in regard to the analysis process. It is stressed by Lambrecht in various passages in the answering affidavit that Diamond played no part whatsoever in the development of the Econocycle technique.

Against this background I proceed to consider more closely the basis of Econostat's claim against Lambrecht and the second respondent.

The main argument was based on the infringement by Lambrecht and second respondent of Econostat's copyright 'in its data bank' and 'in its suite of computer programmes known as the 'Econocycle' system or technique, after Lambrecht sold his share in Econostat to Diamond on the 17th November 1980.

The first question to be considered is whether the data bank and the suite of computer programmes contained in Econostat's computer are eligible for copyright protection. It is clear from the history that I have given that the compilation of the data bank and suites of computer programmes was a continuous process which commenced at the latest in the late 1960's and continued until at least November 1980. Section 43(a) of the Copyright Act 1989 (no 98 of 1978) ('the 1978 Act') provides that:

'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 contained shall -

(i) affect the ownership, duration or validity of any copyright which subsists under the Copyright Act 1965 (no 63 of 1965); or

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

Section 41(4) of the Act (which is in terms identical to section 44(4) of the Copyright Act (no 63 of 1965) ('the 1965 Act') provides that -

'(4) Subject to the preceding provisions of this section, no copyright or right in the nature of copyright shall subsist.'

In terms of section 3(1) of the 1965 Act copyright could subsist in every 'literary, dramatic or musical work'. In terms of section 2 of the Act there are six categories of works, the first being 'literary works', that are eligible for copyright. It was common cause in the present case that the work reduced to material form in the shape of tapes, disks, and print-outs in the data bank and suite of computer programmes, was eligible for copyright as a 'literary work'. This was so said in *Northern Office Micro Computers (Pty) Ltd and others v Resenstein* 1981 (4) SA 123 (C). For purposes of this judgment I will accept the correctness of this judgment although the last word has by no means been spoken on the matter of copyright relating to computers. Various doubts have been expressed as to whether computer programmes are eligible for copyright and in particular whether work embodied on a tape (as opposed to a punched card or print-out) is so eligible. (See, for example, Banzhaf *Copyright Protection for Computer Programs* in 64 Columbia Law Review 1274 (1964); Breyer *The Uneasy Care for Copyright; A Study of Copyright in Books, Photocopies and Computer Programs* in 84 Howard Law Review 281 (1970); Laudie, Prestcott and Vittoria, *The Modern Law of Copyright* (1980) paragraph 2.134 - 2.138; Tapper, *Computer Law* (1978) p. 18-21; *The Legal Protection of Copyright* ed Brett and Perry (1981) p 78-83). Copinger and Skone James on *Copyright*, paragraph 154, however, see 'no reason why items of computer software such as punched cards, punched tapes, magnetic tapes and even magnetic cores should not be protectable as 'literary works', apart from the more obviously literary works, such as print outs and so on'.

This judgment was concerned with the 1978 Act, however. In the 1965 Act, 'literary work' was simply defined as 'includes any written table or compilation'. In view of this clear wording, Copeling *Copyright Law in South*

Africa (1969) at p 31 expressed doubts whether a literary work which did not exist in print or writing, for example the recording of a work on tape, could qualify for copyright as a literary work. The definition of 'literary work' in section 1(1) of 1978 Act is, however, considerably broadened by the introduction of the phrase 'in whatsoever mode or form expressed'.

Copeling, *Copyright and the Act of 1978*, dealing with this problem, states the following at p 9, paragraph 7:

'However, as it is apparent from the definition of "literary work" above, the grounds for such a contention under the Act of 1978 are less persuasive. This, together with the fact that the Act specifically states that "... a work shall be deemed to have been made at the time when it was first reduced to writing or to some material form", tends to suggest that a literary or dramatic work may, for purposes of the Act, exist also in the form of a sound recording or cinematographic film.'

Furthermore this view is strengthened by the provisions of section 2(2) of the 1978 Act which provides (both prior to its amendment by Section 2(b) of Act No 56 of 1980 and thereafter) that a literary, musical or artistic work shall not be eligible for copyright unless:

'the work has been written down, recorded or otherwise reduced to material form'

In terms of section 43 of the 1978 Act, the Act applies to works made before the commencement of this Act. I therefore agree that work, whether it was completed before or after the coming into the operation of the 1978 Act, reduced to material form in the shape of tapes, discs and print-outs in the data bank and suite of computer programmes, are eligible for copyright, provided or course it is original.

The second question is whether all the work thus recorded is in fact 'original' as that concept is understood in copyright law. The principle involved is succinctly stated by De Kock J, in *Kalamazoo Division (Pty) Limited v Gay and others* 1978 (2) SA 184 (C) at 190 A-D as follows:

'Originality in this regard refers to original skill or labour in execution, not to original thought or expression of thought. What is required is not that the expression of thought must be in an original or novel form, but that the work must emanate from the author himself and not be copied from another work. The question that then arises is what degree of labour or skill will suffice to create copyright in an original work. It is clear that it must be shown that some labour, skill or judgment has been brought to bear on the work before copyright can be claimed successfully for such work. The amount of such labour, skill or judgment is a question of fact and degree in every case. As was said by Viscount Simon LC in *Cramp*

& Sons case *supra* at 94:

‘‘Nobody disputes that the existence of sufficient ‘originality’ is a question of fact and degree. Lord ATKINSON’S observations in delivering the judgment of the Judicial Committee in *MacMillan & C v Cooper* lays down the law on the subject in terms which are universally accepted. He said at 125:

‘What is the precise amount of the knowledge, labour, judgment or literary skill or taste which the author or any book or other compilation must bestow upon its composition in order to acquire copyright in it within the meaning of the Copyright Act 1911 cannot be defined in precise terms. In every case it must depend largely on the special facts of that case and must in each case be very much a question of degree.’

In *G A Cramp & Sons Ltd v Frank Smythson Ltd* 1944 AC 329 Lord MacMillan said the following at 337-8:

‘Now, I do not doubt that, as the annals of literature show, a high degree of skill and knowledge may be displayed and much labour and judgment expended in gathering from the wide fields of non-copyright material at the disposal of the public specialised collections of extracts designed to meet particular needs or particular tastes, but it must always be a question of degree. Not every compilation can claim to be original literary work even in the pedestrian sense attributed to these words by the law. Thus, to take a familiar example, it has been held by this House to compile, from the official timetables of the railways companies, a local timetable showing a selection of trains to and from a particular town is not to compose a work entitled to copyright. Such a compilation may be convenient and useful for the inhabitants of that town, but it does not require either such labour or such ingenuity in its preparation as to render it fit subject-matter for copyright: *Leslie v J Young & Sons*.’

Copeling, *Copyright Law in South Africa* (1969) at 49 formulates the test as follows:

‘However, as a general rule he will have to expend sufficient skill or labour to impart to his work some quality or character which the material he uses does not possess and which substantially distinguishes the work from that material.’

In applying these tests it is necessary in my view to distinguish between so-called ‘raw data’ stored in the data bank and the series of programmes derived from such ‘raw data’, because Lambrecht draws this distinction in paragraph 7.61 of the answering affidavit, where he, *inter alia*, says the following:

'All data series in the applicant's data bank used in establishing my new data bank were of the kind which may be readily extracted from published sources or can otherwise be obtained from the compilers and are what I characterise as raw data, in relation to which no copyright subsists or is claimed, even by the original compilers thereof. This raw data is, simply a series of established statistics and is in any event compiled (*sic*) and published for the very purpose of being utilised by subscribers.'

I have no doubt that any analysis or derivation from this 'raw data', involving as it does sophisticated economic and statistical techniques and any computer programmes designed on the strength thereof, involving in addition sophisticated computer skills, are 'original' for the purpose of vesting copyright in their material expression. This is not contested by respondents.

The question is whether the 'raw data' stored in its original form in the computer on disk or tape or print-outs, is original. The mere fact of storing the contents of, say, a novel on computer can obviously not make that which is stored 'original', great deal of skill and labour may be necessary to pertain the exercise. It is not the skill or labour of the emanuensis or computer technologist in transcribing to which the authorities refer, but the skill and labour in imparting to the work 'some quality or character which the material he uses does not possess and which substantially distinguishes the work from that material' (to use the words of Copeling, *supra*).

As I understand the above-quoted passage from Lambrecht's affidavit, the 'raw data' which is in the first instance stored in the data bank is merely extracted from government or other published documents, supplying economic information, prices, statistics, etc. Diamond says very little, if anything, about the skill required to extract this 'raw data' from published sources. In my opinion it has not been established on the papers that the extraction of this raw data involves any particular skill or labour which gives the stored 'raw data' any new quality or character so as to render it original. In my judgment, therefore, no copyright vests in such 'raw data' in its wholly untreated, uninterpreted and un-correlated form. Support for such a view is to be found in a fairly recent judgment of the English Court of Appeal in *Elango v Mandorps* (1979) FSR 46, 1980 RPC 213. The case concerned instruction leaflets for herbicide. The plaintiffs' leaflets were based on a mass of data drawn from earlier research work done by the plaintiffs. Initially defendants simply copied the leaflets but after protests by the plaintiffs the defendant changed the format and language of the leaflets. One of the arguments raised by the plaintiffs was that their copyright covered the raw data on which their leaflets were based. They contended that infringement

could only be avoided if the defendants performed their own field trials to determine the experimental data on which their leaflets would ultimately have to be based. Goff LJ disagreed. In his view the raw experimental data was to be regarded as ideas or information in which no copyright existed. In 1980 RPC at p 226 he said the following:

'There is no copyright in information or ideas, but only in the manner of expressing them, and the compilation cases, of which there are many, on which the appellants rely, all go as there being skill and labour involved in making the compilation, as distinct from skill and labour in ascertaining information.'

The learned Judge Justice then quoted with approval, *inter alia*, the following passage from the judgment of Lord Hodson in *Ladbroke (Football) Ltd v William Hill (Football) Ltd* (1964) 1 W R L 173 at 287:

'The argument is supported by reference to the case of *Purefoy Engineering Co Ltd v Sykes Boxdil & Co Ltd*. The actual decision in that case does not assist the argument, but there is there drawn a distinction between skill and labour devoted to the selection of a range of goods in which the plaintiffs were intending to trade and that employed for the purpose of bringing into existence the literary work, namely a catalogue. It may well be that there are cases in which expenditure of time and money has been laid out which cannot properly be taken into account as skill and labour involved in bringing into existence the literary work, be it catalogues or other compilations.'

The next and vital question is to determine who the owner is of the copyright which undeniably vests in all other data in the computer banks and the suites of computer programmes. There is a good deal of confusion in the papers concerning the use of the term 'computer bank' and 'suites of computer programmes' and whether they are Econostat's or Lambrecht's. A distinction is not always drawn between the ownership of the physical medium (tape, disk or print-out) on which information is stored (which clearly vests in Econostat) and the ownership of the copyright in the information. This distinction is clearly made by Copeling, *Copyright and the Act of 1978* paragraph 57. Save for the matter of the Baer tape, to which I have referred in the historical introduction, and save for the question of unfair competition, the only and by far the most important matter in issue in this application is the *copyright* of the work reduced to material from in the tapes, disks and print-outs of the 'data bank' and suites of computer programmes.

On Lambrecht's affidavit, the correctness whereof must be accepted for the purpose of determining final relief on these papers, he was undoubtedly

the author of the data bank and the suites of computer programmes as emerges from the history I have given in this judgment.

Whereas the author of a work is in the first instance entitled to any copyright subsisting therein, sub-section 5(2), (3) and (4) of the 1965 Act created certain exceptions to this rule. Only section 5(4) of the 1965 Act is relevant to the present case. It provides the following:

'5(4) Where in a case not falling within either sub-section (2) or (3) a work is made in the course of the author's employment by another person under a contract of service or apprenticeship, that other person shall be entitled to any copyright subsisting in the work by virtue of this chapter.'

The 1978 Act (which came into operation on the 1st January 1979) contained no such exemption, section 21(1) merely providing that copyright vests in the authors or co-authors of the work.

In terms of section 9 of the Copyright Amendment Act (no 56 of 1980) (which came into effect on the 23rd May 1980) section 21 of the 1978 Act was replaced by a new section which re-introduced the exceptions of the 1965 Act. Section 21(1)(d) of the 1978 Act (as amended) is identical in its effect to section 5(4) of the 1965 Act. The Copyright Amendment Act did not have retroactive effect (see *Northern Office Micro Computers case, supra*, at 129A) and section 43(a)(i) of the 1978 Act (prior to its amendment) merely preserves ownership of copyright which subsisted under the 1965 Act. It seems to me that the effect of all these provisions, following on the repeal of the 1965 Act, was to create an interregnum from the 1st January 1979 to the 22nd May 1980 during which period copyright in a work made during that period would vest in the author thereof notwithstanding the fact that the work was made in the course of the author's employment by another person under a contract of service or apprenticeship. Thus in the present case, if any separately identifiable work was made by Lambrecht during the period 1st January 1979 to the 22nd May 1980 the copyright in such work would not, in the absence of assignment (and there is no suggestion on the papers of such assignment) vest in Econostat. It must be remembered that in 1979, and upon acquisition by Econostat of its own computer, Lambrecht had to make major adjustments to his programmes and in fact rewrote in its entirety the programme operating the diffusion technique. It may well be, therefore, that many, if not all, the computer programmes were made in the interregnum. There is nothing on the papers to suggest that Lambrecht did any significant rewriting after the 22nd May 1980 and before the sale was concluded on the 17th November 1980. Respondent did not take this point, however, and the case was argued on the assumption (at least so it appeared

to me) by both sides that either the 1965 Act or the 1978 Act, as amended, applied to the determination of the person in whom the copyright of the entire data bank and all the suites of programmes vested. I shall therefore assume, for the purposes of this judgment, that that is the correct position. Respondents' contention in this regard was that Econostat has not proved, either in terms of section 5(4) of the 1965 Act or section 21(1)(d) of the 1978 Act, that Lambrecht when he made the data bank and the suites of programmes, made them 'in the course of his employment by Econostat' under a contract of service or not.

It is clear that Lambrecht was a director of Econostat. A director *qua* director is not a servant or employee of the company and cannot claim the normal benefit of an employee of the normal rights deriving from a contract of service (*Normandy v Ind Cooper & Co Ltd* (1908) 1 Ch 84; *Re Becton & Co*) (1913) 2 Ch 279). He may however enter into a contract of service with the company and in consequence thereof have, in addition to his relationship as director, a relationship of servant and master with the company (*Lee v Lee's Air Farming Ltd* (1960) 3 All ER 420 (PC)).

A good deal of argument was addressed to me on when and under what circumstances a director acts within the course of his employment with a company. This of course presupposes that the director is in the employ of the company pursuant to a contract of service. The fundamental question in the present matter, however, is whether Econostat has established that any such contract of service was entered into between Lambrecht and Econostat. There are only four short passages in the founding affidavit which could conceivably embody such an allegation. In paragraph 4.1 Diamond states the following:

'We both began to work full time for the applicant during 1977; that is, we relinquished all time with the Graduate School of Business.'

In my view this passage means no more than that from 1977 Diamond and Lambrecht devoted all their time to the affairs of Econostat. In paragraph 5.2.2 he states:

'Furthermore, over a period of ten years Lambrecht and I developed on behalf of the applicant, a technique of projecting economic data which is known as the "Econocycle" technique ...'

This is not an allegation that a contract of service was concluded but merely that a technique was developed for Econostat. In any event, as previously pointed out Lambrecht vigorously and in lengthy detail denies that Diamond had any part in developing the technique. Diamond's function in the company, according to Lambrecht was as salesman and not a very good one at that. In paragraph 17.1.1. he states:

'He is no doubt referring to the techniques developed by applicant while he was associated with it.'

The word 'associated' is extremely vague and can hardly be interpreted to refer to a service contract.

In paragraph 17.3 Diamond makes the following statement:

'I have been advised that in law, Business Futures and Lambrecht should be prohibited from copying or permitting to be copied in whole or in part the suite of programmes relating to applicants.'

This, in my view, falls short of a positive statement of fact by Diamond that Lambrecht was ever employed by Econostat. It merely states what legal advice was given to Diamond. Taken cumulatively (and leaving out of account altogether Lambrecht's allegations in this regard) these passages are, in my view, insufficient on their own, to establish that any contract of service existed between Econostat and Lambrecht. It is significant, in my view, that no mention is made of how, or when the contract was concluded, whether it was written, verbal or tacit or what any of its terms were. No mention is made of any salary or remuneration received by Lambrecht under such contract. This could easily have been established from the books and balance sheets of Econostat. It is also significant that in the agreement of sale where, *inter alia*, Lambrecht is engaged by Econostat as a *consultant* from date of signature of the agreement to the 28th March 1981, no mention at all is made of the termination of any contract of service which Lambrecht might have had with Econostat.

The whole tenor of Lambrecht's affidavit is to refute such a contract of service. He says (paragraph 7.35) that before the incorporation of Econostat the proceeds of the joint projects conducted by him and Diamond were divided equally between them. By the time Econostat came to be incorporated the Econostat Business Information Service devised by Lambrecht had developed to a point 'where the implementation of an initial client service appeared feasible'. He continues as follows:

'Diamond suggested that I should include the Econostat Service in *our marketing agreement*. He also suggested the formation of *a company* using the name Econostat *to serve as a marketing vehicle*. I agreed that a *marketing and administration company* named Econostat (Pty) Limited (the applicant) should be formed in which each of us would hold equal shares reflecting the distribution of profits which already applied in our joint venture.'

This, in my view, is the very antithesis of a service contract with Econostat, in the course whereof Lambrecht was to act as an economic analyst and devise and compile economic prediction techniques, data banks

and suites of computer programmes. If the ownership of the data bank, which Lambrecht had already compiled by that stage, and the copyright therein was to be transferred to Econostat one would have expected some agreement embodying such intention, but there was no such agreement. On Lambrecht's version, Econostat was merely a marketing vehicle for his economic prediction techniques and client service.

Although Diamond denies these allegations (paragraph 4.1.2 and 4.1.3 of the replying affidavit) they must, for the reasons mentioned, be accepted as correct for purposes of determining this application.

Considerable emphasis was placed in argument on behalf of Econostat on certain features of Appendixes C.2 (p 47), C.3.2. (p 53), C.4.2. (p 56) and C.5.2 (p 59) of the founding affidavit. These are all documents emanating from Econostat (see p 46). On the left hand bottom corner of each document (p 47, 53, 56 and 59) the following notation appears;

'NO REPRODUCTION WITHOUT PRIOR PERMISSION.
COPYRIGHT: ECONOSTAT. THE FIRS. ROSEBANK.
2196. JHB TEL. 011/78816156 TELEX 4-22121'

This, it was argued, shows that the copyright in the data bank and programmes belonged to Econostat. This point was not brought out in the founding affidavit.

Of these documents Lambrecht says the following (paragraph 10.1 of the answering affidavit):

'By way of example I mention that the document which is annexure ``C2" to Diamond's affidavit and which is an explanation of the Econocycle technique and statistical report put out by applicant is part of an information brochure which was designed and worded by me. Every detail of the report format for the standard Econocycle analysis report (graph and table)—original samples of which are appended by the applicant under annexure ``C3.2", ``C4.2" and ``C5.2" was designed by me. The test of the document is, word for word, my own and the originals of the included illustrations were drawn by my own hand.'

Diamond does not state in the founding affidavit when these documents were produced, nor does he state that they were produced prior to 17 November 1980 (ie the date when Lambrecht sold his shares in Diamond). The above passage from Lambrecht's affidavit certainly is no admission that the documents were *produced* before that date.

It is not clear from appendix C.2 itself when the brochure was printed. From the internal statistics there is nothing to suggest that it was printed before 17 November 1980.

It is clear, however, from appendixes C1.2, C4.2 and C5.2 that they were

printed as late as November 1981, because the top right hand corner of each bears the notation 'MONTHLY, 13 NOV. 1982 PROTECTION'.

It is quite conceivable, therefore, that the copyright reference on all these documents was introduced after Lambrecht left the company and without his knowledge or consent. There is accordingly no substance in this point.

On the papers I come to the conclusion that Econostat has not established that there ever was a contract of service between Lambrecht and the company and that accordingly the copyright in the data bank and computer programmes, of which Lambrecht was the author, never vested in Econostat. On this basis alone the Econostat's case, based on copyright, must fail.

Inasmuch as the question of infringement was fully argued I shall deal briefly therewith.

It is a well established principle that there can be no copyright in 'ideas'. Copinger and Skone Jones on *Copyright*, paragraph 406 state:

'What is protected is not original thought or information but the original expression of thought or information in some concrete form. Consequently it is only an infringement if the defendant has made an unlawful use of the form in which the thought or information is expressed. The defendant must, to be liable, have made a substantial use of this form, he is not liable if he has taken from the work the essential idea, however, original, and expressed the idea in his own form or used the idea for his own purposes.'

It is not easy to define the borderline between ideas and that which is copyright. The problem was stated as follows in the American case of *Nichols v Universal Picture Corporation* 45 F. 2d 119 by Judge Learned Hand at 121:

'Upon any work, and especially upon a play, a great number of patterns of increasing generality will fit equally well as more and more of the incidents is left out. The last may perhaps be no more than the most general statement of what the play is about, and at times might consist only of its title, but there is a point in this series of obstructions where they are no longer protected since otherwise the playwright could prevent the use of his "ideas" to which, apart from their expressions, his property is never extended. Nobody has ever been able to fix that boundary, and nobody ever can.'

It is clear therefore that no copyright can exist in the Econocycle System as an idea or concept, only in the form it may have been expressed in a particular case. Nothing can prevent Lambrecht from using his idea, concept or brainchild as such.

Has there been substantial use by Lambrecht of the form in which this

idea or concept was expressed.

In this regard I am faced by a considerable difficulty in that Econostat has not, apart from Appendixes C.2 to C.5, placed before court the material produced by Lambrecht which it is alleged constitutes the infringement, nor the comparable material which it is alleged, has been infringed. Without the opportunity of comparing this material it is extremely difficult to determine whether there has been substantial use of the copyright material or not.

The main criticism by Econostat are threefold. Firstly that the numbering used by second respondent is to all intents and purposes the same as that used by Econostat. Secondly that the naming method used is 'fairly similar' to that used by Econostat. Thirdly that certain data quoted both by second respondent and Econostat are incorrect in similar respects. It must be accepted, I think, that the above similarities did not occur by chance, but because Lambrecht used material produced by or emanating from Econostat's computer. I have great difficulty in seeing how numbering as such can be considered copyright material or, in the absence of fuller explanation and details, how the use of such numbers can constitute substantial use of the copyright material. I have the same difficulty with the naming method used. There is nothing unusual or imaginative in the names and would no doubt be used by countless other people in the economic field. As far as the third objection is concerned, it is virtually impossible for me to say how original the data concerned is or whether the use that has been made is substantial.

In the answering affidavit (paragraph 7.60) Lambrecht says that the efficiency of the new computer which he used after leaving Econostat was such that with one experienced assistant 'a thousand monthly time series with a data history of twelve years each could be tests from original sources within less than eight weeks'. He further states (paragraph 7.61) that:

'In addition to the original input data was the time saving obtained when producing analysis reports under time pressure. For the purposes of my new analysis system the time saving aspect was immaterial and no information except the original data series was required. Since I was redesigning my projection programmes entirely, the projections added to the original time series could not be used'

and,

'As I had completely re-designed the computer programmes used in the derivation process I had no use for any of the derived time series which had been stored'

and,

'Neither the whole data bank nor parts of it were transferred to my own computer system. There was neither the technical facility nor any reason

for doing so. All data series in the applicant's data bank used in establishing my new data bank were of the kind which may be readily extracted from published sources or can otherwise be obtained from the compilers and are what I characterise as raw data, in relation to which no copyright subsists or is claimed, even by the original compilers thereof.'

If this is so, and for purposes of the application, I must accept it is, then, having already found that no copyright can vest in true raw data there has been no use of and therefore no infringement of copyright material.

Econostat has not, in my view, shown any infringement of copyright material or, if it has, that any such infringement was substantial. On this ground too, the application on the basis of copyright infringement cannot succeed.

It is next necessary to consider the case on the basis of unfair competition. Once it is found that Econostat has not established copyright in the material concerned, it is difficult to see how, on Econostat's case on the papers, Lambrecht can be prevented from using the material, the copyright whereof vests in him, because of principles of unfair competition. No separate case was made out in the founding affidavit for relief under this principle. The case was also argued on this alternative ground on the basis that Econostat had copyright in the material concerned. The following isolated statement appears in paragraph 8.4 of the founding affidavit:

'The applicant receives and treats in confidence a vast number of in-house series from major listed corporations. This information is entrusted to the applicant in the strictest confidence being the confidential histories of the corporations.'

I shall assume, for purposes of this judgment, that Marais AJ's *dictum* in *Northern Office Micro Computers, supra*, at p 135 H to the effect that:

'if the suite of programmes in issue is a trade secret, it is no answer to the claim for an interdict for respondent to say that he is vested with the copyright.'

is correct.

I do not think that applicant can rely on the principle of trade secrets here. As far as the above factual allegation by Diamond is concerned, Lambrecht denies any use of such confidential information in paragraph 26 of the answering affidavit. If the contents of the data bank and computer programmes are to be published, in whatever form, to clients of Econostat as part of the service to clients, I can hardly see how it can be termed a trade secret. For the rest I would respectfully adopt the reasoning of Marais AJ at page 136B-137C. In my view Econostat has made out no case on these grounds.

In argument it was lastly contended that Econostat's case for the relief sought was also based, in part, on breach of contract by Lambrecht of the terms of the agreement, more particularly clauses S.2.1 and S.2.5 thereof. What Lambrecht is called upon to return in terms of these provisions are:

'All computer tapes, programmes listings and all documentation belonging to ECONOSTAT' in his or his ex-wife's possession.

The only mention in the founding affidavit of such documents is in connection with the Baer tape. In this regard Lambrecht states that with the consent of Diamond the tape was given to Baer. In any event Lambrecht cannot be compelled to return a tape which is not in his possession, whatever other remedies Diamond or Econostat may have for breach of contract. In any event no relief is sought in the notice of motion for the return of any tapes or documents belonging to Econostat. Respondents are asked to deliver up, flowing from the alleged infringement, copies that have been made of the data bank and suite of programmes. If prayer 1(b) is wide enough to cover this, it can on the papers only cover the Baer tape, which I have already dealt with. On this third ground Econostat has also made out no case.

The application must accordingly be dismissed with costs, such costs to include the costs attendant upon the employment of two counsel.

CAVENDISH TEXTILES LTD v MANMARK (PTY) LTD

TRANSVAAL PROVINCIAL DIVISION

MYBURGH AJ

31 JANUARY 1984

In order to show that there has been an infringement of copyright by means of an adaptation of a work, it must be shown that there is a causal connection between the two works and that there is a sufficient degree of similarity between the two works.

One Watkins was the author of a design which was used to print wall paper and curtaining and which was later transformed into a rough drawing. The copyright in the drawing was assigned to the plaintiff in November 1979. It possessed originality and it therefore qualified for copyright protection under the Copyright Act (no 98 of 1978).

Subsequently, the defendant's managing director placed an order with a business, Edward Pond and Associates, for the design of curtaining material, the order form stating 'similar ideas to original'. There was evidence to the effect that the managing directors both of the defendant and of Edward Pond and Associates had examined a book containing the copyright work, and that in spite of warnings not to do so, they copied the work. The evidence of the employee who completed the work for the defendant was to the effect that the design ultimately furnished to the defendant was based on a depiction contained in a book, that everything had been changed but that it was made to look the same type of design and with a similar colour.

The defendant then used the design it had obtained from Edward Pond and Associates in the production and distribution of textiles in South Africa. It used the same three colours for the curtains it produced as those used by the plaintiff in the production of its curtains.

The defendant's design exhibited marked differences from that of the plaintiff, it was similar to the plaintiff's in that it depicted a serpentine branch with leaves and flowers with a variety of arrangements. Unlike many of the designs which were similar to each other in this way, there was an additional similarity in the mode of drawing the bark on the stem depicted on the design. The bark was a prominent feature of the design. The main theme of the design, its blue bells and the stylized daisies closely resembled those on the plaintiff's design.

The plaintiff alleged an infringement of its copyright.

The design which was reduced to material form by Watkins was an original artistic work, the salient elements of its originality being the novel treatment of the blue bells, the bark and the stylised daisies. Although the drawing was based on a design which Watkins had completed at an earlier stage, it modified the design in various ways and so could not be said to be an exact reproduction of the earlier work.

In determining whether or not there had been an infringement, it had to be determined whether or not substantial features of the artistic work in which the plaintiff held the copyright remained recognizable in the defendant's design. If they did, then there would have been an adaptation of the work as defined in the Copyright Act (no 98 of 1978). The test to be applied was a two-fold test. It had to be determined 1. whether there was any possible causal connection between the two works and 2. whether there was sufficient similarity between the two works objectively determined.

The former, subjective test, had been demonstrated in the evidence of the involvement of Edward Pond & Associates which had been presented to the court. The latter test was demonstrated in the similarities apparent between the two works. Infringement had therefore been proved.

Myburgh AJ: In this action the plaintiff, a London based company alleges that the defendant, a South African company, has infringed its copyright in an artistic work in the form of a painting called 'Tree of Life'.

The cause of action is framed as follows:

- (3) At all times relevant hereto the plaintiff has been the proprietor in the Republic of South Africa of the copyright in an artistic work in the form of a painting called "TREE OF LIFE" (hereinafter referred to as "the copyright work"). A photograph exemplifying the copyright work is annexed hereto, marked Annexure "A".
- (4) The plaintiff has furthermore reproduced the copyright work in the form of a textile design (hereinafter referred to as 'the textile design'). A photograph exemplifying the plaintiff's textile design is annexed hereunto, marked Annexure "B".
- (5) During or about July 1981, the plaintiff became aware of the fact that the defendant was producing and distributing textiles in the Republic of South Africa upon which a design is depicted (hereinafter referred to as "the offending design"). A photograph exemplifying the defendant's offending design is annexed hereto, marked Annexure "C". The offending design is a plagiarism of the textile design.'

For the purpose of this judgement it is not necessary that I quote the other averment.

In the plea the defendant denies any knowledge of plaintiff's alleged copyright to the alleged artistic work, or any knowledge of the reproduction thereof in the form of a textile design, and puts the plaintiff to the proof thereof.

The defendant admits that it was 'producing and distributing textiles in the Republic of South Africa upon which a design was depicted, which design accords with the example annexed to plaintiff's Particulars of Claim marked "C", and further the defendant in particular 'denies that the said design constituted a plagiarism of the design referred to in paragraph 4 of plaintiff's Particulars of Claim'.

By agreement between the parties no evidence was led on the alleged and denied damages, for the said infringement. The determination of such damages, if any, will have to be determined in subsequent proceedings. The plaintiff claims an interdict and certain other relief.

The dispute between the parties can conveniently be dealt with under the following headings:

- A. Whether the artistic work, Annexure 'A', (exhibit 'F' at the trial) of which Watkins was the author, is an original work;
- B. Whether the original artistic work was assigned to the plaintiff by Watkins; and
- C. Whether defendant's design, exhibit 'G' is an infringement of exhibit 'F' or any material part thereof.

The plaintiff called four witnesses. They are:

Mr Garfield, the Managing Director of the plaintiff company; Mr Watkins, the artist who designed the alleged original work; Mr Pond, whose firm Edward Pond Associates, being chartered designers, designed the defendant's alleged offending design; Mr Brook, who was employed by the plaintiff company as assistant production manager for its retail departmental stores, John Lewis Partnership.

No evidence was called on behalf of the defendant. Mr Harms, with Mr Puckrin appeared for the plaintiff and Mr Schreiner with Mr Solomon for the defendant.

HEADING A:

Mr Watkins in his evidence stated that he was the author of the alleged original design, exhibit 'F'. It was first in the form of a drawing. This drawing was used to print wall paper, and subsequently to print curtaining. He made no claim to originality in respect of the borders, but only to 'the Tree of Life' design in the panel of the curtain. The rough drawing for the curtains was never published. It was merely submitted to the plaintiff and its subsidiary, John Lewis, for approval. This rough drawing ultimately became exhibit 'F'. There was no antecedent for the design of the panel. Exhibit 'F' was produced in three different colours. His evidence was not seriously challenged and I hold that the sketch which became exhibit 'F' is an original artistic work, which Watkins on 9th November 1979 assigned to the plaintiff as design no 7969 'Tree of Life', for the full term of copyright subsisting therein. This was done in terms of exhibit 'O'.

It is common cause that the Copyright Act which came into effect on 20th June 1978, being Act No 98 of 1978 as amended, is applicable to the present proceedings. In terms of section 1(1)(iii) it is provided that 'artistic work' means irrespective of the artistic quality thereof '(a) paintings, sculptures, drawings, engraving and photographs', and in sub-section (iv) 'author' in relation to (a) a literary, musical or artistic work means the person who first makes or creates the work.

The originality is provided for in section 2(1) and (c) as follows:

'Subject to the provisions of this Act the following works, if they are original, shall be eligible for copyright. (c) artistic works.'

See also section 1(2)A of the Act.

In the present case the artistic work has been reduced to a material form. The design created by Mr Watkins, therefore, qualifies for copyright and because of his assignment, vests in the plaintiff.

The salient elements of originality are his novel treatment of the blue bells, the bark and the stylized daisies.

HEADING B:

Mr Schreiner, during argument, contended that the plaintiff had to prove the originality of exhibit 'F' and, for that reason, it must be more than an exact reproduction or sluggish copy of an earlier work. He drew attention to the fact that Watkins made his original design in the form of a line drawing for a weave. This was followed by a wall paper design also based upon the said line drawing. Thereafter he made a rough drawing which ultimately became exhibit 'F'. On this basis it was contended that if exhibit 'F' was in fact a sluggish copy or an exact reproduction of Watkins' wall paper design, then it was not eligible for copyright. With this submission I cannot agree. Watkins' evidence is that this matter has quite a long history. Prior to exhibit 'F' he first made a rough sketch, which after approval became exhibit 'F'. It was based on the sketch for the weave, but modified in various ways and that there was no antecedent for exhibit 'F'.

In my view this design was not obtained by Watkins from any extraneous source, but was his own original work which he assigned to the plaintiff.

In the Record of Events Subsequent to Pre-Trial Conference the following was noted:

'Defendant admitted:

1.1 authorship of Annexure 'A' of the Particulars of Claim to Plaintiff's Summons by Watkins; and

1.2 date of first publication of Annexure 'A' of the Particulars of Claim to Plaintiff's Summons.'

I agree with the submission on behalf of the plaintiff that the design in exhibit 'F' was Watkins' own original work, created by skill and effort.

HEADING C:

Copyright in an original artistic work is protected by the provisions of section 7 of the Act, which provides as follows:

'Copyright in an artistic work vests the exclusive right to do or to authorise the doing of any of the following acts in the Republic:

- (a) reproducing the work in any manner of form
- (c) making an adaptation of the work.'

See also section 23(1) of the Act, which defines an infringement as follows:

'Copyright shall be infringed by any person, not being the owner of the copyright, who, without licence of such owner, does or causes any other person to do, in the Republic, any act which the owner of the copyright may authorise.'

In Section 1 of the Act, 'adaptation' is defined as follows:

'adaptation in relation to (c) an artistic work includes the transformation of the work in such a manner that the original or substantial features thereof remain recognisable.'

The Afrikaans text of the Act was signed by the State President and in section 1(1) the following definition appears:

''aanwending" met betrekking tot -

(c) 'n artistieke werk, ook die omskepping van die werk op so 'n wyse dat die oorspronklike of wesenlike kenmerke daarvan herkenbaar bly.'

The main dispute between the parties is whether substantial features of exhibit 'F' remain recognisable in the defendant's design, exhibit 'G'.

The plaintiff manufactured curtaining incorporating the design exhibit 'F' in three different colours. They were handed in as exhibit 'H2', 'J2' and 'K2'.

The defendant manufactured curtaining incorporating the design exhibit 'G' also in three colours. The three colours selected by the defendant are identical to the three colours of the plaintiff's curtaining. These were handed in respectively as exhibits 'H1' 'J1' and 'K1'. Mr Watkins used plaintiff's curtaining being exhibit 'P2' to compare with defendant's curtaining exhibit 'P1'. On these exhibits he marked the similar features of the two curtain lengths.

I have been referred to a number of judgments and text books, in which the problem of deciding whether in a particular case there has been a copyright infringement. Many attempts have been made to define a formula which can be used to make such a decision.

When considering these authorities, it must be borne in mind that no similar definition of 'adaptation' appears in either the 1965 Copyright Act or the British Copyright Act.

I think the matter can conveniently be considered under

1. Any possible casual connection and
2. the objective test.

See in this regard the judgement in *F Francis Day and Hunter Limited v Bron* 1963 ChD 587 at 618, which is authority for the proposition that in determining whether there was an infringement it must be taken in two stages: one being an objective test and other whether there was a casual

connection in a subjective test.

As to the causal connection the plaintiff's case rests mainly on the evidence of Mr Pond. It is common cause that Mr Minnie, the managing director of the defendant company, commissioned Edward Pond and Associates in London to design curtaining material for the defendant. This was done by an employee of Edward Pond and Associates, which ultimately resulted in exhibit 'G'. The order form by Mr Minnie merely stated 'similar ideas to original'. The design exhibit 'G' which was sent by Ponds Associates to the defendant on 4th August 1980 (exhibit 'L') was accompanied by a letter stating the following:

'Dear Mr Minnie

I hope you found the design satisfactory.

We developed them to your instructions, but being very careful not to reproduce designs which in any way were plagiaristic. I believe we have produced designs which have exactly the kind of character you were looking for.

With kind regards,

Yours sincerely,

(Signed) Terence Kavanagh

TERENCE KAVANAGH

Managing Director'

According to Mr Pond when Mr Minnie visited London during 1980, he saw Mr Minnie and Mr Kavanagh examining the Cavendish book, which contained exhibit 'F'. He was at pains to explain to Mr Kavanagh and Miss Webb that no copyright should be infringed. His evidence is further that in spite of his warning they did nevertheless copy exhibit 'F'. His evidence is further that after Mr Davy from the plaintiff's company had seen the infringement Mr Kavanagh was dismissed as was Miss Webb, some months later. It was put to him in cross examination that Miss Well said that he, Mr Pond, had instructed her to copy exhibit 'F'. Mr Pond was challenged in cross-examination and it was suggested that he was not a truthful witness. It was further suggested in argument that if Mr Pond gave an instruction to Miss Well and Mr Kavanagh not to copy the Cavendish design (exhibit 'F') that there is no evidence that they did not obey his instructions. Miss Webb wrote a letter, which is undated, to Mr Davy, who objected to the infringement in the following terms:

Exhibit 'I':

'Dear Mr Davy

Thank you for your letter.

As far as I can remember Terence Kavanagh gave me the brief for design

Oriental Bird Screen. I was told to do a similar design as the one in the John Lewis Book but to change everything, keep the feel of it and to use similar colouring, ie green cream. The medium used was lime and coloured inks.

I can't remember doing colourways for either designs. I believe Eddie saw this design in the tracing stage, Design 2 Tree of Life. I think Eddie gave me the brief again using John Lewis Book as guide, changing everything, but making it look the same type of design, similar colour, pink-brown: also medium used and coloured inks.

I did not know who the designs were for.

Later Terence came to me asking for the tracings of both designs as there was some trouble, which I gave him.

That's about all I can remember about it.

I hope it is of some help.

Yours sincerely

Diana

In spite of the direct evidence, Mr Minnie, who was in court during the hearing, elected not to give evidence.

As regards Mr Pond, I cannot say that I gained a favourable impression of him as a witness, because he, at times, became very aggressive. On the other hand his aggression may have stemmed from the fact that he was made out to be a dishonest witness. Certain valid criticisms were raised against his evidence, but I do not think that he was dishonest, and I do not think that he gave his evidence merely to make amends to his client, the plaintiff.

The evidence of Mr Garfield that Mr Minnie requested him to reproduce plaintiff's Poppy design is similar fact evidence which must be given due weight.

On all the evidence and the probabilities I hold that the casual connection has been proved.

I must consider the objective test. Nicholas J as he then was, in the unreported case (no 278 1974) in the matter between *Cyril Laubscher and Henk Vos v Pictorial Press (Proprietary) Limited and Associated Industries (Proprietary) Limited* deals with the matter as follows:

'In an action for infringement of copyright it is for the plaintiff to prove that a substantial part of his original work has been reproduced and that such reproduction is causally connected with that work (*Francis Day & Hunter Limited v Bron* 1963 ChD 587 at 618). The question whether there has been a reproduction is a question of fact which must be taken in two stages, one objective and the other subjective. In order to constitute reproduction within the meaning of the Act, there must be (a) a sufficient

degree of objective similarity between the original work and the alleged infringement; and (b) some causal connection between the plaintiff's and the defendant's work (ibid at 614, 618): In other words, the plaintiff's work must be the work from which the allegedly infringing work was derived. In *Copinger and Skone Jones on Copyright*, para 496, p 210, it is said that—

‘It has to be determined whether the defendant has used a substantial part of those features of the plaintiff's work, upon the preparation of which skill and labour has been employed. Once it is established that there has been such a use of the plaintiff's work, there will be an infringement, whether or not the defendant has used a different medium, and whether or not the infringing work has been derived directly from the plaintiff's. With regard to truly original artistic works, the question whether the defendant has made such a use of the plaintiff's work can generally be answered merely by comparison of the two works. It is to such cases that the well-known definition of “copy”, in *West v Francis* is most readily applicable. In that case BAILEY J said: “A copy is that which comes so near to the original as to give every person seeing it the idea created by the original.”

In *Hanfstaenal v W H Smith & Sons*, Kekewich J, preferred the definition “a copy is that which comes so near to the original as to suggest that original to the mind of every person seeing it.”

Whether or not there has been an infringement must be a matter of degree and in the case of artistic work, the degree of resemblance is to be judged by the eye. But in the case of commercial designs, general resemblance is not so good a test, since resemblance may be due to common subject-matter or stock designs, and it is necessary to make a close examination of detail to see whether there has been infringement.’

In the case of *Natal Picture Framing Co. Limited v Levine* 1920 WLD 35 at 39 Bristow J stated the position as follows:

‘But where an original combination of ideas is represented, any representation of that combination, even though there be many variations of detail, may easily be a copy or colourable imitation of the original representation.’

In *Laddie Prescott & Victoria, The Modern Law of Copyright*, para 2.78, 2.79 and 3.35 the position is thus stated:

‘There will be infringement although no substantial part of the original work is copied exactly but where there is overall a strong resemblance (not necessary formal) between the alleged infringement and the former or a substantial portion of it provided the resemblance is too close.’

Copyright infringement is comprehensively considered in *LAWSA* Vol 5 pages 251 and 254 under the chapter Infringement of Copyright.

In the case of *Francis Day & Hunter v Bros* 1963 (2) AER 16 it is stated that:

'..... this is purely an objective question of fact, and depends in a large degree on the aural perception of the judge, but also on the expert evidence tendered to him; but it is essentially a jury question.

In terms of the wording of the definition of adaptation the plaintiff must prove 'dat die oorspronklike of wesenlike kenmerke daarvan erkenbaar bly.'

Messrs Watkins, Pond and Garfield were all experts and testified about the similarities between the two sets of curtaining, each giving his own reason and detail for their determination of such similarities.

I have been shown numerous waving branch designs. It is a very common design. This general type of design went through various stages over the years. It can generally be described as a design involving a serpentine branch with leaves and flowers with a variety of arrangements. It has also been referred to as an 'arborescent design' or a 'branchwork design'.

There are also marked differences between the two. I have noticed that in the plaintiff's design there is more background space not occupied by any feature than in the defendant's design. I have also noticed that the flowers are differently arranged on the branches.

The similarity which, in my view, is most obvious is the jagged edge of the bark on the stem. In all the designs I have seen nothing of this particular mode of drawing the bark. In my view this similarity could only have occurred because there was copying. This can objectively be seen and supports the evidence of Mr Watkins. The jagged bark on the stem is a prominent feature of the design. The main theme, as well as the blue bells and stylized daises so closely resemble that of the plaintiff, that in the absence of contradictory evidence I am satisfied that they were copied in the sense that 'to do a similar design but to change everything and keep the feel of it in similar colouring' as stated by Miss Webb in her letter which was written to Mr Davy, apparently during September 1983. The bank is an example where the 'changes' were not successful.

In my view the evidence of Mr Watkins that in his view a designer of exhibit 'P1' could not have produced that design without having any regard to 'P2' is fully justified. Miss Webb certainly tried to hide the copying but I do not think that she completely succeeded in doing so.

I hold that the general impression of the two works is so similar that copying did take place, in spite of the changing of certain individual pieces.

I have come to this conclusion on a visual examination of the two pieces

of curtaining.

The test is not that applicable in the case of passing-off litigation, where one is obliged to look through the eyes of a purchaser.

In conclusion I therefore hold that plaintiff's copyright in the assigned design has been infringed.

In the result I make the following order:

- (a) Interdicting the defendant from infringing plaintiff's copyright in its copyright work entitled 'TREE OF LIFE' and exemplified in annexure 'A' to the particulars of claim by making or having made and selling textiles exemplified in annexure 'C' of the particulars of claim;
- (b) Delivery up to the plaintiff for destruction of all textiles upon which is depicted the offending design and all advertising matter, brochures and documents of whatsoever kind employing the offending design;
- (c) An order declaring the defendant liable for damages and/or an account of profits;
- (d) Postponing for investigation and determination on a date or dates to be arranged with the Registrar of this Court the questions relating to the amounts (if any) due to plaintiff arising from the aforesaid order of damages and/or account of profits;
- (e) Leave is granted to either party to apply for such directions as may be necessary in regard to procedural matters appertaining to the said investigation and determination of the question of damages.
- (f) Costs of suit, including the costs consequent upon the employment of two counsel.

RPM RECORD COMPANY (PTY) LTD v DISC JOCKEY MUSIC COMPANY (PTY) LTD

TRANSVAAL PROVINCIAL DIVISION
LEVESON J
Case No 21081/84

A representation by one person that a phonograph record contains songs by an artist the copyright in whose sound recordings is held by another can constitute unlawful competition, even if that copyright is not infringed. The test will be whether or not the representation is false in that it suggests in the mind of the public that the product being sold is that of the copyright holder.

The applicant held the exclusive licence to import into South Africa, press, duplicate and sell, phonograph records of all recordings released in the United States by the Motown Record Corporation or any of its subsidiaries. It also held the right to use and publish the name and photographs of artists performing on Motown's recordings for advertising and trade purposes in connection with the sale of records.

Motown held the copyright in certain sound recordings of songs composed by an artist, Lionel Richie. By virtue of the exclusive licence agreement, the applicant held the exclusive right of reproduction of these sound recordings.

In 1984, the respondent commenced manufacturing and selling phonograph records and cassette tapes in South Africa under the name 'Lionel Richie's Greatest Hits'. The sleeve of the phonograph records listed the ten songs on the record, all of which were the names of songs recorded by Motown and composed by Richie. On the reverse side of the sleeve, there appeared the words 'voice cover version' in small print, which the respondent alleged meant that the recordings were of one artist's performance by another. The ten songs were recordings of an artist other than Richie who had imitated Richie's voice and reproduced Richie's style.

The applicant sought an interdict restraining the respondent from dealing in the course of trade in the sound recordings.

In order to prove its case based on unlawful competition, the applicant had to show that the respondent had misrepresented its product as being that of the applicant and that the misrepresentation had been made to the public.

Assuming that the respondent's explanation of the meaning of the phrase 'voice cover version' was correct, that meaning would be known only to members of the recording industry and not to the ordinary reasonable man. Their relative obscurity on the record cover suggested that the manufacturer's motive was to confuse. Its motive was also to make its product sound as if it was a performance by Richie, a misconception of which a member of the public could have been disabused by the insertion of the name of the actual singer on the record cover. That the respondent was conscious of the possibility of confusion was evident from the fact that it printed the phrase 'voice cover version' on the cover and it was implicit in the use of these words that its purpose was to provide the respondent with an escape route in the event of any allegation that it had misrepresented the product.

The respondent's argument that the use of the title 'Lionel Richie's Greatest Hits' conveyed no more than that the contents of the recordings were Richie's compositions, did not counter the conclusion that the respondent had committed an intentional wrongful act.

The interdict was granted.

Leveson J: This is an application for an interdict restraining the respondent from dealing in the course of trade in sound recordings in the form of phonograph records and magnetic sound reproduction cassette tapes under the title 'Lionel Richie's Greatest Hits'. The applicant is a producer and distributor of musical recordings in the form already described. The respondent carries on business in the same field. Both parties have their principal places of business in Johannesburg. The applicant claims to have the sole and exclusive right to produce musical recordings under the above title in this country and alleges that the respondent, in producing a recording under the title, has entered into unlawful competition with the applicant or that the respondent is attempting to pass off its product as the product of the applicant. In the further alternative the applicant alleges that the conduct of the respondent offends against the provisions of the Merchandise Marks Act (no 17 of 1941), and the Trade Practices Act (no 76 of 1976).

This application concerns the work of a performing and recording artist by the name of Lionel Richie. Richie is an American singer who composes his own songs. They are sung by him to musical accompaniment and recorded in a studio in the United States of America. The recording is done by a company by the name of Motown Record Corporation of Sunset Boulevard, Los Angeles, California, USA. It is common cause between the parties that this company has entered into an agreement with the applicant in terms whereof the applicant, as licensee, has acquired in terms of clause 1(A) thereof -

'The exclusive right to import into, press, duplicate and sell in those countries and territories set forth in the schedule attached hereto (Item I) (hereinafter referred to as the "Territory"), phonograph records (including pre-recorded tapes) produced from master tapes or matrices of all recordings released in the United States prior to or during the term of this agreement by Licensor or by any person, firm or corporation which Licensor substantially owns or controls, which phonograph records, tapes or matrices are free for disposal by Licensor in the territory ...'

And further in terms of clause 1 (B) thereof -

'The right to use and publish the name and photographs of artists performing on Licensor's recordings for advertising and trade purposes in connection with the sale of records by licensee hereunder ...'

The territory includes the geographical area of the Republic of South Africa. The applicant alleges that Mr Richie has entered into a recording contract with Motown Record Corporation in terms whereof that company

has acquired the exclusive rights to the reproduction of all Mr Richie's sound recordings. This allegation is contested by the respondent as being hearsay and consequently no notice can be taken thereof. However there are two situations governed by the question of copyright. There is copyright in the compositions themselves which remains in the composer. There is also copyright in the recordings, when made, which becomes vested in the Motown Record Corporation. It is on this basis that the Motown Record Corporation has the exclusive right to the reproduction of sound recordings made by Mr Richie and that right, by operation of the hereinbefore mentioned agreement, has been conferred on the applicant with regard to the geographical area of this country. This assertion is not disputed by the respondent. It follows that the applicant has the exclusive right to the reproduction in the Republic of all sound recordings made by Mr Richie. It is alleged by the applicant that Mr Richie has only recorded through the Motown Record Corporation so that all his recordings fall under that exclusive right.

The respondent commenced manufacturing and selling its sound reproduction by way of phonograph records and cassette tapes entitled 'Lionel Richie's Greatest Hits' in this country towards the end of 1984. The record with its cover or sleeve was handed in as an exhibit. The words 'Lionel Richie's' appear at the top of the obverse side of the sleeve and the words 'Greatest Hits' at the bottom, both in large print. In between the two lines of words there is a coloured design. In the bottom right-hand corner, in small print, appear *inter alia* the words 'Vocal Cover Design', as well as the respondent's trade mark consisting of the letters 'DJ'. On the reverse side there is a list of the titles of ten songs. According to what is printed thereon some of these were composed by Mr Richie alone and others in conjunction with other persons. All ten of the listed titles appear on recordings under the label of the Motown Record Corporation.

A deponent to the applicant's founding affidavit Mr Zamek, states that he has a detailed knowledge of Mr Richie's recordings, that he can recognise his voice and that he can distinguish recordings actually made by Mr Richie from other recordings made by artists with similar voices and singing in the same style. He has acquired this knowledge listening repeatedly to the recordings of Mr Richie and by paying particular attention to this special voice inflections, intonation and style. He has also listened to the recording entitled 'Lionel Richie's Greatest Hits' and has deduced therefrom that the artist who sings the tunes has done his best to imitate the voice and reproduce the style of Mr Richie but that the voice is positively not the voice of Mr Richie. The name of the performing artist appears nowhere on the record sleeve nor on

the record itself. From its title some members of the public might be inclined to form the impression that the artist is Mr Richie. Mr Richie is described by Mr Zamek as a famous performing artist and composer. His work is known virtually throughout the world and is extremely popular in this country. His performances consist in a type of music commonly known as 'Pop'. The supplement to the *Shorter Oxford English Dictionary* describes the word 'Pop' as being a colloquial abbreviation of the word 'Popular' and is applied to 'A popular tune, music, etc'. Lastly, the recording produced by the respondent is described as being embodied in a record of inferior quality, when compared to the pressings upon which Mr Richie's works have been recorded.

The foregoing facts are not contested by the respondent save that it is denied that the unnamed artist could be mistaken for Mr Richie. In argument it was contended by Mr Ashton, who appeared on behalf of the respondent, that the respondent had not attempted to pass off the voice on the recording produced by it as the voice of Mr Richie, nor, on that basis, had it attempted to pass off its product as the product of the applicant. It had done nothing more, he said, than reproduce the compositions of Mr Richie. The copyright in the compositions, being vested in Mr Richie, its only obligation was to pay whatever was due to Mr Richie by virtue of the use of that copyright in the performance of his compositions and that it had done by paying the appropriate dues to Mr Richie's copyright agent in this country.

In the broader sense the applicant seeks relief on the ground that the respondent's conduct constitutes a form of unlawful competition. In law it is accepted that every trader has the right to compete with his rivals in the market for the custom of members of the public. Such competition often involves interference from rival traders which, if lawful, cannot invite complaint. Only when the interference becomes wrongful is it actionable. If the requirements of Acquilian liability are satisfied the aggrieved trader will have a remedy. Cf *Geary & Son (Pty) Limited v Gove* 1964 (1) SA 434 (A). In that case the defendants had published advertisements indicating that products which had been manufactured by the plaintiff had been manufactured by the defendant. Steyn CJ opined that conduct of this nature was an infringement of a trader's rights and therefore a delict in our law. In construing the publication of the advertisements as a misrepresentation he said at 440—

'The interference alleged would, on that basis, appear to be a wilful misrepresentation and dishonest conduct on the part of the plaintiff's competitor by which customers or potential customers have been or will be induced to deal with the competitor rather than itself.'

In the present case the applicant has the exclusive right to enjoy the custom of the public for the sale of sound recordings of the voice of Mr Richie. By its conduct in causing its recording packed in the sleeve containing the printing already described, it is contended by the applicant that the respondent has misrepresented its product as being the product of the applicant. In order to succeed the applicant must show that the representation is false, ie that there is an intentional wrongful act by the respondent. *Geary & Son (Pty) Limited v Gove (supra)*. The representation, furthermore, must have been made to the public for it must be shown that the applicant has lost or will lose customers by the fact that members of the public have been induced to believe that the respondent's products are applicant's products and that the respondent intended to cause the applicant that loss by making the false representation. *Victor Products SA (Pty) Limited v Lateurlere Manufacturing (Pty) Limited* 1975 (1) SA 961 (W). In regard to the last requirement the form of intention does not necessarily have to be *dolus directus* or *indirectus* for *dolus eventualis* will suffice. *Stellenbosch Wine Trust Limited and others v Oude Meester Group Limited and others* 1977 (2) SA 221 (C) and see generally *Atlas Organic Fertilizers (Pty) Limited v Pikkewyn Ghwano (Pty) Limited* 1981 (2) SA 173 (T).

As already adumbrated, Mr Ashton's contention was that there was no misrepresentation for the reason that the respondent had done nothing more than make use of Mr Richie's compositions under licence in respect of the copyright thereto. His argument was that the get-up of the respondent's record sleeve, by the use of the words 'Lionel Richie's Greatest Hits', conveyed no more than that the contents of the recording were Mr Richie's greatest compositions. According to the *Shorter Oxford Dictionary* the word 'Hit', when used in connection with performances, means 'a popular success in public entertainment'. Contrary to current belief, according to that work, the word has been used in this sense since 1811. It follows that the word can be applied equally to the composition itself and to the public performance thereof, or, in the case of a recording, to the recording thereof. In modern parlance, therefore, devotees of popular music will refer both to the composition and the rendition thereof as a 'Hit', whichever happens to be more appropriate in the circumstances. The word has been used on the sleeve in the former sense, said Mr Ashton. The question, then, is whether the argument has substance. It is nowhere foreshadowed in the respondent's answering affidavit. Instead the defence there raised turns on the use of the words 'voice cover version' on the obverse side of the record sleeve. In the answering affidavit, the deponent, Mr Baker, says that the term 'voice cover version' is in use in the industry as a 'product type description' (whatever

those words may mean) 'well-known in the general market' and used both by the respondent and by one of the companies in the group owned by the applicant's holding company. Mr Baker then explains that a 'cover version' is a performance by another artist, not being the one who made the original record or who made it famous. Thus he explains that:

'A cover version is a copy of a particular artist's performance by another who "covers" the "version" of the original performer.'

The term 'cover version' he says is therefore printed on the recording sleeve so that the purchaser is not confused into believing that the performance is by the original artist. In the light of these deposition, Mr Puckrin, who appeared on behalf of the applicant, suggested that the argument presented by Mr Ashton was an after-thought and that the intention to represent the record sleeve as containing only the compositions of Mr Richie had never been present in the minds of the producers thereof.

Accepting that the words in question had the special meaning assigned to them by Mr Baker it seems to me that that meaning must be known only to members of the recording industry. There is nothing on the papers to show that the ordinary reasonable man would be acquainted with the special meaning. In fact the expression is so cryptic that I imagine that a reasonable man, when confronted therewith, would be quite nonplussed. In my opinion there is nothing in the words that would put the ordinary consumer in the market-place on his guard and operate as notice to him that the artist performing the work is not Mr Richie. Additionally, the words are not given nearly the same prominence as the name 'Lionel Richie'. They are situated on the bottom right hand corner of the sleeve and the print is one-tenth of the size. If anything, they suggest that the motive of the manufacturer was in fact to confuse. The presence of the trade mark, also in small print in the same corner, in my opinion does nothing to detract from the confusion. The point is, however, that the defence raised in the affidavit is that the prospective buyer would not be confused by the record sleeve and therefore would not buy the respondent's products in the belief that it was the applicant's. It is true that in its affidavits the respondent states that it has made lawful use of the copyright in the compositions but it does not say that in using the words 'Lionel Richie's Greatest Hits' it intended to convey that the recordings contained the compositions and not the voice of Mr Richie. I think therefore that there is much to be said for the suggestion made by Mr Puckrin.

Further in support of this argument Mr Ashton referred to certain advertisements and trade and critical literature as evidencing the fact that Mr Richie's fame lay mainly in his compositions and not in his reputation as a singer. On the basis that Mr Richie has no great reputation as a singer he

argued that the words 'Hits' in the title necessarily implied a reference to Mr Richie's compositions. It was pointed out to Mr Ashton, however, that in the same literature there were as many references to Mr Richie's considerable reputation as a singer. Furthermore it had been alleged in the founding affidavit, and not denied by the respondent in reply, that Mr Richie enjoyed great popularity as a singer. I conclude therefore that this point is without substance.

If these were the only considerations I might have been left in doubt as to whether the respondent's conduct manifested a deliberate intention to misrepresent its product. But if I consider the question of motive I cannot fail to give weight to the fact that the respondent has employed an artist with a similar voice to Mr Richie and one who sings in the same style. That is my opinion, can only lead to the conclusion that it was the respondent's object to make its products sound as if it were a performance by Mr Richie. Moreover the name of the artist who has performed the work on the respondent's product has been withheld from the public for it appears neither on the record sleeve nor on the record itself. The printing of his name on the record sleeve would have revealed at once that the artist performing the 'Hits' was not Mr Richie. What is even more cogent is the fact the Mr Baker takes pains to bring to the court's notice that in using the words 'cover design version' the purpose was to avoid confusion with any recording made by Mr Richie. That, in my opinion, shows that the respondent was conscious of the fact that members of the public might be deceived into believing that the respondent's product contained the original voice of Mr Richie and his performance as an artist. It is implicit in the use of these words, in my opinion, that the respondent's purpose was to provide, as it were, an escape route in the event of it being alleged that it had misrepresented the product. This evidence, in other words, constitutes an implied admission by the respondent that the whole purpose of the sleeve design was to lead members of the public to believe that the record contained 'Hits' sung by Mr Richie. In my opinion the conclusion is inescapable that the record sleeve was not so designed as to convey only that it contained a selection of Mr Richie's greatest compositions.

It follows that not only does the record sleeve contain a design which constitutes a representation that the respondent's product is that of the applicant but that the representation was falsely made in the sense required by the above-quoted cases, ie that there was an intentional wrongful act. There was some evidence in the supporting affidavits to the applicant's founding affidavit that certain employees of the applicant were misled into believing that the respondent's recording was an original recording of Mr

Richie but, apart from that, consideration of the facts already referred to leads one to the conclusion, in my opinion, that members of the public would be misled to the same extent. It goes without saying that a large proportion of the public who have purchased or who will purchase the respondent's product are not likely to expend further moneys in purchasing recordings made by Mr Richie when they discover that they have been misled, for there is a limit to the amount of funds that the average man has available for this sort of expenditure. It follows that many of these customers will have been lost to the applicant and that the direct cause of that loss is the respondent's false representation. In my opinion, therefore, the applicant has established that the respondent has committed the wrong of unlawful competition in the broad sense outlined in the cases hereinbefore cited and that it is entitled to relief by way of an interdict. In this regard it was argued by Mr Ashton that the right of enforcement lay only in Mr Richie. But if the respondent has acted under licence in respect of the copyright to the composition, that is not correct for there will have been no breach of the copyright. What has happened instead is that because the applicant has the exclusive right to reproduce sound recordings made by Mr Richie there has been an interference by the respondent in the trade or business of the applicant and the right to claim relief in that regard lies in the applicant.

In view of my conclusion it is not necessary for me to consider the remaining issues raised by Mr Puckrin, namely the allegations of passing off and the two statutory remedies.

On the question of costs Mr Ashton argues that the respondent's liability for costs should be limited to the relief in respect of which it succeeded. He contended that by raising the remaining issues the applicant had enlarged the volume of the papers considerably and that a good deal of time had been spent in court in arguing the other issues. If I were to give effect to that submission I would have to consider whether the applicant might not also have succeeded on one or more of the other issues. That is a work of super-erogation in which I do not propose to enlarge. I think rather that the normal rule must be applied, namely, that costs must follow the event.

There is also the question of the reserved costs. The matter had been set down for hearing on a previous occasion but had been postponed at the request of the respondent on the ground that the applicant had shortly before the hearing given notice of its intention to base its claim for relief in the alternative on the provision of the Trade Practices Act. That did not require evidence by way of further affidavits. It was simply a question as to whether the applicant was entitled to relief on the existing facts under the Act. Mr Ashton argues, however, that as the postponement had been occasioned by

the applicant's notice, the applicant ought to be ordered to pay the wasted costs thus incurred. I do not agree. In the first place, as I understand the cases, when a party relies upon a statutory remedy it is sufficient if he sets out the facts upon which he relies. He does not have to spell out the title of and the reference to the statute, for that is a matter of law. A party to whom knowledge of the material facts to be relied upon has been communicated is capable of determining for himself whether those facts will entitle the opposite party to relief under an unnamed statute. That approach seems to me to be consonant with what was said in *Van Rensburg v Van Rensburg and others* 1963 (1) SA 505 (A). Secondly it was common cause between counsel, so I was informed, that Mr Puckrin had given oral notice to Mr Ashton two days before the previous hearing of his intention to rely on the statute. I would think that two day's notice to counsel is sufficient for him to be able to research the law before the hearing. Consequently, in my opinion, the respondent must pay the reserved costs.

At the conclusion of the hearing counsel agreed on the form which the order should take in the event of the applicant being successful. I propose to make an order in that form. I grant an order

- (a) interdicting and restraining the respondent, its servants and agents, from dealing in the course of trade with the record 'Lionel Richie's Greatest Hits' sold under trade mark DJ New Gold Label Stereo DJR 2254;
- (b) directing the respondent to pay the costs of this application, including the costs reserved on the 7th August 1985.

**APPLE COMPUTER v ROSY t/a S.A. COMMODITY BROKERS
(PTY) LTD AND ANOTHER**

DURBAN AND COAST LOCAL DIVISION

BROOME J

13 JUNE 1984

Object codes of a computer may obtain copyright protection if they are adaptations or translations of source codes.

The applicant was a manufacturer of micro-computers. It alleged that the respondent had infringed its copyright in respect of a certain 'auto-start ROM' and certain of its computer programmes and alleged that there had been one incident of direct infringement. It did not establish that the respondent had reason to believe that by selling a certain computer, an infringement of copyright was taking place. The applicant did not give notice to the respondent of its complaint prior to the initiation of the application.

The respondent alleged that he had only six of the computers left in stock and that he intended to close down his computer business.

The applicant sought an interim interdict restraining the respondents from infringing the applicant's copyright.

The object codes of the material in respect of which the applicant held copyright were protected by copyright because these codes were adaptations and translations of the original source codes. The applicant had therefore established a prima facie right.

The applicant did not prove that the respondent was aware that he had infringed the applicant's copyright and the allegations regarding the single case of direct infringement did not warrant the exercise of a discretion to afford interim relief in respect of that infringement.

As far as the balance of convenience was concerned, the sale of the six computers could not cause irreparable harm or prejudice which would exceed that caused to the respondent were it to be ordered not to sell them. The damages resulting from not selling the computers would probably amount to more than mere loss of interest on profit.

There could be no objection to an interim interdict otherwise restraining the infringement of the applicant's copyright.

Broome J: This case was thrust on me at ridiculously short notice, which is to say during the luncheon adjournment on Monday, 11th June. It was only when I came out of court at 4.15 that I was able to start attempting to acquaint myself with the affidavits and with the issues of fact and of law involved. The argument lasted the whole of the day yesterday, Tuesday, 12th June, but I was assisted by being furnished with detailed heads of argument prepared by applicant's counsel. In the time available to me it is just not

possible to deliver the sort of judgment I would like to, or the sort that this case deserves. I have taken a firm view on the order which should be made, and as this is only in respect of interim relief and as further affidavits are to be delivered which may well affect the factual aspects, it is perhaps of less consequence that I keep this judgment very, very brief.

The applicant in this matter is Apple Computer Incorporated, a corporation organised and existing under the laws of the State of California, United States of America. It manufactures computers, and in particular those named Apple computers, which are referred to in the papers as micro-computers. Its products are distributed in South Africa by a company named Base II (Pty) Limited. The respondent is cited as Julian Rosy trading as Computer Comptronic Corporation. The respondent took the point in his answering affidavit that this firm was in fact owned by a private company known as South African Commodity Brokers (Pty) Limited.

An application was then brought to join the company, that it to say SA Commodity Brokers (Pty) Limited, as second respondent. That application was granted, with the result that there are now two respondents before the court in this application.

The applicant seeks an interim interdict restraining the respondents from infringing the applicant's copyright in respect of its auto-start Rom and Apple soft programmes. This relief is sought as a prelude to a final interdict. In order to succeed in its claim for an interim interdict the applicant must establish:

- (1) that it has a *prima facie* case for the relief which it seeks; and
- (2) that the balance of convenience favours the grant of interim relief.

I have heard lengthy arguments on the applicability and the non-applicability of copyright to these programmes. I have also heard lengthy argument involving, as it had to, lengthy explanations as to how these programmes are invented, written and recorded. There have also been lengthy explanations of the various sequences that are followed in the preparation and recording of these programmes.

Fundamentally the issue, as I see it at this stage, is whether the so-called object codes are protected. It was argued by Mr Harms, who appeared for the applicant, and in reply by Mr Puckrin, who also appeared for the applicant, that these object codes are adaptations or translations of the original source code, and that as the original source code is protected so must be the object code. Notwithstanding the able arguments advanced by Mr Hurt who, with Mr Levinsohn, appeared for the respondents, I have come to the conclusion that a case has been made out that the object codes are adaptations and translations of the original source codes. A similar matter came before the

Federal Court of Australia in the case of *Apple Computer Incorporated and Apple Computer Australia (Pty) Limited v Computer Edge (Pty) Ltd and Michael Suss*.

Copies of the judgments delivered on 29th May 1984 have been made available, and these have been referred to in the course of argument, and I have had the opportunity in the meantime of reading the three judgments in question. Fox J and Lockhart J gave separate judgments in which they upheld the contentions of the appellant, which contentions are substantially similar to those advanced by the applicant in this case. There is a minority judgment, delivered by the third judge of that court, namely Shephard J, who dissented, and who gave reasons for not upholding the appeal. I propose simply to say that I prefer the reasons of Fox J and Lockhart J to those of Shephard J and I prefer the wider meaning being given to the word 'translation', such wider meaning as including the conversion of the code from the source form of language to the object form. I consider this wider meaning must be given, notwithstanding the reference by Mr Hurt in the course of his argument to what *prima facie* is a narrower meaning, restricted to the Afrikaans word 'vertaling' given in the HAT at 1271.

In my view, then, on the information before me, the applicant has made out a *prima facie* case to the copyright which it seeks to protect. Although there is mention made in the applicant's papers of a direct infringement, this relates to only one single incident involving the employment of a trap, and I would not be disposed in my discretion to afford interim relief in respect of that particular infringement. There is more information before me concerning the general matter of indirect infringements, and this is the basis that I prefer to proceed on. On the papers before me I am not satisfied that I can properly make a finding that Rosy had sufficient reason to believe that by selling the Akita computer he was infringing applicant's copyright. He did apply his mind to this matter, he took legal advice, but there are some statements to the contrary made by a former employee of his.

I think it is sufficient to say that there is a dispute of fact which I am not prepared at this stage to resolve. This view I take is strengthened by the fact that at no stage prior to the initiation of these proceedings did the applicant give notice to the respondents or address any warning or caution to them, let alone herald the claim against them which it now seeks to enforce. As I say, it is clear that it was only once the papers were served on the respondent that it had indisputable notice of the applicant's claim.

This then brings me to consider the balance of convenience. Rosy states in his opposing affidavit that he only has six Akita computers left and that the respondents intend to close down the computer business after, I gather,

disposing of the remaining six Akita computers which it has in stock. I am aware of the evidence which points the other way and which is put by the trap Peter Arnold who dealt with a lady named Karen Cawood in the employ of the respondents, but I am disposed, for this part of the enquiry, to prefer, and in fact to accept, Rosy's statements that he has made. His affidavit was sworn on 25th day of May 1984, and I understood from Mr Hurt that the position has remained unchanged and that there are still only six computers left in its possession and that it intends then to close down its computer business. In respect of these six computers I am not satisfied that the sale of them will cause applicant irreparable harm or that the prejudice to it, if it ultimately succeeds, will exceed the prejudice to the respondent if these stocks are frozen in its hands and it ultimately succeeds. It seems to me that the marketability of these computers is something which cannot be assumed to remain consistent or constant and that with the inevitable delays in litigation the prejudice to the respondents would, in all probability, amount to a good deal more than mere loss of interest on its profit, as was contended in reply by Mr Puckrin.

There can, of course, be no similar objections to an interim interdict restraining any further activities on the part of the respondents, and indeed, as Rosy says, they cannot suffer any further prejudice.

So, to sum up then, I take the view that the applicant has, on the facts before me, established a *prima facie* case, but that the interim relief which should be granted should be restricted in the form that I am about to make, so the order that I make then is as follows.

2. Pending final determination of this application the respondents be and they are hereby interdicted and restrained from themselves or through their servants, proprietors or agents infringing applicant's copyright in its Autostart Rom and Applestart programmes by importing and/or offering or exposing for sale and/or distributing in the Republic of South Africa computers or programme storage media having stored and/or embodied therein unauthorised reproductions of the aforesaid programmes or computers or programme storage media having stored or embodied therein unauthorised adaptations of the said programmes or reproducing the said programmes in any manner or form or making adaptations thereof.
3. Paragraph 1 hereof shall not operate so as to apply or prevent the sale or disposition by the respondents of any one or more of the six Akita computers which are now held in stock, provided that :
 - (a) the respondents shall inform
 - (i) the purchaser or person acquiring any of the said Akita computers

of the terms of this order.

- (ii) the Registrar and the applicant's local attorneys forthwith, in writing, of the serial numbers of each of the said six computers;
 - (iii) the Registrar and the applicant's said attorneys, in writing, within one week of the date of such sale or disposition, together with details of the date of sale and name and address of the purchaser or person acquiring the computer or computers, together with the price or other considerations received or to be received by the respondent in respect of any such transaction.
4. Paragraph 1 hereof is to operate as an interim interdict pending the final determination of this application, which is adjourned to 12th and 13th September 1984.
 5. Leave is granted to the respondents to deliver any further affidavits on or before 25th July 1984 and to the applicant to reply thereon on or before 15th August 1984.
 6. The applicant's attorneys are directed to make up proper, easily manageable and easily readable bundles of affidavits and relevant annexures and to exclude therefrom and make separate bundles of the bulky annexures.
 7. The parties are directed to deliver heads of argument on or before 5th September 1984.
 8. The Registrar is directed to arrange that the judge to whom this case is allocated is handed the papers and the heads of argument on 6th September 1984.
 9. The costs of this application are reserved for decision in the main hearing.

That is then the order that I make. I may say for the benefit of counsel that these dates have been arranged by me with the Registrar, they being the first available dates for the hearing of this opposed application.

UNIVERSAL CITY STUDIOS INC v MOVIE TIME

DURBAN AND COAST LOCAL DIVISION

BOOYSEN J

15 JUNE 1984

The holder of copyright will not prove that an infringement has taken place as contemplated in section 23 of the Copyright Act (no 98 of 1978) where the alleged infringer is merely given notice of the holder's claim to copyright. The holder must ensure that the infringer has notice of facts which would suggest to a reasonable person that breach of copyright is being committed.

In March 1982, the applicant's attorney sent a registered letter to the respondent stating that the applicant was the owner or exclusive licensee of the copyright in certain cinematograph films, that the importation and distribution of the films was protected under South African copyright and that it was suspected that it had engaged in such activities. The letter required delivery up of all infringing copies and a written undertaking that the respondent would refrain from dealing in any way with infringing copies of the films.

The applicant then became registered in terms of the Cinematograph Films Act (no ... of 1977) as the copyright holder of three films.

The respondent then hired out video cassette versions of three of the films referred to in the letter.

After the applicant had brought an application for relief against the respondent based on its copyright, the respondent consented to an order substantially in the terms asked for by the applicant, but denied liability for costs on the grounds that it had not been proved that it had been guilty of an infringement of the applicant's copyright. The respondent admitted that it hired the video cassettes but alleged that it had done so innocently because it had not been aware that the applicant held the copyright in them. The respondent alleged that it had acquired the films from a company known as Anthony Black (Pty) Ltd in terms of written contracts and that it had thought that those contracts gave it the right to hire the films. When it received the applicant's letter, it sought legal advice concerning its contents and made enquiries regarding the applicant's alleged rights. It had not been satisfied that the applicant held the rights it alleged it had and suspected that they were held by an associated company which had earlier unsuccessfully brought interdict proceedings against the respondent.

The respondent contended that it had not been proved that it had been guilty of infringement of the applicant's copyright within the meaning of section 23(1) and (2) of the Copyright Act (no 98 of 1978) because it had not been proved that the respondent had knowledge of the fact that making copies of the films constituted an infringement of the copyright.

The knowledge required by the section would be present where the person concerned had notice of the facts which would suggest to a reasonable man that breach of copyright law was being committed. However, it would be going too far to hold that such knowledge would always be present when a person receives a notice

from another person claiming to be the copyright holder and alleging infringement of that copyright. The respondent in this case, did receive notice of the applicant's claim, but it also had knowledge of other facts which reasonably suggested that the applicant's claim might not be valid. It could therefore not be found that he did have the knowledge required by the section.

The applicant was, nevertheless, entitled to the relief which it claimed. Even if the respondent had been bona fide in its challenge of the applicant's claim, this could not deprive the applicant of an order for costs in its favour.

Booyesen J: On the 28th June, 1983, I dismissed an interlocutory application in this matter. The judgment has been reported in the South African Law Reports at 1983 (4) SA 736 (D).

The costs of that application were reserved for decision in the main application.

On the 20th February, 1984, I heard the main application. At the commencement of the hearing, I was told by counsel that the applicant had, without conceding any obligation to do so, made available to the respondent those documents which I had in the earlier judgement suggested should be made available. The result was, so it was alleged, that the respondent was satisfied that the applicant was indeed the copyright owner of the cinematograph films 'Xanadu', 'Battlestar Galactica' and 'Buck Rogers in the 20th Century', and that the copies of these films which the respondent had possession of were infringing copies of those films. In the result respondent consented to an order substantially in the terms of the order prayed.

Mr Plewman submitted that the applicant was entitled to an order for costs of the interlocutory application and the main application. Mr Gordon submitted on behalf of the respondent that it should not be ordered to pay the costs of the interlocutory application as the applicant had been to blame for the bringing of the application by not producing the documents subsequently produced.

In respect of the main application he submitted that it had not been proved that the respondent had been guilty of infringement of applicant's copyright within the meaning of section 23(2) of the Copyright Act (no 98 of 1978). Section 23(1) and (2) reads as follows—

- '(1) Copyright shall be infringed by any person, not being the owner of the copyright, who, without the licence of such owner, does or causes any other person to do, in the Republic, any act which the owner of the copyright may authorize.
- (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; or -
(c) distributes in the Republic any article for the purposes of trade, or for any other purpose, to such an extent that the owner of the copyright in question is prejudicially affected,
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.'

Mr Gordon submitted that it had not been proved that the respondent had infringed applicant's copyright because it had not been proved that the respondent had knowledge of the fact that the making of the copies of the films had constituted an infringement of that copyright.

It seems to me that the true position, as was submitted by Mr Plewman, is that the knowledge required by section 23(2) is present where the person concerned has 'notice of facts such as would suggest to a reasonable man that a breach of copyright law was being committed'.

(*Gramophone Co Ltd v Music Machine (Pty) Ltd* 1973 (3) SA 188 (W) at 207 F-G; *Paramount Pictures Corporation v Video Parktown North (Pty) Ltd* 1983 (3) SA 251 (T) at 261 G.)

In this matter the applicant's attorney sent a registered letter in identical terms to over four hundred businesses throughout South Africa which imported, sold or hired out video cassette versions of cinematograph films. The letter sent to respondent was delivered on the 8th March, 1982—

It read as follows—

'INFRINGEMENT OF COPYRIGHT IN PARAMOUNT AND UNIVERSAL FILMS:

1. We act on behalf of Paramount Pictures Corporation and Universal City Studios Inc of the United States of America, and CIC Video BV, of the Netherlands.
2. Paramount and Universal are the owners of exclusive licensees of the copyright, including the South African copyright, in the cinematograph films detailed in the annexed schedule, and CIC Video BV are exclusive licensees under such copyright.
3. The reproduction of cinematograph films in the form of video cassettes and the importation and/or distribution of such video cassettes in South Africa are among the rights comprised in our clients' South

African copyright. As at the present time, our clients have not granted licences directly or indirectly under these South African rights to anyone.

4. In particular our clients have not granted any right to CIC Video of the United Kingdom to reproduce their cinematograph films in or for South Africa or to distribute such films in South Africa. CIC Video's reproduction and/or distribution rights in respect of our clients' cinematograph films are limited to the United Kingdom of Great Britain and Northern Ireland, the Channel Islands, the Isle of Man and the Republic of Ireland.
5. It has come to our clients' attention that you are or may be importing and/or selling, and/or offering for sale, and/or hiring out, and/or offering for hire, and/or distributing, video cassette versions of one or more of the cinematograph films listed in the annexed schedule. Your activities in this regard have not been authorised by our clients. These video cassettes have either been made by CIC Video or the United Kingdom, or another party whose reproduction and distribution rights do not extend to South Africa, or they are pirate copies (copies made by someone who has no authority of any nature from our clients to make reproductions) of the relevant cinematograph films.
6. Pirate copies of our clients' cinematograph films are infringing copies, and their manufacture as well as their distribution in any manner without our clients' authority, infringes our clients' copyright.
7. Video cassettes made by CIC Video or any other party whose rights do not extend to South Africa are infringing copies in South Africa in that they were made by a party who did not have the right to reproduce our clients' cinematograph films on video cassettes in South Africa. Consequently, the making of such video cassettes would have constituted an infringement of our clients' copyright if they had been made in South Africa.
8. The distribution of United Kingdom CIC Video's or such other parties' video cassette versions of our clients' cinematograph films in South Africa in any manner without our clients' authority thus constitutes infringement of their copyright in the relevant cinematograph films.
9. It follows from the foregoing that by dealing in any of the manners referred to in paragraph 5 above, in any of the cinematograph films listed in the annexed schedule, and in any films of which Paramount and Universal are the copyright owners or exclusive licensees, you are infringing copyright and your conduct is unlawful. In certain

circumstances you may also be committing a criminal offence.

10. You are hereby required to deliver up to us all infringing copies of our clients' cinematograph films in your possession or under your control, and to furnish us with a written undertaking that you will refrain from dealing in any way, without our clients' authority, with pirate copies, video cassettes made by CIC Video UK, or any other infringing copies of our clients' cinematograph films, in the future.
11. Kindly comply with the requirements set out in the preceding paragraph within twenty-one days of the date of this letter. In the event that you do not comply with this demand, our clients reserve their rights to take legal action against you, including civil proceedings in the Supreme Court, without any further notice to you.'

On the 7th June 1982, an employee of applicant's attorneys hired video cassette versions of the films 'Xanadu', 'Battlestar Galactica' and 'Buck Rogers in the 25th Century' from the respondent. Each of these cassettes had been made by CIC England as appeared from the cassettes themselves. These three films were listed in the schedule which had been annexed to the letter.

On the 29th March 1982, applicant was registered in terms of the Cinematograph Films Act, 1977, as the copyright holder of 'Xanadu' and on the 2nd June 1982, as the copyright holder of the other two films.

These proceedings were launched on the 19th August 1982, and the application was served on respondent on the 20th August 1982.

In his answering affidavit the respondent's owner stated that applicant's legal advisers had since the hearing of the interlocutory application made available those documents which I had in the latter part of the judgment in the interlocutory matter suggested ought to have been made available. He stated that he had in the result been advised that the applicant would be afforded copyright protection in this country and that he did not join issue with the applicant's claim to copyright. He stated further, *inter alia*:

'Because the managing director of the source from which I acquired the films "ANTHONY BLACK FILMS (PROPRIETARY) LIMITED" viz ANTHONY BLACK, has left South Africa and the company has been wound up, I am unable to adduce any evidence in support of the respondent's right to exploit the said video cassettes and I am therefore obliged to accept the applicant's allegations that it did not part with its South African copyright; and it has not licensed or otherwise authorised any other person to exploit the said films in the PAL video cassette versions with the Republic.

I admit therefore that I innocently let in the Republic the said video

cassettes without the licence of the applicant.

I inform the above Honourable Court therefore that my opposition to the application is based upon my contention that I let the said video cassettes without knowledge that the making of them constituted an infringement of the applicant's copyright in the Republic and indeed so let the films in the belief that I enjoyed the rights to do so.

Before amplifying the foregoing, I inform the above Honourable Court that in such circumstances the applicant is entitled:

- in terms of section 24(1) of the said Act to delivery of the said video cassettes; and -

- in terms of section 24(2) of the said Act to an account of profits - but I deny that the applicant is entitled to any further relief. I further disavow any liability for costs.

The respondent carries on the business of letting video cassette versions of cinematographic films to the public for home viewing.

As the proprietor of the respondent I am a dealer in video cassettes and I am scrupulously careful in satisfying myself, to the best of my ability, that the product I buy is not a copy obtained in violation of another's copyright.

To this end, it purchases the video cassette ("the product") and the right to let it to the public for home viewing.

In certain instances, the overseas copyright holders have South African associations or subsidiaries which sell the product and the permission aforesaid. In other instances, there is no South African subsidiary and the product and the right must therefore be acquired from an authorised source.

As appears from the applicant's own affidavit, it had no South African subsidiary or associate which supplies copies of the applicant's cinematographic material to traders in South Africa. In order therefore to acquire such product and permission for exploitation in South Africa, it was necessary for the respondent to acquire them from an authorised source in South Africa.

I acquired the films from ANTHONY BLACK (PROPRIETARY) LIMITED (hereinafter referred to as "the Company") in terms of contracts, the terms whereof were set forth on the reverse side of delivery notes and invoices delivered to the respondent, and in the *bona fide* belief that it had authority to do so.

I annex hereto marked "IWL.2A", "IWL.2B", "IWL.3A" and "IWL.3B" copies of the front and reverse sides of the delivery note in respect of the

video cassettes of "BATTLESTAR GALACTICA" and "BUCK ROGERS IN THE 25TH CENTURY" and the invoice in respect of "XANADU".

For the convenience of the above Honourable Court, I set forth hereunder some of the conditions of purchase and sale contained in the said contracts in terms of which the video cassettes were acquired by me.

1. The SELLER hereby sells to the PURCHASER who purchases same a number of videotape cassettes with films copied thereon, the titles of which are listed on the face hereof, and which titles have not been deleted thereon. The number of videotape cassettes bearing each film purchased and sold in terms of this Agreement is inserted by the parties next to the title of such cassette where same appears on the face hereof as is the format of each cassette.
4. The PURCHASER acknowledges that he shall be entitled to use the goods purchased in the following ways only and he binds himself to use the goods in no other manner namely—
 - (i) for re-sale by the PURCHASER to another purchaser who binds himself not to use the cassette for any purposes other than his and his immediate family's personal and private entertainment in his own home;
 - (ii) for hire by the PURCHASER to a member of the public who binds himself not to use the cassette for any other purpose other than set out in 4(i);
 - (iii) the PURCHASER undertakes that in the hire and in the re-sale of cassettes he will do so only to persons who bind themselves to 4(i) and 4(ii) above respectively;
 - (iv) the PURCHASER shall not be entitled to deal with cassettes other than in terms of 4(i) and 4(ii) above and the PURCHASER undertakes not to use the tapes for any other purpose whatsoever.
8. The PURCHASER acknowledges that copyright subsists in the films in each of tapes sold and undertakes not to copy same or deal with same in any way other than as described in this Agreement and to warn any purchaser of this fact."

Influenced therefore by the terms of the contract with the Company and induced by representations made by the Company's employees as to its rights in the product with which they were dealing, I believed that I had the right to let the property to the public for home viewing, and did so as from the dates when I acquired the product.

As a member of the trade, I was also aware that the Company was involved in litigation with 20th Century Fox and though not aware of the exact details, I believed that it related to the Company's rights to deal in video cassettes of films.

In January 1982, I heard that the Company had won its case against 20th Century Fox.

This strengthened my belief that I was dealing with an authorised source. The Company dealt openly with the video cassettes in question.

For instance, it advertised its rights in respect of "BATTLESTAR GALACTICA" and "BUCK ROGERS IN THE 25TH CENTURY" in the January, February and March 1982 publications of the South African Film and Entertainment Magazine, which is the trade journal of the South African film and entertainment industry.

The last of the said advertisements occurred in the same month as that in which I and a number of my associates received copies of the applicant's "letter to traders". I annex hereto marked "IWL.4A", "IWL.4B" and "IWL.4C" copies of the relevant pages of the said publications.

The Company furthermore represented in correspondence to the respondent that its rights in respect of the products with which it dealt had been granted to it by overseas suppliers and that its management would "take whatever steps necessary in the protection of the rights granted to them by overseas suppliers".

In March 1982, I received the "letter to trader" referred to by MORGAN in paragraph 33 of his affidavit.

I draw the attention of this Honourable Court to the reference in the said letter to the company CIC Video BV as an exclusive licensee of South African copyright in a cinematographic film.

I suspected that CIC Video BV and MCA International BV were associates in some way, which suspicion has now been confirmed by the documents produced to me as aforesaid.

Under Case no 197/80, MCA International BV claiming to be the copyright owner in a number of cinematographic films, sought an interdict against the respondent. I challenged the sufficiency of the claim to copyright and in terms of the judgment dated 17th March 1980 (Page J) the rule *nisi* granted against the respondent was dismissed with costs.

I was unable to recover my costs, which accounts for my requiring security for costs in the present proceedings.

I accordingly decided to seek legal advice as to how to respond to the letter, particularly because the Netherlands company referred to appeared

to me to have claimed in some circumstances to be copyright owners and in others to be exclusive licensees.

Senior counsel drafted a reply to the letter.

I annex hereto marked ``IWL.8" a copy of the said draft letter.

I gave the letter to the Chairman of the South African Home Movie Association, namely BRIAN VON SORGENFREI. He said that he would hand it to his Attorneys with instructions to write a letter based upon it to the applicant's Attorneys in reply to the applicant's letter.

I do not see the said VON SORGENFREI very often. On the next occasion upon which I did see him (approximately six weeks after the date upon which I handed to him the said draft letter), I asked him if he had had any response to his letter. He replied in the negative.

I refer this Honourable Court to the affidavit of the said VON SORENFREI.

I did not regard the letter as being directed against ANTHONY BLACK FILMS (PROPRIETARY) LIMITED because—

the said Company was not mentioned in the body of the letter;

as far as I was aware the Company had not been sued by the applicant for copyright infringement;

I believed that the Company had established its rights in a Court of Law - and I had no reason to believe that the rights it had acquired from 20th Century Fox Film Corporation were any different from those acquired in any other film maker's films.

I was nevertheless suspicious of the reference to ``another party" in the said letter and expressed this to my counsel aforesaid, which accounted for a direct question in his draft relating thereto. I also telephoned ANTHONY BLACK, the director and sole shareholder of the Company, and spoke to him personally.

I told him that I had received the letter. He replied that he was aware of such letter and that I should ignore it because he could prove his rights in respect of the films in question. He also mentioned that he had won his case against 20th Century Fox, implying that he could prove his rights in respect of the applicant's films as well, if such became necessary.

My conversation with ANTHONY BLACK confirmed the belief that I had always held to the effect that the copyright holder or its assignee in England had assigned the rights to sell or granted a licence to sell, video cassette versions of the films for the purpose of letting them to the public for home viewing, to the Company.

I do not recall whether I read the published version of the letter in the

South African Film and Entertainment Magazine.

I draw the Court's attention, however, to page 88 of the papers in this application where in another portion of the said publication an interview with ANTHONY BLACK is described.

I quote from the said article—

“Reacting to piracy in the video market, Black said, ‘We have been part of a case ourselves’, (parallel importing) ‘but as one of the legitimate suppliers in the country we would like to see the 30 million rand a year industry left to the real entrepreneurs. Outside of the Middle East, this is the biggest pirate market in the work. We believe as legitimate distributors that quality will, in the long run, be of prime importance to the consumer. We have supplied them with top merchandise and they have marketed to the consumer in that way.’”

In the same article the industry is informed that—

‘World Video Movies (a subsidiary of Anthony Black Films (Pty) Limited) have been awarded the exclusive distribution rights to Mountain Video from the UK. Mountain are the biggest distributors in Britain for children's cartoons and comedy programmes WVM have also tied up Intervision of the UK and Cine Hollywood of Italy.’

The aforesaid article in which ANTHONY BLACK'S latest achievements are eulogised and his stance on piracy is emphasised appeared in the same publication of the South African Film and Entertainment Magazine as that in which the published version of the applicant's letter appeared, namely the April 1982 edition.

In the three months after receipt of the applicant's letter by me, nothing happened to shake my belief that I was authorised to deal with the video cassettes in question.’

The applicant's replying affidavits joined issue at some length with respondent's denial of knowledge that he was infringing applicant's copyright.

When the matter was argued before me, Mr Plewman specifically disavowed any intention of asking me to refer the issue of the requisite knowledge for the hearing of oral evidence and stated that he did not wish to cross-examine the respondent. He was content to accept the allegations of fact of the respondent and to argue the matter upon that basis.

He submitted that the respondent had the requisite knowledge by virtue of having received the letter from applicant's attorneys during March 1982. In effect, he submitted, the letter constituted notice of facts such as would suggest to a reasonable man that a breach of copyright was being committed.

It seems to me that it would be taking too simplistic a view of matters to

hold that anyone who has received notice from a person claiming to be a copyright holder that he is infringing the holder's copyright must necessarily be held to have thereby received notice of such facts as would suggest to the reasonable man that copyright was being infringed. Whilst such notice would probably suffice, in the absence of any other circumstances or facts indicating the contrary it does not follow in my view that it would in all cases suffice. In this matter the respondent did receive notice of the fact that applicant was claiming an infringement on his part but he also had knowledge of other facts which suggested to him, reasonably so, in my view, that the applicant's claim might not be valid. He has in these proceedings specifically denied that he had the knowledge contemplated in section 23(2) of Act (no 98 of 1978) and I am unable to find that he did have such knowledge merely because he had received the notice in general terms from the applicant's attorneys. I repeat in this regard that no attempt has been made to challenge the truth of his denial by cross-examination or a reference to oral evidence.

Having said that, however, it does not follow, as Mr Gordon submitted, that the applicant was not entitled to obtain an interdict against the respondent and nor does it follow that the applicant is not entitled to an order for costs.

It seems to me quite clear that the applicant was entitled to approach this court to obtain the relief claimed by it and having been successful that it is entitled to an order for costs.

It is conceded by the respondent that the applicant was entitled to an order that respondent should furnish an account of profits in respect of the infringements. It seems to me also that the applicant has established the requisites for an interdict, ie a clear right, injury actually committed or reasonably apprehended and the absence of similar protection by any other ordinary remedy. Even assuming the respondent to have been *bona fide* in his belief that he was entitled to hire out the infringing copies, I fail to see on what grounds this should deprive the successful party of an order for costs. I fail to understand why this respondent's position should be different from that of any other person who ends up as the respondent in a matter concerning proprietary rights in which he *bona fide* but as it turns out wrongly challenges the owner's rights.

This seems to be an appropriate case for ordering the costs of two counsel to be paid. It was of sufficient complexity.

The applicant was also successful in the interlocutory application. The main reason why I reserved the question of costs was that I was of the view

that the applicant might not necessarily be awarded costs of the interlocutory application if the respondent were successful in the main application. In all the circumstances it seems to me appropriate that applicant should also be awarded the costs of the interlocutory application including the costs of two counsel.

The respondent is ordered to pay the costs of the Main and the Interlocutory applications including those incurred consequent upon the employment of two counsel.

**BARBER-GREENE COMPANY AND OTHERS v CRUSHQUIP (PTY)
LTD**

WITWATERSRAND LOCAL DIVISION

COETZEE J

3 JULY 1984

Artistic works first published in a foreign country which is not a signatory to the Berne Convention but which enjoy copyright protection by South African Copyright Acts continue to enjoy such protection whether or not copyright protection in their own country has lapsed, so long as the period for which they had protection in their own country did not exceed that for which they obtain protection in South Africa. This applies where the South African proclamation conferring protection on them provides that the term of copyright subsisting in South Africa shall not exceed the term enjoyed by the work in its own country.

The first applicant was an American corporation incorporated under the laws of Massachusetts. It manufactured construction and mining equipment including two items of crushing equipment known as Gyraspheres and Jaw Crushers which were designed by employees in one of its divisions. The second and third applicants were South African companies, the second holding the copyright in the drawings of the crushing equipment and the third being the licensee of the first applicant. These drawings were drawings of the individual components of the equipment, some of them having been first made in the United States and others having been first made in South Africa.

The respondent carried on the business of manufacturing replacement parts for the crushing equipment and offered them for sale. The parts were three-dimensional reproductions of the applicant's drawings.

The applicants applied for an interdict inter alia restraining the respondent from offering the replacement parts for sale and from infringing their copyright in the drawings.

Although the drawings had the quality of simplicity, this was no bar to their being accorded copyright protection. What the applicants had to show was that they owned the copyright in the drawings and in order to do so had to prove that the drawings were created by a person to whom protection was afforded in relation to the work.

As far as the drawings first published in the United States were concerned, copyright protection was afforded to them by means of proclamations issued in terms of the Copyright Acts of South Africa, the last of which was that issued under Government Notice no R566 of 1981 as read with that issued under Government Notice R136 of 1989. These proclamations provided for the application of the South African Copyright Acts to works first published in the United States and contained a proviso that the term of the copyright subsisting in South Africa in a work would not exceed the term of copyright enjoyed by that type of work under the laws of the United States.

The term referred to in the proviso meant that period of time during which the law provides copyright will exist for each respective kind of work. It did not mean the period of time during which copyright existed in respect of the particular work in

question. That this interpretation was the correct one became apparent upon a comparison of the position obtaining in respect of those countries to which proclamation R566 alone applied, ie Berne Convention signatories. The term of copyright protection in respect of those countries was provided for in the Berne Convention so that it was unnecessary to make any reference to it in proclamation R566. That Convention ensured that the same term was provided by the laws of the contracting states for each category of work. The same effect was intended in respect of the United States, a non-convention country. The South African Copyright Acts exhibited no intention that the position should be otherwise and that copyright protection when it is extended to foreign works should be limited in any different way.

It was therefore unnecessary to decide whether copyright protection of the United States works had lapsed in that country. The existence of copyright in them had been established.

Coetzee J: The first applicant is an American corporation constituted under the laws of Massachusetts. The second and third applicants are South African companies. They have instituted these proceedings to protect their copyright in a large number of engineering drawings. By manufacturing the parts there depicted, the respondent is alleged to have converted their work into three-dimensional form and thus infringed their copyright.

The first applicant merged with a company known as Smith Engineering Works. The Smith family of Milwaukee founded a business which was incorporated in 1945.

This corporation merged with the first applicant in 1960 and became known as the TelSmith Division of the first applicant. The first applicant is (and has for many years been) a manufacturer of construction and mining machinery including two items of crushing equipment known as Gyraspheres and Jaw Crushers. Both items (in their original form) were designed by employees of TelSmith and the jaw crushers were redesigned for local conditions by the South African licensee. These are large items of equipment weighing as much as 59 tons in the one case and 193 tons in the other.

The second and third applicants are successively the licensees of the first applicant. Originally the second applicant was licensed by the first applicant in 1951. Subsequent licences were replaced in 1961 by an agreement, annexure 'C'. (There is a misdescription of the second applicant in the document itself but the allegation in the affidavit that it was the second applicant which so contracted is not disputed.) In 1983 the rights under the licence were ceded to the third applicant. The third applicant is now the licensee of the first applicant while the first and second applicants own the copyright in the engineering drawings which give rise to this application. The third applicant joins in the application in its own right under provisions of section 25 of the Copyright Act (no 98 of 1978).

The respondent is a company having an issued share capital of R28 200,00. It was founded in 1931 under a different name, its principal object being the business of a 'Special Steel Merchant'. It changed its name in October, 1981 and according to its own admission carries on the manufacture of what is calls 'replacement parts' for the crushing equipment manufactured by the applicants. These are parts which fit to the crushers made by the applicants and are the parts most vulnerable to wear and breakage.

The applicants claim the following relief in their notice of motion—

- 1(a) An order interdicting the respondent from selling or offering for sale itself or through its agents or servants spare parts for the applicants' belownamed crushers and, in particular, the spare parts listed in respect of each such crusher below (and identified consecutively for ease of reference).

I. TWENTY-FOUR INCH GYRASPHERE CRUSHER

- (a) Lower mantle.
- (b) Concave ring.

II. THIRTY-SIX INCH GYRASPHERE CRUSHER

- (c) Mantle stud cap, upper mantle, mantle nut and mantle stud.
- (d) Lower mantle.
- (e) Concave ring (coarse).
- (f) Concave ring bolt.
- (g) Concave ring (fine).
- (h) Concave ring (medium).
- (j) Concave ring extra coarse.
- (k) 3675 Concave ring.
- (l) Sphere head.
- (m) Main shaft.

III. FORTY-EIGHT S GYRASPHERE CRUSHER

- (n) Lower mantle.
- (o) Concave ring S-Coarse.

IV. ELEVEN HUNDRED GYRASPHERE CRUSHER

- (p) Lower mantle.
- (q) Concave ring S-Coarse.
- (r) Concave right S-Medium.

V. TEN INCH BY FIVE INCH JAW CRUSHER

- (s) (SA-A) left and right cheek plates.

VI. TEN INCH BY TWENTY-ONE INC JAW CRUSHER

- (t) (SA-B) fixed jaw deep tooth.
- (u) (SA-C) swing jaw deep tooth.

VII. TWENTY-FIVE INCH BY THIRTY SIX INCH JAW

CRUSHER

- (v) (SA-D) fixed jaw deep tooth.
- (w) (SA-E) swing jaw deep tooth.
- (x) (SA-F) D and E left and right hand upper cheek plates.
- (y) (SA-F) B and C left and right hand lower cheek plates.
- (z) (SA-G) eccentric shaft.
- (aa) (SA-H) toggle plate.
- (bb) (SA-J) tension rod.
- (b) An order interdicting the respondent from infringing the applicants' copyright in the engineering drawings annexure A1 - R1 and SA-A1 to SA-J1 by reproducing or causing to be reproduced through its servants or agents or sub-contractors in any manner the said drawings in any material manner or form.
- (c) An order that the respondent deliver up to the applicants all reproductions in material form of the applicants' drawings Annexures A-R and SA-A1 to SA-J1 and all jigs, patterns, core boxes and similar equipment used by or on behalf of the respondent to manufacture infringing copies of the applicants' drawings and all copies of any drawings in its possession which are infringing copies of any of the applicants' drawings.
- 2. Alternatively to paragraph 1 hereof, an interdict *pendente lite* in terms of paragraphs 1(a) and (b) hereof pending an action to be instituted by the applicants for the relief sought in paragraph 1 hereof, such action to be instituted within such time as this Honourable Court may direct.
- 3. An order interdicting the respondent from using the mark Telsmith or Gyrasphere as a mark or in the course of trade, otherwise than as a trademark or any mark so nearly resembling the First applicant's trade marks, annexures ``1(1)" and ``1(2)" to the affidavit of Edmund Basil Bezernik, as to be likely to deceive or cause confusion in relation to or in connection with crushers.
- 4. An order that the respondent pay the applicants' costs, including the costs of two counsel on the scale as between attorney and client.'

The papers in this matter are complex for a variety of reasons. I should immediately acknowledge my indebtedness to both counsel for their helpful heads of argument. As they will notice I have made copious use of them. Following oral argument was greatly facilitated. Almost the only way to understand the complex facts and issues is to carefully recapitulate with the aid of their heads, the main argument, the answer thereto and thereafter the reply. But for that I might be floundering in a morass. In the course of dealing with their arguments I might state, sporadically, where I agree or disagree.

The notice of motion lists a series of engineering drawings which depict 27 individual components. In the founding affidavits a distinction is made between drawings first made in America and those made in South Africa and the annexed drawings have been numbered with Exhibit numbers A to R (being the American drawings) and SA-A to SA-J (being the South African drawings). The founding papers also raised the question of infringement of the first applicant's trade marks.

There have been a series of answering affidavits filed. There have also been a number of interlocutory applications and orders made by this court.

On the 16th November, 1983, an application to stay the matter was argued (together with an application to admit the respondent's further affidavits) before Melamet, J. The application for a stay of the main application was based on a contention that certain proceedings which had been initiated by the respondent in America against the first applicant relevant to the continued existence of copyright protection in America in respect of the drawings made in America would be relevant to the present proceedings. This application was opposed on various grounds including the fact that the continued existence or the termination of copyright protection in the United States of America (as opposed to South Africa) was relevant.

On the 17th February, Melamet J, (without deciding the question of law involved in so far as American copyright is concerned) dismissed the stay application (with an order that the respondent pay the costs thereof) and admitted the further affidavits filed by the respondents (with an order that the respondents pay the costs also in this regard). The learned judge also granted leave to the applicants to file the further replying affidavits. This the applicants accordingly did.

The applicants' case is based on copyright in the engineering drawings of the parts in question in that they qualify for the copyright protection afforded by the successive Copyright Acts. They are 'artistic works.' By reason of the provisions of section 43 of the Copyright Act (no 98 of 1978) copyright in works brought into existence prior to its date of commencement is governed under the preceding Copyright Act (no 63 of 1965).

In terms of the definitions in section 1, and artistic work means:

'Irrespective of the artistic quality thereof:

(a) paintings, sculptures, drawings, engravings and photographs.'

An engineering drawing thus qualifies for or is eligible for copyright under the provisions of section 2(1)(c) of the Act. In terms of section 2(2)(b) sufficient effort or skill must be expended thereon to give the work a new and original character. Section 7 provides that the nature of copyright in artistic works vests:

'the exclusive right to do or authorise the doing of any of the following acts in the Republic, namely:

(a) reproducing the work in any manner or form.'

In terms of section 1 of the Act, the 'author' of a work (in relation to an artistic work) means the person who 'first makes or creates a work'. Section 3 confers copyright for a term being the life of the author and fifty years on every work eligible for copyright of which the author is at the time the work is made a South African citizen, or who is domiciled or resident in the Republic or, in the case of a juristic person, is a body incorporated under the laws of the Republic. In terms of section 21(1)(d) a work made by a person in the course of his employment under a contract of service vests in his employer.

The word 'reproducing' used in section 7 of the Act has been defined. Reproduction in relation to an artistic work includes:

'a version produced by converting the work into a three-dimensional form or if it is in three dimensions, by converting it into two-dimensional form and references to reproduce and reproducing are to be construed accordingly.'

In terms of section 23, infringement of copyright is the doing without authorisation of any act which the owner of copyright may authorise. Cf *Scaw Metals v Apex Foundary and another* 1982 (2) SA 377 (D) at 384 H where Milne DJP says—

'The same reasoning applies with equal force with regard to engineering drawings and leads, in my view, to the same result. It would be anomalous if protection were given to engineering drawings so as to prevent their reproduction in three-dimensional form by some person other than the owner or assignee of the copyright, if that protection were only to be available against the person who made the reproduction from the drawings themselves as opposed to the three-dimensional representation of those drawings. The actual parts are clearly a three-dimensional representation of the engineering drawings which exists, in fact, only for the purpose of enabling such a reproduction to be made. To reproduce that three-dimensional part by copying the part is to reproduce a reproduction, and that is clearly an infringement.'

The issue then (and ignoring for the present the American origin of the drawings in question) is whether the applicants are the owners of copyright and whether that copyright has been infringed.

The applicants contend that in the respondent's affidavits there appears a misconception as to what copyright in a drawing is or covers and they refer to the affidavit of Brits where the following contentions are made—

- '9(a) It is submitted that the above Honourable Court should appreciate that in questions of copyright particularly in the industry concerned where drawings of crushing equipment in the mining industry which go back to the turn of the century are involved there may be many organisations, anywhere in the world, which have produced drawings sufficiently similar to those of the applicants to deprive the applicants of the copyright which they claim. The respondent does not admit that it has infringed the copyright in any of the applicants' drawings.
- (b) It has obtained the drawings which it used, from third persons both in South Africa and abroad. In considering a matter of this kind it is important to bear in mind that the actual origin of any drawing might originate in any country anywhere in the world.
- (c) The issues involved cannot be resolved by simple comparison of the drawings of the applicants with the goods of the respondent. If this were correct it would presuppose that any person that came to Court could claim that he had copyright in a particular drawing and obtain an interdict. There is far more involved. It is noted for example that none of the components in question has any degree of complexity of construction. All of the components and parts are very simple mechanical objects as would be expected of items which serve the purposes of crushers or hammers. Moreover, goods of this kind are used internationally in the crushing industry and have been so used for many decades.'

In my view they correctly contend that the 'similarity' of other drawings is irrelevant. So too the complexity or lack of complexity. From the definition already quoted, artistic work includes drawings 'irrespective of their artistic quality' and the simplicity of a drawing is not a bar to copyright subsisting in a drawing. Drawings for rivets and the like have been held to be protected. See *Copinger & Skone James on Copyright*, 12th ed, para 177 and the cases there cited. Drawings for standard parts such as engines and gearboxes and engineering drawings have been held to be artistic works for the purposes of copyright. The reason is that it is the drawing and not the idea which is protected. Ideas, however original, are not the subject-matter of protection under the Copyright Act and consequently where a very simple diagram embodies an original idea, it is the diagram and not the idea which is protected. See *Copinger and Skone James* (op cit at 179).

Section 4 of the 1865 Act provided that copyright would subsist—
'in every original artistic work which is unpublished and of which the author was qualified person at the time when the work was made.'

The definitions of author and artistic work were identical to those in the new Act. The qualification to section 43 is that the present Act is not to be construed as affecting the ownership, duration or validity of any copyright which subsisted under the 1965 Act. 'Original' for this purpose means no more than that the work was not a slavish copy of another work but that it must be the product of original skill or labour emanating from the author himself. See Copeling, *Copyright Law in South Africa* at p 48.

What the applicants therefore have to show is that they own the copyright in the engineering drawings on which they rely and in order to prove this, they have to prove that the drawings as such were created by a person to whom protection is afforded in relation to such work by the provisions of the Act and that such works were original.

In terms of section 37 of the Act, the Minister may, by notice in the Gazette provided that any of the provisions of the Act specified in such notice shall apply to any country in relation to artistic works in the Republic of South Africa and in relation to persons who were at material times, citizens or subjects of such country as it applies in relation to persons whom, at such time, are South African citizens and in relation to bodies corporate under the laws of that country as it applies in relation to bodies corporate under the laws of the Republic. Similar provisions applied under the earlier 1965 Act. Proclamations under both which govern copyright in works first made (for present purposes) in the United States of America have been issued.

In the light of the provisions of section 43 of the present Act, and the repeal by the new proclamation of the earlier proclamation, one is concerned only with the proclamations issued under the present Act.

Copyright insofar as America is concerned, has been brought about by a 'two-stage process' in that an initial proclamation was made in relation to Berne Convention countries which was thereafter specifically extended to America. These two proclamations are No. R2565 of the 22nd December, 1978 and No. R566 of 13th March, 1981. The latter provides that the term of copyright which subsists in South Africa in a work shall not exceed the term of copyright enjoyed by that type of work under the laws of the United States of America.

The applicants have set out to prove their case by annexing what is called the current drawing and each drawing which preceded that drawing going back to the first drawing and made for the component in question. They have set out to prove who the author was of each drawing; that that person was in the employ (in the case of the American drawings) of the first applicant and (in the case of the South African drawing) of the second applicant. The

manner in which the work came into being is described and identified. They testify to the expenditure of effort and the exercise of skill. The same procedure was followed for the American drawings. To cover the American position the term of American copyright for the drawings is testified to by an expert, Charles L Rowe, who summarises the position as follows—

‘12. In summary, in the United States, manufacturing drawings have always been protected as unpublished copyrighted works. Until January 1, 1978, such unpublished works were protected by the common law of the various states, and as of January 1, 1978, all such unpublished works are now protected by the federal copyright statute effective that date. All such copyrighted works which were in existence prior to January 1, 1978, are, by the new statute, protected at least until December 21, 2002. Such unpublished works continue to be covered as such until publication. In the United States, such publication requires that one or more copies of a work be disseminated to the general public in order to constitute a divertive publication terminating the unpublished copyright. In the United States, the common practice of manufacturers is to provide manufacturing and assembling drawings to suppliers and assemblers for the limited purpose of their use for the particular manufacture or assembly and not for unrestricted distribution to others, much less to the public. On the basis of my understanding of the facts that applicants han to persons who any such unrestricted dissemination of the mechanical drawings herein involved in the United States or elsewhere, I state that under the United States copyright laws, such drawings are unpublished and are protected as unpublished copyrighted works, at least until the year 2002.

13. In the United States, the unpublished work and common law copyright may be transferred without formalities. A transfer of the drawings referred to above, such as from prior to successor, or related, companies with the intent that the common law copyright therein should pass therewith, is sufficient to effect assignment thereof. Thus, if the Smith Engineering Works Company was converted into a public corporation, no formal transfer of ownership would have been called for or have taken place while a merger of that company with the Barber-Green Company duly authorised by the Illinois Business Corporation Act would effectively have passed ownership of the copyright in its drawings to that company.

Possession of the unpublished drawings established a *prima facie* showing of ownership of the copyright therein by the possessor.

14.I accordingly state that subject to the assumptions made as to authorship and absence of publication, copyright subsists in the United States of America in each of the original drawings annexed to the affidavit of Jake A Smith, and the sole right to use or reproduce such work vests in the owner.'

The parts made and sold by the respondent have each been examined by an expert and found to be three-dimensional reproductions of applicants' drawings.

In the affidavits filed by the respondent there is no challenge to the originality of the American drawings nor the fact that copyright existed therein both in South Africa and America. Of more significance, however, is the fact that save for two components there is no evidence of how the respondent came to make the parts. If the photographs Exhibit 'G' are examined, it seems obvious that the respondent could not explain the origin of its parts nor how they were made. It has not challenged the evidence of the plaintiffs' expert van Schoor who has testified that the respondent's products are three-dimensional reproductions of the applicants' two-dimensional drawings. In the light of the fact that a former employee of the second applicant (who had access to the drawings) took up employment with the respondent at a date 10 months before the applicants became aware of the sale by the respondent of reproductions of its drawings the coincidence permits of only one inference. The employee in question, Pretorius, simply denies that he took any drawings but that denial leaves unexplained the fact that (by virtue of a notice under Rule 35(12)) the respondent was found to be in possession of direct copies of prints of the applicants' drawings. Despite the fact that affidavits were filed of their use this discovery the possession of these documents is nowhere explained save, baldly, that the respondent obtained the drawings it uses 'from third persons both in South Africa and abroad'.

The papers as a whole are summarised by applicants' counsel as follows:

- (i) An order interdicting the respondents from using the first applicant's trade marks was granted by me on the 29th September, 1983 but the costs of the application in so far as trade mark infringement remain to be dealt with. This is covered by paragraph 1(b) of the notice of motion (p 6) and paragraph 8 of the Order which I made.
- (ii) Counsel made a convenient arrangement of the drawings from the respondent's answering affidavit (rearranging the Order in which the respondent deals with them) as follows

(aa) The conceded drawings:

These are the drawings referred to in paragraph 1(a) VIII (X) (Y) (Z)

and (aa) of the notice of motion (p.5 and p.6). These are the drawings annexed to the founding affidavit as Annexures SA-A1, SA-F1, SA-G1, SA-H1.

The order made in this regard was an interim interdict as stated in terms of para 2 of the order which I made. At the time I made an interim order at the instance of the respondent. Final relief was however granted in respect of these drawings by Melamet J but no order was made as to costs, these being reserved.

(bb) The American Drawings:

These are the drawings referred to in paragraph 1(a) 1(a) (b) (c) (d) (f) (g) (h) (i) (j) (k) (l) (m) (n) (o) and (p) (annexures A1-A5, B1-B3), 11 (annexures C1-C5, D1-D2, E1-E3, F1-F2, G1-G3, H1-H3, J1-J3, K1-K3, L1-L5, M1-M3), 111 (annexures N1-N3, O1-O3), IV (annexures P1-P3 and R1-R3) of the notice of motion. (I shall later refer to this group as 'Group A').

Omitted from the American drawings (in the above) is the drawing referred to in paragraph 1(a) IV q (annexures Q1-Q3) of the notice of motion as it was not shown by the applicant that the respondent was reproducing these drawings and the respondent denies that it has done so. The drawings referred to in paragraph 1(a) IV (r) (annexures R1-R3) of the notice of motion gives rise to different considerations from the other American drawings and are dealt with separately. Final relief is sought in respect of drawings. (I shall refer to this group later as Group 'B'.)

(dd) The Hadfield Drawings:

These are the drawings referred to in paragraph 1(a) VIII (v) and (w) (being annexures SA-D and SA-E). In respect of these drawings the respondent tendered first one explanation which has been conceded to have been quite without foundation and subsequently another explanation. No order has been made in respect of these drawings. It is contended by the applicants that there is no dispute of fact such as would warrant the issue in respect of these drawings being referred to trial and final relief is sought, alternatively, interim relief pending an action to be instituted. (I shall later refer to this group as Group 'C'.)

Counsel dealt with the drawings still in issue in the order in which they have been listed above. His argument thereon now follows—

The American Drawings

There is no challenge of the respondent's evidence as to the authorship, ownership or originality of these drawings. The respondent, by reference (at

p 238), incorporates an affidavit made by the deponent on its behalf in the application to stay these proceedings, who refers to the evidence of Greenstein and Falvey. Greenstein speculates as to the possible loss of the first applicant's American copyright in the drawings in question. The effect of his evidence is said to be no more than unsubstantiated speculation. Falvey simply states that other companies (in the U.S.A.) marketed similar crushers.

In the result it is contended that there is nothing to show the loss by the first applicant of its American copyright and no facts which show that it has any answer to the applicant's case as to the infringement of its South African copyright in the American drawings. It is submitted that the applicant is entitled to a final order in respect of these drawings.

The American/South African Drawings

These drawings are listed in the respondent's first answering affidavit. The respondent initially conceded the applicant's claim. Thereafter it sought to change its ground. What it then did was to raise speculation as to the absence of originality because 'consent' was required for the South African licensee to redesign the parts. This submission is supported by one McCoragher. This evidence is dealt with by the South African designer, Gezernik. It is submitted that his answer disposes of the speculation raised.

Thereafter the respondent having examined the original drawings in America and through McCoragher, contended that the differences between the South African drawing and the American drawing were insufficient to warrant copyright protection. McCoragher's evidence in this regard related, in the first instance, to annexure SA C2. The applicant points out that SA C2 is in fact irrelevant because SA C1 is the drawing which has been copied and that SA C1 has its own independent copyright and it also shows that the respondent is in possession of photocopies of the second applicant's drawing. The applicant then shows quite independently of the above, that SA C2 is not the same as the American drawing.

It is submitted on behalf of the applicant that the evidence of Gezernik on the applicant's behalf, is convincing. Gezernik was in America at the time when a selection of the American drawings was made for the purposes of this application. He would scarcely assert that he redesigned the part in a manner which gave rise to independent copy if this were not the case in circumstances where it was quite sufficient for him to rely on the original American drawing. Any superficial similarity between the American and South African drawings is irrelevant if, in fact, the South African drawing is the product of independent work.

The only evidence on this score is that of Gezernik and there is therefore no basis upon which the respondent can dispute it. Gezernik explains the

differences in detail.

The remaining American drawings are similarly dealt with by McCoragher in relation to annexures SA-D and SA-E, and answered by Gezernik.

It is further submitted that this evidence does not raise such a dispute of fact as to preclude the applicant from seeking a permanent interdict.

The Hadfield Drawings

These drawings are dealt with in the founding affidavits where the author one Smith is identified and the date on which the drawings were made established. The drawings were made in July 1961 and were subsequently modified, as to SA D1, in July 1965 and as to SA E1 in July 1970. The respondent through one Wheater, claimed that a company Hadfield made the drawings at the request of Hilton Quarries in the year 1966. Implied in this was the concession that one drawing is a reproduction or a substantial reproduction of the other rendering the date of first making important. McCarogher confirms Wheater's evidence.

In response to these allegations the applicant filed an affidavit by Lamberti the managing director of Hilton Quarries. He contradicted the evidence of Wheater and McCarogher and the correctness of his contentions has been conceded by the respondents. Their retraction is accompanied however by a new explanation of the origin of the drawing. It is now said that the drawing was made for Clairwood Quarries.

The applicant shows, however, that Hadfield, in fact, copied a Telsmith jaw. This is the evidence of one Sutherland the manager of Clairwood Quarries. Whether Hadfield had or did not have a deep tooth design of their own (as is contended by the respondents) is irrelevant. Hadfields, so it is argued, could only have measured up the Telsmith jaw for one purpose, namely to make a copy of the three-dimensional form of the applicant's design. Gezernik shows again that the wrong drawing is used as a comparison and asserts that he himself redesigned the Telsmith jaw without reference to the Hadfield drawing. The evidence of Sutherland proves a copying of the applicant's drawing or a substantial part thereof.

In these circumstances and in the light of the changing evidence by the respondents the probabilities seem to favour the applicant greatly. The deep tooth apart, however, the rest of the jaw has been copied despite minor differences. This evidence has not been contradicted. The applicant submits that it is entitled to seek a final interdict.

Drawings Q & R

In so far as drawings Q1 to 3 are concerned, (referred to in the notice of motion in paragraph 1(a) IV q) the applicants concede that there is no

evidence of copying by the respondents and no order is therefore sought in this component.

In so far as drawings R1-3 are concerned, no evidence of copying was given in the founding affidavits. However, a notice in terms of Rule 35(12) was served on the respondent and this established that the respondent was in possession of a redrawn copy of the drawing R2. This discovery was made despite the original denial that the respondent was 'making this part'. This denial was, in the circumstances, manifestly a half truth. The possession of the redrawn copy has not been dealt with by the respondent. It is obviously an infringing copy and it is submitted that this justifies the grant of final relief. (To these drawings I shall later refer as Group 'D'.)

I come now to the respondent's case as presented in argument. It was contended that the dispute regarding documents in respect of which no final order has yet been made cannot be determined on the affidavits. Counsel particularised this contention as follows :

- (a) In the case of drawings having their origin in the United States the applicant has to satisfy the court that the term of copyright in that country has not expired.
 - (i) The *onus* is upon the applicant to establish the existence of copyright under South African law during the period of alleged infringement; and
 - (ii) the proclamations or Government notice extending the protection of South African copyright legislation to a work of United States origin does not go beyond the term of copyright for that type of work according to United States law; and
 - (iii) the works with which the present application is concerned are said by the applicants to be 'unpublished works' and thus to have copyright for as long as they remain unpublished whereas the respondent contends that the drawings had an indefinite term of copyright when unpublished and that, on publication, that term came to an end and no new term began because the necessary formalities were not observed.
 - (iv) There is a difference of view between the experts on the law of the United States and what constitutes 'publication'; and
 - (v) there is a dispute regarding the factual background upon which the United States legal experts have expressed their views.
- (b) As to the 'Hadfield' drawings there are disputes concerning the originality of the documents relied upon by the applicants and also whether any drawings of the applicants were used in the manufacture by the respondent of the relevant parts.

- (c) As to the drawings made in South Africa but which have United States counterparts, there is a dispute as to their originality in that, according to the respondent's experts, examination shows that these drawings are really copies of United States drawings with minor alterations. (If the applicants seek to rely upon the basic United States drawings as being the documents having copyright and so having been infringed, then the same question will arise in regard to these documents as arises in relation to the other United States drawings.)

Counsel further referred to each of three categories of document and contended that the applicants had to satisfy the court that, on facts which are admitted or cannot be denied, a right to relief has been made out. He then dealt with each of these categories as follows. I reproduce his argument.

The United States Drawings

- (a) The dispute between the parties in regard to these documents relates to the existence of South African copyright protection. In order to succeed in regard to these documents the applicants have to establish that South African copyright exists by reason of the provisions of Section 37 of the 1978 Act and, possibly, the equivalent provisions under earlier copyright legislation and the terms of notices and proclamations issued pursuant to these section.
- (The drawings go back in some instances to 1930 and may have been published at any time from the date of their being made until today. Hence the relevance of earlier enactments and proclamations).
- (b) By section 37 of the 1978 Act, the Minister of Economic Affairs, Industry, Commerce and Tourism may, by Notice in the Gazette provide that any provision of the Act specified in the Notice shall, in the case of any country so specified apply, *inter alia*, to artistic works first published in that country as it applies in relation to artistic works first published here and, in relation to persons who, at a material time, are citizens or subjects of that country, as it applies in relation to persons who, at such time, are South African citizens. See section 37 of Act (no 98 of 1978); section 144(3) of Act No 9 of 1916 and section 32(1) of Act No 63 of 1965.
- (c) (i) In the case of the United States, which is not a Berne convention country, there was published in 1925 a proclamation, the full terms of which are to be found in Copeling (op cit) Appendix E p 363. The proclamation related to
- (A) unpublished works of citizens of the United States and
 - (B) works of citizens of the United States published simultaneously in that country and in South Africa.

- (ii) The proclamation contained certain provisos—
- (A) the term of the copyright in South Africa should
‘not exceed that conferred by the law of the United States of America’;
and
- (B) the enjoyment of the right conferred by the proclamation should
‘be subject to the accomplishment of the conditions and formalities prescribed by the law of the United States of America.’
- (d) It is implicit in the above provisos and indeed would be the case even if they were not there, that it was not intended to extend copyright protection to works emanating from the United States or from citizens or residents of that country unless the material was the subject of copyright in the United States. This does not mean that United States documents have a copyright which is different from that enjoyed by South African documents: it merely means that for South African copyright to vest in United States documents the conditions laid down in the provisos must be satisfied. The result is that under the 1924 proclamation United States copyright must exist and the formalities relating to United States copyright law must be satisfied before a United States work could be accorded copyright in this country to the extent set out in the proclamation.
- (e) In 1973 there was a further proclamation under Act No 63 of 1965 (Regulation No 231 of 1973, Regulation Gazette No 1850 published on the 5th October, 1973). This proclamation repealed the 1924 proclamation and declared that proclamation No 73 of 1966 (the Copyright International Conventions Proclamation then in force relating to Berne convention countries) should apply to the United States in the same way as it applied to those countries enumerated in the schedule to the proclamation. The preamble to the proclamation states, *inter alia*:
‘and whereas it is desirable to provide protection within the Republic of South Africa *for owners of copyright in the United States*.’
Emphasis is placed on the words underlined.
Proviso (a) is in the following terms :-
‘The term of copyright within the Republic of South Africa shall not exceed that conferred by the law of the United States of America.’
Thus, in the case of the United States of America, there is a condition which does not apply in the case of Berne convention countries, namely that relating to the term of the copyright conferred by the law of the United States.
- (f) The effect of the 1973 proclamation is the same as under the 1924

proclamation. The benefit of the South African copyright statute is only extended to United States documents if copyright subsists in those documents in the United States and in accordance with United States law. The Copyright International Convention Proclamation of 1966 was replaced in 1978 by a Government Notice issued under the provisions of section 37 of the 1978 South African Copyright Act (Government Notice R2565 published on the 22nd December, 1978 in Regulation Gazette No 6252) and on the 13th March, 1981 (by Government Notice R566 in Regulation Gazette No 7426) the provisions of the 1978 Government Notice were applied to the United States in the same manner as they had been applied to Berne convention countries under the 1978 Government Notice. The proviso contained in Government Notice R566 is the following—

‘Provided that the term of copyright which subsists in South Africa in a work shall not exceed the term of copyright enjoyed by that type of work under the laws of the United States of America.’

Though the wording of the 1981 Government Notice differs from the earlier proclamation and, in particular refers to ‘that type of work’ and not ‘that work’, the effect, for the purposes of the present case, must be the same. Firstly, it is clear that the work must be of a ‘type’ which is capable of attracting copyright in the United States. Secondly, the Government Notice understandably attempts to avoid a situation where the laws of the United States give no copyright protection to a work first published there or whose author is resident or a citizen of that country and, notwithstanding this, the benefit of the South African copyright legislation is extended to such work or such person to the prejudice of other people in this country.

- (g) Both Rowe and Greenstein say that an unpublished work is a ‘type’ of work for copyright purposes. As long as this type of work remains unpublished, United States copyright law protects it. When it ceases to fall into the category of unpublished works the indefinite term of copyright which would otherwise apply to it ceases.

On the footing of the foregoing counsel submitted that the applicants must establish that, in the United States, the term of the copyright in the relevant drawings had not expired when the alleged infringement took place and went on to deal with the factual disputes relating to these United States drawings.

The Hadfield drawings

Notice of motions items (b) and (w).

The respondent contends that no copyright in these drawings vested in the

second applicant and further that the parts manufactured by the respondents were not manufactured from drawings of the second applicant or from parts made by the second applicant. It attempts to explain their vacillation on the papers to which I have earlier referred. This explanation is most unconvincing, to put it at the highest for the respondent.

The South African United States Drawings

(Notice of motion items (t), (u), (bb) and the Hadfield drawings.)

The major area of dispute is in regard to the Hadfield drawings. The remaining three drawings are, it is contended, not original drawings in that they are really with some cases, minor alterations, copies of American drawings. McCarogher did not contest the originality of certain of the South African drawings vis-a-vis the United States drawings. A final interdict was conceded in regard to these documents.

As there is a difference of view between McCarogher and Gezernik as to the amount of skill, effort and time going to make up 'originality' in these drawings, it is submitted that the question of the existence of copyright in the South African United States drawings must also be determined by *viva voce* evidence. Suggestions were put forward for the type of interim relief that might be given.

I proceed to deal with the applicant's reply to these points raised by the respondent. Apart from the respects in which the respondent has conceded applicant's claims—the 'conceded drawings'—which are no longer in issue, the applicants contest that this matter should be referred to trial and submit that they are entitled to the relief sought on all the drawings.

It is argued that the applicants' claims are based on evidence which establishes that they own the copyright in the drawings numbered 'A1', 'B1', etc, through to 'R1' and on uncontested evidence that the copyright in these have been infringed. The earlier drawings 'A2' and 'A3' and 'B2' and 'B3' etc were produced simply in recognition of the fact that the applicants were proceeding by way of motion and that the full facts should be before the court particularly in cases where discovery is not normally applied. The result is, in the applicants' submission, that it is unnecessary to go back to the earlier drawings as the respondent (in its argument) has done or, in the majority of cases, to deal with problems which are alleged to arise in relation to the 1924 proclamation. The only issue is whether copyright subsisted in the 'A1', 'B1' series drawings and whether that copyright has been infringed. It is not disputed on the papers that the respondent has produced three-dimensional reproductions of the 'A1', 'B1' series of drawings and only five of the drawings in issue are dated before September, 1965 (the date on which the 1965 Act came into force).

Interpretation of the Proclamations

The applicants submit that there is one clear issue of law which will dispose of any argument insofar as the American drawings are concerned—that is whether the word 'term' in the provisos to the proclamations covers the individual period of time during which an individual work enjoyed copyright in the foreign country in this case American copyright having—so the respondent speculates—possibly been waived or abandoned or lost) or whether the word 'term' means that period of time during which the law provides copyright will exist for the different types of work for which copyright protection exists. Their argument is put on the following basis.

- (a) All three Copyright Acts in South Africa have made provision for a 'term' of copyright for each of the particular types of work which are submitted to copyright protection. The framework of each Act has been to define a category of works which are to be entitled to copyright.
- (b)(i) In the 1911 (Imperial Copyright) Act, copyright was granted to original literary, dramatic, musical and artistic works (see section 1(1)).
- (ii) In the 1965 Act the original four categories of copyright works were repeated (in sections 3 and 4) but new categories were added to by the provisions of sections 13 (copyright in sound recordings) 14 (copyright in cinematograph films) 15 (copyright in television broadcasts and sound broadcasts).
- (iii) In the 1978 Act, a new arrangement of the section conferring copyright was devised. Section 2 of the Act provides that certain works shall be 'eligible for copyright'. It includes in subparagraphs (a), (b) and (c) (the original) literary, musical and artistic works and, as (d), (e) and (f), the categories added in the 1965 Act and a yet further or new category of work in sub-section (g) namely 'programme carrying signals'.
- (c) The 'period' for which copyright is granted in foreign countries may, conceivably differ for the different categories of work and may (in fact does, in the case of America) differ from the length of time for which protection is granted to artistic works in South Africa. The provisos in question have been designed to ensure that the 'term of copyright within the Republic of South Africa shall not exceed that conferred by the law of the United States of America'.
- (d) The word 'term' used in the proclamations is used in the sense in which it is defined in section 3 of the 1911 Act and section 3(3) and 4(3) of the 1965 Act and section 3(2) of the 1978 Act. Section 3 of the 1911 Act

reads as follows:

'The term for which copyright shall subsist shall, except as otherwise expressly provided by this Act, be the life of the author and a period of 50 years after his death.'

In section 3(3) and 4(3) of the 1965 Act and (again) in section 3(2) of the 1978 Act the term of copyright is to run for 50 years from events which are defined separately for each category of work.

- (e) The respondent conceded that the word 'term' is not to be read as connoting the period of time during which the foreign work continues to enjoy copyright in the foreign state in so far as the Berne convention countries are concerned. It bases its argument (solely) upon the proposition that the 'proviso' in the proclamations extending copyright protection to America have a different effect in that the continued existence of copyright in the American work is a pre-requisite to protection in South Africa. This, it is submitted, would be a surprising result and one which, because of the reciprocal nature of this type of proclamation, *could* adversely affect the position of South African owners of copyright seeking protection in the foreign countries in question. It is also a construction which ignores the essential 'territorial' nature of copyright protection and the obvious intention of the legislature to procure protection in foreign countries for South African works by protecting foreign works in South Africa '*as if they were South African works*'. (See the express terms of each of the proclamations.)
- (f) (i) The respondent does not deal with the reasons for the differences between the Berne proclamations and the American proclamations.
(ii) The reason for the provisos is to be found in the fact that the Berne Convention itself lays down what the term of copyright will be (see Copeling, *op cit*, p 271) and thereby ensures that the same term is provided by the laws of the contracting countries for each category of work.
(iii) America, in so far as South Africa is concerned, is a non-convention country. Historically it can be seen that the three South African Copyright Acts have, in relation to provisions made for 'international arrangements', drawn a distinction between countries who are members of the convention to which South Africa adheres and those that are not. (See section 29(1)(c) proviso 1 of the 1911 Act, section 32(3) of the 1965 Act and section 37(3) of the 1978 Act.)
- (g) (i) In terms of section 29 of the 1911 Act the conditions under which copyright protection could be extended to foreign countries were specified in proviso (ii) (which relates to the 'term') and proviso (iii)

(which relates to the 'formalities'). The one thing which was not said is that copyright shall only extend to foreign works for and so long as that owner owns a corresponding copyright in the United States (or other country) or for so long as United States copyright is not abandoned or destroyed. The 1965 or 1978 Act similarly makes no provision for a proclamation extending copyright protection to America (or other non-convention countries) works to be limited in this way.

- (ii) The only limitations which could be imposed under section 29 of the 1911 Act were those intended to ensure (for present purposes) that the period of copyright protection should not exceed that allowed to South African law, ie a period of 50 years after the death of the author.
- (iii) In the premises it is submitted that the 'differences' between the proclamation relating to the Berne Convention countries and the American proclamations arise from and are explicable for the reasons given above and the so-called 'differences' do not warrant the conclusion that the American proclamations are to be interpreted in the restrictive or limited sense suggested by the respondent.
- (h) The respondent referred to the concepts of 'published' and 'unpublished' works which was linked to what was said in the evidence of the American experts. However, it is quite clear that the use of the word in the South African Statutes bear no relation to the statements made by the experts who use the words in a different context altogether, namely, whether or not there has been general dissemination to the public. See Rowe p 227 and 230 and in the stay application (incorporated into these proceedings by the applicants) at p 60 and 65. The concept they are there discussing is therefore one of abandonment. In the South African Statutes the words are used in the sense found, for example, in section 4(1) and (2) of the 1965 Act.
- (i) In the 1965 Act copyright was conferred on both published and unpublished works. It is clear therefore that the respondent is incorrect when it says that there are two types of 'artistic work'. The type of work is a work musical, artistic or literary as the case may be. Where the words 'type of work' are used in the proclamation they signify 'type' in this sense. In fact the distinction between 'published' and 'unpublished' works appear to have been discharged in the 1978 Act.

As far as the facts are concerned the applicants addressed the following argument:

- (a) In relation to the American drawings, the only difference between the parties on the papers is the difference between Rowe and Greenstein as

to what constitutes 'publication' (in the sense of an act amounting to abandonment) in America.

- (b) Even if it be accepted that there is such a dispute that is one which does not affect the applicants' cause because the applicants' evidence is that there has been no 'publication' in the sense in which this word is used by Greenstein. These allegations are not denied by the respondent.
- (c) It follows that even if the evidence of Greenstein is to be accepted, the facts (as testified by the deponents for the applicants are not disputed) is that there has been no publication of the American drawings.

Counsel then deals fully with the aid of references to the papers, with the respondent's argument relating to its submissions about the disputes of fact. It is not necessary to refer thereto in any detail.

As foreshadowed, I have reproduced in full the essence of the points made on both sides including the arguments which were addressed to substantiate them. I have in some instances already indicated acceptance or rejection of some of the arguments. I was persuaded by Mr Plewman's argument generally to grant the final relief which his clients sought and shall make an order accordingly. It is unnecessary to give further reasons as I accept his reasoning as reproduced and cannot add thereto. His clear analysis of the factual disputes, such as they are, persuaded me that they are not nearly as formidable as the bulk of the papers might indicate.

His argument on the law as regards the American drawings is, I believe, well-founded. I reject the respondent's contentions also in this respect.

I therefore grant the application and make an order in terms of paragraphs 1(a), (b) and (c) and 3 of the notice of motion in respect of those drawings which I have earlier styled groups 'A', 'B', 'C' and 'D' respectively.

The following orders for costs have been made:

- (i) On the 9th September, 1983, the application (unsuccessful) for an extension of time by the respondent was refused with costs.
- (ii) On the 17th February, 1984, Melamet J, refused the application to stay the main applications in respect of the American drawings and ordered the respondent to pay the costs of the unsuccessful application for a stay.

The costs of the following remain to be dealt with :

- (i) On the 16th September, 1983, an application for condonation of late delivery of the affidavits was filed without a tender as to costs. At the next hearing of the matter on the 22nd September, 1983, the affidavits were admitted and the matter postponed to the 29th September, 1983 to enable the applicants to reply. These costs must be paid by the respondent.
- (ii) On the 29th September, 1983, this court reserved all the costs of the

hearing on that day. The costs so reserved (apart from the main application) were :

- (a) the costs insofar as the final order on the trade mark infringement was concerned; and
- (b) the costs of the postponement on that date because the stay application was brought before the court at a time when it was not ripe for hearing.

The costs referred to in (a) and (b) above are awarded to the applicant.

- (iii) The costs of the main application. The respondent must bear these costs.

In all cases costs include the costs consequent upon the employment of two counsel.

FICHTEL & SACHS AKTIENGESELLSCHAFT v ROAD RUNNER SERVICES LTD AND ANOTHER

TRANSVAAL PROVINCIAL DIVISION

WEYERS J

29 NOVEMBER 1984

The manufacture of vehicle components by means of reverse engineering constitutes and infringement of the copyright in the engineering drawings. The copyright holder may be a company incorporated under the laws of a foreign country or the employees of that company, if that country is a signatory to the Berne Convention. The respondent's failure to contest the applicant's allegations regarding first publication of such drawings may mean that it cannot do so successfully in argument later.

The applicant was a company incorporated under the law of West Germany and having its registered office and principal place of business in West Germany. Certain of its employees, acting in the course and scope of their employment with it, authored certain engineering drawings of component parts of motor vehicles. Each of the drawings were one in a series based on earlier versions authored either by the same persons who authored the final drawings or by other persons in its employ. Some of the series began as early as 1952, ending in the 1970s or early 1980s.

By means of reverse engineering, the first respondent manufactured the component parts and both respondents distributed and offered them for sale in the knowledge that their manufacture constituted an infringement of the applicant's copyright. The applicant advised the second respondent of these alleged infringements by means of a letter, and a month later purchased one of the parts from the respondents. The applicant then brought an application for an interdict restraining the respondents from manufacturing the components or distributing or offering them for sale and for an order directing the respondents to deliver to it all infringing drawings and components in its possession.

Although the subject of copyright was a technical subject, the applicant was under no greater onus to establish its claim than that of an applicant in any other civil matter and accordingly, bald denials by the respondents did not create real disputes of fact, nor a duty on the applicant to deal with defences not raised.

The despatch of the letter to the respondents advising them of the alleged infringements constituted sufficient information to impart knowledge to them of the infringement in view of the fact that they had been given time to investigate the allegation.

Publication of the drawings had taken place because there had been offer for the sale of the component parts even if there had been no positive act of offer but only a passive availability.

Proclamation no 73 of 1966 provided that the signatories to the Berne Convention would enjoy the same copyright protection as if they were South African nationals or incorporated according to the laws of the Republic of South Africa. Since West Germany was a signatory to the Berne Convention, this meant that the applicant, as well as those of its employees who authored the drawings, were qualified persons as defined in the Copyright Act (no 63 of 1965) and referred to in section 4(2)(b) of that

Act. That the applicant was so, was established when it was shown that the drawings were made by its employees in the course and scope of their employment with it. The failure by the respondents to put in issue the date and place of the first publication of the drawings meant that the applicant had been denied an opportunity of putting fuller and further evidence in this regard before the court. Consequently, their argument that there was insufficient evidence of these facts could not be sustained. The duration of the copyright in the drawings would in any event, extend beyond the period in which it was alleged infringement had taken place.

The application succeeded.

Weyers J: The first applicant is a company incorporated under the laws of West Germany, having its registered office and principal place of business in Schweinfurt, West Germany. It has been doing business since before the turn of the century. The first respondent is a South African company duly incorporated according to the laws of South Africa, and having its registered office in Pretoria, with its principal place of business in Johannesburg. The second respondent is alleged to be a firm doing business involved in assembly and/or manufacture and/or sale of, *inter alia*, clutch assemblies and parts.

The applicant (in summary) seeks the following in its Notice of Motion—

1. An interdict restraining the first respondent from infringing applicant's copyright in various drawings by manufacture or by distribution and/or offering for sale clutch assemblies and parts made from these drawings or copies thereof or from three dimensional reproductions and/or otherwise infringing applicant's copyrights in these drawings.
2. An interdict restraining the second respondent from infringing applicant's copyrights in the same drawings by distribution or offering for sale such assemblies or parts thereof or any three-dimensional copies.
3. Directing both respondents to deliver to applicant all such assemblies and components and/or drawings and/or patterns and/or moulds in their possession or in the possession of any agent or servant, which infringe applicant's copyright.
4. An order that respondent pay the costs jointly and severally in this application.

The applicant in its Heads of Argument did not proceed with the alternative relief for a temporary interdict.

The following aspects were also no longer relevant to the proceedings (for the reason stated):

1. The applicant did not seek the relief sought in terms of section 2(5) of the Merchandise Marks Act (no 17 of 1941) for an interdict.
2. The parties were agreed that there is no factual dispute involved.
3. The parties were agreed that there was no question of an implied licence.
4. The parties were agreed that there was no misjoinder.

5. The parties were agreed that the engineering drawings are 'artistic works' in terms of the relevant Acts. *Tolima (Pty) Ltd v Cugacius Motor Acc (Pty) Ltd* 1983 (3) SA 504 (W).
6. The citation and status and capacity of second respondent was accepted by the parties as set out in the papers.
7. Although a notice for striking out was handed in by the respondents in respect of certain allegations made in the applicant's papers this was not argued and in fact not pursued.
8. The parties through their counsel were likewise *ad idem* that the provisions of the 1965 Act are relevant to the question of the existence of copyright and its ownership, and that the provisions of the 1978 Act are relevant to the question of infringement and the relief available.
9. 'Reverse Engineering' is part of our law. *Scaw Metals Ltd v Apex Foundry (Pty) Ltd and another* 1982 (2) SA 377 (D).

In South Africa there have been three Copyright Acts. The first was the Patents, Designs, Trade Marks and Copyright Act (no 9 of 1916) which enacted the whole of the British 1911 Copyright Act. The second was the Copyright Act (no 63 of 1965), which repealed the 1916 Act relating to Copyright. The current Act is the Copyright Act (no 98 of 1978), which came into operation on the 1st of January 1979 and repealed in its turn the 1965 Copyright Act. Also of importance (and to which reference will be made later) are the provisions of Proclamation No. R73 of 1966, published on 18th March 1966.

The various parts which applicant alleges are infringements of its drawings and which are alleged to have been manufactured and/or sold and/or offered for sale by First respondent are the following: 310 mm pressure plate; 350 mm pressure plate; 380 mm pressure plate; 420 mm pressure plate; 310 mm housing (Type 1); 310 mm housing (Type 2); 350 mm housing; 380 mm housing (machined and unmachined); 420 mm housing (Type 1); 420 mm housing (Type 2); 310 mm lever; 350 mm lever; 380/420 mm lever; 350 mm release ring (Type 1); 350 mm release ring (Type 2); 380 mm release ring; 350 mm yoke; 380/420 mm yoke.

The applicant's case is based on the infringement by each of the respondents of the copyright alleged to exist in certain drawings for the assemblies and parts referred to above, copyright of which applicant alleges vests in it. The first respondent, it is alleged, has infringed the applicant's copyright by manufacturing clutch assemblies and parts thereof by a process of 'reverse engineering' (that is by reproducing in three-dimensional form articles already made in three-dimensional form from two-dimensional drawings in which the copyright subsists) and by distributing and offering for

sale the relevant clutch assemblies and parts, in the knowledge that the manufacture constituted an infringement of applicant's copyright. The second respondent, it is alleged, has infringed applicant's copyrights by distributing and offering for sale articles in the knowledge that their manufacture constituted an infringement of the applicant's copyright. No case is attempted to be made out of infringement by manufacture as against the second respondent.

The drawings which applicant says he has copyright on are in almost each case a series or progression of drawing Clutch design, it appears from the affidavits, and this was uncontested, is said to be an ongoing process and design and specification changes take place from time to time. It is also alleged by applicant that when a design change is necessary a new and original drawing is generally made to take this change into account, based in so far as may be necessary in each instance on an earlier drawing. The drawings referred to relate to parts all of which have been manufactured by the applicant in Germany and sold in South Africa. The applicant's case is that each of the drawings in each series or progression is itself an original work. It is not necessary in the instant case to decide whether each later drawing in the series or progression was in fact sufficiently original for a separate copyright to exist in it, because the applicant alleges that each and every one of the drawings in the series or progression vested in the applicant. If any later drawing in respect of which an infringement is alleged is not sufficiently different to the drawing upon which it is based to sustain its own copyright then the copyright would have been vested in the earlier drawing and there would similarly have been an infringement thereof.

I turn now to deal with the various parts or component referred to *infra*.

The first is the 310 mm pressure plate. In respect of this item the author of the immediately preceding drawing gave an affidavit, the author of this particular drawing did not give an affidavit (not being available), but there is an affidavit from his supervisor, from the German Standards Specification (DIN) supervisor, and there is a comparison between applicant's and first respondent's product. On oath it is said that this drawing embodies 'an original design'.

The second item is the 350 mm pressure plate. In this instance the author Barthel made an affidavit, as also the DIN checker and there is a comparison between first respondent's and applicant's product. This drawing was checked by one Czepany, who is now deceased but was a West German in the employ of applicant at the time of his death. Barthel states that this drawing was an original drawing *albeit* based upon an earlier drawing, also original.

Third is the 380 mm pressure plate. This component has a history dating

from May 1951 to September 1981. Of the three authors of this work two, Randel was not available to make an affidavit, Czepany has died, but the two other authors Nürnberger and Barthel both made affidavits and there was a comparison between applicant's and first respondent's product. Both the latter refer to the originality of the drawings.

The next item is the 420 mm pressure plate. Similarly this has a history running from 1952 to September 1976. The final drawing has an affidavit by the author. It was checked by Czepany and DIN checked and there is a comparison between the product of first respondent and applicant. Here again the drawing is stated to be an original based on a earlier drawing.

The fourth item is the 310 mm housing (Type 1). In this instance the author was the deceased Czepany but it was checked by Riese and DIN checked by Juds (as has happened in many instances). There is no comparison between the applicant and first respondent's product in this instance because either the part could not or was not purchased from either of the respondents, but it is listed on the Price List, to which reference will also be made again. The same comment and evidence apply to the 310 mm housing (Type 2).

The sixth item then is the 350 mm housing. This was the work of one Lindner in its final form in 1973 although the first author was Czepany in 1958. This component was checked by Czepany. DIN checked and a comparison was made between this product and that of first respondent. Lindner says that it was based on an earlier drawing, and originality exists in the progression of drawings.

The next item then is the 380 mm housing. This is one of the items which appears on the Price List and there was no direct comparison between the products. The author Langer gives an affidavit, as does the checker, and the DIN checker.

The next component is the 420 mm housing (Type 1). The author of this component was the deceased Czepany but there is evidence from the checker and the DIN checker. There was no comparison, this being what I have referred to as Price List item. The 420 mm housing (Type 2), in this instance the original author was Czepany but the final author Barthel gives an affidavit as does the DIN checker but the checker himself Czepany had died. It is also a Price List item.

The next component is the 310 mm lever. The final order in the series of drawings Barthel gives an affidavit. The DIN checker gives an affidavit but Czepany who did the factory check is deceased. This item was not obtained from the second respondent although it appears on his Price List and is disputed and reference will be made to the 310 mm lever again *supra*.

Twelfth is the 350 mm lever. In this instance each of the authors (Brunnhuber & Barthel) in the progression of three drawings has made an affidavit. In each instance these were checked by the deceased Czepany and in each instance a DIN check was made and is supported by an affidavit. There is a comparison here too between the product of applicant and first respondent. Originality is established.

Next then the 380/420 mm lever. This is a dispute item not having been obtained from the second respondent, the author is not available, the original supervisor of the first of the two drawings gives an affidavit. It was checked by the deceased Czepany. It was DIN checked by Juds who establishes originality and is as indicated a Price List item.

The 350 mm release ring is the next item and in this instance the fourth in the progression of drawings is the final in the series and here there is an affidavit from the author Lindner. It was checked by the deceased Czepany, it was DIN checked and there is a comparison between the product of applicant and first respondent. Originality is established.

The next item is the 380 mm release ring and here the author also was not available. The supervisor gives an affidavit. The checker Czepany is deceased. The DIN checker Juds gives an affidavit and there is a comparison between the applicant and the first respondent's product. Originality established.

The 350 mm yoke is the next of the components in dispute and here is an affidavit by the author, not by the checker Czepany, by the DIN checker and it was a Price List item which is disputed. Originality is established.

The eighteenth and final item of the relevant components is the 380/420 mm yoke, which has a history running from 1960 to 1972 through a series or progression of six drawings. The final drawing had as author the deceased Czepany. There is however, an affidavit by Kilian who checked the drawing and by Juds who did the DIN check. This is also a Price List item which was disputed and was not purchased from second respondent.

That then concludes the various items which are in dispute.

It should be mentioned that the applicant keeps a record of his confidential unreleased drawings, sometimes in the form of an original sepia fullsize drawing, sometimes when this drawing is replaced the original is put on microfilm. In certain instances all the drawings are not available on microfilm; the possibilities being either that the drawing was destroyed before a microfilm photograph was taken of it or that the microfilm photograph is misfiled. There is therefore not an original drawing in respect of every component in issue in this application nor is there necessarily in each instance a microfilm copy; however, this is not a matter which gave rise

to any dispute between the parties and is mentioned purely for the sake of completeness.

The respondents dispute both the existence of any copyright in any of the drawings and also dispute that the work is original work as is required.

It will be convenient first to dispose of the matter of *onus*. The *onus* is clearly upon the applicant. The attitude adopted by Mr Puckrin on behalf of the respondents was that copyright is a technical subject and accordingly the court should be properly apprised of all the relevant facts from which inferences are sought to be drawn by an applicant. For this submission Mr Puckrin relied on the following two decisions: *Vagar (t/a Rashree Release) v Transavalon (Pty) Ltd. (t/a Avalon Cinema)* 1977 (3) SA 766 (W), a judgment by McEwan J. This judgment was quoted with approval in the second case Mr Puckrin relied on, that of *Video Rent (Pty) Ltd and another v Flamingo Film Hire* 1981 (3) SA 42 (C) where Williamson J quotes as follows at p 46 F:

'Of relevance too is the following observation by McEwan, J, in the *Vagar* case *supra* at 775 C:

''Copyright is a technical subject. In my view it is essential that a person who claims to be the owner of a whole or partial copyright should offer evidence, even if it is hearsay evidence in circumstances that may justify the use of hearsay evidence, to cover the technical points necessary to establish his claim."

Because the subject is a technical one it is understandably important that the Court should be properly apprised of the relevant facts from which inferences as to the existence or otherwise of rights are sought to be drawn by a litigant. For the litigant himself to draw the conclusions and then present these conclusions as facts, without laying before the Court the factual basis from which the inferences are so drawn, in a field as technical and specialised as this, is, in my view, a procedure not to be countenanced.'

To this submission Mr Harms for applicant responded with the following three pronged counter-attack. Firstly that although copyright is a technical subject and although the court should be properly apprised of all the relevant facts from which inferences are sought to be drawn by the applicant this does not mean that the ordinary *onus* of a balance of probabilities in a civil matter does not apply. Secondly it does not mean that there is a formula upon which and according to which evidence must be presented to establish copyright; and thirdly that in the absence of a proper denial a bald denial does not create real, genuine or *bona fide* dispute of fact.

For his first submission Mr Harms relied on an unreported decision of the

Appellate Division in the matter of *Trewhella Bros (UK) Ltd v Deton Engineering (Pty) Ltd*. A judgment handed down by Wessels JA on the 31st August 1981 with which Rabie and Kotze, JJA concurred. At page 25 of this unreported judgment Wessels JA states:

'In my opinion however, the correct approach to the evidence in these circumstances of this case is not to proceed to a piecemeal analysis of every aspect thereof but to have regard to the evidence as a whole in order to determine ultimately whether or not in the overall picture presented by preponderance of probabilities in favour of the party bearing the burden of proof in respect of the issue on dispute between the parties.'

Also at page 27 Wessels JA again refers to a common sense approach to the evidence as a whole. I might add that this was an appeal from the decision of Esselen J, in respect of an order interdicting respondent from infringing a copyright. As far as the third prong is concerned (the second clearly needing no authority) Mr Harms relied on the judgment of Corbett JA in *Plascon Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 (3) SA 623 (A) and specifically to the passage at p 634 opposite the letter 'I' where the learned judge stated 'that in certain instances the denial by respondent of the fact alleged by the applicant may not be such as to raise a real genuine or *bona fide* dispute of fact'. The learned judge then referred to the well-known cases such as *Room Hire Co (Pty) Ltd v Jeppe Street Mansions (Pty) Ltd* 1949 (3) SA at 1162 (T) and *DaMata v Otto* 1972 (3) SA 858 (A) 882 H. There is no duty on applicant to deal with defences not raised.

It will be convenient once again at this stage to deal with certain ancillary matters. The first then is the question of the knowledge, which is a pre-requisite for liability on the part of second respondent. It was not disputed between the parties that the despatch of a letter was sufficient information to impart knowledge to the alleged infringer provided that he is offered sufficient time to investigate the alleged infringement. The authority relied upon for this was the judgment of this division in *Paramount Pictures Corp v Video Parktown North (Pty) Ltd* reported in 1983 (2) SA 251. At page 261 G McCreath, J states as follows:

'In *Copeling* [(op cit (Copyright Law in South Africa) para 40 at 56)] the learned author states the following:

'It will have been noted that, in the case of each and every one of the above acts of indirect infringement, it is required that the infringer must have had knowledge of the making of the article in question was itself an infringement of copyright (or, in the event of the article having been imported, would have been so had the article been made in the Republic). Not surprisingly, difficulty is frequently encountered

in proving such knowledge. Possibly the most expedient way in which the copyright owner can avoid a plea of ignorance is by giving the alleged infringer, prior to the institution of proceedings, notice of the fact that he is dealing in infringing material. Even so, proceedings cannot be instituted immediately after the giving of such notice. The alleged infringer must first be given a reasonable opportunity of ascertaining whether or not the material complained of in fact constitutes an infringement of copyright."

In the instant case the letter advising second respondent of the alleged infringement was hand delivered on the 4th August 1983 and the offending part purchased from the second respondent on the 5th September 1983. The second respondent thus had sufficient time to verify the alleged infringement.

The next point which it will be convenient to dispose of at this stage is the position that the offer for sale to the public of reproductions in three-dimensional form of drawings is a publication. See *Merchant Adventurers Ltd v M Grew & Co Ltd* (1973) RPC 1. This aspect was taken further by Megarry J in *British Northrop Ltd v Texteam Blackburn Ltd* (1974) RPC 57 where it was held that a positive act of offer is not a pre-requisite and passive availability suffices. On that basis of passive availability Megarry J held that the work is first published when it is first put on offer. That is where the first publication takes place. Megarry J also stated at page 68 line 23 of the following:

'I turn to the second main ground of defence on copyright in the drawings, namely, that some of them are too simple to be capable of being "original" artistic works within section 3. According to a very helpful tabular statement which the defendants prepared in the course of the hearing, there were rather over a dozen of the plaintiffs' drawings which the defendant said lacked originality solely on account of simplicity. There does not seem to be much direct assistance to be found in the authorities on the score of simplicity; but indirectly and on principle the matter does not appear to me to be particularly opaque. Copyright is concerned not with any originality of ideas but with their form of expression, and it is in that expression that originality is requisite. That expression need not be original or novel in form, but it must originate with the author and not be copied from another work; see *University of London Press Ltd v University Tutorial Press Ltd* (1916) 2 Ch 601 at 608. A drawing which is simply traced from another drawing is not an original artistic work; a drawing which is made without any copying from anything originates with the artist.'

I turn next to the judgment of Whitford J in *L B (Plastics) Ltd v Swish*

Products Ltd (1979) RPC 551 where at p 568 line 30 the learned judge stated:

'If in relation to any work, be it literary, dramatic, musical or artistic, the question being asked is, "is this an original work", the answer must depend on whether sufficient skill or labour or talent has gone into it to merit protection under the Act. It is always a question of degree.'

and at page 569 line 3 the learned judge states:

'There is this further point to be considered that some of the drawings undoubtedly derive in part from earlier drawings, but on the evidence I am still of the opinion that each work relied upon can claim to be a separate original artistic work attracting copyright ...'

The judgment of Megarry J is also interesting in respect of *onus* because in the headnote no. 2 the following is stated:

'The trial judge's finding of copying was not based solely on an inference or similarity since from evidence the defendants had not only failed to demonstrate any alternative to copying or to prove that all they had done was to adopt a concept, but had positively supported the charge of copying specific drawings directly or through components made from them.'

Following on Megarry J's discussion on originality the definition of 'original' is in my opinion most clearly stated in *Websters Universal Dictionary International* (1973) where at p 978 it states:

'Original: 3 (are products of human minds) created, made, invented, constructed for the first time not derived or copied from, not suggested by something or someone else, first hand, new'

The definition given in the *Shorter Oxford Dictionary* and the *American Heritage Dictionary* (relied upon by Mr Harms) are totally in accordance with this definition.

I turn now to Proclamation No. 73 of 1966 (published on the 18th March 1966) where the State President exercising the powers conferred upon him by section 32 of the 1965 Act provided that the signatories to the Berne Convention would enjoy the same copyright protection as if they were South African nationals or incorporated according to the laws of the Republic of South Africa. It is not necessary to go further than to state that West Germany is a Berne signatory but that Nigeria is not a signatory to the Berne convention. Section 4 of the Copyright Act (no 63 of 1965) reads as follows:

'4. Copyright in artistic work:

(1) Copyright shall subsist, subject to the provisions of this Act, in every original artistic work which is unpublished and of which the author was a qualified person at the time when the work was made or, if the

making of the work extended over a period, for a substantial part of that period.

(2) Where an original artistic work has been published, copyright in the work shall, subject to the provisions of this Act, subsist or (if copyright therein subsisted immediately before its first publication) continue to subsist but only if -

- (a) the first publication of the work took place in the Republic; or
- (b) the author of the work was a qualified person at the time when the work was first published; or
- (c) the author had died before that time, but was a qualified person immediately before his death.'

and in section 1 the definition section qualified person is defined as follows:

'''Qualified person" for the purposes of any provisions of this Act which specifies the conditions under which copyright may subsist in any description of work or other subject-matter, means-

- (a) in the case of an individual, a person who is a South African citizen or is domiciled or resident in the Republic; and
- (b) in the case of a body corporate, a body incorporated under the laws of the Republic.'

As I have already stated by virtue of R.73 a West German body corporate or a West German citizen or resident is deemed to be South African.

It remains therefore to establish whether - the first publication of the relevant drawings took place in the Republic or not (not 'and') the author of the work was, if an individual, a citizen of West Germany or was domiciled or resident in West Germany, or if a body corporate it was incorporated according to the laws of West Germany at the time when the work was first published or if the author had died before that time but was a qualified person, that is a citizen of West Germany or domiciled or resident in West Germany immediately before his death.

I therefore now turn to ascertain whether the authors of the drawings fall within the ambit of this definition.

Accepting then at this point that section 4(2) of the 1965 Act is applicable then the question arises whether the applicant has established that the first publication of the work took place in the Republic or in a convention country or that the author of the work was a qualified person at the time when the work was first published or that the author died before that time but was a qualified person immediately before his death. I turn to consider the evidence in this regard. In the affidavit by Heribert Lösch the following information is given, (and it should be noted that there was no serious challenge to the accuracy and veracity of the contents of the affidavit by Lösch).

'2. I attest herein to details of employment of various employees by the applicant and the qualifications which they held at the dates mentioned, I confirm that all these persons are ex-employees of the applicant and were during their term of employment :-

- (a) West German citizens;
- (b) employed by the applicant under contracts of service or apprenticeship as the case may be.'

The affidavit then continues to impart the following information:

1. Mr Frans Czepany was born on the 1st January 1917, joined the applicant as a technical draftsman on the 15th March 1956 in the clutch design engineering department and continued working for applicant as a technical draftsman and detail designer until his death on the 30th October 1977.
2. Mr Berthold Klug was born on the 27th July 1932 and joined the applicant on the 1st August 1954 at that time a qualified engineer and employed as a detailed designer by the clutch design engineering department. Mr Klug retired from applicant's employ on the 31st March 1956.
3. Jürgen Piek was born on the 23rd March 1947, joined the applicant on 4th September 1961 as an apprentice pattern maker until the completion of his apprenticeship on 3rd March 1965. Thereafter he worked for applicant as a technical draftsman in the tool design department until the 31st October 1966. From 1st November 1966 until the 28th February he worked as a technical draftsman in the applicant's clutch design department.
4. Mr Peter Maier was born on 10th October 1940, joined the applicant as an apprentice fitter on the 3rd September 1956 and worked in the clutch design engineering department as a technical draftsman and from the 29th March 1965 as a designer. He retired from the applicant on the 30th September 1971.
5. Mr Hugo Randel was born on the 14th August 1914, joined the applicant as an apprentice mechanic on the 1st October 19 and after completion of his apprenticeship became a technical draftsman and designer in the clutch design engineering department of the applicant until his retirement on the 30th June 1978.
6. Mr Willi Rössner was apprenticed to the applicant from 3 September 1962 until 28 February 1966 as a machinist. Thereafter and until the 12th August 1966 he worked in a general capacity with applicant and as a draftsman in the clutch design engineering department.
7. Mrs Barbara Schmalstieg (born Kotterba) was born on the 12th September 1944 and worked as a technical draftswoman from the 1st

January 1966 until the 3rd May 1967 in the applicant's clutch design engineering department.

8. Mr Uwe Mack was born on the 10th May 1944 and joined the applicant as a mechanical apprentice on the 4th September 1958. Between 1st October 1963 and 18th August 1968 he studied at the Schweinfurt Polytechnik from whence he qualified in 1968 as an engineer. During this period Mr Mack continued to work with the applicant during vacations and there is confirmation that on the dates 6 August 1963 and 12 February 1964 he was employed as a draftsman in the clutch design engineering department. Mr Mack continued to work after his qualification as design engineer in the applicant's clutch design engineering department until he left the applicant's employ on the 30th September 1970.
9. Mr Gottfried Nöth was born on the 8th September 1915 and joined the applicant as a qualified turner on 12 July 1933. He thereafter worked as a technical draftsman in the applicant's clutch design engineering department and also between 1973 and 1978 in the applicant's technical information department until his retirement on the 30th September 1978.

This as I have said is the information imparted by the witness Lösch, which was unchallenged.

I now turn to the affidavit by Peter Ludwig Geibel, who was and has at the relevant times been a West German citizen who worked for the applicant from 1932 until his retirement in 1974. First as a technical draftsman and later as a design engineer in its clutch design department which department he actually established and at that time was its only member. He had to do virtually everything in connection with the making and drawings for clutch designs and checking. He later became the applicant's chief clutch designer in 1938 and chief clutch design engineer in 1960, which post he held until his retirement. For these reasons Mr Geibel says that he is well acquainted with the applicant's clutch design engineering department, as he established and worked in it for 42 years and is well acquainted with the various clutch designs and their development over the years. He was closely involved in the actual design work and drawing and at all relevant times was aware of what work was being done in the department by the various draftsman and worked in close proximity with them. On that basis he testifies, not only corroborating the affidavit of Mr Helmuth Kraus and Mr Kurd Fadler, but he also says that the drawings made prior to his retirement are those of persons referred to by Messrs Kraus and Fadler and that all the drawings embody original drawings and designs. Dealing then specifically with the various authors who have not testified themselves Mr Geibel testifies that in each of the cases to which I shall now refer they were drawings which he supervised

and the author in each case worked under his personal supervision and that he was aware that the stated person made the relevant drawing and that the relevant design is original. On that basis Mr Geibel deals with authors Piek, Berthold, Klug, Czepany, Randel, Nürnberger, Ludwig, Rössner, Maier and Mrs Schmalstieg.

I turn then to the affidavit made by Helmut Kraus who is a member of the board of directors of the applicant and has been such since 1st January 1973; he is authorised to make the affidavit he testified to and is the director for the applicant responsible for all automotive parts made and sold by the applicant. Mr Kraus says that all the drawings he refers to in his affidavit were:

1. Made by employees (being West German citizens) of the applicant in the course and scope of their employment by the applicant under contracts of service or apprenticeship; and
2. that all of them are original artistic works within the meaning of the Copyright Act (no 9 of 1916) and/or no 63 of 1965 and/or no 98 of 1978.

The next general affidavit it is necessary to refer to is that by Kurt Fadler, who has been the head of applicant's clutch design engineering department since 1969 and is duly authorised to make his affidavit. Mr Fadler is a graduate engineer and has been involved with applicant since 1955 as a design engineer and has always been employed in the applicant's clutch designing department. In 1959 he became supervisor of this department and its head in 1969. Part of his responsibilities were research, development and original design of clutches and since he became head of the department all the 65 odd draftsmen employed in the department have been under his general supervision and control. He confirms the contents of the affidavit (in so far as he can) of Mr Helmut Kraus and particularly he confirms that certain draftsmen and checkers are no longer available for various reasons to make the necessary affidavits. Mr Fadler states that the applicant's drawings all involve the expenditure of originality and skill in their production and refers to the progression of design to which I have already referred and states unequivocally that all such improvements, modifications or alterations require the skill of a draftsman and the expenditure of time and skilled effort. Mr Fadler thereafter in a lengthy though not prolix affidavit deals step by step with the design and the author of each of the drawings in respect of each of the items with which we are concerned in this case. I do not propose to analyse this evidence in detail, it suffices to state that it is original and where the author is not available to make an affidavit a full explanation of why is given and in virtually every instance, except with two which I shall deal with specifically there is a full and detailed explanation which satisfies me that the work was original and required skill and effort

and time in the production thereof.

There must then be specific reference to two components:

- (a) 380 mm housing. Kraus gives evidence to the effect that the author Langer was a qualified person, but Langer himself does not say so. However he has been employed by applicant for some 26 years so the probabilities favour such an assumption. In any event this difficulty, if real, is covered by the comments *infra* on section 5(4) of the 1965 Act.
- (b) 380/420 mm lever. Judd states that this is original, the probabilities again favour Mrs Schmalstieg being a qualified person, and again section 5(4) is applicable.

I turn now to deal with various of the specific affidavits lodged by authors.

The first is Egbert Barthel who is a qualified mechanic employed by applicant as a mechanical controller and at all relevant times a citizen of West Germany. Mr Barthel's affidavit covers an original drawing based on (but not copied) an earlier drawing in respect of a 350 mm pressure plate. He also updated the 380 mm pressure plate and testifies that also to be original work, as he does with the 420 mm clutch housing assembly. Similarly his drawing of the 350 mm lever was original and he testifies that all of them took a substantial period of time and required specialised skill as a draftsman. Mr Barthel also underlines that all the rights including copyright in the aforesaid drawings and designs belong to the applicant.

The next deponent is Erwin Franz-Josef Ziegler, an employee of applicant being a technician in the applicant's clutch design engineering department. He confirms that he did an original drawing in respect of the 420 mm pressure plate, that this drawing was an original that it took a substantial period of time and required specialised skill. He also confirms that at all relevant times he was a citizen of West Germany and that the copyright belongs to the applicant.

The next deponent is Christiane Waltraud Schöll, a qualified draftsman employed as such in applicant's clutch design engineering department, a citizen of West Germany. She was involved in the design of the 420 mm pressure plate and confirms that her drawing was an original one in which the copyright belongs to the applicant.

I turn to Kurt Willibald Lindner, a qualified design engineering draftsman employed by applicant in the clutch design engineering department. Mr Lindner was involved with drawings of the 350 mm housing, 350 mm release ring and he testifies that the work he did was original and that it took a substantial period of time and it required specialised skill. He confirms furthermore that all the rights belonged to the applicant.

Next in the list is Gerald Schubert who is employed by applicant, and possesses a Würzburg Polytechnik diploma. Mr Schubert was a West German citizen at all relevant times and he too was involved in the 350 mm clutch assembly which he testifies as being original and the copyright therein belonging to the applicant.

I turn to Kurt Brünnhuber, a qualified engine fitter employed by the applicant who was at all relevant times a citizen of West Germany. He is presently a customer technical consultant in the applicant's clutch design engineering department. Mr Brünnhuber was involved with the drawings in connection with the 310 mm pressure plate, the 350 mm lever and the 380/420 mm yoke. In each instance he testifies that it was original work which took a substantial period of time and required specialised skill as a draftsman and that the copyright in the aforesaid drawings belonged to the applicant.

The next affidavit is by Adolph Ludwig, who was at all relevant times a West German citizen, a qualified engineer and worked as a design engineer and later as manager in applicant's clutch engineering department until his retirement on the 30th June 1983. Mr Ludwig worked on the 350 mm pressure plate, an original drawing which took several hours to complete. It was not copied from anything else and similarly his drawing in respect of the 420 mm pressure plate was original and also took several hours to complete. Mr Ludwig confirms that the copyright of the drawing belong to the applicant.

The second last deponent is Louise Maria Glemser, born Schmöger. Mrs Glemser is a qualified draftsman employed by applicant and at all relevant times she was a German citizen. She is presently employed in the applicant's clutch design engineering department as a draftsman and as such she made the drawing in respect of the 420 mm clutch assembly, and confirms that it was not a copy but an original design which took several hours to complete and she furthermore confirms that the copyright in the drawing belongs to the applicant.

The last affidavit is necessary to refer to in this connection is that by Gustave Walter Schneider, who states that he is the present manager of the clutch work preparation department of the applicant and has been at all relevant times a West German citizen. He commenced employment with the applicant in 1953. Mr Schneider testifies that the drawings referred to hereinafter were made and checked and signed by the persons to whom he refers and were all original either in the sense that they were first originals or embodied improvements on the original designs which are originals in their own right. He refers thereafter to drawings made by Mr Nürnberger, Mr

Czepany, Mr Mack, Mr Brunnhuber, Mr Schubert and states that in each instance he checked to ascertain that they complied with the German Industrial Standard (DIN). In each instance the checking procedure is thorough and takes about half-an-hour when the drawing in question is made from an older drawing and one hour if its an entirely new original.

I turn now to the affidavit by Erwin Juds. Mr Juds is presently employed as the engineer responsible for all DIN checking and designs in the clutch designs engineering department of the applicant. He qualified as a mechanical engineer from the Friedberg Polytechnik in 1955, the same year in which he joined applicant. Before checking the German Industrial Standards (DIN) he worked in the applicant's shock absorber design engineering department. He refers to various drawings and confirms that in each instance the drawings were made and signed by the persons to whom he refers and that the drawings embodied original designs. The drawings Mr Juds refers to are those by Messrs Piek, Czepany, Barthel, Ziegler, Mrs Schöll, Mr Lindner and Mrs Barbara Schmalstieg.

Finally I refer to the affidavit by Pieter Ludwig Geibel who was at all relevant times a West German citizen and he worked for applicant from 1932 until his retirement in 1974. He was applicant's chief clutch design engineer; as such he was well acquainted with the various clutch designs and their development and his responsibilities included close supervision of the applicant's draftsmen and close involvement in the actual design work and drawing done by them. He was therefore at all relevant times aware as to what work was being done and by whom and worked in close proximity to the people in his department. As such he can testify that the draftsmen, checkers and DIN Standard checkers are the people referred to by Messrs Kraus and Fadler and also that the drawings embody original drawings and designs of the applicant. Mr Geibel thereafter refers specifically to the drawings made by Mr Piek in respect of the 310mm pressure plate as being original, the 350mm pressure plate by Mr Gluck, the drawings by Mr Czepany and Randel and also those by Mr Nurnberg in respect of the 380mm pressure plate; as far as the 420mm pressure plate is concerned he confirms the design and drawing by Mr Ludwig; as far as the 310mm clutch housing he makes the same confirmation in respect of Mr Rossner. As far as the 310mm lever is concerned by Mr Piek and as far as the drawings by Mrs Barbara Schmalstieg is concerned he confirms similarly the work done by her in respect of the 380mm ring was an original drawing.

I turn next to the affidavit by Gerhart Baume, the head of the clutch quality control department of the applicant, having graduated from Wurzburg Polytechnik and now controlling some 270 persons.

Baume states as follows having analysed various clutch parts:

- (a) Reverse engineering can be effected without undue trouble by either, eg making a mould or plaster cast, or making a two dimensional drawing from the three-dimensional part and then re-producing the part;
- (b) The 310mm, 350mm, 380mm, 420mm pressure plates, 350mm housing, 380mm housing, 310mm lever, 350mm lever, 380/420mm lever, 350mm release ring (Type 1), 380mm release ring, 350mm yoke, 380/420mm yoke. The difference between applicant's and first respondent's parts are minor and negligible and he concludes on valid grounds that the 2nd respondent's parts are reproductions of applicant's parts.
- (c) The 310mm Housing (Type 1) and (Type 2), 420mm housing (Type 1 and Type 2), 350mm release ring (Type 2), samples were not available, but the 2nd respondent's product probably accord with applicants.

Mr Harms stated that all the parts which first respondent denies manufacturing and all the parts not purchased for comparative purposes are included in the 'Price List' of respondents.

It follows from the brief analysis of the evidence made hereinbefore that I am satisfied that all the relevant drawings were not only original but were made by West German citizens at all relevant times and I am satisfied that by stating the drawings were 'original' it necessarily follows that they were not copies. Also I am satisfied that the phrase 'at all relevant times' means what it says—at all times relevant to acquit the applicant of its *onus* in that respect.

However, there is an alternative approach and that is the following—Section 4(2)(b) of the 1965 Act requires the author to be a qualified person at the time the work was first published, and in section 1 of the Act a qualified person can also be a body corporate. It follows from this that the author of the artistic work can either be an individual or a body corporate. Of course a body corporate can only be the author if an individual acting on its behalf does the creation or the work: see Hostel *Introduction of South African Law and Legal Theory* 1977 at p 297. The express provision in section 1 that a juristic person can be an author can only have a meaning if it is assumed that section 5(4) defines such possibility. Section 5(4) reads as follows:

'Where in a case not falling within either sub-section (2) or (3) a work is made in the course of the author's employment by another person under contract of service or apprenticeship, that other person shall be entitled to any copyrights subsisting in the work by virtue of this chapter.'

From what I have said and from the extracts from the evidence to which I have referred it is abundantly clear that all the works in the drawings under consideration were made by employees of applicant acting in the course of

their employment. Therefore on this ground also the applicant has the evidence in his favour.

Mr Puckrin made considerable weight of the fact that there is, he submits, inadequate evidence as to when first publication took place and as to where it took place. In my view the answer to this submission is that, firstly, the respondents never directly put this in issue, except by an oblique denial of the existence of the copyright. Therefore the applicant was denied any opportunity he might have had to put full and further evidence before this court. In any event the statutes in my view cover the time periods. Counsel furthermore, are agreed that up until the 1983 amendment a copyright existed for a minimum of 50 years. After the 1983 amendment the period of validity is restricted to ten years after the specified date in 1983. In this case there is no doubt that these periods more than adequately cover the period of validity of either before 1983 or after 1983. It cannot be seriously contended otherwise. If some lesser period was probable it should have been raised specifically. In so far as the places of first publication is important, and it might well be, the evidence is as follows—It appears from the founding affidavit of Helmut Kraus that the applicant is one of the largest clutch and automotive parts manufacturers in West Germany and was founded in 1895.

Since 1927 the applicant has been designing, manufacturing and marketing clutches. These clutches are for all types of vehicles including passenger cars and trucks and buses. Mr Kraus states further that they employ approximately 16800 employees world-wide and that applicant's clutches are manufactured not only in West Germany but also under licence in Czechoslovakia, Yugoslavia, Brazil, Spain, Mexico, Argentina, Nigeria, Canada and South Africa. Of all these countries only Nigeria is a non-Berne Convention country. The clutches made by applicant are supplied as original equipment to various major West Germany manufacturers which are sold internationally, including BMW, Mercedes Benz, Magirus Deutz, and also (non-German) Volvo, Saab, Scania, Fiat and Iveco. In my opinion on a balance of probabilities inasmuch as applicant is a West German company and inasmuch as the parts here involve, as I understand the evidence, West Germany clutch parts and accordingly I find that first publication appeared in West Germany. (See *British Northrop Ltd v Texteam Blackburn Ltd*, *supra*).

Mr Puckrin in arguing the case for the respondents has stressed with force and skill certain aspects which he submits were inadequately dealt with in the applicant's papers. As I review the evidence on the papers before me it would appear that if there should be any lacunae in applicant's case it was caused by the vague and unsatisfactory manner in which the respondents put the

questions in issue. On the review of all the circumstances I am satisfied that on the balance of probabilities the applicant has proved what it is required to prove.

I should finally specifically refer to the Price List issued by Laco Parts (Pty) Ltd. This Price List is headed 'Laco Parts (Pty) Ltd. Manufacturers and Distributors of Laco Components' and says that this Price List supersedes all previous Price Lists on Laco component parts. In the parts listed there are the following terms: covers F & S type 310, 350 and 380 face plates F & S type 310, 350 and 380, 420 N, 420W, levers F & S type 310, 350, 380/420, yokes F & S type 310, 350, 380/420, release pads F & S type 350, 7mm, 10mm, 12mm, 380mm, 7mm, 10mm and 12mm, bushes 310/350 and 380/420; yoke pins F & S type 310, 350 and 380/420; face plate pins F & S type 310, 350, 380, 420 (N) 420(W). It is not contested that F & S stand for Fichtel und Sachs Aktiengesellschaft.

For the reasons set out (albeit briefly) I am satisfied that on the balance of probabilities the applicant had made out a case. Where a part was not purchased from second respondent and where a part was in dispute as having been manufactured by Laco or distributed by second respondent, the Price List together with the other investigations made have satisfied me that the applicant has established an objective identity between the infringed work and the infringement and that there can only be a causal connection between the two works.

Francis Day & Hunter Ltd v Bron (1963) 2 AER 16 at 24, *Topka t/a Topring Manufacturing & Engineering v Ehrenberg Engineering (Pty) Ltd* (unreported AD judgment, 8 March 1983, at 48(a)).

As far as infringement is concerned I have no doubt there is a case: it can hardly be denied that a reasonable man might have an apprehension that injury would result. *Free State Gold Areas Ltd v Merriespruit (OFS) Gold Mining Co Ltd* 1961 (2) SA 505 (T) at 518.

I am thus satisfied that the applicant is entitled to its order.

The question of costs involved in the abandonment by applicant of the proceedings in terms of the Merchandise Marks Act (no 17 of 1941) in my view, constitutes only a very small section of the voluminous papers. Accordingly I do not propose making any special order as to the costs involved as suggested by Mr Puckrin. However, prayer 1D is dismissed.

Accordingly the following order is issued:

- (a) An interdict restraining the first respondent by itself or through its servants or agents from infringing the applicant's copyright or any of the drawings listed in annexure 'A' hereto by the manufacture and/or distribution and/or offering for sale of clutch assemblies and parts thereof

made from the said drawings or from copies thereof or from three dimensional reproductions thereof and/or otherwise infringing the applicant's copyright in its said drawings.

- (b) An interdict restraining the second respondent by itself or through its servants or agents from infringing the applicant's copyright in any of the drawings listed in annexure 'A' hereto and by the distribution and/or offering for sale of clutch assemblies or parts made from the said drawings or from copies thereof or from three dimensional reproductions thereof and/or otherwise infringing the applicant's copyright in the said drawings.
- (c) Directing the first and second respondents to deliver up to the applicant all clutch assemblies or components thereof and/or drawings and/or patterns and/or moulds thereof in their possession or in the possession of any agents or servant which infringe the copyright in drawings designated in (a) and (b) above.
- (d) Directing that the respondents jointly and severally pay applicant's costs including the costs incumbent upon the employment of two counsel.

**BARKER & NELSON (PTY) LTD v PROCAST HOLDINGS
(PTY) LTD AND ANOTHER**

CAPE OF GOOD HOPE PROVINCIAL DIVISION

BURGER J

23 MAY 1985

1. Originality is not disproved by showing that the idea on which an artistic work is based is lacking in originality. 2. An artistic work which was registrable but not registered under the 1916 Copyright Act is not denied copyright protection by section 11(1) of the Copyright Act (no 63 of 1965). An artistic work without copyright protection by virtue of section 11(1) might obtain copyright protection after the coming into force of the 1965 Act.

The applicant alleged that it held the copyright in two drawings of two hinges, the 22-hinge and the 402-hinge.

End-caps of the 22-hinge were designed by a certain Nelson-Esch Senior in about 1955. Its flap or tongue was designed and drawn by Nelson-Esch Junior in 1977, and a little later a fuller drawing of it was made by a draughtsman in the applicant's employ.

The 402-hinge was designed and drawn in about 1966-1967.

The applicant alleged that the first respondent had copied the drawings of these hinges by reproducing the hinges in three-dimensional form and selling them. It sought to interdict the respondents from doing so. The respondents alleged that the applicant had failed to show that the drawings exhibited any originality and argued that the effect of section 43 of the Copyright Act (no 98 of 1978) was to deny the applicant copyright protection for its drawings.

Section 43 of the Copyright Act (no 98 of 1978) provided that the Act would not affect the ownership, duration or validity of copyright subsisting under the Copyright Act (no 63 of 1965) and would not create any copyright not subsisting prior to the coming into force of the 1965 Act. Section 11(1) of the 1965 Act provided that where copyright subsisted in an artistic work and a corresponding design was registered under the Designs and Copyright Act (no 9 of 1916), it would not be an infringement of copyright in the work to do anything during the subsistence of that copyright or after its termination, which was within the scope of the copyright.

The effect of these provisions was not to deny the applicant copyright protection because none of the drawings in question were registered under the 1916 Act. Section 43 did not, in any event, have the effect of denying copyright protection to industrial designs which were merely registrable under the 1916 Act and which might, after the coming into force of the 1965 Act, obtain copyright protection. It was also a reference to copyright in specific works and not to a class of work.

As far as originality was concerned, it was clear that copying had taken place. The respondents' argument that originality had not been shown because the ideas employed in the design of the hinges were commonplace failed to establish that the expression of the idea in the drawings was not original.

The applicant held the copyright in the flap of the 22-hinge and in the 402-hinge, and was entitled to the interdict it sought.

Burger J: Applicant applied on Notice of Motion for various interdicts to protect its copyright in respect of certain drawings of two hinges referred to as the 22 and 402-hinges. It was alleged that the first respondent copies these drawings by reproducing them in three-dimensional form and selling of these hinges and thus infringing its copyright.

The 22-hinge is composed of the end-caps and a flap or tongue. The end-caps were designed by Mr Nelson-Esch Senior in about 1955 and used and produced as a hinge since then. The flap or tongue was designed and developed by Mr Nelson-Esch Junior and in developing this new hinge he incorporated the 22-hinge with a slight modification. He drew the first drawings of the end-flat of the 22-hinge in 1977 and then causes a fuller drawing to be made by a draughtsman in the applicant's employ. He describes in detail the considerations which caused him to adopt the various dimensions and how this end-flap to the 22-hinge was developed.

The 402-hinge was developed and a drawing made thereof in about 1966-1967 and subsequently it was copied in other drawings.

The respondent opposed the application on the following grounds:

(a) End-caps of the '22' Hinge

The idea of a pedestal hinge and the basic shape for such a hinge has been around for almost as long as I have been in this business and to suggest that it emanated from applicant's company is, with the greatest respect, quite untrue. I accordingly deny that there is any copyright whatever in the "end-pieces" of the so-called "22" hinge (or in the hinge itself), or that applicant has any proprietary right in such "end-pieces" or hinge.

(b) Hinge-flap or the '22' Hinge

As to the hinge-flap or hinge-end, 'should it prove, after proper investigation, that applicant company was indeed the originator of the design for the hinge-end in issue I respectfully suggest that to say that the drawings for this component are original is to clothe an activity in the field of engineering drawing, which involves no more than mechanical draughtsmanship, with the appearance of original design.'

(c) Torpedo-hinge (Hinge 402)

'Once again I respectfully suggest that there is no original thought or design whatever involved in the drawing of this component.'

In the replying affidavit the respondent developed these grounds further and *inter alia* alleged:

'What I find significant, though, is that this deponent has known for years about the protection afforded by Patent and Design registration yet never

sought to patent the hinges in issue in this matter, until the present application was launched, which seeks to protect under the Copyright Act industrial items. I respectfully suggest that the applicant and this deponent were well aware of the fact that the lack of originality of the hinges in issue would prevent the conventional and proper protection for their product.

As I have already said myself, the so-called end-caps of the kiosk hinge can themselves be used as hinges (see paragraph 2(a) above) and applicant's averment to that effect is not denied. Nor do I deny that the end-caps of the kiosk hinge (what applicant calls its 22 hinge) can easily be adapted from such pedestal hinges. What is denied is that the idea is original or that applicant is entitled to the sole use of this idea, which has been known and used on the open market for many years without any suggestion that it is proprietary to anyone'

In argument, in addition to the above, counsel for the respondent raised certain legal contentions:

- (1) That the disputes of fact cannot be decided on motion;
- (2) That the necessary originality was absent. (This argument was elaboration of the contention already raised in the replying affidavit).
- (3) That the protection provided by section 43 of Act no 98 of 1978 was not intended to apply to artistic works in respect of which copyright came into existence prior to 1978, as this would amount to retrospective operation of section 43 of Act no 98 of 1978.

As a result of the argument that these are disputes of fact, I directed that Mr Williams should be called for cross-examination. He was called and cross-examined. Mr Viljoen thereupon conceded that there are no further disputes which should not be resolved on the affidavits as tas they stand anat further oral evidence was not required. I may add that I accept Mr Williams' evidence.

The contention that the applicant has not proved the requisite originality was largely based upon the assumption that applicant had to show that the ideas embodied in his articles were new, so new that he would be entitled to the grant of a patent. The passages quoted above shows this approach only too clearly. This assumption is of course wrong. The originality required for purposes of copyright is not that the idea or concept must be new, but that the expression of any concept or idea must be in an original concrete form either by way of a drawing or as a model or prototype. It is this expression which, if there was time, labour or thought expended upon the formulation on that expression, enjoys copyright.

Copeling: Copyright Law at page 48:

'To be original a work need not be the vehicle for new or inventive thought. Nor is it necessary that such thoughts as the work may contain be expressed in a form which is novel or without precedent. "Originality", for the purposes of copyright, refers not to originality of either thought or the expression of thought, but to original skill or labour in execution. Basically, therefore, all that is required is that the work should emanate from the author himself and not be copied.'

See also at page 67:

'In considering whether there has been an unlawful copying of a copyright work it is obviously essential to know precisely what it is that the copyright in the work protects. The view most commonly taken is that copyright is concerned not with the protection of the ideas which are embodied as a work, but only with the protection of the outward physical form by means of which those ideas are presented.'

Copinger and Skone Jones on Copyright state:

'What is protected is not original thought or information but the original expression of thought or information in some concrete form. Consequently, it is only an infringement if the defendant had made an unlawful use of the form in which the thought or information is expressed. The defendant must, to be liable, have made a substantial use of this form; he is not liable if he has taken from the work the essential idea however original, and expressed the idea in his own form or used the idea for his own purposes.'

As it is clear from the applicant's affidavits that the drawings were the result of original work done on its behalf, he is entitled to copyright thereto in terms of the Act 63 of 1965, in respect of the end-flap of the 22-hinge and the 402-hinge. I may add that Hard's contention of respondent that he or any other person with the technical knowledge or experience could have evolved the hinges in question, does not help. The fact that he could have done so is no reply to a claim for copyright. It is significant that Hard pre-supposes a person with technical knowledge and experience which shows that skill and knowledge is required.

The original drawings were made by the persons who designed and developed the hinges in question, and the subsequent drawings by various draughtsman were mere copies of the original with slight modifications.

It was not seriously contested in argument that the applicant's hinges had been copied nor could it be in view of the similarity of the various hinges. Even the decorative tongue of the 402-hinge was copied. The dimensions are so similar that one can infer copying. This inference is reinforced by a complete absence of any evidence of how the respondent arrived at his

design, except for the reference to the use of a bull-nosed cutter. I am not persuaded that the use of a bull-nosed cutter accounts for the similarities and that respondent did not copy.

In respect of the flap of the 22-hinge it is suggested that the hinge of another manufacturer was copied. The fact that copying took place via the product of another manufacturer is of course no defence.

I come now to the contention which formed the greater part of the argument of counsel for respondent. This argument was the subject of three supplementary heads, on each occasion the argument was advanced in an altered form, and the greatest difficulty in the whole case was to understand this argument.

The initial contention was that:

'It was not the legislature's intention to extend the protection now created to designs evolved before the 1978 Act came into force. The intention with ... (section 43) was to make the 1978 Act applicable to works made before its commencement subject ... to two qualifications:

- (i) the 1978 Act shall not affect subsisting rights under the 1965 Act;
- (ii) be construed as creating rights (*sic* not copyright) which had not existed prior to the commencement of the 1965 Act.'

Mr Viljoen, on behalf of respondent, sought to characterise the drawings which came into being after 1965, as 'designs' in terms of the definitions of the 1916 Act. These drawings came into existence after 1965 and clearly fall within the definition of 'works' as defined in the 1965 and 1978 statutes. Whether they would be 'designs' if drawn prior to 1965 is an academic question. Once it is accepted that these drawings are covered by the 1965 Act then they clearly enjoyed copyright under that Act. Now section 4 of Act 98 of 1978 merely says:

(a) the duration and validity of the copyright conferred by the 1965 Act shall not be affected, and

(b) the 1978 Act will not create copyright which did not subsist prior to 1965. This is plain from language used in section 43 which reads:

'43. Application to work made before commencement of the Act—
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 contained shall—

- (i) affect the ownership, duration or validity of any copyright which subsists under the Copyright Act 1965 (Act no 63 of 1965); or

(ii) be construed as creating any copyright which did not subsist

prior to 11 September 1965.'

Sub-sections (b) and (c) are not relevant.

I understand these provisos to mean on the one hand that the duration and validity of copyright existing under the 1965 Act is not in any way curtailed, and copyright which did not exist prior to the 1965 Act is not created by the new Act.

The clear intention is merely to make available the additional remedies of the 1978 Act to the holders of copyright works without altering, extending or diminishing their copyright existing in any work made prior to 1979.

Counsel for respondent at one time contended that in the last proviso the word 'Copyright' should be read as meaning 'right', and hence he argued that if a person had no right prior to 1965, then because of the second proviso to section 43(1) of Act 98 of 1978 no new rights are created in 1978. But proviso (b) to section 43(1) applies to 'copyright' and not 'rights'.

Counsel then developed the argument by referring to section 11 of the 1965 Act and contended that in terms thereof copyright did not subsist in industrial designs prior to the 1965 Act, hence section 43 of Act 98 of 1978 prevented rights of Copyright from coming into existence.

Section 11(1) of Act 63 of 1965 reads:-

'Special exception in respect of industrial designs and articles.'

11.(1) Where copyright subsists in an artistic work and a corresponding design is registered under the Designs and Copyright Act, 1916 (Act No 9 of 1916), in this section referred to as 'the Act of 1916', it shall not be an infringement of the copyright in the work:-

- (a) to do anything during the subsistence of the copyright in the registered design under the Act of 1916 which is within the scope of the copyright in the design; or
- (b) to do anything after the copyright in the registered design has come to an end, which if it has been done while the copyright in the design subsisted would have been within the scope of that copyright as extended to all associated designs and articles.'

This argument loses sight of the reference in sub-section (1) to 'designs registered' under the 1916 Act. None of the drawings with which we are concerned in the present case were so registered. In any event it seems to me that it could never have been the intention to say that because industrial designs were registerable under the 1916 Act, therefore the artistic works falling within the definition of an industrial design could never thereafter be the subject of copyright. The second proviso to section 43 refers to existing or not subsisting on the 11th September 1965. It does not purport to deal with anything thereafter. It is also a reference to a specific copyright subsisting or

not subsisting, it does not say that the class (ie the works that could be registered as industrial designs) are barred from obtaining copyright. If section 43 did say so it would have meant that it retrospectively took away copyright already conferred by the 1965 Act.

In view of the end-caps of the 22-hinge being developed prior to 1965 and since it is uncertain in how far the subsequent drawings attached copyright in their own right, Mr Grbich, on behalf of applicant, did not press for an order in regard to the end-caps. Accordingly the issue will be left open and no order made.

In the result there must be an order:-

- (a) Interdicting and restraining the respondents from infringing the applicant's copyright drawings of its hinge-end 22009 (as depicted on Exh AN 6), of its 22-hinge and its 402-hinge;
- (b) Interdicting and restraining the respondents from reproducing, selling or by way of trade, distributing, offering or exposing for sale the respondents' components depicted in Exhibit TB2 and TB3;
- (c) Interdicting and restraining the respondents from reproducing, selling or by way of trade, distributing, offering or exposing for sale the respondents' components depicted in Exhibit TB3 and the hinge-end 22009 depicted in Exhibit TB2;
- (d) Ordering that all respondents' components depicted in Exhibit TB3 and the hinge-end 22009 depicted in Exhibit TB2, in the respondents' possession, or under their control, be delivered up to the applicant for destruction, as well as tools and drawings used for sole purpose of reproducing such components;
- (e) Ordering the respondents jointly and severally to pay the cost of these proceedings.

PREFORMED LINE PRODUCTS (S.A.) (PTY) LTD v HARDWARE ASSEMBLIES (PTY) LTD

NATAL PROVINCIAL DIVISION

KUMLEBEN J

23 JULY 1985

In order to demonstrate locus standi as an exclusive licensee, the agreement in terms of which the exclusive licence was created must clearly refer to the conferring of copyright on the exclusive licensee as contemplated in the definition of 'exclusive licence' in section 1 of the Copyright Act (no 98 of 1978). In order to demonstrate originality in a work, it must be shown that sufficient skill and labour was employed in the creation of the work .

An employee of Preformed Line Products Co ('Preformed'), a company incorporated in the United States, made three drawings of the main components of an Armor-Grip Suspension Unit, an item used for the suspension of overhead electricity lines. The applicant, which was a subsidiary of that company, entered into an exclusive license agreement in respect of the drawings in 1970, and in collaboration with it, began manufacturing the units. Between 1974 and 1981, an employee of the applicant made a further three drawings of components of the units. One of them was made in 1979, the employee who made it later confirming that any right entitlement or interest in the copyright belonged to and vested in the applicant. Of the other two, one was a drawing of a die casting mould for the housing of the unit, and the other was a drawing of the U strap of the unit. At all times, the employees acted within the scope and course of their employment with their respective companies.

The exclusive license agreement provided that the governing law of the agreement would be the law of Ohio. Its preamble stated that the applicant wished to acquire from the Preformed the exclusive licence to manufacture, use and sell helically shaped products under such patents and trademarks as Preformed had acquired. The agreement provided that to the extent that Preformed had patentable rights, it granted to the applicant the exclusive right and license to manufacture, use and sell in South Africa devices and products embodying certain specified inventions. The agreement further provided that Preformed would be obliged to disclose, transfer and deliver exclusively to the applicant all the information, including the drawings, relating to helically shaped products then possessed by Preformed and which the applicant reasonably needed for the manufacture and sale of such products.

In April 1979, the respondent entered into a licence agreement with another United States company and pursuant to that agreement, tendered for the supply of suspension units similar to those manufactured by the applicant and of the same size. The sample units manufactured by the respondent were remarkably similar to those of the applicant and exhibited design defects similar to those of the applicant. When the tender was accepted, the applicant brought an application for an interim interdict restraining the respondent from manufacturing, distributing or exposing for sale any of its suspension units or those of the applicant and from infringing the applicant's copyright subsisting in the drawings.

Section 1 of the Copyright Act (no 98 of 1978) defines an exclusive licence as a

licence authorising a licensee, to the exclusion of all other persons, to exercise a right which would, apart from the licence, be exercisable exclusively by the owner of the copyright. A proper interpretation of the agreement would determine whether or not the applicant held a licence as thus defined.

The agreement itself set out in detail the rights to the use of patents and trademarks but made no explicit reference to copyright. Had it been the intention of the parties to deal with copyright, such a reference to it would have appeared in the agreement. The agreement in fact, did no more than place an obligation on Preformed to deliver drawings and other information to the applicant. The right conferred on the applicant therefore fell short of what was required in terms of the definition of an exclusive licence. The evidence of the applicable law, that of Ohio, tended to show that an exclusive licence was not granted in the agreement.

The applicant therefore lacked locus standi as far as the American drawings were concerned. As far as the drawing completed by the applicant's employee in 1979 was concerned, section 21 of the Copyright Act (no 98 of 1978) applied. In its unamended form (prior to 23 May 1980), this section conferred copyright on the author of a work regardless of whether or not it was made in the scope and course of his employment. The copyright in this drawing therefore vested in the employee and the applicant lacked locus standi in respect of this drawing as well. The confirmation by him that any right entitlement or interest in the copyright belonged to and vested in the applicant could not be construed as an assignment.

As far as the question of whether or not there had been copying was concerned, the conflicting evidence of the experts made it impossible to determine this. The applicant had however, made out a prima facie case that its product was the source from which the respondent's unit was derived.

As far as the question of whether or not copyright subsisted was concerned, originality in the American drawings was conceded by the respondent. The die casting mould, being merely a reverse creation of the unit in respect of which the applicant lacked locus standi, interim protection could not be granted for it. The other two drawings made by the applicant's employees lacked originality since the skill and labour involved in their design was of a low order. The components they represented were the least significant components of the unit as a whole. Copyright in them therefore could not subsist.

Although the applicant had shown that a deliberate copying probably took place, the problems it faced in regard to locus standi and the proof of originality showed that its prospects of success in an action for infringement against the respondent were not good. This, together with an assessment that the balance of convenience favoured the respondent, meant that the application for an interim interdict could not succeed.

Kumleben J: This is an application for the grant of an interim interdict restraining respondent, pending the determination of an action to be instituted against it from:

- 1.1 Manufacturing, distributing and exposing for sale, any of respondent's products known as CUSHION GRIP SUSPENSION UNITS.
- 1.2 Copying, reproducing and adapting applicant's product known as the ARMOR-GRIP SUSPENSION UNIT.
- 1.3 Manufacturing, distributing and exposing for sale, any imitations of

applicant's product known as the ARMOR-GRIP SUSPENSION UNIT.

1.4 Infringing applicant's copyright subsisting in the drawings, as set out in the schedule, annexed hereto, by copying, reproducing, or adapting the said drawings, in two or three dimensional form, or in any other way'

and for an appropriate costs order. The other relief sought in the notice of motion was abandoned at the hearing by Mr Plewman, who with Mr Hartszenberg appeared for the applicant. Two grounds are relied upon: infringement of copyright and unlawful competition. The case however turns essentially on the former cause of action since, as Mr Plewman conceded in argument, infringement of copyright would amount to unlawful competition and, on the other hand, the absence of any such infringement would render respondent's conduct lawful. Thus it was common ground that on the merits the enquiry is:

- (i) whether applicant has *locus standi* to enforce any copyright which may subsist in the six engineering drawings annexed to the notice of motion;
- (ii) whether in fact any copyright does subsist in them;
- and
- (iii) if so, whether there has been any infringement on the part of respondent.

The six drawings are drawings of the four main components of the Armor-Grip Suspension Unit ('AGS unit') produced and marketed by applicant and used for the suspension of overhead electricity lines. Respondent's product, the Cushion Grip Suspension Unit 1097 ('CGS unit'), the manufacture of which is alleged to constitute the copyright infringement, is made and sold for the same purpose. The four main components of each unit are: an aluminium alloy housing which consists of two parts; a neoprene insert, also in two parts each with an aluminium core; an aluminium alloy U-strap; and a bolt together with a nut, washer and hump-back split pin. These components appear on the photograph annexure DK6 to the founding affidavit of Mr Kambouris, the general manager of applicant.

The first three drawings nos 100-654, 100-655 and 100-656 (which for convenience I shall refer to as drawing 'Nos 1, 2 and 3') are respectively drawings of the alloy housing, the neoprene insert and the aluminium core of the neoprene insert. They were drawn by Norman Rhode Cook an employee of Preformed Line Products Co ('The American Company') in 1962 and 1965 at the premises of the American Company in Cleveland, Ohio, U.S.A. These three drawings are referred to as 'the American drawings'. Drawing D/SA/146 ('No 4') is a drawing of a die casting mould for the housing drawn

for applicant by one of its employees on 29 April 1974. Drawing 5058/5B ('No 5') is a drawing of AGS bolts and pins drawn for applicant by one of its employees on 5 June 1979. Drawing 5199/5 ('No 6') is a drawing of the AGS U-strap drawn by an employee of applicant on 7 July 1981. Since the purpose at this stage is merely to identify and describe the drawings, I have referred only to facts which appear *ex facie* each drawing.

In essence the contention of applicant is that copyright subsists in each of these drawings, that the components of applicant's products are based upon these drawings, that respondent unlawfully copied the AGS suspension unit in its manufacture of the CGS unit and thus indirectly infringed the copyright.

By way of introduction certain facts, which are either common cause or undisputed, should be stated. Applicant, a South African company situated in Pietermaritzburg, is a wholly-owned subsidiary of Preformed Line Products (G.B.) (Pty) Ltd, which is in turn a subsidiary of the American company. On 1 December 1970 applicant and the American company entered into an 'Exclusive License Agreement'. Since that date applicant in collaboration with the American Company has been manufacturing *inter alia* its AGS suspension units. Respondent is also a manufacturer and distributor of specialised products for use in overhead transmission lines with its registered head office and business in Pietermaritzburg. On 5 April 1979 it entered into a licence agreement A.B. Chance Company ('Chance') of Centralia, Missouri, U.S.A. Applicant and respondent are the only manufacturers and distributors of these suspension units in South Africa and it would appear that the Electricity Supply Commission ('Escom') is the main, if not the sole, purchaser of this equipment. In 1981 respondent submitted tenders through its marketing agent, Electrical Line Components, to Escom in response to a notice calling for tenders for the supply of suspension units similar to those manufactured by applicant and of the same size. Its tender was not accepted. At that stage respondent was not manufacturing such units but it maintains that it would have been in a position to do so had its tender been accepted. In the following year, during or about September or October 1982, respondent again tendered for the supply of these units and on this occasion was successful. Its tender was accepted during or about February 1983. Applicant was not awarded any portion of the tender relating to this particular suspension grip unit.

On 23 December 1982 applicant's attorney sent respondent a letter of demand (Annexure DK8) in which he claimed infringement of its copyright and substantially the same relief as that set out in the notice of motion. In March 1983 applicant decided to launch the present proceedings. On 9 May 1983 the notice of motion and accompanying affidavits were lodged, and the

answering affidavit of respondent on 17 June 1983. On or about 14 September 1983 the replying affidavit of applicant was to hand. On 27 January 1984, when the matter came before Friedman J for argument, an order was made adjourning the application and granting applicant leave to supplement its papers. This led to further affidavits by Kambouris and others on 23 August 1984; answering affidavits by Sweeney, the managing director of respondent, and others on 22 April 1985; and finally replying affidavit by Kambouris and others on 24 May 1985. The applicant has not to date instituted action but has undertaken to do so within twenty-one days of the order in this application whatever the outcome.

Mr Plewman at the outset of his argument pointed out that certain of the drawings were made when the two previous copyright enactments were in force, the 1916 Copyright Act (no 9 of 1916), and the 1965 Act (no 63 of 1965), and that the present Copyright Act (no 98 of 1978) applies to other drawings. He also drew attention to the fact that not all the drawings were made in the Republic or by persons who were South African citizens or domiciled or resident in the Republic. For this reason counsel dealt in detail with the requirements of each of the three Acts and the manner in which their provisions were extended to the United States of America with the result that the South African law of copyright became applicable to works first made in that country. It is unnecessary to repeat what was for me a helpful exegesis of the three enactments because, apart from those sections which bear upon the disputed issues and respondent's argument in regard to them, Mr Puckrin, who appeared for the respondent, accepted the general propositions of Mr Plewman on their interpretation and application. In short, he conceded that, save for the grounds of objection raised by him in argument, applicant was entitled to the protection of copyright in respect of these drawings. He also agreed that according to our law of copyright the reproduction of a two dimensional engineering drawing in three dimensional form, whether directly from the drawing or from a three dimensional reproduction of the drawing, is an infringement of the copyright in such drawings (see *Scaw Metals Ltd v Apex Foundry (Pty) Ltd and another* 1982 (2) SA 377 (D) at 383D-385A).

I turn to the first issue to be examined, namely, whether applicant has *locus standi* to enforce any rights of copyright and I shall consider this question in the first instance with reference to the American drawings.

Applicant's right is founded, as it must be, on the 'Exclusive License Agreement' concluded between it and the American company (referred to in the agreement as 'Preformed') read with the relevant provisions of the present South African Copyright Act ('the Act') since the

'extent of protection, as well as the means of redress afforded to the author to protect his rights, are to be governed exclusively by the laws of

the country where protection is claimed.'

(Copeling, *Copyright Law* on pages 268-269 quoted with approval in *Vagar (t/a Rajshree Release) v Transavalon (Pty) Ltd* 1977 (3) SA 766 (W) 770.) In terms of section 24 of the Act infringements of copyright are actionable at the suit of the owner and section 25 provides that an exclusive licensee has the same rights of action as if the licence had been an assignment. An 'exclusive licence' is defined in section 1 as:

'a licence authorising a licensee, to the exclusion of all other persons, including the grantor of the licence, to exercise a right which by virtue of this Act would, apart from the licence, be exercisable exclusively by the owner of the copyright; and "exclusive licensee" shall be construed accordingly.'

The crisp question therefore is whether the agreement constitutes applicant in respect of the three American drawings 'an exclusive licensee' as defined. This depends upon a proper interpretation of the agreement. In this regard paragraph 17 under the heading 'Governing Law' states that 'this Agreement shall be construed in accordance with the law of Ohio, United States of America'. Thus any statutory provision or common law principle of that State relating to the interpretation of contracts applies. It also follows (though not from the provisions of paragraph 17 of the agreement) that if it is necessary to rely on extrinsic evidence to determine the true meaning of the agreement, the law of that State may be relevant and may have to be taken into account.

In the preamble of the agreement it is said that applicant wishes to undertake the manufacture and sale of helically shaped products in this country

'and for that reason desires to acquire from Preformed an exclusive licence to manufacture, use and sell helically shaped products under such patents and trademarks as Preformed has acquired or hereafter acquires in the Republic of South Africa.'

The nature of the rights granted on licence are set out in paragraph 2 of the agreement:

'To the extent that it has patentable rights, Preformed hereby grants to Licensee the exclusive right and license to manufacture, use and sell anywhere in the Republic of South Africa devices and products embodying the inventions covered by the Republic of South Africa patents and applications for patent listed in Schedule "A" hereto and by any patents that may issue on the basis of such applications.'

The provisions which follow deal *inter alia* with the warranty of Preformed that it has good title to the patents and patent applications listed in an attached schedule; with the right of Preformed to manufacture, use and

sell helically shaped products embodying a patented invention or improvement of applicant; with the right of applicant to sue third parties for an 'infringement of any patents licensed to it under this Agreement'; and with the payment to be made by applicant for the 'grant of the aforesaid exclusive license under Preformed's Republic of South Africa patents, patent applications, trademarks, trade secrets and manufacturing know-how'.

For his submission that applicant is the 'exclusive licensee' of the copyright Mr Plewman relied on paragraph 7(a) which read as follows:

'Promptly after the effective date of this Agreement, Preformed shall disclose, transfer and deliver exclusively to Licensee (insofar as the Republic of South Africa is concerned) such existing trade secrets, secret formulae, special knowledge, engineering and production data, samples of technical and sales literature, drawings, product and machinery specifications, layout plans and manufacturing 'know-how' relating solely to helically shaped products, as Preformed now possesses and which Licensee reasonably needs to construct and maintain necessary production tools, machinery and equipment and to manufacture and sell helically shaped products on a commercial scale.'

He submitted, with particular reference to 'drawings', that impliedly or inferentially applicant in terms of this provision was granted the 'exclusive licence' to copyright as well. I have two difficulties with this proposition. Firstly, in this agreement, as I have indicated, in order to implement the franchise to produce these units the rights to the use of patents and trademarks are set out in detail. It is to my mind highly likely that, had the parties intended that copyright (which is another well recognised form of intellectual property) was to be included in the licence, they would have referred to this right explicitly. Secondly, as Mr Puckrin submitted, this paragraph 7 goes no further than to place an obligation upon Preformed to deliver drawings, etc to applicant which it 'reasonably needs' to exercise the franchise. The right thus conferred falls short of the wider authorisation which is embodied in a grant of copyright (see section 7 of the Act).

Two American lawyers, both specialists in the field of the law of patents, trade-marks and copyright, submitted affidavits. They were Mr Williams, on behalf of respondent, and Mr Clemenshaw, on behalf of applicant. Neither of them suggested, as regards the requirement that the agreement is to be governed by the law of the State of Ohio, that any special rules relating to the interpretation of contracts applied. Their evidence is therefore not strictly relevant. However since some argument was based on their opinions, I shall refer briefly to their evidence.

Mr Williams said:

'I have no knowledge of any precedent in the U.S.A. under Ohio law or

otherwise that would support the contention that this is an exclusive copyright license granted to the applicant.'

He makes the point that the agreement expressly deals with the grant of an exclusive licence to manufacture use and sell certain products under patent and trade-marks and, significantly in his view, there is no express reference to copyright. The reason for this omission, he states, is that according to the law in the U.S.A. at the time applicant was entitled to make three dimensional articles from the engineering drawings furnished to it in terms of the agreement without any copyright licence. Mr Clemenshaw disagrees with his colleague. In his view—somewhat tentatively stated—the agreement may be reasonably construed as conferring on applicant an exclusive right of copyright in the drawings notwithstanding the absence of any express reference to copyright. The view of Mr Williams is to me the more persuasive for the two reasons I have stated.

The *locus standi* of applicant to take action for alleged infringement of copyright in respect of drawing no 5, which is a drawing of two bolts and a pin, is challenged by respondent on a different ground. Mr Kambouris explained that this drawing (no 5058/5B) is a print of the original 'tracing' (no 5058/5A) prepared by Mr Bennett, an employee at the time of applicant. Both the tracing, which is the original drawing, and the print, it is common cause, were made during the period from 1 January 1979 to 5 June 1979. The Act (no 98 of 1978), commenced on 1 January 1979. Section 21 in its original form vested ownership of copyright conferred on any work in the author without any reservation as regards a work made by an employee in the course of his employment. This lacuna in the Act was rectified by the substitution of a new section 21 by section 9 of Act no 56 of 1980. Section 21(1)(d) now provides that in such a case the employer shall be the owner of any copyright subsisting in the work. This amendment was however not made retrospective. Thus, in as much as ownership of copyright is determined by the Act, it follows that Mr Bennett, and not applicant, was the owner of copyright (assuming it to have subsisted in this drawing).

Mr Plewman reluctantly accepted the harsh consequence of the initial omission in the Act. He however sought to avoid it by relying on an assignment of the right by Mr Bennett during his lifetime to applicant. (Mr Bennett died after signing his affidavit which is annexed to applicant's founding affidavit and is dated 3 May 1983.)

Section 22(3) of the Act provides that no assignment of copyright shall have effect unless it is reduced to writing and signed by or on behalf of the assignor. Mr Plewman correctly submitted that this requirement did not call for any formal deed of assignment. There must however be an agreement to assign (cede), which in terms of section 22(3) must be evidenced in writing

and signed by the assignor. For compliance with the latter requirement Mr Plewman relied upon Mr Bennett's statement in paragraph 14 of his affidavit. In it, after acknowledging that this drawing was produced by him in the course and scope of his employment, he said:

'I confirm that:

any right, entitlement, or interest in and to the copyright, or any other right, which I might ordinarily have in and to the said two drawings, belong (*sic*) to and vest in applicant.'

I agree with Mr Puckrin's submission that this statement cannot be construed as an assignment. It is more consistent with the expression of an erroneous conclusion on his part, namely, that by virtue of his being an employee copyright in the drawing never belonged to him. Moreover, quite apart from the statutory requirement contained in section 29(3), assignment remains a contract calling for a concurrence of the wills of assignor and assignee: there must be a *mutual* intention to transfer such rights by offer and acceptance. This statement of Bennett read with the statement of Mrs Kambouris, in which he claims that the copyright in this drawing belongs to applicant (again on the fact of it due to a misconception of the legal position) cannot be construed as an agreement by which the two parties intended a transference of rights from one to the other.

Thus, on the evidence before me relating to this first question, I am of the view that applicant has failed to prove that it has the necessary *locus standi* to claim relief for infringement of copyright in respect of these four drawings.

Turning to the merits, logically the second question raised in argument, namely, whether copyright subsists in the drawings, ought to be next considered since, if no such copyright subsists, no reproduction can amount to an infringement. I prefer however to examine firstly the evidence on the question whether in fact applicant's product or drawings were copied by respondent.

The applicant has been producing and marketing its suspension grip until since 1970. During 1981 respondent obtained samples of applicant's product before submitting the unsuccessful tender to Escom towards the end of that year. Mr Burnett was at that time manager of Electrical Line Components, the marketing agent of respondent. He was asked by Sweeney to obtain the samples. Sweeney admits that he gave this instruction but explains that it is common practice to obtain a competitor's product in order to evaluate it.

During the second half of 1982 respondent printed an assembly detail diagram of applicant's AGS unit in its promotional catalogue which was distributed in about October 1982 *inter alia* to Escom as part of the tender. A copy of applicant's diagram in the possession of respondent was used to

make the block for this print in the catalogue. This is admitted on behalf of respondent. It resulted in the letter of demand dated 23 December 1982 being sent by applicant's attorney to respondent. Sweeney, in his affidavit, says that he was unaware of the fact that applicant's diagram was used and that 'to the best of his knowledge and belief' he was not in possession of applicant's catalogue from which the diagram was copied. It is left to his factory manager, Mr Schorn, to explain how this happened. He says in paragraphs 28.2 to 28.6:

'I received instructions from SWEENEY to compile a catalogue of the respondent's products.

Amongst the papers handed by SWEENEY to me for the aforesaid purposes, was a photostat copy of an Armor Grip Suspension Unit together with a cross-section of its assembly.

Because I was in possession of a CHANCE drawing namely P075-0068 (to be annexed to SWEENEY's affidavit as 'IGS-3') which appears to me to be very similar to that depicted in the said photocopy, I used a reproduction of the photostat instead of copying the CHANCE drawing and re-reducing it to an appropriate size.

I was at pains, however, to use the CHANCE application instructions.

At that time it did not cross my mind that there was any question of copyright because I was in possession of a complete set of drawings used by CHANCE which seemed to me to be very similar.'

It is to be noted that he says he received the photocopy of applicant's diagram from Sweeney at the time he was given the instructions to produce respondent's catalogue. One wonders why this photocopy was included amongst papers handed to him by Sweeney if the intention was not that it should be used in the compilation of the catalogue.

At about the same time, that is during the latter half of 1982, respondent supplied Escom with samples of its CGS unit which included samples of applicant's AGS unit and by doing so represented them to be samples of its own product. They were supplied in connection with the tender submitted by respondent to Escom towards the end of 1982. Sweeney explains how this unfortunate mistake arose. An employee, Mr Kruger, was responsible for collecting the samples and sending them to Escom and, Sweeney says, he must have inadvertently taken the AGS cast alloy housing, which had been acquired for evaluation and testing, under the mistaken impression that these were respondent's products. Mr Kruger has not furnished an affidavit confirming that this is how the mistake arose. On a subsequent visit to Escom to explain the copying of the diagram in the catalogue, which was drawn to Sweeney's attention by the letter of demand, he (Sweeney) said that an Escom

official commented on the fact that the two units, applicant's and respondent's, appeared to be identical. This caused Sweeney to examine respondent's sample and he saw immediately that it was not its cast alloy housing but that of applicant. He removed that sample from the premises of Escom and explained to Escom officials how this mistake had arisen.

Thus, according to respondent, two unfortunate mistakes resulted in applicant's diagram of its suspension unit and its cast alloy housing being sent to Escom. No doubt *vica voce* evidence and cross-examination will throw more light on all this. On the face of it though it seems somewhat more probable that one or both of these misrepresentations were deliberate, perhaps because at the time tenders were to be submitted, respondent had not started manufacturing its own product. (Respondent does not furnish dates indicating when its drawing or prototype of each component part was made or the date on which it commenced manufacturing its units.) Incidentally Sweeney admits that at the time of submitting its tender to Escom the previous year—I refer to the unsuccessful one in 1981—he had not yet been 'able to refine' these drawings and respondent had not yet started manufacturing its suspension grip unit. If for that tender it was also necessary to produce a catalogue, diagram and sample, one wonders how respondent managed to satisfy these requirements for that tender.

There is a further coincidence to be considered. Mr Bennett explained how an irregularity occurred when applicant during 1982 commissioned the production of a new die casting mould for its housing unit. The procedure he followed resulted in the recessed width of the housing being 36mm instead of 38.5mm. His evidence in this regard is confirmed by Mr Ford, the factory manager of applicant. In November or December of 1982 an employee of applicant found at the premises of Escom in East London a suspension unit of respondent. The width of the U strap, like that of applicant, was 38mm which would give it a proper fit in a recess of 38.5mm. However the recess, like that of applicant's housing, was only 36mm with the result that the U strap did not fit properly or snugly in the recess. In answer Sweeney deals with a number of aspects relating to the width of the U strap and permitted tolerances but on my understanding of his evidence does not satisfactorily explain why this housing was also found to have an inadequate recess of 36mm. He denies that the recess of this unit was correctly measured by Bennett, a measurement incidentally checked by Mr Kambouris.

Turning to the other evidence on this issue, it is common cause that there is a marked similarity between the two suspension units. The question is whether this is due to deliberate reproduction or whether there is some other explanation for this similarity.

Mr Eccleston, a mechanical engineering, examined and measured three samples of respondent's unit (including the 'East London sample') and one of applicant's units. He also compared the measurements of the available drawings from which the units were alleged to have been made. His comparative measurements appear on the diagrams at pages 436 to 438 of the record. The extent to which these measurements correspond or are closely similar is, at least to the layman, remarkable. In fact the bolt, U straps and neoprene inserts (apart from the aluminium stiffener) in measurement and design can be said to be identical. If respondent's units were developed without reference to applicant's products, I would have expected *some* variation, for instance, in the width or length of the U strap or bolt. To say that they are standard products does not appear to be an adequate answer. Once the design is the same then the identical product can naturally be purchased. But, had the product been based on a different design, a bolt of a different size would have been purchased by respondent from the bolt manufacturers and an aluminium strap of another size from Huletts Aluminium for configuration into a U strap. After making the necessary comparisons Mr Eccleston says in his report:

'The primary function of the devices was to support electrical conductors, but it was in the secondary functional area where the gross similarity between the designs of PLP and HA lay. The secondary function was to distribute the clamping force, self-weight and superimposed loads on the conductor over a large region in order to reduce the effects of *inter alia*, fatigue in the conductor. The similarity between the designs, extended from the split synthetic rubber sheath used to diffuse the local clamping force, through to the load spreading helical rods and down to the split clamp housing and clamp/hanger bolt, not only in form, but also in materials of construction. Refer to Figs 1-4 including Table 1 and also Professor F P A Robinson's report.

It should be noted that the drawings acquired by HA from the Chance Company, bear no dimensional relationship to their CGS 1010-1097 counterparts.'

And he concludes his report by saying:

'The author believes that CGS 1 097 Sample 1 was copied from the PLP AGS product range and that later modifications were made in order to disguise this fact, thereby negating development costs.'

(By 'negating' the author presumably means 'avoiding' or 'saving'.)

Prof Rallis, an engineer who furnished an affidavit for respondent, disagrees emphatically with the views of his colleague. In sum he considered that 'a measure of engineering evolution' took place in the design of

respondent's suspension unit; that both units had a common origin; that the respondent's unit may well have been based on the Chance drawings in respondent's possession at the time; and that the similarity where it exists between the two units is in part due to the fact that each was designed to serve the same function in respect of identical transmission lines.

It is quite impossible for me to make a choice between these opposing views on the information before me and I am fortunately not required to do so. My *prima facie* view however is that marked similarity between the two products is more convincingly explained by Eccleston.

I must however point out that there is in addition some direct evidence to the effect that respondent's unit *was* developed from the Chance drawings. Mr Schorn says that the first prototype of the housing component made by Mr Impey, a tool maker commissioned by respondent, was based on a Chance drawing shown to Impey or on a modification of one which was shown to him. Mr Impey has no clear recollection of the drawing on which his pattern was based. He says he does clearly recall that the shape of the lug as depicted on the drawing he first used was semi-octagonal and not semi-circular and that the first pattern he fashioned had a semi-octagonal lug which was later converted to a semi-circular one (see photographs Annexure TGS 11). At this stage there are insufficient grounds for rejecting the evidence of these two deponents.

Confronted as I am with technical and other evidence on affidavit requiring further investigation, and with the conflicting views of experts, I cannot, as I have said, reach a definite conclusion. On what is before me however I am satisfied that applicant has made out a reasonably strong *prima facie* case that its product was the source from which respondent's unit was derived.

Such reproduction, however, could only amount to an infringement if copyright subsists in the subject matter used. This is challenged by respondent and is the remaining question to be considered.

In terms of section 2 of the Act 'original' artistic works are eligible for copyright and 'originality' has been held to refer in this context 'not to originality of thought or the expression of thought, but to original skill or labour in execution'. *The Law of South Africa*, vol 5, para 343. Whether sufficient labour or skill has created copyright in a particular original work is a question of fact. As was said by Viscount Simon LC in *Cramp and Sons v Smythson* 1944 (2) AER 92 (HL) at 94:

'Nobody disputes that the existence of sufficient "originality" is a question of fact and degree. Lord Atkinson's observation in delivering the judgment of the Judicial Committee in *MacMillan and Co v Cooper* (1)

lays down the law on the subject in terms which are universally accepted. He said, at page 125:

“What is the precise amount of knowledge, labour, judgment or literary skill or taste which the author of any book or other compilation must bestow upon its composition in order to acquire copyright in it within the meaning of the Copyright Act 1911, cannot be defined in precise terms. In every case it must depend largely on the special facts of that case, and must in each case be very much a question of degree.”

(Cited with approval in *Kalamazoo Division (Pty) Ltd v Gay and others* 1978 (2) SA 184 (C) at 190.)

Applying this test Mr Puckrin did not contend that the three American drawings (drawings nos 1, 2 and 3) were not original works. He conceded for the purposes of this application that they qualified for copyright protection. It follows that the concession must be extended to drawing no 4, the drawing of the mould of the cast alloy housing. However the drawings of the bolt and U strap, nos 5 and 6, are to my mind another matter. The skill and labour involved in their design appears to me to be of a low order. Each is a standard or commonplace manufactured product. Moreover what they represent, the bolt and U strap, are by far the least significant components of the suspension unit as a whole. If it were to be shown that respondent copied no more than these two components, I doubt that any infringement of copyright would be held to have taken place. For, as Laddie *The Modern Law of Copyright* at para 2.63 points out:

‘Although a work be original, the copyright is not infringed unless a substantial part is taken. Substantiality depends primarily on the quality of what is taken, namely its degree of originality. This in turn depends on whether it represents a sufficient amount of independent skill, labour and so on, of a literary, musical, or artistic character (as the case may be). Consequently, when the ideas which have been copied are of an insubstantial or hackneyed character, even taken collectively, there will be no infringement.’

I must refer again to drawing no 4. The *locus standi* of applicant to claim copyright of this drawing is not challenged and, as I have said, one can accept that it is ‘original’ and that copyright therefore subsists in it. However, as Mr Plewman put it in argument, drawing no 1 and drawing no 4 are ‘two sides of the same coin’. Thus, as I see the position, if applicant lacks *locus standi* to claim copyright in respect of drawing no 1, drawing no 4 can hardly be an independent ground for an interim interdict. Put differently, it would serve no purpose to restrain respondent from using drawing no 4 if it cannot be

restrained from using drawing no 1 to produce a mould based on those measurements in order to manufacture its product.

Thus, looking at drawings nos 1, 2, 3, 5 and 6 for the purposes of assessing the strength of applicant's case on the merits, to recapitulate, my conclusions are:

- (i) Applicant has made out a reasonably strong *prima facie* case that its said drawings were indirectly used by respondent in the development and manufacture of respondent's suspension grip unit.
- (ii) However, on the facts presently before me, applicant has not established that he has *locus standi* to claim copyright in respect of drawing 1, 2, 3 or 5.
- (iii) As regards the remaining drawing, no 6, it is open to doubt whether at the trial it will be shown that its design has the necessary originality for it to be protected by copyright.

Thus in the result although the applicant seems to have made out a relatively strong case that a copying of its product did take place, on the facts before me at this stage there would appear to be other substantial obstacles militating against success in the main action.

It remains to consider which of the parties will be the more prejudiced or inconvenienced by the grant or refusal of the interdict.

Certain factors are relied upon by applicant in its founding affidavit for the submission that it would be severely prejudiced were the interdict to be refused. It points out that it has been the producer of these units for a number of years whereas respondent has 'only recently' started to manufacture its product and offer it for sale. This observation was made in May of 1983 and has obviously less validity some two years later. Respondent has also been manufacturing its product for a number of years and is at present executing a contract for Escom. Should applicant succeed in the main action it would obviously have a claim for damages against respondent. This, as Mr Plewman submitted, presents difficulties of assessment and proof. But these problems in this case are substantially reduced by the fact that Escom is, as I have said, the main if not the only buyer of these units and applicant and respondent the only suppliers. As Mr Puckrin pointed out, if the interdict is granted, respondent's existing contract with Escom will come to an end and no future ones will be concluded with respondent until after the trial action. In that event respondent would be faced with even greater difficulties in proving its damages should the action fail. Respondent would have to prove *inter alia* that subsequent annual contracts between the grant of the interdict and the completion of the trial would have been awarded to it and prove what the production costs and selling prices of such units would have been. It must

also be borne in mind that even if respondent remains in the market, applicant may nevertheless be awarded future contracts. Should applicant be the successful tenderer, no damages in respect of those years will be recoverable, whatever the result of the main action. Other factors affecting the balance of convenience were put forward for my consideration during argument. It is unnecessary to deal specifically with each of them. These were speculative, and depending on the result of the trial, would apply equally to applicant or respondent, for instance, the financial stability of the loser to meet a damages claim. Taking all the factors into account, and more particularly those to which I have referred, I am led to conclude that respondent bears a somewhat greater risk of prejudice should it be placed under a temporary restraint by the grant of the order sought.

This fact must be considered in conjunction with the assessment of the prospects of success in the main action. As Price J put it in *Caravan Cinemas (Pty) Ltd v London Film Productions Ltd and others* 1949 (3) SA 201 (W) at 204:

'There are always two considerations to be kept in mind, one being the probabilities of success in the main action and the other being the loss or inconvenience caused by the granting or by the refusal of the application. If the grant of a temporary interdict would cause little or no inconvenience to the respondent while its refusal would cause serious loss or inconvenience to the petitioner, there seems to be no logical reason why the petitioner should make out more than a *prima facie* case. But if the inconvenience is the other way, then the petitioner ought to show clear right on a substantial balance of probabilities.'

(See too *Olympic Passenger Service (Pty) Ltd v Ramlagan* 1957 (2) SA 382 (D) at 383).

On the merits, as I have said, although applicant has shown that a deliberate copying probably took place, on the papers before me its *locus standi* to sue in respect of certain drawings, and the originality of others, are open to doubt. In the circumstances the prospects of success are in my view not such as to justify the prejudice and inconvenience likely to be caused to the respondent by the grant of an interdict.

Mr Puckrin submitted that costs should follow the result but at the same time acknowledged that a deferment of the costs order would also be appropriate. The latter appears to me to be the proper order to make in regard to costs. As I have mentioned Mr Plewman gave an undertaking on behalf of applicant that, whatever the outcome of this application, action would be instituted within twenty-one days of this order.

In the result the following order is made:

1. The application is dismissed.
2. The costs of this application, which with reference to applicant are to include the costs occasioned by the employment of two counsel, are to stand over for determination at the trial.

HALLMARK CARDS INC AND OTHERS v PRIMA TOYS LTD

TRANSVAAL PROVINCIAL DIVISION

CURLEWIS J

27 NOVEMBER 1986

The hearing of oral evidence in application proceedings will be allowed where the applicant for the hearing of such evidence can show that cross-examination of the witnesses might tilt the probabilities one way or the other. It is no answer to the application that the respondent has ceased committing the actions complained of.

The applicants instituted proceedings against the respondent based on breach of copyright as well as other alleged wrongs. The respondent denied that it had copied the applicants' work and denied that the applicant held any copyright in it at all. It gave no undertaking to refrain from committing the acts complained of and averred that they had in fact refrained from producing or selling the work for which copyright was claimed.

After the respondent's answering affidavits had been filed, the applicants applied for the hearing of oral evidence from deponents to the affidavits and their cross-examination. The respondent argued that oral evidence from deponents to the applicants' founding affidavits was equally required and opposed the application for the hearing of oral evidence on the grounds that the applicants had followed the wrong procedure in applying for oral evidence and that the issue was academic, the respondent having in fact ceased the production and sale of the allegedly infringing copies of the applicants' work.

An applicant which wishes to lead oral evidence must show that this procedure is necessary. The test in deciding whether to grant leave to do so is whether or not the court can be satisfied that cross-examination will tilt the probabilities one way or another. The fact that there were certain unsatisfactory features in the affidavits filed by the respondent was also relevant. The test was a common sense and practical one and had been complied with in this case.

As far as the respondent's points in limine were concerned, there was nothing wrong in the procedure of bringing a formal application for the hearing of oral evidence separately from the main application. As far as the respondent's cessation of production and sale of the offending articles was concerned, the applicants' interdict was required for any future acts of infringement as well and in any event could not be satisfactorily met with anything other than an unequivocal undertaking not to commit any such acts. The fact that damages might have to be determined in separate proceedings did not render the interdict proceedings concluded by that undertaking.

The matter was postponed for the hearing of oral evidence, conditional upon resolution of the respondent's similar application.

Curlewis J: The applicants instituted proceedings against the respondent for certain relief in regard to various dolls. The relief was claimed under passing

off and unfair competition and under copyright. This case started some time towards the end of last year, voluminous affidavits were filed by both sides and eventually the matter, if I may use the phrase, was ripe for hearing by about the end of March or April of this year. We would say in an action that the pleadings had been closed. Thereafter there were various interlocutory matters that had to be dealt with which do not concern me. One I should mention is the question of condonation for the late filing of the applicant's last affidavit; that was eventually settled. So when I say that the matter was ripe for hearing in March it is subject to that objection that respondent raised. It is a great pity, I must say, that nothing appears to have been done about this case except a certain amount of skirmishing and it was then set down for the last week in term.

What happened, and there was a debate about this which I shall deal with, was that the applicant having considered the matter—and this is adumbrated in the last affidavit of Mr Feldman—felt that evidence would be necessary and cross-examination would be necessary of certain of the respondent's witnesses and as a result he filed a notice of motion which is dated 26 March 1986 indicating that this is what he would ask. It reads as follows:

'BE PLEASED TO TAKE NOTICE Hallmark Cards Inc, Mattel Inc, and Josse Feldman (Pty) Limited (incidentally they are the applicants) intend to make application to this Honourable Court for Orders in the following terms:-

1. Ordering various people to appear on a date to be determined and be cross-examined as witnesses on their affidavits filed in this matter in terms of Rule 6(5)(g).
2. Ordering the Respondent to make discovery on oath within 21 days of all documents relating to any matter in question in these proceedings which are or have at any time been in the possession or control of the Respondent, in terms of Rule 35(13).
3. That the main application be postponed to a date to be arranged on which the aforesaid evidence can be heard and the matter finally determined.
4. That the costs of this application be costs in the cause.'

There were certain amendments made to that but I do not think they are important. In any case thereafter—I am not quite certain when—the respondent filed an affidavit, an affidavit by Mr Diamond who in this matter has made the main affidavits for respondent. It is dated 28 August 1986. I am not entirely certain how this affidavit came to be filed. It is really a fourth set of affidavits and it is not permissible, but be that as it may, no one has really worried about that. Certain points are made in this affidavit and one of the

points made is that there are certain witnesses of the applicants' deponents, who it is said by Mr Diamond should be cross-examined as well. These are set out at page 25-35 and that matter has not been argued because it touches on something that really is not covered by the applicant's present application. It has to do with the existence of copyright and if it did exist in respect of what it was and how long it continued and if it existed at all—a matter of very substantial importance and necessitating of course an entire reading and development of argument in respect of all the papers. That has not been touched upon. Mr Goldstein, who appears for the respondent, has said that if I am disposed to allow the people mentioned in the applicant's notice of motion to be cross-examined then I should set down, in a particular date, their application for certain witnesses to be cross-examined and make an order that the examination of the witnesses referred to by applicant should not take place until the court had debated and decided whether the witnesses required by the respondent should or should not be cross-examined. This is a sensible approach.

Now the argument here by respondent was adumbrated in a notice called Respondent's Notice of Points *in limine*. It is dated 20 November 1986. It reads as follows:

- '1. Applicants have followed the wrong procedure in launching and setting down an Application for Leave to Cross-examine separately from the main application;
2. In any event, since the only issue between the parties at present is that of costs the matter cannot be referred to evidence or cross-examination at all;
3. In any event further the papers fail to disclose a cause of action for the relief claimed.'

Now both counsel have been very helpful, they have put in very full heads of argument, and in both cases the history of the matter is set out so I do need to do that. In the main what Mr Puckrin has impressed upon me is that there are—this is only of course I regard to the copyright—matters upon which he wants to examine Mr Diamond and the others in relation to how and why they came upon the design for the little doll which has been shown me, which is their doll, admittedly their doll. The other doll has been shown to me is admittedly the applicant's doll. He says that on the papers it is not possible to determine whether or not there has been a subjective copying. This is all set out at great length in the papers. I should mention there is a debate as to whether the doll which is shown to me, which everyone has worked on, belonging to the applicant, whether copyright exists in that or not and that in my view is a matter which should properly be determined at a later stage. But

the fact is whether it is this particular drawing or photograph that Mr Goldstein refers me to, whether it is the historical development referred to by Mr Puckrin which he shows first as art work and then as three dimensional dolls on other pages I do not think for the moment it is a matter of grave importance. Mr Goldstein does because his whole attack under heading 3 is that there is no copyright at all in anything remotely resembling the respondent's dolls. Mr Puckrin's view is a very simple one, once one got to the heart of the matter. He says that there is the affidavit of Mr Diamond as to why and when he thought of the idea of bringing out the doll which is before me, the respondent's doll, he says there is the affidavit of Mrs Rapaport who apparently is the designer, a house designer if I may call it that, of Mr Diamond, there is an affidavit of Mrs Marè who adds to what Mrs Rapaport says. He has pointed out that Mrs Marè says she never saw and had never heard of the Rainbow Brite range—if I may call it that—of the applicants. But she says of course she was influenced or subjected to suggestions from Mrs Rapaport. Mrs Rapaport, both counsel have pointed out to me, has said how she went about designing what we now see as the little doll and she says that although she may have seen in some journal the Rainbow Brite range of the applicant she has no conscious recollection of it and it did not form any part of the inspiration in regard to what she eventually produced which has been shown to me. Mr Diamond says he gave instructions and what eventuated is what I have. Mr Puckrin says you have a statement by the applicant that there was in fact a copying and there is in fact objective similarity as well. On the other hand you have the denial by the respondent of any copying and of course the argument made that there is no objective similarity anyway, whether of the two dolls before me or of any of those on which copyright exists.

I originally yesterday was thinking in terms of a higher *onus* upon Mr Puckrin. Mr Goldstein put me right about that. He did not propound a test himself but he said that what I had said was too high an *onus* and that then led me to consider the matter afresh last night and put it in proper perspective. It is clear therefore that the test that I had in mind, that is that which Mr Puckrin has to establish here, is not that he has to prove on a balance of probabilities or persuade me on a balance of probabilities that he will be able to tilt by cross-examination the probabilities one way or other. The proper test, and it is so stated if I understand the Appellate Division correctly, referred to by Mr Puckrin, is that unless I can be satisfied that cross-examination will not tilt the balance then I should not give an order without hearing evidence. This is in my view a correct approach. Cross-examination can, even though the ground may appear somewhat stoney,

sometimes bring forward extraordinary things and I think therefore that the test, in any case I am bound by it, is a common sense one and is a practical one.

Now Mr Puckrin has in his heads dealt with the unsatisfactory features or the deficiencies in the evidence of Mr Diamond and Mrs Rapaport. Mr Goldstein has said that there are two things that have to be satisfied. Firstly there must be unsatisfactory features and secondly of course there must be something to show that the cross-examination might change the balance. I do not know that any particular magic attaches to the word 'unsatisfactory features' or whether one says there are certain deficiencies or *lacuna* which I think is the word used somewhere in someone's heads of argument. The fact is that Mr Feldman in the pages referred to by Mr Puckrin in his heads does point up unsatisfactory features, if one wants to call it that, or gaps in the evidence of Mr Diamond and Mrs Rapaport. I must point out what has already been pointed out and accepted by both counsel—it does not require a conscious copying, it could even be innocent. Indirect copying is sufficient, sub-conscious copying is sufficient. So that it seems to me that if one looks at the evidence given by Mrs Rapaport and Mr Diamond and the criticism of that by Mr Feldman and Mr Puckrin and of course I look at the dolls. I know that Mr Goldstein says the doll that has been handed up to me or shown to me is not the identical doll that is shown on page 296. Well of course the problem about that is that that particular doll unfortunately is the one that has not got any colouring in it. There is nothing at this stage that requires me to say anything more than that there is a sufficient similarity for what I have to decide, not to allow that to stand in the way of granting the relief if I think it should otherwise be granted.

Let me deal with the points *in limine*. The first point was that the wrong procedure had been followed. I cannot agree with that. I do not think it matters. What was done here was simply to indicate to the other side that this was what was going to be asked. I do not see that there is anything wrong with it. It is said the main application was not set down and how could one determine whether witnesses would be required to be cross-examined unless one had the main application. But that does not go up because clearly the main application was part and parcel of this because in fact paragraph 3 says that the main application be postponed to a date to be arranged. Mr Goldstein's point, his main point actually, deals with the main application. So there was no question of him being embarrassed or not knowing what was in issue, because as I say point 3 in fact can only be argued on the basis that the main application is before me. In my view although Mr Goldstein has referred to certain problems that arise I do not think there is any problem at

all. So as far as the procedural aspect is concerned no one has been embarrassed, no one has been prejudiced. I cannot agree with that point.

The second point is that the whole matter is academic because they have stopped producing or selling. Now as to that I must point out this that at the time the pleadings were closed—if I may put it that way—even what is stated in this further fourth affidavit was not before the court. On the assumption that there has been a copyright infringement, it existed at the time of the issue of the application and certainly it existed right up to the time that the respondent had filed this affidavit. But says Mr Goldstein if I look at the further affidavit at page 38 then it is clear that the need for an interdict has gone because he says:

'As I indicated in paragraph 13.25—this is at page 401—in my opposing affidavit the rainbow theme has virtually been dropped from the 1986 international season and respondent had already decided to drop its Rainbows and Ribbons theme for the new 1986 season.'

Let me just pause there for a moment. One of the most extraordinary things about Mr Diamond is that, as pointed out by Mr Puckrin, he is a man of enormous experience in this trade. He says that he goes overseas a great deal, he follows the trends, he comes to decisions after great deliberation and mature consideration as to what he is now going to put on the market and suddenly having put this on the market he decides to drop it. This is a matter that can well be explained in cross-examination. But be that as it may this first paragraph is to say the least somewhat disingenuous. He says:

'I can now state that the Rainbows and Ribbons range has, in fact, been dropped for this 1986 season.'

Well that is very interesting.

'Respondent has now, in line with international trends, adopted an entirely new theme for the new 1986/1987 season, which commences in October 1986.'

And he goes on:

'Respondent has ceased manufacturing and marketing products of the Rainbows and Ribbons range. This decision has been dictated by fashion changes and is not consequent upon any activities on the part of the applicants in the bringing of these proceedings. It follows that, for the Applicants to pursue the relief set out in the Notice of Motion, would be pointless and would be a waste of time of everyone because the respondent has dropped its Rainbows and Ribbons product range and the rainbow theme connected therewith. Respondent no longer has in stock any of the products complained of in this matter, it does not manufacture or market them and nor are such products in the possession of its agents,

although I have no doubt that some retailers and wholesalers may have sold old stock from the previous season.'

And then he goes on to what the applicants can do. I find this somewhat disingenuous, the whole thing, coming at this very late stage I may say. There is nothing in this as yet, even up to now, that is an unequivocal undertaking by the respondent that he will not in future contravene the copyright, if in fact it has been and I am working on that assumption. Consequently the interdict is not something that is only applicable today. It is applicable for any future period and until such time as an unequivocal undertaking is given he is entitled to his interdict. I do not, therefore, have to determine the interesting point that Mr Goldstein went into. I do appreciate that there is authority in this court that you cannot in application proceedings have the merits as it were decided on the one hand and simply refer the damages or the accounting to another. There apparently also is authority that there is no such thing as a statement of account. But I must point out this, in regard to this last case, I have the greatest difficulty in seeing how any court can ever say you have not got what the Legislature specifically gives you. I can understand if it were said that the meaning to be attached to 'statement of account' is X rather than Y but how one can ever say that you do not have that which the Legislature has deliberately and in so many words specifically given you I do not understand. But that is as it may be. I do not have to go into that. I would merely say this that it is a great pity, if it is going to be the position, that one has to bring two actions. One by application to determine the contravention and then a second action to determine the damages. Therefore the second point in my view is not valid.

Insofar as the main point is concerned there are several reasons why I do not propose to decide this. The first point is that in regard to the application now before me this is not really a point *in limine* at all. This is a matter that affects the entire case. It is a matter therefore in my view which would properly be determined by the judge which hears the entire matter. The second point is that there is, as far as I am concerned, sufficient similarity at the moment to enable me to give the relief Mr Puckrin seeks. But the third matter also must be borne in mind. I do not subscribe to the view that what is called the objective and the subjective tests are entirely separate. It is a convenient way of looking at the matter no doubt. But I will not be persuaded that the evidence given under cross-examination on what may be called for convenience the subjective side may not have some bearing on the question of what is called objective resemblance. In my view therefore the point made under (3) cannot be upheld.

This really disposes of the argument also that even if one does not non-

suit the plaintiff now on the entire copyright as Mr Goldstein argued, one still has to be satisfied that there is some type of resemblance which would enable cross-examination to show the subjective element. I have already said that as far as I am concerned that is sufficient.

In regard to the approach in this court about objective and subjective I would merely refer to paragraph 408 of Copinger on *Copyright*, 10th Edition; and to paragraph 416 of the same edition where it states 'In short' right to the end of the paragraph.

There is no argument about the fact that there should be proper discovery.

There will therefore be an order in terms of 1, 2, 3 and 4 and I further make this order that the application at page 25 to 35 of the affidavit of Mr Diamond dated 28 August 1986 under Rule 6, and I am classifying it as that, is postponed to 2 February 1987. The hearing of the oral evidence which I have now granted to the applicant is not to take place until such time as finality has been reached upon this application by the respondent. Costs of two counsel will be permitted and costs will be costs in the application.

ERASMUS v GALAGO PUBLISHERS (PTY) LTD AND ANOTHER

TRANSVAAL PROVINCIAL DIVISION

HARMS J

14 NOVEMBER 1986

Substantial similarity between two works is determined by means of a subjective value judgment, which an ordinary reasonable person would be likely to have in comparing the two works. Such similarity might be demonstrated, even though the author of the infringing work applied original thought and labour in the production of the second work.

The second defendant, a certain Peter Stiff, and a certain Col Reid Daly were co-authors of a book entitled 'Selous Scouts Top Secret War' whose subject matter was the history of count-insurgency operations conducted by the Selous Scouts Regiment in Rhodesia in the period 1973-1980. They assigned their copyright in the work to the plaintiff.

Stiff then published another book, a photographic history of the Selous Scouts, using the first book as a source together with new material. Stiff also wrote the accompanying text in the book. The parties agreed that there was a causal connection between the two works.

The subject matter of the two books was treated differently in each, the first being a subjective account, the second an illustrated account which explored historical context from 1890. The first book contained more detail in its text and less illustrations than the second book and the style of language used in the first was different from that used in the second. The first book was substantially a first person narrative containing exposition and dialogue and informal syntactical and grammatical constructions. The second book was substantially a third person narrative, its syntactical and grammatical constructions less colloquial.

The similarity between the two books consisted in the retention of pseudonyms used in the first book, the repetition of historical accounts and dramatized dialogue in the same setting and sequence and the resemblance in the description of events.

The plaintiff alleged that the second book was an infringement of its copyright in the first book.

The approach to be followed was that set out in the case of *Topka v Ehrenberg Engineering (Pty) Ltd (A)*, ie that of a two-stage enquiry: i) whether there was a sufficient degree of objective similarity between the works, and ii) whether there was some causal connection between the two works. Objective similarity could be determined by extrinsic criteria such as the kind of materials used, and substantial similarity could be determined by intrinsic criteria which were dependent on the response of the ordinary reasonable person. 'Substantial similarity' was incapable of a priori definition, but involved a value judgment that there was something in the allegedly infringing work which was not negligible, but material, to the copyrighted work. It did not refer to a quantitative measure only, as might be suggested by the Afrikaans text of section 3(1) of the Copyright Act (no 98 of 1978).

Applying the intrinsic test, it appeared that there had been substantial copying. As illustrated by the table of contents of each book, everything said about the Selous

Scouts in the second book had its counterpart in the same sequence in the first book. The dramatized dialogue was repeated with slight changes and was repeated in the same setting and sequence. The descriptions of events in the second book bore a striking resemblance to those given in the first book.

The defendants' explanations of the similarities were not based on any allegation that the similarities were the result of anything akin to a 'house style', and the fact that the two works were both historical works did not mean that the similarities were inevitable. The very changes effected in the dialogue indicated that the words actually spoken did not have to be recorded verbatim in each case. The fact that the second book was an original work and the result of a great deal of original thought and labour did not mean that it was not copied from the first. The second defendant had also drawn from the source material for the second book the same material that had been drawn for the first book and had not restated the historical facts differently. There was no statutory basis for any lenient treatment for an author who makes substantial reproductions of an earlier work and who has assigned his copyright in that earlier work.

Substantial copying having been proved, the second book constituted and infringement on the copyright of the first book.

Harms J: This copyright infringement action raises the question of the extent of latitude allowed to an author, who has assigned his copyright in a historical work, to produce another work on the same subject by 'using' (to use a neutral term) the first. Complexities that can arise are: firstly that an author who produces two works on the same subject may, without copying, use in both works the same turns of phrase, similes, clichés etc; secondly, historical facts repeated must necessarily bear a degree of similarity, even in the absence of copying.

THE FACTS

Col Reid Daly was the founder and commander of the Selous Scouts Regiment in Rhodesia. The Selous Scouts was the most successful regiment in the war against the ZIPRA AND ZANLA terrorists (or depending on one's outlook—freedom fighters) during the period 1973—1980. By virtue of the secrecy surrounding the operations of the Selous Scouts, he was the only repository of the bulk of information concerning their activities. Shortly before the end of the war he left Rhodesia, virtually penniless, and in order to create a source of income wrote a manuscript dealing with the Selous Scouts.

He required the services of a so-called ghost-writer and Mr Peter Stiff, the second defendant, was eventually employed to cast the manuscript into a saleable form. Stiff insisted that the work to be produced must have a reference to him as author, and it was agreed that the work would describe the authorship of the work in the following terms 'Lt Col Ron Reid Daly as told to Peter Stiff'. Stiff, pursuant to the agreement, re-worked the

manuscript. He obtained, mostly from Reid Daly, a large number of source documents. He conducted, mostly through the intervention of Reid Daly, interviews with other Selous Scouts. He did his own independent research. The result was a highly successful book entitled 'Selous Scouts Top Secret War' by 'Lt Col Reid Daly as told to Peter Stiff'.

The work was published in 1982 by the first defendant, a company whose moving force appears to be Stiff. The work was the joint work of Reid Daly and Stiff and it became common cause that they are, in fact, its co-authors. Copyright therein was assigned by both authors to the plaintiff. The plaintiff holds the copyright on behalf of a syndicate who assisted Reid Daly financially whilst he produced the work. Reid Daly is also a member of the syndicate.

Stiff, being in the publishing business, formed the view that a photographic history of the Selous Scouts would be a saleable proposition. The syndicate rejected his advances and suggestions. It would appear that, for an undisclosed reasons, the relationship between Stiff and the syndicate had soured. Stiff then set about collecting and sorting photographic material for his new history, re-read his source material and interviews, and using 'Top Secret War' as a source together with some new material, wrote the accompanying text for a work which was published by first defendant during 1984 entitled 'Selous Scouts A Pictorial Account'. Peter Stiff is indicated as the author. The bibliography records a particular indebtedness to Reid Daly who had provided information 'during the writing of Selous Scouts Top Secret War'.

THE TEST FOR COPYRIGHT INFRINGEMENT

The question for decision is whether 'A Pictorial Account' is an infringement of the copyright in 'Top Secret War'. The latter, it is common cause, is an original literary work whose copyright vests in the plaintiff. What is in dispute is whether the former is a reproduction, not of the latter as a whole, but of 'any substantial part' thereof. Section 7 read with section 1(2A), Copyright Act (no 98 of 1978). the enquiry in this regard is two-fold as was held in *Topka v Ehrenberg Engineering (Pty) Ltd* May 1983 (AD) where the following quotation was quoted with approval:

'In an action for infringement of copyright, it is for the plaintiff to prove that a substantial part of his original work has been reproduced and that such reproduction is causally connected with that work (*Francis Day and Hunter Ltd v Bron* 1963 Ch 567 at 618). The question whether there has been a reproduction is a question of fact which must be taken in two stages, one objective and the other subjective. In order to constitute reproduction within the meaning of the Act, there must be (a) a sufficient

degree of objective similarity between the original work and the alleged infringement and (b) some causal connection between the plaintiff's and the defendant's work. (Ibid at 614, 618); in other words, the plaintiff's work must be the work from which the allegedly infringing work was derived.'

Nimmer, Copyright (2nd ed) p 365, refers in the context of US law, to the causal connection as the requirement of 'access'. As far as the objective similarity is concerned, he suggests a two-stage enquiry:

'(T)here also must be substantial similarity not only of the general ideas but of the expressions of those ideas as well. Thus two steps in the analytic process are implied by the requirement of substantial similarity. The determination of whether there is substantial similarity in ideas may often be a simple one. Returning to the example of the nude statue, the idea there embodied is a simple one—a plaster recreation of a nude human figure. A statue of a horse or a painting of a nude would not embody this idea and therefore could not infringe. The test for similarity of ideas is still a factual one, to be decided by the trier of fact.

...

We shall call this the 'extrinsic test'. It is extrinsic because it depends not on the responses of the trier of fact, but on specific criteria which can be listed and analyzed. Such criteria include the type of artwork involved, the materials used, the subject matter, and the setting for the subject. Since it is an extrinsic test, analytic dissection and expert testimony are appropriate. Moreover, this question may often be decided as a matter of law.

The determination of when there is substantial similarity between the forms of expression is necessarily more subtle and complex. As Judge Hand candidly observed, 'Obviously, no principle can be stated as to when an imitator has gone beyond copying the 'idea', and has borrowed its 'expression'. Decisions must therefore inevitably be *ad hoc*. *Peter Pan Fabrics Inc v Martin Weiner Corp* 274 F 2d 487 (2 Cir. 1960). If there is substantial similarity in ideas, then the trier of fact must decide whether there is a substantial similarity in the expressions of the ideas so as to constitute infringement.

The test to be applied in determining whether there is substantial similarity in expressions shall be labelled an intrinsic one—depending on the response of the ordinary reasonable person.

...

It is intrinsic because it does not depend on the type of external criteria and analysis which marks the extrinsic test. As this court stated in

Twentieth Century-Fox Film Corp v Stonsifer 140 F 2d 579, 582 (9 Cir. 1944);

“The two works involved in this appeal should be considered and tested, not hypercritically or with meticulous scrutiny, but by the observations and impressions of the average reasonable reader and spectator.”

Because this is an intrinsic test, analytic dissection and expert testimony are not appropriate.’

This approach does not appear to be inconsistent with any binding authority and its logic does appeal.

ADMISSIBILITY OF EXPERT EVIDENCE

The defendant did lead evidence of an lecturer in English Mrs Addleson. She gave evidence on ‘the type of artwork involved, the materials used, the subject matter, and the setting of the subject’. This evidence, to which reference shall be made, was useful. She was also requested to express an opinion as to whether there is a ‘substantial’ similarity between the two works. I expressed the view during her evidence that that evidence must be inadmissible. That is still my view. No authority to the contrary has been quoted. The available US authority supports this view. In *Nicols v Universal Pictures Corp* 1930 45 F 2d 119, Learned Hand J reportedly had said:

‘We cannot approve the length of the record, which was due chiefly to the use of expert witnesses. Argument is argument whether in the box or at the bar, and its proper place is the last. The testimony of an expert upon such issues, especially his cross-examination, greatly extends the trial and contributes nothing which cannot be better heard after the evidence is all submitted. It ought not to be allowed at all; and while its admission is not a ground for reversal, it cumpers the case and tends to confusion, for the more the court is led into the intricacies of dramatic craftsmanship, the less likely it is to stand upon the firmer, if more naïve, ground of its considered impressions upon its own perusal. We hope that in this class of cases such evidence may in the future be entirely excluded, and the case confined to the actual cases, that is, whether the copyrighted work was original, and whether the defendant copied it, so far as the supposed infringement is identical.’

That approach appears to be common-sensical. Any other approach would be in conflict with the general rules relating to the admissibility of expert evidence as set out in *Johnson & Johnson (Pty) Ltd v Kimberley Clark Corp*, 5 November 1985 (AD).

It became common cause during the trial that the necessary causal connection between the two works is present. A degree of objective similarity was also conceded. What is disputed is whether that degree is a

'sufficient degree' ie was any substantial part of the work reproduced having particular regard to the fact that both works are works of history and have (at least in part) the same parentage.

THE OBJECTIVE SIMILARITY

In conducting the 'extrinsic test' liberal use (if not downright copying) will be made of Mrs Addleson's expert summary the contents of which was confirmed in her evidence. The changes to her summary reflect findings adverse to her views.

The subject-matter common to both books is the formation, activities, and disbandment of the Selous Scouts in Rhodesia from 1973 to 1980 but this subject-matter is treated in different ways in both books. *Top Secret War*, with the exception of Part 1 'Before the Beginning 1972/1973' is a subjective account. *A Pictorial Account*, on the other hand, is primarily an illustrated account which explores historical context from 1890.

Both combine written text with pictorial images. *Top Secret War* is a standard hard-cover book (there is a paperback in print) (25 x 19 cm), comprising 424 pages (excluding 'Index') and 123 illustrations (photographs, maps, charts, sketches, and reproduction), with a ratio of illustration to text of approximately 3:1.

The period concentrated on by both books is that of 1973 to 1980. *Top Secret War*, however, pays for less attention to events happening before 1973 than does *A Pictorial Account*, which goes into some detail as far as historical context is concerned, going back as far as 1890. *Top Secret War* is much more detailed in hour-by-hour, day-by-day chronology than is *A Pictorial Account*.

Both texts share certain common nouns, proper nouns, and military terms; some idiosyncratic turns of phrase are echoed. *Top Secret War's* diction is, on the whole, colloquial, jargon-laden, and vernacular. *A Pictorial Account's* diction is informal, idiomatic, and journalistic.

Both texts reflect the same ideology with the same degree of conviction, so the tonal range of both has a similar modulation according to the actions or states described. *Top Secret War's* tone is, however, far more personal and dramatic than *A Pictorial Account's*. The latter strives for neutrality but is, in fact emotively coloured.

Top Secret War is a first-person narrative in which historical facts are verified through direct personal experience. A variety of techniques are used, such as discursive exposition juxtaposed with dialogue; and a variety of syntactical constructions are found reflecting the loose, random cadences of the speaking voice. The grammar is often lax and elliptical. *A Pictorial Account* is a third person narrative in which historical facts are verified

through consultations. Repertorial techniques, including vignettes, are used. There is a mixture of active and passive voices, personal and impersonal constructions. The syntactical structures are more coherent than colloquial, and the prose is more grammatical.

The general aim of both books appears to be identical: to communicate a certain interpretation of Rhodesian history. The specific aim is *Top Secret War* appears to be an apologia for Ron Reid Daly, while the specific aim of *A Pictorial Account* appears to be to capitalise on the increasing popularity in the mass media of tales of insurgency and counter-insurgency. The particular effect of each book will obviously vary from specific reader to specific reader, but in general terms the effect of *Top Secret War* is to reveal the character and motivation of Ron Reid Daly as much as it reveals the character and actions of the Selous Scouts. The effect, in general terms, of *A Pictorial Account*, is probably to confirm the worst suspicions of both liberal and conservative readers.

So much for Mrs Addleson's expert summary.

Turning to the 'intrinsic test' reliance was placed by the plaintiff upon the following factors:

- (a) For 'Top Secret War' a number of pseudonyms were devised in order to protect vulnerable members of the Selous Scouts from post-war reprisals. These pseudonyms are retained in 'A Pictorial Account'.
- (b) Everything said about the Selous Scouts in 'A Pictorial Account' has its counterpart, in the same sequence, in 'Top Secret War'.

The point is well illustrated by the table of contents. Chapter 5 of 'Top Secret War' has this content:

'THE STORM - INTO THE YEAR OF THE HURRICANE: 1976
Operation underdog: Attack on Chikombidzi Base: January, 1976 - Joint Operational Command Chiredzi established: January, 1976 - Chiredzi: Hunter/Killer Operation: February, 1976 - Mtoko Tribal Trust Lands: Pseudo Operations: February 1976 - Operation Small Bang: Attack on Pafuri Base: February 1976 - Chiredzi: Hunter/Killer Operation: April 1976 - Operation Traveller: Attack on Caponda Base: April/May, 1976 Captain Rob Warracker -Operation Detachment Mini Column attack on Cigamane: May 1976 - Inyanga: Pseudo operations - Brutus; the Berliet Troop Carrier - Operation Long John: Attack on Mapai and Chicualacuala: June, 1976 - Operation Eland Attack on Nyadzonya/Pungwe Base: August, 1976 - Mtoko: Internal Operation: July, 1976 - Reconnaissance Troop Formed Operation Prawn: Attacks on line of rail - Barragem to Malvernia: August, 1979 - Operation Mardon: Attack on Jorge do Limpopo and Massangena: October/November, 1986

Jorge do Limpopo: Train Wrecking - Operation Ignition: Destroy ZIPRA house in Francistown: November, 1976 - Eastern Districts: Internal Operations - Major John Murphy - Armpits with Eyeballs - 1976: The Year Ends.'

Chapters 9 to 11 of 'A Pictorial Account' are more limited in scope:

'9 THE STORM BREAKS 1976

Operation Underdog: Raid on Chicombidzi Transit Camp: January 1976 - War Moves To the Lowveld - Operation Small Bang: Attack on ZANLA'S Pafuri Base: February 1976 - Hunter/Killer Operation: April 1976 - Killings of South African Tourists - Operation Detachment: Raid on Chigamane: May 1976 - Capture of Berliet Troopcarrier - Operation Long John: Raid on Mapai And Chicualacuala: June 1976

10 Nyasonya/Pungure Raid: August 1976 Operation Eland.

11 THE RISING TIDE : END OF 1976

Reconnaissance Troop - Operation Prawn: Attacks On The Railway Between Barragem and Malvernia: August 1976 - Yellow Submarine - Award of CLM - Commander Legion Of Merit, To Major Ron Reid Daly - Operation Mardon: Assault on Jorge do Limpopo And Massangena: October/November 1976 - Operation Ignition: Attack on ZIPRA in Francistown Botswana: November 1976 - Infiltration Into Eastern Districts - Massacre Of Innocents: Katiyo Tea Estates, Hondi Valley: 19th December 1976 - Kills for 1976.'

(The underlining in Chapter 5 reflect what is in the same sequence, in chapters 9 to 11 and the underlining in chapters 9 to 11 what is not in chapter 5).

(c) Dramatized dialogue is repeated with slight changes. In 'Top Secret War' page 138 one finds a Cockney Londoner:

'One Cockney Londoner ... a former Royal Marine ... once summed it up very succinctly. ``Cor", he said in awe as the elephants trumpeted and crashed through the bush nearby the camp, ``it's like Whipsnade Zoo ... wiv'out the bars!'

He is back in 'A Pictorial Account':

'A cockney Londoner who had been through the mill in the Royal Marines, who thought he had seen everything that an unsympathetic military could dish out, started nervously when he hard elephants breaking trees adjacent to the camp. ``Blimey", he whispered in awe, ``it's like Whipsnade Zoo - wiv'aht the bars.'"

(d) The dialogue is not merely repeated but it is repeated in the same setting and sequence. A telling example is the text that, in both works, accompanies a cartoon by one Vic Mackenzie showing a bearded scout.

In 'Top Secret War' p 245 the text is:

'Certainly we had started a fashion in the Rhodesian Security Forces by growing beards, but it was for the commonsensical reason that they broke up the Caucasian features of operators. I expressly discouraged them from shaving ... and ... as they would obviously have stood out had they been the only hirsute men in the Regiment ... I encouraged all non-operator Selous Scouts, both Territorial and regular, to grow their whiskers too. One day Captain Neil Kriel, a craggy man whose growth of full black beard rampaged over his features with the tenacity of jessie bush, was waiting for pick-up at a forward airfield, along with some of his operators. At the scheduled time a fixed-wing aircraft landed and Neil and his men doubled forward and quickly emplaned.

The pilot, an officer noted for his quick and ready sense of humour, took one startled look at Neil and then shouted to make himself heard over the noise of the aircraft engines:

'My God, an armpit with eyeballs!'

In *A Pictorial Account* one finds the following:

'The Selous Scouts, as has been said before, were encouraged to grow beards to break up their European features and make them less distinguishable by race once their faces were blackened. Some men, naturally, are more hirsute than others and Lieutenant Neil Kriel was one of them.

Neil was waiting at a forward airfield for pick up by the Air Force.

The pilot, who was noted for his quick sense of humour, took one look at the hairy and blackened face of Neil Kriel and exclaimed: 'My God, an armpit with eyeballs.'

(e) The description of events, such as operations, bear a striking resemblance as is illustrated by the description of Operation Underdog. 'Top Secret War' p 157 has the following:

'Operation Underdog: Attack on Chicombidzi Base: January, 1976. On new Years day, the 1st January, a few FRELIMO soldiers based at Chicombidzi camp, attempted to cross into Rhodesia through the mine belt. One luckless private stepped on a mine and was seriously injured. His comrades and friends fled in disorder and left him alone to his own thoughts ... and slowly bleeding to death. Needless, to say, this period of reflection before he became a Security Force prisoner, was from our point of view, well spent ... and ... when he was questioned, he was more than willing to speak of a ZANLA transit camp situated nearby Chicombidzi which was in almost continuous use by Zanla.

We were asked to conduct the raid ... our first in Mozambique ... to

capture prisoners, documents and war material.

On the 17th January at 18h45, Lieutenant Tim Baxter, commanding a party of six European and eight African personnel, were dropped by helicopter G-Cars on the Mozambique side of our mine belt, but still within Rhodesia.

They waited until all talking and laughter had ceased and it seemed likely the enemy had gone to sleep ... During the next three hours they picked out and identified two grass bushes and a grass conference, or dining-room shelter. ...

Lieutenant Baxter ordered an attack and the callsign adopted a halfmoon formation and advanced towards the grass shelters.

At fifteen years there was a warning shout, followed by a burst of automatic fire ...

Unluckily no prisoners were taken and no enemy bodies found, but several large pools of blood, blood trails and marks indicating wounded and dead had been dragged away to safety, were seen. ...

A lot of kit, equipment and weapons littering the staging post ... too much to be carried away by the Scouts ... were thrown into the grass structures which were then burned to the ground. ...'

The text in 'A Pictorial Account' reads as follows:

'Operation Underdog: Raid On Chicombidzi Transit Camp: January 1976
On New Year's Day 1976, a party of FRELIMO attempted to cross into Rhodesia and one of them stepped on a mine. His friends and comrades abandoned him to his fate. After capture by the Rhodesians, when he was given medical attention which saved his life, he was happy to talk.

He gave news that ZANLA had established a transit camp at Chicombidizi, just inside Mozambique, from where they were infiltrating terrorists to Rhodesia.

A raid by the Selous Scouts to capture prisoners, documents and armaments was sanctioned. On the 17th January 1976, just before nightfall, a party of six European and eight African soldiers commanded by Lieutenant Tim Bax, was put down by helicopter on the Mozambique side of the Rhodesian mine belt.

They attacked the base after watching it for three hours without seeing any movement and were fired one. Unfortunately, no prisoners were captured or seen dead, although several blood trails were discovered. A large quantity of terrorist equipment was burned on site as there was too much to carry away.'

ANY SUBSTANTIAL PART

Copyright infringement of a literary work takes place if 'any substantial

part of such work' is, *inter alia*, reproduced. The signed Afrikaans text refers to a 'wesenlike gedeelte'. Section 3(1) in the context of co-authorship translates the phrase 'a substantial part' with 'n aansienlike deel'. DJ Pienaar, 1985 *Modern Business Law* 85, argued that a 'aansienlike deel' can refer to a quantitative measure only and that it is, therefore, arguable that 'n wesenlike gedeelte' can relate to a quantitative measure only. His reasoning is not convincing. The fact that the Afrikaans text is the signed text and may therefore in the event of an irreconcilable conflict between the two texts be the conclusive text begs the question. The concept of a 'substantial part' has a legislative history steeped in English law. It seems highly unlikely that the legislature intended to abolish in such a circuitous manner any reference to quantity. The qualitative test will be decisive where a small quantity has been taken but it is not conceivable that one may take a large quantity and then justify the theft on the basis that it has no substantial quality. It is important to note that the word 'substantial' qualifies the 'part'. It does not qualify the 'work'. It is, therefore, not a question whether the work has been copied substantially but whether a substantial part has been taken in substance. (The qualification 'in substance' has been added because that which is copied need not be an exact copy. Cf *Laddie Prescott v Victoria*, *Modern Law of Copyright*, para 2.78. Cudden, *A Dictionary of Literary Terms* gives the reason to blot words: 'Plain thieving has always been fairly rare, probably because the risks of detection are too great'.)

In *Ravencroft v Herbert and New English Library Ltd* 1980 RPC 193 a submission was accepted that in deciding whether copying is substantial there are four principal matters to be taken into account.

First, the volume of the material taken, bearing in mind that quality is more important than quantity; secondly, how much of such material is the subject-matter of copyright and how much is not; thirdly, whether there has been an *animus furandi* on the part of the defendant; this was treated by Page-Wood V.C. in *Jarrold v Houlston* (1857) 3 K & J. 708 as equivalent to an intention on the part of the defendant to take for the purpose of saving himself labour; fourthly, the extent to which the plaintiff's and defendant's books are competing works.

The second test ignores the fact that one can only infringe copyright by taking that which is the subject matter of copyright. The third test is also unhelpful because one can only reach the conclusion that there has been an *animus furandi* after having established a *contrectatio*. The fourth test would be more appropriate in a passing-off case.

The 'rough practical test that what is worth copying is *prima facie* worth protecting' (quoted with approval in *Radbrooke's case supra* p 288) remains

rough and *prima facie* useful. It is not based on the assumption that only substantial parts are copied but that if something is so important for the second work that it is worth copying it is also important for the copyrighted work.

The term 'substantial' has no special or esoteric meaning in copyright law. It is used quite frequently by the legislature in different contexts. It involves a value judgment not capable of an *a priori* definition. It cannot in the present context mean 'pre-dominant' but means rather something which is not negligible or inconsequential, but material, to the copyrighted work. Cf *Newcastle Road Motors and another v Rossiter and others* 1974 (4) SA 39 (N) 44 - 5. A closer definition is not called for.

DEFENDANT'S EXPLANATION

The similarities between the two works were justified by Stiff and/or Addleson in evidence and/or defendant's counsel in argument on a number of bases.

(a) Both works are (at least, in part) the work of the same author. That calls for a lenient treatment as suggested by Cornish, *Intellectual Property*, page 353, who has the following to say :

'Suppose that an author creates a work, and subsequently, at a time when he does not own the copyright, he reproduces it in a second work. Some concession in his favour seems called for, in order to allow him to continue doing the kind of work at which is proficient. But across the spectrum of copyright activity it is difficult to know how far judges would accord him any greater freedom than is permitted to others. In respect of artistic works, a special compromise is now embodied in legislation: the artist may make substantial reproductions, even using the same mould, sketch or similar plan, provided that the subsequent work does not repeat or imitate the main design of the earlier work. Where other types of work are concerned, a similar approach might well be adopted: the relation between the two end products would be considered rather than the relation between the first work and what has been copied from it. The fact that the author made his reproduction unconsciously (if he can be believed) would probably enhance any claim not to have infringed.'

There is no statutory basis for a lenient treatment. The author who assigned his copyright does not retain some '*droit moral*'. The new copyright owner steps completely into the shoes of the author. It is an age-old fact. Even Alexander Pope had something to say about it:

'What Authors lose, their Booksellers have won, So pimps grow rich, while Gallants are undone'

(quoted in The Frank Muir Book p141 where the background to the first

English Copyright Act is dealt with)

On a factual basis it is conceivable that a court may hold that the objective similarity between the two works is not the result of copying but the result of the incidence of the same mind at work. In the present case that possibility did not arise. Stiff nowhere testified that the similarities between the two works were the result of a 'house style' or of personal clichés or an unconscious copying (which would, probably, be no defence: *Francis Day & Hunter Ltd v Bron* (1963) 1 Ch 587).

(b) Both works are historical works, Reliance was placed on *Ravenscroft v Hubert & New English Library Ltd* 1980 RPC 193 (Ch) where Brightman J stated:

'I am inclined to accept that a historical work is not to be judged by precisely the same standards as a work of fiction. The purpose of a novel is usually to interest the reader and to contribute to his enjoyment of his leisure. A historical work may well have that purpose, but the author of a serious and original historical work may properly be assumed by his readers to have another purpose as well, namely to add to the knowledge possessed by the reader and perhaps in the process to increase the sum total of human experience and understanding. The author of a historical work must, I think, have attributed to him an intention that the information thereby imparted may be used by the reader, because knowledge would become sterile if it could not be applied. Therefore, it seems to me reasonable to suppose that the law of copyright will allow a wider use to be made of a historical work than of a novel so that knowledge can be built upon knowledge.

Mr Laddie referred me to *Oxford Book Co v College Entrance Book Co* Fed Rep. 688 a decision of the United States Circuit Court of Appeal. The publisher of *Visualised American History* sued the publisher of *Visualised Units of American History* alleging breach of copyright. The following passage occurs in one of the judgments:

''Historical facts are not copyright *per se* nor are errors in fact. The plaintiff's book was designed to convey information to the readers. The defendant authors were as free to read it as anyone else, and to acquire from it such information as they could. They could indeed with equal right obtain such misinformation as it contained for the copyright gave no monopoly of the contents of the book ... and so far as plaintiff's copyright is concerned they could use whatever of either character they gleaned from the book in their own writing provided they did not copy any substantial part of the copyright work but created something distinctly their own."

In my judgment, Mr Laddie's proposition must not be pressed too far. It is, I think, clear from the authorities that an author is not entitled, under the guise of producing an original work, to reproduce the arguments and illustrations of another author so as to appropriate to himself the literary labours of that author: see *Pike v Nicholas* (1870) L.R. 5 Ch. App. 251, *Ladbroke (Football Ltd v William Hill)* (1964) 1 WLR 273 and the passages, which I have already read, from the *Harman Pictures NV* case.' One of the passages the learned judge had quoted from *Harman Pictures NV v Osborne* (1967) 1 WLR 723 reads:

'In the case of works not original in the proper sense of the term, but composed of, or compiled or prepared from materials which are open to all, the fact that one man has produced such a work does not take away from anyone else the right to produce another work of the same kind, and in doing so to use all the materials open to him. But as the law has been precisely stated by Hall VC in *Hogg v Scott*, "the true principle in all these cases is that the defendant is not at liberty to use or avail himself of the labour which the plaintiff has been at for the purpose of producing his work, that is, in fact, merely to take away the result of another man's labour or, in other words, his property".'

Nimmer (*supra*) p 50 - 1 summarized U S law on this issue in the following terms :

'Notwithstanding the denial of copyright protection for the facts set forth in a factual account, it is clear that protection will be accorded to the literal form of expression of such an account if such form is original with the copyright claimant. Thus even if anyone may copy the facts set forth in a copyrighted news article, history book, or similar factual work, there may not be a word for word or very closely paraphrased copying. However, such protection will not be accorded even to the literal form of expression of fact if such form does not evidence originality. Thus, if the expression of facts must necessarily be formulated in a given manner, then no infringement arises even from a word for word copying. Still, a very slight degree of original contribution to form will suffice, as where an "author" reconstructs an actual conversation rather than using a verbatim stenographic report. It has even been held that a verbatim repetition by the author of his own remarks will be predictable since they were in the first instance the creation of the author.'

Mrs Addelson testified, and respondents' counsel submitted that the similarities found between the two works are bound to be there because both are merely a recital of historical facts. That that is an oversimplification can easily be illustrated by considering parallel passages in the Bible. An

example is the birth of Christ described in two only of the four gospels (Matt 1:18-25 and Luke 2: 1-7). Another example is the description of the death of Judas Iscariot (Matt 27:3-10 and Acts 1: 18-20). Those who do not read the New Testament may have regard to, for example, the description of the communications between Solomon and the King of Tyre in 1 Kings 5 and 2 Chron 2. For those who read neither, a glance at Thomas Pakenham's 'The Boer War' and Emanoel Lee's 'To the Bitter End - A Photographic history of the Boer War 1899 - 1902' will prove this point.

In casu all the facts are not purely historical. 'Top Secret War' is dramatized history. Large parts of the dramatization was carried over into 'A Pictorial Account' such as the use of the same pseudonymous and dialogue. The similarities are too close for comfort. There is no reason why history should be retold in the same sequence, the same words and with the same feeling and interpretation. The argument could be valid had there been a few parallel passages in the two works. That is not the case. Plaintiff listed nearly 300 parallel passages. There are others that were not even listed. Not all are as close to one another as those quoted above but those quoted are not atypical.

(c) The dialogue in both works had to be the same because both recorded the same words as actually spoken. Had that been true, there would not have been a need to bring subtle changes to the dialogue as illustrated by the quotation from what the Cockney had to say. The dialogue in 'Top Secret War' is not factually true—in spite of what Stiff suggested—but is clearly reconstructed and dramatized.

(d) 'A Pictorial Account' is an original work written in a different idiom (eg indirect speech) with additional information on the history of the war (but not on the Selous Scouts).

Stiff did expend a great deal of original thought and labour in producing 'A Pictorial Account'. To my humble tastebuds it is a more palatable work than is 'Top Secret War'. That is, however, an irrelevant consideration in a copyright infringement action. (*Ladbroke (Football) Ltd v William Hill (Football) Ltd* (1964) 1 WLR 273 (HL) 283. The fact that Shakespeare produced works of the greatest literary merit does not mean that he may not have 'copied':

Robert Greene referred to him as 'a jackdaw dressed out in our feathers'. (See in general on this topic from a literary point of view Cecile Celliers, *Tydskrif vir Letterkunde* 2 May 1986 p 72). Even the Copyright Act assumes that an infringing work can be original (section 2(3)).

One may not super-add ingenuity to robbery in patent law nor may one in copyright law.

(e) It was argued that the similarities are due to the fact that both works deal with the same ideas and copyright law protects form and not ideas. It is not necessary for the purposes of this decision to discuss the fine line between the idea that is not protected and the expression that is. The quotations from both works set out above show that not only the idea but also the form was taken albeit after some plastic surgery which failed to remove the wrinkles.

(f) The quantity taken is insignificant. Without the pirated parts 'A Pictorial Account' will consist of a skeleton of photographs joined by a few bits of muscle. Reference has already been made to the number of parallel passages being in the region of 300. Some are short and some are long. All the operations in which the Selous Scouts were involved were copied or paraphrased using the same basic form of expression.

(g) Both works were based upon the same source material. As indicated earlier, Stiff testified that he had re-read all the source material before writing 'A Pictorial Account'. That can be accepted. However, nothing was drawn from the source material which had not been drawn for 'Top Secret War'. Except for one instance no parallel passages were found in the source material. As a matter of fact the source material conclusively proves that the historical facts would have been restated quite differently. Although it can be said that Stiff, like Shelley, 'was a great reader, and (he) had an unusually keen verbal sense and a very retentive memory' it cannot be said that 'what has actually happened, most probably, is that the poet in his reading of the authors mentioned above had unconsciously absorbed and retained the skeleton images, but in the crucible of his own mind the original images have suffered a seachange into something richly and strangely his own'. (DL Clark quoted by Cecile Celliers *Tydskrif vir Letterkunde* 2.5.86 p 72.)

CONCLUSION AND ORDER

The conclusion is then that the plaintiff did discharge his *onus* of establishing copyright infringement. The form of order that has to follow was agreed upon. It is then ordered :

- 1 The defendants are interdicted from publishing, printing, selling, offering for sale or dealing with any copies of 'Selous Scouts - Rhodesian War - A Pictorial Account'.
- 2 The defendants are ordered to deliver up within 7 days all copies of the said work to the plaintiff.
- 3 The relief sought in prayer 3 (account of profits) and prayer 4 (damages) is postponed *sine die*.
- 4 The defendants are ordered, jointly and severally, to pay plaintiff's costs of suit, such costs to include the costs of two counsel.

KAMBROOK DISTRIBUTING v HAZ PRODUCTS AND OTHERS

WITWATERSRAND LOCAL DIVISION

KRIEGLER J

24 DECEMBER 1986

A mass-produced item such as an electric kettle may enjoy copyright protection since it may be classified as a work of craftsmanship of a technical nature. However, to demonstrate similarity the degree of proof required was greater and the balance of interests between the creator of the kettle and a competitor with a similar product had also to be taken into account. The alleged infringer's access to the copyright work prior to the alleged infringement was also relevant.

The applicant was a leading manufacturer of electrical household appliances. It manufactured and sold a plastic jug kettle incorporating a food-warming and egg-cooking device known as the 'K10'. The K10 was originally conceived by the founder of the applicant, working drawings were made of it as well as sketches, models and moulds, and each of the employees of the applicant and its associated companies involved in these activities assigned their copyright in these works to the applicant. One of its employees, a certain Sharman, was involved in introducing the K10 to the South African market. Thereafter, he resigned the applicant's employ and joined the first respondent. Some 8 months later, the first respondent introduced a plastic jug kettle incorporating the same features as the K10, and known as the 'Combi Kettle', to the South African market.

The applicant alleged that the first respondent had infringed its artistic copyright by reproducing the particular form of the K10, the ribbed handle shape, the socket design, the spout position and the method of affixing the handle. It alleged that the two kettles had identical proportions in the taper of each of them, the ratio of lid and base circumferences to height, the position of the element and the nature of the handle and its position relative to the spout. The respondents denied that the form of the K10 possessed any uniqueness or distinctiveness and alleged that the proportions of the Combi Kettle were determined only by manufacturing, functional, and aesthetic principles as well as rules of design as constrained by the chosen capacity of the kettles. They alleged that the Combi Kettle was created independently by some of the first respondent's employees and was based on the design of another kettle. It also showed that its budget for sales during the year after Sharman's resignation did not include sales of the Combi Kettle.

The applicant sought an interim interdict against the respondents preventing them from manufacturing or dealing in the Combi Kettle pending the ultimate resolution of an action for a final interdict, delivery up and damages.

The fact that the K10 was a mass-produced item did not mean that it was not an artistic work, for it fell within the meaning of a work of craftsmanship of a technical nature as was referred to in the Copyright Act (no 98 of 1978). The reference in section 15 of that Act to reproductions of artistic works having a utilitarian purpose and made by an industrial process also indicated that such works could be protected by copyright. The K10 could in fact be classified as such a work because the work undertaken in creating it by the applicant's employees constituted acts of craftsmanship which came to be embodied in the K10.

The applicant had relied to a large extent on the alleged uniqueness of the K10 in order to establish its copyright, and in so doing had tended to assume that there could be copyright in an idea. That there could not be, was trite law. What had to be proved was that there had been copying of the physical representation of the idea. In doing so, similarity between the two products and the nature, degree and materiality thereof were highly cogent circumstances for assessment, as was evidence of access to the K10. The degree of proof required was affected by the fact that the articles in question were common-place utilitarian items. In these circumstances, the balance of interests between the party responsible for the creation of the article and the party wishing to compete in the production of an article which fulfilled the same function was also relevant, for the variety of physical form of the representation of the idea was limited.

The applicant had made out a prima facie case of infringement since it had shown that there was similarity between the two articles and that the respondents had had access to the K10 before the Combi Kettle was conceived or designed. However, similarity was strongly contested, appeared to be largely misdirected and did not attempt to deal with contravening evidence. The evidence for similarity was also exaggerated, the two articles appearing to be quite dissimilar. Without a strong case for similarity, the applicant's case was weak. The applicant's prima facie case was therefore open to some doubt, especially in view of the fact that the respondents had submitted evidence which tended to show that it had created the Combi Kettle independently.

The application was refused.

Kriegler J: This is an application for an interdict *pendente lite* and ancillary relief. It arises out of alleged infringement of artistic copyright in a work of technical craftsmanship, namely, a plastic jug kettle cum foodwarmer and eggcooker, known as the K10.

The applicant, to which I shall refer as Kambrook, was founded in Australia in 1969 by a Mr F R Bannigan, an electrical engineer. It is a leading manufacturer in Australia of electrical household appliances. By 1984 it had an annual turnover of 70 million Australian Dollars and was marketing its products internationally, including in South Africa, with manufacturing facilities at its principal place of business in North Clayton, Victoria, Australia and also in New Zealand and in the Republic of Ireland. One of its extensive range of products is the K10, the idea for which Bannigan conceived in 1978. More about Mr Bannigan and the K10 later.

The South African distributor of Kambrook's products is S.A. Housewares (Pty) Limited, a joint venture formed by 3 well known South African companies at the beginning of 1983. They were Sweidan & King (Pty) Limited, the General Electric Company and what is termed the Defy Group. Pursuant to its distribution agency, S.A. Housewares imported a range of some 19 Kambrook appliances, including the K10. The range went on sale in about December 1983. By October of 1984 some 26 000 units of the K10

had been sold by S.A. Housewares.

In July 1984 a product called the Haz Combi Kettle was introduced to the South African electrical appliance market. It, like the K10, is a plastic jug kettle incorporating a food-warming and egg-cooking device. The Combi Kettle is manufactured by the first respondent (to which I shall refer hereafter as 'Haz Products') at its factory on the West Rand. Haz Products was formed in 1980 by a mechanical engineer called Zanner, a plastic engineer called Hermann and a production engineer by the name of Austin. Haz Products' business was and is the manufacture of domestic appliances made primarily from moulded plastic. Initially it mainly manufactured specific products on order from customers. Sweidan & King (Pty) Limited and, subsequently, S.A. Housewares, were customers of Haz Products. The plastic moulding was done for Haz Products by an associated company called Porocell Plastics (Pty) Limited. Zanner had a long standing relationship with the latter company.

During 1983 Zanner and the other directors of Haz Products decided to commence selling a range of products directly to retailers of domestic appliances. They expanded their product range, engaged the third respondent (to whom I shall henceforth refer as 'Sharman') and incorporated the second respondent (henceforth called 'Haz Appliances'). The latter was to act as the selling arm for the associated companies controlled by Zanner *et al.* Sharman was at that stage well known to Messrs Zanner, Hermann & Austin. He had been a sales executive of Sweidan & King (Pty) Limited and was the sales director of S.A. Housewares from the time of its formation at the beginning of 1983. Sharman had had a good working relationship with Haz Products, more especially with Austin, over a number of years. The date of his resignation from S.A. Housewares is in dispute. As more turns on that date than meets the eye it will be discussed more fully later. Suffice it to say at this stage that Sharman had been employed by S.A. Housewares in an executive capacity entailing familiarity with the Kambrook range of products, including the K10, when he resigned. He was also involved introducing the range to the South African market. At the same time he had had a relationship in 1969 by association with Haz Products. Some 8 months after he had joined the latter, the Combi Kettle, patently a competitor of the K10, appeared on the South African market. Both appliances are jug-shaped electric kettles. They are both made of plastic. They both have an internal heating element. They both have the special feature that, by using a particular fitting, they can be used to warm food or to cook eggs. In the case of the K10 the eggs are poached whereas in the case of the Combi Kettle the eggs are boiled.

Kambrook's case is that the Combi Kettle constitutes an infringement of

its copyright in the K10. The relief it originally sought was a final interdict restraining the respondents from infringing that copyright by reproducing or adapting the K10 or any of the element of artistic copyright involved in its making by manufacturing or in any way dealing in the Combi Kettle. Ancillary relief in the form of delivery up and referral to evidence on the question of damages was also sought. Irresoluble conflicts of fact on the affidavits rendered a final determination of the matter impossible on paper. Hence the contraction by Kambrook of the relief it sought to an interim interdict against the manufacture of or dealing in the Combi Kettle pending the ultimate resolution of an action for a final interdict, delivery up and damages.

The respondents opposed the interim relief sought, contending that the application should be dismissed with costs.

In order to evaluate the relative merits of the parties' opposing contentions, a fairly extensive resumé of the evidence will be necessary. This has been rendered somewhat more difficult than usual as a result of the way in which the matter was launched and thereafter handled.

Originally the respondents were given a restricted period to meet the case presented by Kambrook as an urgent one. They responded timeously but in truncated fashion. The essence of the case they put up was that the conception, design and production of the Combi Kettle came about independently of the K10. In reply considerable new matter was raised. An application to strike that matter out was obviated by an agreement which permitted the respondents to amplify their answer. This they did but, once again, in a considerable hurry. Further supplementary affidavits were filed by both sides dealing with particular issues that had originally been overlooked or had not adequately been dealt with originally. In the result there was a welter of allegations, denials, retorts, amplifications, counter-denials, corrections, argumentation and the like.

The founding affidavit was by Bannigan. He sketched the origin of the K10 in the context of a description of Kambrook's business activities around the world. Paragraphs 6 and 7 of his founding affidavit read as follows:

‘6.1 I am the originator and original designer of the K10.

6.2 During 1978 I conceived the idea for a combination plastic kettle and food and drink heater. At the time there were on the market stainless steel upright kettles which had a false bottom concealing the heating element. Consumers, I knew, used steel upright kettles of this type to carry out an additional food cooking function by putting a baby's bottle or a tin of spaghetti, for example, on the ‘false bottom’. I set out to replace such false bottomed steel kettles with a (cheaper) plastic kettle

which did not have a false bottom but which would enable customers to carry out this additional food and drink heating function. Having decided to eliminate the "false bottom", I was obliged to design a form of jug kettle which could accommodate an *internally suspended* food basket, which basket would in turn keep the food to be cooked in the surrounding boiling water, free of the bare heating element. It was the design imperative which gave rise to the peculiar and unique configuration of volumetric form of the K10 jug kettle itself. The idea was revolutionary and so was the form which KAMBROOK gave it.

6.3 KAMBROOK's artistic copyright consists in several elements each, I am advised, falling within the definition of artistic works as defined in the Copyright Act.

6.3.1 The K10 constitutes a work of technical craftsmanship in respect of which protection from reproduction and adaptation is afforded under the Act. The technical craft exercised in its creation consists in the following separate elements which, I am further advised, constitute additionally in their own right artistic works, namely—

6.3.2 sketches in the form of assembly drawings of the K10 and technical drawings for the manufacture of dies and models by means of which each component part is made;

6.3.3 a wooden model, made pursuant to the conceptual sketches, of the jug kettle, its handle and lid;

6.3.4 the dyes as such and the plastic forms fabricated by them, as engravings within the meaning of the Act; and

6.3.5 wooden models and epoxy resin patterns, as sculptures within the meaning of the Act.

The facts relating to this authorship by qualified persons, the original skill and labour exercised by them and the assignment of their copyright to KAMBROOK are set out below:

6.4 During October of 1978 and over a period of about a week I made a number of freehand sketches and drawings on sheets of paper representing the desired form and function of the combination kettle that was to become KAMBROOK's K10. These sketches were subsequently discarded and cannot be found.

6.5 In late 1983 KAMBROOK discovered that a group of companies known as the AVORA GROUP, were selling in the United Kingdom, very successfully, a multi-purpose food and drink heater under the name MULTIBOIL, the design for which appeared to have been copied from the K10. KAMBROOK sued the AVORA GROUP for

copyright infringement (and obtained an interim injunction which has since been made final). I was advised by KAMBROOK's solicitors in the United Kingdom, SIMMONS & SIMMONS, that for the purpose of those proceedings I should try to reconstruct as accurately as possible the appearance of the drawings which I had made some five years previously in 1978, since these were amongst the objects on which KAMBROOK was relying in showing copyright in the K10.

- 6.6 At the request of SIMMONS & SIMMONS, in late January or early February 1984, I tried to reconstruct on paper the process by which my drawings came into existence. Annexure ``B3" is a copy of the reconstruction drawings made by me and the prefatory exhibit page by which they were produced in court in the aforesaid AVORA proceedings. As it was not possible for me to recall with precision the exact appearance of my original preliminary sketches, I produced a series of rough drawings retracing the steps by which I arrived at the final concrete form of the K10. The final drawing on page 6 of Annexure `B3' is, however, a reconstruction of the form of the K10 which I used to communicate the K10 form to KAMBROOK's toolmakers.
- 6.7 Drawings like those which appear on page 6 of the set of reconstruction drawings constituted the starting point of the technical craft that was exercised in the creation of the K10 itself.
- 6.8 In designing KAMBROOK's products I worked closely with KAMBROOK's toolmakers, KIMBERLEY PLASTICS (PROPRIETARY) LIMITED (``KIMBERLEY PLASTICS") and their usual pattern-makers, K & N STEPHENS (PROPRIETARY) LIMITED (``K & N STEPHENS") both of Moorabbin, Melbourne. KAMBROOK's relationship with these companies is so close that for all practical purposes these concerns are KAMBROOK's in house tooling design team.
- 6.9 Annexure ``B4" is an affidavit by the managing director of KIMBERLEY PLASTICS, MR F T KIMBERLEY, where the circumstances and manner in which the tooling for the injection moulding for the component parts of the K10 was made, are set out. My role, as also that of K & N STEPHENS and BEZA PATTERNS (PROPRIETARY) LIMITED (``BEZA"), in the creation of the K10 is also set out in MR KIMBERLEY's affidavit. It will also be observed that MR KIMBERLEY, in his affidavit, transfers, cedes and assigns in writing any copyright in South Africa in whatsoever form which he personally or KIMBERLEY PLASTICS may have had, to

KAMBROOK. MR KIMBERLEY and his company were resident in Australia at the time that the K10 was made.

- 6.10 It will also be seen from MR KIMBERLEY's affidavit that I asked KIMBERLEY PLASTICS to start work on making tooling drawings for the K10. The task of preparing tooling drawings was assigned to MR BOUGHEY, an employee at the time of KIMBERLEY PLASTICS. But before committing KAMBROOK to the expense of having moulds and dyes made, I arranged for a wooden mock up or model of the exterior parts of my design for the K10 to be made from my sketches. In the course of investigating the authorship, skill and labour of each craftsmanship involved in the creation of the K10 for the purposes of meeting the evidentiary requirements of these proceedings, I have ascertained that MR GERHART ALFRED BEZA, of BEXA, was engaged to make such mock up. The purpose of the mock up was to provide a visual check on the development of the design process. MR BEZA's affidavit setting out his role in the creation of the K10, the manner and circumstances in which he made the mock up and wherein he assigns any copyright either he or his company may possess to KAMBROOK, accompanies this affidavit.
- 6.11 In the case of the handle and egg cooker of the K10, KIMBERLEY PLASTICS engaged K & N STEPHENS, and in the case of the spout, BEZA, to make models and moulds. The reason for this, as will appear from MR KIMBERLEY's affidavit, is that the angles and radii of those parts are too complex to permit of direct machining of the dye from tooling drawings.
- 6.12 The circumstances, making and authorship of those models and moulds which, I submit, constitute works of sculpture, are set out in the accompanying affidavits of MR STEPHENS, the managing director of K & N STEPHENS, and MR BEZA.
- 6.13 I am advised that during the period 1st January 1979 to 23rd May 1980 the South African copyright legislation provided that the author of any work capable of bearing copyright was its first owner, no matter by whom employed. As much of the technical craft exercised in the making of the component parts of the K10 was done during that period KAMBROOK has procured individual assignments from all the parties engaged in the making of those components. In the case of KIMBERLEY PLASTICS, the following toolmakers who played a role have made affidavits confirming their role and transferring, ceding and assigning their copyright to KAMBROOK: MICHAEL LEWIS BASSE, MICHAEL HUNTER BELLAMY and

- TERRENCE BOUGHEY. Their affidavits accompany these papers.
- 6.14 In the case of K & N STEPHENS, MR NICK BOOTH made the models and moulds under the supervision of MR STEPHENS. MR STEPHENS has, in his accompanying affidavit, assigned any copyright which he or his company may own in those patterns to KAMBROOK. MR BOOTH's accompanying affidavit also confirms his role and effects in writing the transfer, cession and assignment of copyright which he may enjoy to KAMBROOK.
- 6.15 In the case of the author of the tooling drawings, MR BOUGHEY (who is presently employed by KAMBROOK) similarly in his accompanying affidavit confirms his authorship thereof and transfers, cedes and assigns any copyright which he may personally possess to KAMBROOK.
- 6.16 Whilst I made the sketches during 1978 (at which time I am advised South African law provided that an employee such as I then was to KAMBROOK, who made drawings in the course and scope of his employment, vested copyright therein in his employer) I played a significant role in the overall development of the K10 as a work of technical craftsmanship during 1979. As such and to the extent necessary I hereby transfer, cede and assign all my copyright therein to KAMBROOK.
- 6.17 I submit from the foregoing that the technical craft exercised in the genesis and creation of the K10 is substantial and that it consists in a variety of different skills and works. I am advised that each of those separate works, namely sketches, tooling, drawings, engravings (in the form of both dyes and the parts made from the dyes), and sculptures (in the form of moulds and wooden models and mock ups) are each capable of bearing copyright in their own right and I submit on the evidence adduced do bear such copyright. KAMBROOK is the owner of all such copyright by virtue of the assignments adduced and attested to in the accompanying affidavits.
- 6.18 I submit further that the aforesaid separate works constitute the K10 a work of technical draftsmanship in its own right under the Copyright Act and that by virtue of the various transfers and assignments adduced in evidence that KAMBROOK is the owner thereof.
7. THE INNOVATIVE NATURE OF THE K10
- 7.11 I am advised that copyright resides in the manner or form in which ideas are expressed. It is the Applicant's case that its K10 is a *particularised and distinct expression* of a unique idea for a

combination jug kettle and food warmer and that the substance and quality of this particularised and distinct expression of a unique idea has been reproduced by the Respondents in varying degrees of detail.

7.2 The K10 is not *merely* one amongst other plastic jug kettles adapted to receive internal cooking parts.

7.3 The K10 was the first *jug shaped plastic kettle* made out of plastic anywhere in the world, and is the only kettle to this day which has been designed legitimately to display combination internal cooking features. Similar *combination jug kettles* have been manufactured illegitimately by two parties against whom KAMBROOK has instituted infringement proceedings.

7.4 The K10 has a characteristic design quality and a comparison with other simple (non-combination function) jug kettles (which came onto the market in various countries after the K10) shows in each instance ineluctable design differences from the peculiar volume and shape which characterise the K10. These design features are wholly distinctive of the K10 which the idea of making a jug kettle out of plastic has been copied by other manufacturers.

7.5 The form of these various simple jug shaped kettles (which as stated above have appeared on the market since the launch of the K10) is quite different from the K10.

Examples of these are:-

Rowenta
Russell Hobbs
Breville
Moulinex Contour
Swan and
Autoboil

Specimens of these kettles will be available at the hearing of this matter and may be inspected by the respondents at the offices of KAMBROOK's attorneys of record. It will be observed that none of these *subsequent* plastic jug shaped kettles reproduce the unique volumetric form of the K10 or the distinctive quality of its handle design or have a multi-purpose function.

7.6 The unique *form* of the K10 jug kettle itself (that is to say its external shape including its handle as distinct from its internal design features) constitutes a particular and distinctive *expression* of my original idea.

7.7 The combination of multi-purpose *function* lies in the fact that a plastic jug kettle (which otherwise functions as a normal kettle with an exposed element for heating water) can simultaneously be used to heat

a beverage or food container (by means of a plastic basket adapted to receive the container and suspended at an appropriate height above the heating element) and to cook eggs in a similarly suspended tray. As such the K10 is typical of KAMBROOK's novel household products which it characterises by the slogan -

'Now that's a good idea'

in its advertising.

- 7.8 The originality of the K10 kettle itself and its peculiar configuration is readily appreciated by comparing its shape with competing jug kettles on the market, examples of which are referred to in paragraph 7.4. The shape of the K10 jug kettle, as will be demonstrated at the hearing hereof, is quite distinct from all other plastic or metal jug kettles legitimately on the market. It is squat and its overall configuration does not possess an elegance of line usual in kettle design. Its volume and more particularly the ratio of its height to base and lid circumference areas, together with the method of fixing and ribbing feature of the handle, are unique *not only* because of the originality of the K10 as a design concept, but because of the *form* in which it is expressed and embodied.
- 7.9 The *relative size* and fit of the food basket and egg platform with respect to the *particular* jug kettle shape of the K10 is an essential part of an overall *integrated design* of the internal and external components.
- 7.10 As stated above the K10 is a unique product with the exception of the unlawful copies herein mentioned. It is unique in its combination function. The K10 has been a highly successful product, in excess of 500 000 having been sold worldwide since its launch in mid 1979.
- 7.11 The success of the product is, I believe, largely attributable to its uniqueness and to the fact that it meets a widely felt domestic need.
- 7.12 Other features determining the unique form of the K10 lie in the ribbed shape and relative position of the handle, spout, socket and heating element with respect to the jug kettle itself, as also the method whereby the handle is fixed to the jug.
- 7.13 The proportion and ratio of dimensions by which the K10 jug kettle is expressed, were determined by me in conjunction with the parties involved in the physical creation of the object, namely, BEZA PATTERNS, KIMBERLEY PLASTICS and K & N STEPHENS in the manner referred to in paragraph 6 above and as set out in the accompanying affidavits of their employees and officers. Those proportions and dimensions are the result of the exercise of original

skill and labour of the creators of the work.

- 7.14 The dimensions and proportions of the K10 are arbitrary in the sense that they were chosen by the creators of the K10 according to their sense of technical and aesthetic craft. The expression of that craft is the *form* of the K10 which they arrived at.'

(Supporting affidavits by the people referred to by Bannigan were attached. In a subsequent affidavit by Bannigan, verified by each of the others, the fact that they were residents of Australia at the relevant time was established.)

In paragraph 8 of the founding affidavit Bannigan proceeded to describe the Combi Kettle and to make out the case that it infringed Kambrook's copyright in the K10. He commenced by alleging, broadly, that in the Combi Kettle the particular form the K10 had been reproduced. In particular he pointed to alleged substantial similarity in respect of 'volumetric form', 'the ribbed handle shape, socket design and spout position' and the 'method of affixing the handle'. These, he contended, demonstrated that not only the unique idea of the K10 had been used but that its particular form had been reproduced.

By reference to comparative drawings of the two appliances (annexures B6-B9) he sought to exemplify the reproduction and adaptation. He also made the point that the lids and internal components of the two kettles were interchangeable. He then submitted that what he termed the identity of proportions demonstrated unequivocally a reproduction with recognisable substantial features despite an attempt at transformation. The features were the taper of the jug, the ratio of its lid and base circumferences to its height, the position of the element, the nature of the handle and its position relative to the spout. The relative allegations were summed up as follows by Bannigan in paragraphs 8.13 and 8.14 of the founding affidavit:

- '8.13 If the respondents had only used the applicant's *idea* of a combination kettle and food and drink warmer (which idea I would stress is unique to KAMBROOK), then I submit, the unique *form and proportions* of the K10 jug kettle itself would not have been reproduced by them with the fidelity illustrated in Annexures 'B6' to 'B9' hereto. I submit, on the contrary, that if the respondents had only used KAMBROOK's design *idea*, its Combi-Kettle would have had a volumetric form and *format of interrelation* between handle, spout, socket, jug taper, ratio of height to base and lid circumference areas, different from that of the K10.

- 8.14 In the event all those elements of the K10 jug kettle *form* have been faithfully adhered to and reproduced in the Combi-kettle. I say

further that this is not surprising since the transformation of the K10 food basket and egg cooking platform in the Combi-kettle is and is intended to be a mechanical equivalent of those K10 components, permitting them to be put into an identical volumetric form.'

The founding affidavit, supported by an affidavit by a Mr Sweidan, the Managing Director of S.A. Housewares, then proceeded to deal with Sharman's role. The case they put forward was that he, as sales director of S.A. Housewares,

'.... had complete control of the marketing and sales of KAMBROOK's products, including the K10, on behalf of S.A. HOUSEWARES. He was also responsible for the placing of all S.A. HOUSEWARES' orders with KAMBROOK for the supply of its products, including the K10 and in fact planned with me the volume selling of these products during my visits to South Africa.'

(Per Bannnigan, paragraph 8.20).

According to Sweidan a particular marketing strategy for the Kambrook range was devised by himself and Sharman. He described this strategy in the following terms:

'11. S.A. HOUSEWARES adopted a marketing strategy of selling KAMBROOK's product range as a ``package". The K10 is used as a ``flagship" of the package. Retailers are offered the K10 at more or less cost price, provided they buy a ``package" or mix of several other products; the profit being made on the package rather than the K10 *per se*.

12. In addition to this—the K10 itself because of its inherently innovative nature and because it was until recently the only product of its type on the market and meets a widely felt consumer need—has been expressly used to introduce KAMBROOK'S entire product range to the market and the consumer.

13. As such (and to MR SHARMAN's knowledge and intent) the innovative K10 had the effect of popularising KAMBROOK's products and by this means facilitated the introduction of its other products on the market.

14. The successful marketing of KAMBROOK products thus depends on the proper distribution of the K10—which is the nucleus of ``flagship" product.'

Relatively tentatively in the founding papers and directly in reply it was alleged that:

1. Sharman's relationship with Haz Products and its directors had at all times

- been unduly close;
2. In representing S.A. Housewares in its dealings with Haz Products, Sharman had favoured the latter;
 3. While still employed by S.A. Housewares he had breached his duty of good faith towards his employer by passing on to Haz Products either the K10 itself or details thereof to enable Haz Products to copy it.

In this regard reliance was placed on the affidavit evidence of colleagues who had observed Sharman's conduct at the time. Thus a Mr Rademacher, the technical manager of S.A. Housewares, deposed that Zanner and Austin frequently visited Sharman in his office at a time while the K10, a unique appliance, was on open display there. One Glossop, S.A. Housewares marketing director until May 1983 (probably 1984), filed an affidavit to substantially the same effect. S.A. Housewares administrative manager, Mr Unser, confirmed this evidence and suggested that Zanner and Austin 'must have been the K10 samples, if not discussed the K10 with Sharman'. Unser added the following:

'In fact, at least two months before leaving S.A. Housewares, Sharman prepared a budget for Haz Products. He asked me to photocopy this document and I kept a copy. I confirm that Sweidan states about this document in paragraph D.13 of his affidavit which I have read. Annexure "D1A" to his affidavit is the document in question.'

The date of Sharman's departure from S.A. Housewares was originally described by Bannigan as 'during late 1983'. Sweidan put it as 'August 1984, when he suddenly resigned'. Clearly the '4' should be a '3'.

Sharman's version as to the date and circumstances of his resignation was not denied in reply. It was as follows:

'I resigned from S.A. Housewares on the 17th October 1983. I resigned after I had spent a day considering the offer which had been made to me by Mr Austin to join the Haz group of companies. When I advised Mr Sweidan of my resignation it was agreed that I would serve a period of notice, but it soon became apparent to me that I was not able to act in the best interests of S.A. Housewares during this period of notice and I discussed this with Mr Sweidan. It was then agreed that I should leave the company's employment forthwith, and I joined the Haz group on the 20th October 1983. As far as I was aware there was no animosity on the part of the other directors of S.A. Housewares to my leaving as they appreciated that I was leaving because I had better opportunities offered to me than I could expect in S.A. Housewares.'

In an earlier passage, also not denied in reply, Sharman had stated that Austin had communicated with him upon his return from leave on 16 October

1983 and had offered him employment with the Haz Group.

The suggestions and allegations that there had been something untoward in Sharman's relationship with Haz Products or its directors while he was still with S.A. Housewares were vehemently denied by Sharman. So, too, he denied (and subsequently did so in great detail) the allegations by Bannigan and Sweidan regarding the nature of the sales strategy for the Kambrook range, his role in negotiating the distributing agency and in its implementation. He specifically denied, giving circumstantial corroboration, that he had ever had samples of the K10 on display in his office. According to him Sweidan was the man at S.A. Housewares who was principally concerned with imported products, such as the Kambrook range.

On one point, however, there was a substantial agreement. That related to a conversation between Sharman and Bannigan in February 1984. Bannigan described it as follows:

'In February 1984 MR SHARMAN approached me at the international household appliances exhibition in Cologne in Germany and questioned me about an infringement action concerning the K10 in the United Kingdom against the AVORA GROUP. He asked me what rights KAMBROOK had to exclusivity of its design and whether he could be stopped from using it. My short reply to him was that it was KAMBROOK's policy to sue anyone that copied its products if this was justified.'

Sharman, in dealing with this allegation, confirmed having approached Bannigan with the enquiry alleged and said that he had done so 'to find out what rights the applicant claimed to have'. He added that, on his return to South Africa, he obtained legal advice on a possible infringement of Kambrook's rights *vis-a-vis* the Combi Kettle and the K10, which he knew would be competitive products on the South African market.

In his founding affidavit Bannigan also dealt in detail with the alleged urgency, the absence of an alternative remedy affording Kambrook adequate protection, the damage it would suffer unless an interdict were granted and the balance of convenience.

These were dealt with in detail by counsel in the course of argument and can more conveniently be considered in the context of a discussion of the factual and legal arguments advanced. Suffice it to say at this stage that the respondent joined issue with Kambrook on each of those points.

At the stage when the respondents came to file their answer, the substance of Kambrook's case on infringement rested in the main on—

- (a) Bannigan's evidence (supported by the various Australian craftsmen) regarding the vesting of copyright in respect of the K10 in Kambrook;

- (b) Bannigan's evidence of close similarity between the two appliances; and
- (c) Bannigan's and Sweidan's evidence regarding knowledge of and access to the K10 by Haz Products via Sharman prior to the production of the Combi Kettle.

The response put up on behalf of the respondents by the various deponents, in a nutshell, was:

1. A denial that Kambrook had any copyright in the K10.
2. A denial that the K10 was unique, either in its conception or its form.
3. An assertion, supported by affidavits from third parties, that the Combi Kettle had been designed without reference to or—indeed—knowledge of the K10, either via Sharman or at all.
4. A denial of close similarity between the K10 and the Combi Kettle coupled with an assertion that such similarities as there were, were due to design and manufacturing parameters in relation to an essentially functional utensil.
5. Consequently a denial that there had been any infringement of copyright.
6. A denial that there had been any disclosure by Sharman to Haz Products in respect of the K10.

The principal deponent on behalf of the respondents was Zanner. He was the managing director of Haz Products, a director of Haz Appliances and a co-founder of both. In his answering affidavit he commenced by stating that Haz Products, in mid 1983, and as a result of pressure put on it by S.A. Housewares, decided to branch out into selling an expanded range of products. One of the products it had theretofore manufactured was a plastic jug kettle made under licence to a British company by the name of D.H. Haden Limited. In about July 1983 it was decided to produce a plastic jug kettle cheaper than the Haden jug which kettle would incorporate an egg-boiler. At that stage he did not know of the existence of the K10. A sentence in paragraph 18 of his answering affidavit, dealing with general allegations by Bannigan regarding Kambrook's international business activities, figures prominently in the replying affidavits and was excoriated by counsel on behalf of Kambrook in argument. It would therefore be as well to quote it:

'I had no knowledge of Kambrook's K10 kettle and prior to this litigation had only heard of the K10 kettle through the sale thereof in South Africa.'

Sweidan, in his replying affidavit on behalf of Kambrook, quite rightly criticised that allegation by Zanner as barely credible. Sharman, on joining Haz Appliances in November 1983 and upon then becoming aware, as he and the other two respondents contend, that the Combi Kettle was going to be produced, could hardly have failed to inform his new employer, in which he had a 25% shareholding, of the directly competing K10 due to come on the

market the next month. Sweidan's criticism, with equal if not greater validity, was also directed towards Austin's affidavit annexed to Aston's answering affidavit. There Aston had stated that he had first heard of the K10 from Sharman in the middle of October 1984, ie a year after Sharman had left S.A. Housewares and three months after the Combi Kettle had come onto the South African market.

In supplementary affidavits, however, Zanner, Austin and, to a lesser extent, Sharman put the point in a different light. Zanner explained that the first sentence of paragraph 18 of his original affidavit had created a wrong impression. He said the following:

'At the outset I wish to clarify my earlier affidavit by stating that I first *heard* about the fact that there was a K10 kettle which would be competitive to the proposed Haz Combi Kettle from Mr Sharman when he joined the Haz organisation in October 1983. I emphasise the word "heard" because Mr Sweidan in his affidavits makes allegations concerning the use of this word where my previous affidavit refers having first heard of the K10 from market observation in December 1983. It was in December 1983 that I first saw and learnt any details about the K10 kettle.'

Austin, in his subsequent affidavit, said that a typographical mistake had originally be made. The date should have been 1983, not 4.

Zanner, apart from sketching the circumstances under which the Combi Kettle came into existence (on which history a number of affidavits by other deponents dwelt in more detail), pertinently joined issue with Bannigan on the allegations the latter had made in paragraphs 6, 7 and 8 of the founding affidavit.

First he denied the allegedly unique configuration and volumetric form of the K10. In this regard he said

'Ordinary plastic jugs of the same or very similar form have been manufactured and used for many years. Certainly any differences between the form of these earlier jugs and that of the K10 are not significant enough to warrant the latter being classed as "revolutionary".'

A later passage in Zanner's affidavit reads as follows:

'There are no patents or other proprietary rights which prevent anyone from making plastic jug kettles. Many of these are now made throughout the world. There is also nothing to prevent any one from accepting the idea of "combination internal cooking features" and legitimately designing their own jug kettle. This is what the first respondent did without any reference to the K10 ... (there) is nothing unique or distinctive about the K10, as its form is dictated largely by design and

manufacturing parameters ... I repeat my denial that the K10 body has an original or particular shape ...'

Zanner then proceeded to deal *seriatim* with the points of identity or close similarity alleged by Bannigan. The squat shape common to both he ascribed to 'no more than what is logically required to produce a cheap kettle for a given standard 1,7 litre volume, without producing a totally unappealing jug shape ...'

Later he expanded on this point as follows:

'The dimensions of a jug of the nature of the K10 are dictated by the manner in which it is to be manufactured, the volume it is required to hold, the design of its various components and the function it is to serve. There are similar constraints on the determination of the proportions of the jug. For example, once the height and volume of the jug are chosen, its diameter is also hereby determined. There are various jugs available which have proportions similar to the K10...'

Zanner challenged the reliability of the drawings annexed to Bannigan's affidavit (annexures B6-B9), describing them as 'grossly out of proportion not drawn to scale' and stating that 'many of the measurements indicated on those drawings are wrong'. He then referred to comparative drawings prepared by a Mr de Wet, the draughtsman who, on respondents' version, had prepared the drawings for the Combi Kettle. Later more about those drawings.

Zanner pointed out that, within the narrow constraints imposed by the exigencies of cost and plastics moulding, the ratio of lid circumference and base circumference to height of the jugs, was common. Yet there was a 50% difference in taper of the two jugs. The spouts, he indicated, were materially different, as were the lids and internal components.

The alleged interchangeability of the latter, he said, could be refuted by a simple demonstration. Regarding the alleged similarity of the position of the element in the two kettles Zanner made the point that they could not conceivably be positioned differently. That position, he said, is 'the most generally and universally accepted position in which to place a kettle element'. A similar point was made regarding the position of the spout relative to the handle. He said the following:

'Dealing with the nature of the handle and its position relative to the spout, it is difficult to understand how the spout position relative to the handle could be anything other than diametrically opposite. It is common for the handle of a jug of this nature, which incorporates a socket to have a length equal to the height of the jug. I would further point out that there are very substantial differences between the Haz Combi Kettle handle and

the K10 handle when viewed objectively, and in particular the following:

- i) The Haz handle has a narrower upper bridge joining the handle shaft to the jug whereas the K10 has a broad bridge extending from the handle to join the jug.
- ii) The hexagonal Haz socket mounting is peculiar to that of the D.H. Haden jug having been designed to be so.
- iii) The ribbing on the Haz handle have (sic) been inserted for the functional purpose of filling out the handle to make it easier to use, and as such has a concave shape following the curve of a hand, whereas the K10 ribbing is on the exterior of the handle and appears to serve only a design function since it cannot be to fill the handle out being convex in shape.
- iv) The Haz handle has side flanges on the upper and lower bridge pieces, which saves considerable plastic whereas the Kambrook handle's upper and lower bridging pieces are solid.
- v) The Kambrook handle is designed having a shaft orientation which is of opposite inclination to that of the jug so that the handle gap tapers from bottom to top, whereas the Haz handle has the shaft portion parallel to the taper of the jug.'

Regarding the alleged similarity in method of fixing the handles to the jugs Zanner said the following:

'... the use a lug on a body which inserts into a handle and is fixed by a screw, is common practice. In fact, the Haz method of securing the handle is not the same as the K10, since the Haz uses an upwardly turned lip at the end of its lug which locates in a slot in the handle, to provide a clip fixing as well as being secured by a transverse screw. The screw on the Haz handle is hidden by a name piece stuck thereover. By contrast the K10 uses a simple projecting lug and transverse screw fixing. In this regard it is noted that some of the latest K10 models now on the market make use of the turned lip at the end of the lug to provide a clip fitting for the K10, which in fact is similar to that of the Haz Combi Kettle. These new handles also dispense with the ribbing on the handle ...'

Zanner also dealt with the alleged urgency, alternative remedies, damages and the balance of convenience. His affidavit, to the extent that it dealt with infringement, was supported, firstly, by Sharman, who, as already mentioned, described when and in what circumstances he joined Haz Appliances and also traversed the imputation that he, while still with S.A. Housewares, had acted as a fifth column for Haz Products. Sharman, for reasons subsequently given in a supplementary affidavit, did not deal with the genesis of the Combi Kettle in his answering affidavit. On the respondents' version he had still

been employed by S.A. Housewares at the time and had no personal knowledge of the events in question. He did deal, however, with what had transpired upon his joining the Haz companies. He deposed that he then, for the first time, had become aware of the fact that they had been developing the Combi Kettle. He, of course, was aware of the K10 and its then imminent introduction to the South African market. He told his new employers about it right away. In his second affidavit Sharman also dealt with the question of the Haz budget that had been raised by Unser in his affidavit which formed part of the original answering affidavits. Sharman denied ever having asked Unser to photocopy the document for him, furnishing circumstantial detail in support of his denial. More importantly, he denied having prepared the document some months before he left S.A. Housewares. According to Sharman he had prepared the budget during his last few days with S.A. Housewares, after he had accepted the offer to join Haz and after he had told Sweidan of that decision. Be that as it may, the budget, whenever it may have been prepared, lists some 20 products but does not include any reference to the Combi Kettle.

The affidavits supporting Zanner regarding the origin, design and creation of the Combi Kettle were deposed to by Austin and Hermann, Zanner's co-directors, and by De Wet and one Streibel, a draughtsman and designer who, on the respondent's version, has made a wooden model of the embryo Combi Kettle according to drawings prepared by De Wet. The latter's affidavit describes in considerable detail his involvement in the evolution of the Combi Kettle. Early in 1983 he was given a set of drawings of the Haden jug kettle and instructed to make tooling drawings for its production by Haz Products. During or about August of that year Haz Products (represented by Hermann) instructed him to undertake the design work for a jug kettle which ultimately culminated in the Combi Kettle. His instructions were to design an electric jug similar to the Haden, but cheaper and incorporating an egg boiler. He was given a Haden jug and a Bosch egg boiler, a heating element and a sheet of rough drawings, which he and Austin identified as having been drawn by the latter. De Wet's affidavit describes in detail how the design progressed. A number of tangential flat surfaces, visible on the outside of the Combi Kettle vessel and evident on the inside as pillar-like indentations, came to be designed as supports on which to rest the egg-boiler platform. The affidavit also traces the development of the jug, its proportions and dimensions, his instructions having been to design for a capacity of 1,7 litres. That De Wet stated, was a standard jug volume. According to De Wet his instructions were also to design an appliance resembling the Haden. He started with the egg platform, using the Bosch as a guide. Then he had to

determine the height at which it would be located in the jug. This, in turn, necessitated locating the heating element and designing its socket. That socket would form an additional indentation/ platform support. Hence the positioning of the element and the socket determined the height of the other indentations. They, of course, determined the height at which the platform would rest in the kettle. In designing the socket, including the positioning of lugs onto which the jug handle could be fixed by means of screws, De Wet basically followed the Haden design. In designing the handle and its juncture with the element socket he followed the Haden jug's general features. In designing the mode of affixing the handle to the jug at the top he adopted a method commonly used in kitchen appliances, namely a projecting lug over which the handle clipped and to which it could be screwed. The length of the handle largely determined the height of the jug. Working within the parameters predetermined by moulding requirements, andake the design we he had limited lee-way.

The spout he designed to resemble that of the Haden jug. Subsequently he also designed a heating tray and, after a re-think, its handles and the handle of the egg platform were changed to their final form. De Wet, in dealing with alleged copying of the K10 in the creation of the Combi Kettle, said the following:

'I had not heard of the Kambrook K10 or the concept thereof, before I designed the Haz Combi Kettle as described above. I may have subsequently heard about or seen the Kambrook K10 product, but I had not seen or handled an actual Kambrook K10 jug prior to being contacted by Mr Zanner and informed of the present proceedings. Insofar as it is suggested that the Haz Combi Kettle was created by copying the Kambrook K10 jug, I deny this. The Haz Combi Kettle was the result of independent design with some reference to the Haden jug as set out above, but no reference whatsoever to the Kambrook K10 jug or any derivative or adaptation thereof. Insofar as similarities exist between the two jugs, this is a result of similar design parameters being applicable in each case.'

De Wet then dealt at some length with the comparative drawings annexed to Bannigan's affidavit, describing them as inaccurate and out of proportion. He drew a set of drawings to scale and indicating dimensions, comparing the K10, the Combi Kettle and the Haden jug. It is apparent from these drawings that there are indeed a large number of differences between the K10 on the one hand and the Combi Kettle on the other, insofar as their dimensions and proportions are concerned. There are also a number of points of similarity.

Streibel, who had, on the respondents' version, made from De Wet's

drawings the wooden model of what was to become the Combi Kettle, deposed that he was instructed to do so in September 1983 and was paid, after completion (which entailed a good deal of discussion and reworking) on 12 October 1983.

Kambrook's reply was founded on a lengthy affidavit by Sweidan. It is an ostensibly formidable document, running into over 100 paragraphs and innumerable sub-paragraphs. Upon closer examination, however, it appears that much of its bulk consists of argumentative matter. Thus it commences with an introductory paragraph, with 13 main sub-paragraphs extending over some 10 pages, containing, unless I am mistaken, not a single factual allegation properly falling within the deponent's field of personal knowledge or expertise. I quote a few examples:

'The evidence hereunder will demonstrate that the denial of copying and the assertion of independent creation cannot bear scrutiny as the similarities between the two articles is (*sic*) so overwhelming as to raise an inescapable inference of copying, while the evidence to support the denial of copying is riddled with contradiction and inherent improbability. It will be submitted that the evidence of the similarities alone will entitle the applicant to an interim interdict for any of the following reasons ...'

Then follow four more or less argumentative reasons, the last of which read as follows:

'It will be submitted that there is an evidentiary burden, if not an onus upon the respondents not only to give an explanation for the similarities, but also to explain the source from which the similarities arise. The respondents seek to source the similarities in the Haden jug kettle and the Bosch egg boiler, are seen side by side (as they will be at the hearing), the Combi Kettle to the eye is clearly sourced in the K10 and not the Haden jug. Such assertions of source by the respondent are, with respect, fanciful especially where no explanation whatsoever is given as to how and why the configuration was arrived at in the Combi Kettle from design principles. Prof. Rallis deals at length with the attempt to provide such an explanation. The only elements which are sourced from the Haden jug are the spot (presumably the spout), the aesthetic feature (but not the dimensions) of the lid. No features of technical craft as opposed to these minimal aesthetic features are sourced in the Haden jug....

The applicant contends that its case is strengthened by the fact that the respondents have sought only baldly to deny the subsistence of copyright, while not disputing the evidence of the considerable skill, labour and effort that was exercised in the creation of the K10. It will be submitted that when the respective exercise of skill and labour expended by the

parties is compared it is clear that the skill and labour of the respondents was not to create an original work but a mere attempt to disguise their copying of the K10.

The applicant will further submit that the denial of access to the K10 by the respondents is not only riddled with contradiction, but is grossly improbable. The key figure in the whole issue, namely Sharman, does not even venture to support the versions of his co-directors in the Haz Organisation in many material respect.'

The deponent was not content to confine himself to argument on the facts.

Thus:

'I submit that this is not a patent case nor a trade secret case, which relate to the protection of ideas and inventions.

I am advised that the law of copyright does not concern itself with nor protect ideas or conventions. Neither does it protect the form in which ideas or inventions manifest themselves. It protects a form, which is original from copying. The law of copyright accordingly protects the skill and labour which has been expended in the creation of a particular form in relation to an idea and the misappropriation of that skill and labour, through copying and the unfair competition and trading off that results from the copying.'

The deponent then proceeded to make allegations, some of which were denied but none of which can, on his stated qualifications, fall within his ken:

'The applicant's product and the respondent's product are competitors. They will be and are invariably sold side by side on the market. They are identical in their general configuration. I say that a normal purchaser would regard them as the identical product, not only in type but in expression. The variants to the consumer are incidental and insignificant. What is significant is the fact that the one is cheaper than the other. I respectfully submit that this speaks for itself in particular as the products are offered in absolute substitution for one another. I say that this is the reason for the configuration being the same and for the copying which has occurred.'

The assertion that the two kettles are 'invariably sold side by side' was denied on behalf of the respondents in a supplementary affidavit by Sharman. According to him the large retail chain stores, as a matter of policy, do not even stock two such competing appliances.

Sweidan's categorical statements regarding purchaser conduct and consumer reaction are also denied by Sharman, who bases his opinion 'on many years of selling to the trade'. According to him price and aesthetics are what influence purchasers who are given a choice between two competing

appliances serving the same function.

Sweidan, and to some extent Bannigan, also advanced the submission that there was something underhand in the pricing of the Combi Kettle. The suggestion was that it had been deliberately priced so as to harm the K10 in the market place. This allegation was denied on behalf of the respondents by Zanner and Sharman. According to them the price at which the Combi Kettle was sold to the trade allowed both Haz Products as manufacturer and Haz Appliances as distributor a fair profit. There was no response to those allegations.

Sweidan's affidavit continued with an even lengthier paragraph (approximately 13 pages and about 30 sub-paragraphs and innumerable sub-paragraphs) headed 'The Respondent's Explanation'. It, too, is characterised by opinion and argument rather than fact. To the extent that it does contain allegations of fact these were denied or significantly qualified in supplementary affidavits filed on behalf of the respondents. For example, Sweidan claimed that the K10 'was the first jug kettle simpliciter in the world'. Presumably the allegation was intended to be that it was the first plastic jug kettle in the market anywhere in the world. It echoes an allegation to the same effect made by Bannigan in the quotation I have cited above. Zanner responded by mentioning a German plastic electric jug that had been on the market well before the K10. A brochure and telex from the manufacturers served to back up Zanner's allegation.

Sweidan's proneness to argumentation led him into pitfalls. Thus he, supported by Unser's affidavit, made great play of the budget allegedly prepared by Sharman for Haz months before Sharman left S.A. Housewares. They did so in order to demonstrate Sharman's alleged fifth-column role. What Sweidan overlooked, however, was his own central thesis, namely that Sharman, whilst still employed by S.A. Housewares, had tipped off Haz about the unique and desirable flagship cum loss-leader shortly to be introduced to the South African market, ie the K10 and that Haz had thereupon proceeded to copy the K10. If that had taken place it is inexplicable why Sharman, in working out a marketing budget for Haz for 1984, would have left out such a vital product. Similarly Sweidan went to some length to support his denial that the Combi Kettle was designed in about August 1983. He said:

'It would have been of comparative simplicity for Haz to have produced and marketed the Combi Kettle by December 1983 if it was designed in July or August 1983. This is a prime selling time for domestic electrical appliances.'

Sharman, in response, pointed out that the Christmas marketing season

requires a supplier to the retail trade to have completed his dealings long before December. However, assuming Sweidan to be correct, the thrust of his argument is difficult to follow. If Sharman had been passing on the valuable information about the K10 long before he left S.A. Housewares (which Sweidan put at August 1983) or if Austin and his colleagues had seen the K10 in Sharman's office (in about April of May if Unser and other deponent for Kambrook, Glossop are correct) there is no reason, following Sweidan's line of argument, why the Combi Kettle could not have competed with the K10 from the moment the latter came onto the shelves in December 1983. If, of course, Sweidan is correct that Haz had not only had advance knowledge of the K10 but then merely set about reproducing a disguised copy, there would have been even less reason for the Combi Kettle to linger in the wings until July 1984.

Very much to the same effect is a point made by Sweidan in the following terms:

'It is difficult to conceive of any business organisation which to its belief must have invented a unique product waiting for one full year to market it, particularly where that organisation has a manufacturing company at its disposal and in house moulding and dye making facilities and has just entered the manufacturing and distributing market on its own account for the first time.'

Moreover, Bannigan's original theme, picked up and given emphasis by Sweidan, in regard to the balance of convenience was that the K10 was, to Sharman's knowledge, the lynch-pin of the whole Kambrook marketing strategy and that the introduction of the Combi Kettle was a deliberate move on the part of the respondents to do Kambrook grave harm. If that were indeed so, it is all the more inconceivable that the respondents would wait a year or more before bringing their purloined secret weapon onto the market, permitting its primary target to become established, if not invulnerable in the market place.

Sweidan's propensity for issuing argumentative challenges without considering their ultimate effect manifests an over-competitive state of mind, to put it mildly, which derogates from the reliability of what he averred. That state of mind is also exemplified by the use of extravagant language and hyperbole, a temptation to which Bannigan also fell victim, albeit to a lesser extent.

More importantly, though, is that neither of these two gentlemen really came to grips with the substance of what was deposed to by Zanner, De Wet, Hermann, Austin and Streibel regarding the independent creation of the Combi Kettle, based on a Haden example, intended for a specific purpose,

which a standard volume, a standard shape, a standard element and socket and within narrow moulding limits and cost restraints. Neither of them dealt with the allegation by Zanner, supported by De Wet and illustrated in the latter's comparative drawings that (a) Bannigan's drawings had been misleading and, more significantly, (b) that there were numerous visible differences between the K10 and the Combi Kettle.

What was done instead was to produce, for the first time in reply, the opinion of an expert, Prof Rallis. I have read and analysed the professor's affidavit repeatedly. My pervading impression is that he has both missed the point and sought to usurp a function with which not even this court but the trial court will ultimately be saddled. His affidavit, after having set out his undoubtedly impressive qualifications (although not indicating any experience of plastics moulding) proceeds to list the affidavits he read, to summarise them, to define the issues as he saw them and to draw conclusions therefrom. In the course of his analysis he made assumptions and findings of fact, based on his reading of the affidavits and the probabilities as he saw them. Thus:

'The respondent, in their answering papers, while denying that the KAMBROOK K10 is a unique product put forward not facts to controvert the applicant's facts in this regard and for the purposes of evaluating the origin of the form of the Haz Combi-Kettle, I accept this to be the position.'

Indeed, the respondents had sought, not merely by way of bare denial, to put up facts which, *per se* or in combination with inferences therefrom, tended to substantiate their denial. Prof Rallis was not to know that Zanner's denial that the K10 had been the first plastic jug kettle in the world would be substantiated by an earlier manufacturer. The allegation that combining a jug with an egg boiler had not been unique can also not be brushed aside in the light of the respondents' evidence. A more illustrative example of the judgemental role the deponent assumed appears from the following passage in his affidavit:

'The respondent's account of independent creation of the Combi Kettle would be entirely plausible—had I not known of the antecedent K10—as I believe would be the case with any other person trained and experienced in product design; that account, however, assumes a very different character in the face of knowledge of the antecedent K10, especially in view of the remarkable ease with which the respondents apparently could have had access to it through MR SHARMAN.'

Clearly the expert was there transgressing on the territory of the trier of fact. He indeed made credibility findings on paper.

The fact that he did so is significant for several reasons. First, it indicates the extent to which his mind was directed in a direction likely to obfuscate rather than clarify his thinking, which should have been confined to technical matters within his field of competence.

Second, it manifests a partiality, or at the very least, a lack of complete objectivity which casts a shadow, albeit a faint one, over his opinion.

Thirdly it shows that in order to arrive at his conclusion he found it necessary to pray in aid considerations which were not available to him, giving rise to the inference that he could not have arrived at the conclusion using only permissible data.

Fourthly, upon dissection the statement in the first of the two sentences quoted, actually destroys the validity of his conclusion. It really implies that, had it not been for assumption of copying (implicit in the second sentence) the witness, basing himself purely on a comparison of the two kettles, could not have come to the conclusion to which he had. I do not believe that that is what the professor wished to convey but it seems to be an unavoidable conclusion from what he stated.

A further general feature of Prof Rallis' affidavit is that he did not deal pertinently with the factual allegations in the affidavits of Zanner, De Wet *et al*, notwithstanding the fact that it is clear that he was fully aware of those details. Thus, for instance, Zanner's evidence, supported by De Wet, that an operating volume of 1,7 litres (or 3 pints) is standard for such appliances is not dealt with by Prof Rallis—nor indeed by anyone else on behalf of Kambrook. Yet the professor lists it as a feature peculiar to the K10. So, too, De Wet's evidence that the heating element used in the design and incorporated in the Combi Kettle was a standard fitting was not pertinently dealt with by Rallis and was not denied by anybody else on behalf of Kambrook. Nevertheless Prof Rallis regarded it as a feature peculiar to the K10.

To the same effect is the manner in which the professor dealt with the handles of the K10 and the Combi kettle. His conclusion was that the manner of fixing them to the vessel used a principle of fixing which was a peculiar feature of the K10, this notwithstanding De Wet's evidence that the mode of affixing the handles of cheap plastic kitchen appliances was standard and, what is more, without dealing with that evidence or De Wet's evidence that there *were* some differences in the mode of affixing.

Professor Rallis, in summarising the features peculiar to the K10 and found in the Combi Kettle, which cumulatively led him to the ineluctable conclusion that copying had taken place mentions:

‘... to all intents and purposes the same height, base and lid diameters, and

therefore the identical basic jug proportions.'

Two observations are called for. First, the combinations of words like 'to all intents and purposes' and 'basic' with a consequential 'identical' strikes me as unscientific.

Secondly, the dimensions given by De Wet in his comparative drawings (on which Prof Rallis did not comment) do not show identical proportions. Furthermore, in deciding whether similar dimensions are 'to all intents and purposes' or 'basically' identical one can, surely, only do so in a particular context. Thus the superficial and uninformed observer could be misled into believing that tapers of 2 degrees and 1,3 degrees were practically identical. Indeed, as I understand Prof Rallis, that is part of his thesis. However, if one has regard to Zanner's uncontroverted evidence (supported by De Wet) that the angle of taper for a cheap container moulded in plastic has to be of the order of 2 degrees, the difference between the two tapers assumes an entirely different hue. It is indeed, as Zanner said, a difference of more than 50%.

The last of the features listed by Prof. Rallis as a component of the ineluctable deduction he made he worded as follows:

'.... coupled with an obviously identical combination function—even though the manner of executing that combination function is different.'

That statement (of which echoes are to be found in Sweidan's main replying affidavit) reveals what I believe to be a fundamental misconception of the central issue in this case. What is in issue is not identity of function or, as Sweidan on occasion called it, a 'mechanical equivalent'. That is language appropriate to infringement of a patent—breach of copyright is concerned with reproduction or adaptation of the outwardly perceptible form, the physical features of the original. Throughout Prof Rallis' affidavit, commencing with his emphasis on the uniqueness of the K10 as a kettle jug and especially in its combination function, I detect traces of a tendency to illide the two distinct conceptions of pirating an idea and copying the form.

So much for the evidence.

I turn now to enunciate what I consider to be the relevant legal principles.

First, there are motion proceedings based on affidavit evidence. It is common cause that there are disputed issues of fact on the papers that cannot be resolved without the assistance of pleadings, discovery and *viva voce* evidence, ie in a trial action. For that very reason the relief sought was limited to interlocutory relief. The correct approach to such an application for an interim interdict is trite. In *L F Boshoff Investments (Pty) Limited v Cape Town Municipality* 1969 (2) SA 256 (C), Corbett J said the following at 267:

'Briefly these requisites are that the applicant for such temporary relief must show:

- (a) that the right which is the subject matter of the main action and which he seeks to protect by means of interim relief is clear or, if not clear, is *prima facie* established, though open to some doubt;
- (b) that, if the right is *prima facie* established, there is a well-grounded apprehension of irreparable harm to the applicant if the interim relief is not granted and he ultimately succeeds in establishing his right;
- (c) that the balance of convenience favours the granting of interim relief; and
- (d) that the applicant has no other satisfactory remedy.'

In deciding whether an applicant has made out a sufficient case on those four criteria, notwithstanding disputed issues of fact incapable of resolution on paper, the proper approach is clear. I quote the well-known passage in the judgement of Clayden J in *Webster v Mitchell* 1948 (1) SA 1886 (W) at 1189:

'The proper manner of approach is to take the facts as set out by the applicant together with any facts set out by the respondent which applicant cannot dispute and to consider whether, having regard to the inherent probabilities, the applicant could on those facts obtain final relief at a trial. The facts set up in contradiction by the respondent should then be considered, and if serious doubt is thrown upon the case of applicant he could not succeed ... '

In *Gool v Minister of Justice and another* 1955 (2) SA 682 C, it was suggested, in my respectful view correctly, that the word 'should' ought to be substituted for 'could' in the observation of Clayden J above.

Further, approaching the disputed issues in that manner and in ascertaining the presence or absence of the four requirements listed by Corbett J in the passages quoted above, one does not adopt a piece-meal nor a mechanical process, laboriously wading through the criteria for an interdict in mechanical succession. What is called for is an evaluation of the case as a whole. An applicant's ultimate prospects of success, ie the relative strength of its *prima facie* case when juxtaposed with the opposing case casting doubt upon it, must be viewed in conjunction with the balance of convenience and the presence or adequacy of other remedies. Thus a strong *prima facie* case upon which scant doubt has been cast, will more likely warrant the granting of an interim interdict (notwithstanding a slight balance of convenience favouring the respondent) than would a *prima facie* case subject to substantial doubt. Also, the irreparability of the harm to the applicant if no injunction be granted cannot be divorced from—and may in a given case merely be another way of expressing—the balance of convenience. The adequacy of other remedies forms part and parcel of that evaluation. See

Hubbard and Another v Vosper and Another 1972 (1) AER 1023 (CA) and *Beecham Group Limited v BM Group (Pty) Limited* 1977 (1) SA 50 (T), the head-note of which contains the following apposite passage:

'In an application for a temporary interdict restraining the infringement of a patent pending determination of an action for final relief, both the question of the applicant's prospects of success in the action and the question whether he would be adequately compensated by an award of damages at the trial are factors which should be taken into account as part of a general discretion to be exercised by the court in considering whether to grant or refuse a temporary interdict. Those two elements should not be considered separately or in isolation, but as part of the discretionary function of the Court which includes a consideration of the balance of convenience and the respective prejudice which would be suffered by each party as a result of the grant or the refusal of a temporary interdict. As to the question of damages, the question of discretion is bound up with the question whether the rights of the party complaining can be protected "by any other ordinary remedy".'

The spirit in which the exercise is to be conducted was described in *Hubbard's* case, *supra*, as one of 'fairness, justice and common sense in relation to the whole of the issues of fact and law which are relevant to the particular case'.

Stating the relevant legal principles is easy, the rub lies in applying them. Nevertheless, one is obliged to grasp the nettle as best one can. Franklin J said the following on the point in *Beecham, supra*, at page 55:

'... It may be impossible for the court hearing an application for a temporary interdict to try to resolve, on affidavit, difficult questions of fact and law the decision of which may depend upon expert oral evidence on both sides properly tested in cross-examination. Indeed despite the detailed arguments which were addressed to us on the questions of the validity and infringement of the patent, Counsel on both sides expressly disclaimed any request to this court to express any final view upon those questions. But that is not to say that the court should refrain from considering the relative strength of the cases of each party on the question of validity and infringement, as part of its discretion to be exercised judicially upon a consideration of all the facts placed before it.'

Although the court was there concerned with alleged patent infringement, the learned judge's observations are directly in point *in casu*.

What is the relative strength of Kambrook's case on the issue of infringement?

The first point of attack that was advanced by counsel for the respondents

on this issue was that the amendment to the definition of 'artistic work' in section 1 of the Copyright Act (no 98 of 1978) by section 1 of Act 66 of 1983, whereby works of craftsmanship of a technical nature were first included, only came into effect on 17 October 1983. And, so it was argued, the later Act not having been retroactive, the application had to fail. Since the point was taken the judgment in *Schultz v Butt* 1986 (3) SA 667 (A) has been handed down. Suffice it to say that the judgement of Nicholas AJA, concurred in by his learned brethren, at p 684 B-I knocks the point squarely on the head.

The second line of attack was that, in any event, there had been no craftsmanship involved in the creation of the K10. In this regard reliance was placed on an observation made by Viscount Dilhorne in *George Hensher Limited v Restawhile Upholstery* 1975 R.P.C.:

'Not everything produced by craftsmen is to be described as a work of craftsmanship. A work of craftsmanship is, in my opinion, something made by hand and not something mass produced.'

It was submitted that the K10 could not on the ordinary meaning of the word constitute a work of 'craftsmanship'. It was further submitted that the opinion of Viscount Dilhorne (referred to above) correctly expressed that a work of craftsmanship incorporates, namely a work that is crafted by hand and not a mere mass-produced article.

In my view the submission is both legally and factually unsound. The addition by section 1 of Act 66 of 1983 of 'works of craftsmanship of a technical nature' together with and distinct from 'works of artistic craftsmanship' indicates an intention on the part of the legislature to include precisely what was considered by Viscount Dilhorne to fall outside the ordinary meaning of the term 'works of craftsmanship'. The qualifying words 'of a technical nature' point to such an intention and the distinction drawn between them and 'works of artistic craftsmanship' fortifies that view. Further support is to be found in the addition of section 15 of the main Act by section 2 of the amending Act of a new sub-section (3A) which, in subparagraph (a)(ii) thereof refers to 'authorized reproductions (of artistic works that) primarily have a utilitarian purpose and are made by an industrial process'. The Lawgiver appears to me to have been addressing the very point that Viscount Dilhorne had made.

As to the facts on this point:

On the uncontradicted allegations of Bannigan, supported in every detail by Kimberley *et al*, the eventual three-dimensional representation of Bannigan's original idea most certainly entailed a good deal of craftsmanship in the narrow sense of the word. Bannigan made sketches, working drawings

were prepared, wooden models were hand-made, mock-ups were made, moulds were meticulously designed and made. Those, to my mind, were acts of craftsmanship, which came to be embodied in the K10. It will be remembered that each of the craftsmen assigned his copyright to Kambrook. Therefore the second line of attack cannot succeed.

The third line of attack was that Kambrook had misconceived its rights, confusing the alleged novelty of Bannigan's idea, which it sought to protect against competition, with infringement of copyright. Although counsel for Kambrook made it clear in argument that they were under no misapprehension and developed their case four-square as one for infringement of copyright, there is substance in the submission that Bannigan and Sweidan, both originally and in reply, failed to keep the two concepts distinct in their minds. Prof Rallis, too, did not avoid this pitfall, as appears from the discussion of his evidence above.

At the outset Bannigan made the point that the case concerned a 'unique and novel plastic jug kettle incorporating a food warming basket and egg cooking platform'. Thereafter he repeatedly laid stress on the uniqueness of the K10 in its configuration, dimensions, combination function or volumetric form. Sweidan, notwithstanding the eloquence with which he replied—or possibly as a result of it—failed at times to keep the dividing line clear in his mind. This is evident from the fifth quotation from his affidavit above.

That the deponents fell into error is not primarily in point. The facts they deposed to ought to be, and can be, evaluated *dehors* any misconception. In a secondary sense it is relevant though in that they consequentially failed to deal with the real issue as directly as would otherwise have been the case.

A second error into which the deponents on behalf of Kambrook fell, which was to some extent echoed in argument on its behalf, was to elevate a recognised and time-tested process of inferential reasoning to a rule of law. Thus the reasoning of Nicholas J in *Laubscher v Vos et al* (unreported, W.L.D. Case No.278/1974 at pp 4-6) was called a legal principle and it was argued that evidence of similarity in the case of a unique article threw an *onus*, and a heavy one at that, upon the defendant. Later the submission was developed, in a slightly different context, relying on, *inter alia*, the following cases: *King Features Syndicate Inc v O & M Kleeman* 1941 AC 417 at 436 (HL); *L B (Plastics) Ltd v Swish Products Ltd* 1979 RPC 551 (HL) at 625; *J C Gleeson and another v H R Denne Ltd* 1975 RPC 471 AT 486; *Solar Thompson Engineering Co Ltd and another v Barton* 1977 RPC 537 (CA) at 560; *Industrial Furnaces Ltd v Reaves* 1970 RPC 605 at 624 and *Merchant Adventurers Ltd v M Grew and Co Ltd* 1973 RPC 1 at 12.

I have read those cases and proceed, briefly, to discuss the guidance I

believe is to be found in the various judgments.

The *King Features* case is more commonly known as the Pop-Eye case. It related to an alleged infringement of copyright in a cartoon character. At page 210 of the report Lord Maugham is reported as follows:

'.... In comparing the works and keeping in view the idea and general effect created by the original, there was "such a degree of similarity as would lead one to say that the alleged infringement is a copy of reproduction of the original of the design—having adopted its essential features and substance.'

In the same report Lord Wright commented on the fact that the only evidence of actual copying was similarity with regard to the figure of the character, a substantial part of the sketch. He found that there was substantial similarity which constituted *prima facie* evidence of copying. It must be noted that what was an issue in that case was a figment of imagination, a cartoon character.

L B (Plastics) related to a plastic knock-down drawer for incorporation in furniture. There was evidence before the court of first instance of internal documents emanating from the possession of the defendant. In one of those documents a senior official of the defendant's had suggested to its management that it should follow the plaintiff's 'pattern'. It also appeared from the defendant's documents that it had indeed decided to follow the plaintiff's 'pattern', 'design', 'principle' with 'minor changes'. Moreover, the defendant was in possession of copies and tracings of the plaintiff's drawings.

Against that background there was further evidence of substantial similarity between the drawers made by the defendant and those originated by the plaintiff. The court therefore had before it direct evidence of similarity plus inferential evidence based on substantial identity. Moreover, in the *L B (Plastics)* case witnesses on behalf of the defendant had been found to be untruthful regarding an alleged alternative original of their device.

It is apparent from the report of the proceedings in the House of Lords that Lord Hailsham of Marylebone at page 627, Lord Wilberforce at page 620 and Lord Salmon at page 633 were fully aware of the concatenation of evidence that had been put before the trial court. In that context the following passage from the speech of Lord Salmon is significant:

'There is, of course, an idea or concept behind every working drawing. It is trite law that there can be no copyright in an idea or concept; but it is hardly necessary to say that it does not mean that once the idea or concept has been translated into a working drawing the drawing cannot enjoy copyright, otherwise it would mean that copyright could not attach to any drawing; for every drawing is the child of an idea or concept.'

At page 629 Lord Hailsham is reported as follows:

'Of course, it is trite law that there is no copyright in ideas, and it may be that if all the respondents were shown to have copied from the appellants was the idea of some sort of external latching of the moulded corner pieces and clips to the extrusions this would have been a sound enough conclusion. But, of course, as the late Prof Joad used to observe, it all depends on what you mean by "ideas". What the respondents in fact copied from the appellants was no mere general idea. It was, to quote the respondents' own language to "follow the pattern" or principle "in part or in whole" with "minor changes" to the design, with the same choice of principal members interfitting in the same way to the same critical dimensions, and even incorporating such a trivial element as the reverse countersink, and then to countercheck their work by superimposing their own drawings on the appellants' to make sure that they had made no mistake.'

Gleeson, supra, was a case of alleged infringement of copyright in a particular kind of collar for a clerical shirt. The action before Richard J for an injunction failed. On appeal to the Court of Appeal the appeal was dismissed. On the facts there had been some conscious copying but of the idea described to the defendant's shirtmaker. That was held to have been immaterial because copyright protected the form and not the idea. On the facts of that case the shirtmaker had been told to make a shirt with particular features and that he did. He had not reproduced or copied the drawings from which the described shirt had been made. Notwithstanding substantial similarity the action and appeal failed.

The *Solar Thompson Engineering* case related to a rubber ring used in conjunction with a pulley in an industrial context. On the facts it was found that the rubber ring strongly resembled in all essential respects the plaintiff's design. Indeed, what had happened in that case was that the pulley and the ring had been designed and manufactured by the plaintiff. The user, British Steel Corporation, had engaged the defendant to refurbish its equipment and in the course of that exercise the defendant was instructed itself to devise and manufacture a ring for use in conjunction with the pulley. What the defendant then did was to follow in all essential respects the features, ie the external visible features of the plaintiff's rubber ring. In the trial court it was held that there had been infringement and that finding was upheld on appeal. However, the appeal succeeded on a different point.

The *Industrial Furnaces* case, *supra*, was a somewhat different one. There three wrongs were alleged. First, it was alleged that the defendant *qua* ex-director of the plaintiff, had wrongfully used confidential information of his

erstwhile employer. In the second instance it was alleged that there had been breach of copyright of certain tender documents or quotation documents of the plaintiff. In the third instance there was a case of passing off made out. The part of the case that is in point is reported at page 624 of the judgment of Graham J. There the learned Judge deals more particularly with the question of infringement of copyright. It is evident from the passage referred to that the learned Judge found that there were large and important parts of a quotation submitted by the defendant to a potential customer that were extremely similar to the standard form used by the plaintiff. The defendant sought to explain these extensive similarities on the basis that he had dictated from memory a precedent book to his secretary sometime after he had left the plaintiff. The learned judge found, with respect not surprisingly, that that evidence could not stand. The similarities, even of mistakes included in the original being repeated, were simply too extensive. Moreover, the defendant had manifested himself in the witness box as having a poor memory. What was in issue there was written material of which extensive parts had been reproduced in extremely similar form.

The *Merchant Adventurers* case concerned light fittings. The plaintiff was the owner in equity of copyright in a particularly novel, attractive and functional series of light fittings. The defendant was the importer, seller and offeror for sale of light fittings that had been produced in Germany but were in all material respects, on the face of it, copies of those devised and produced by the plaintiff. The matter came before Graham J in the form of an application of an interlocutory injunction, pending an action for a permanent injunction, damages and ancillary relief. The learned Judge had regard, firstly, to the kind of article in question. Secondly, he had regard to the unique design features incorporated in the plaintiff's design and product and repeated with marked similarity in the respondent's fittings. It was in fact apparent on the evidence that a German company had copied the applicant's design and had sold the products manufactured pursuant to such copying to the respondent. At page 12 the learned judge also analysed the evidence of the respondent's deponent who had said that he had designed the German allegedly infringing appliance independently. For reasons stated, the learned judge doubted that evidence. In arriving at that conclusion he was, as I have already mentioned, considerably swayed by the unique features of the applicant's design that had been reproduced with marked similarity in the respondents. He therefore found that the probabilities strongly favoured a finding at the trial that there had indeed been an infringement.

Reference should also be made to an oft-quoted judgement by Willmer LJ in *Francis Day & Hunted Ltd v Bron* 1963 ChD 587, especially at page 614.

That was a case concerning alleged infringement of copyright in a song: 1. The learned judge observed that in order to constitute reproduction there had to be (a) a sufficient degree of similarity and (b) some casual link between the two devices or, in that instance, songs. 2. The question whether that casual link was a conscious one or not, was irrelevant. 3. (And that is what is important in this case)—Substantial similarity was *prima facie* proof of the casual link.

The learned judge held that an inference may be drawn from substantial similarity.

In the fourth instance the learned Judge observed that a denial of copying did afford some evidence that was relevant, but that it was not conclusive.

As I read those cases they, neither singly nor by the weight of their joint cumulative authority, establish as a principle of law that evidence of similarity, striking or otherwise, nor evidence of such similarity plus evidence of access by the alleged infringer, as a matter of law either established infringement or casts an *onus* on the alleged infringer. Each of the cases, as I read them, exemplifies an exercise in logic, ie inferential reasoning properly so called. As to what is inference and what not, it would be as well to be mindful of the distinction drawn by Lord Wright in *Caswell v Powell Duffryn Associated Collieries Ltd* 1939 3 ALLER 722 at 733 E. The learned Judge, whose observations have been repeated in our courts time without number (see, for instance *MVA Fund v Dubuzana* 1984 (1) SA 700 (A) at 706 per Botha JA) drew the distinction between what is inference on the one hand, and conjecture or speculation on the other. The former is based on established fact; the latter not. I repeat then, that the cases that I have referred to were in my view cases of inferential reasoning, properly so called.

The learned judges were doing no more than applying logic and common sense to the facts before them. In the nature of things copiers are not likely to commit their underhand actions in the presence of the holder of the copyright and the latter is generally obliged to rely on circumstantial evidence. Obviously similarity, and the nature, degree and materiality thereof, are highly cogent circumstances in deciding the underlying question whether there had been copying or not. So is evidence of access.

Non constat, however, that such circumstances necessarily prove a preponderance of probability or even a *prima facie* case. Everything must depend on the facts of the particular case.

More especially is that the case where the article in question is a commonplace utilitarian item such as a clerical collar (*Gleeson's case, supra*) or, as in *Kleeneze Ltd v D.R. (U.K.) LTD* 1984 FSR 399, where Whitford J was concerned with a letterbox draught excluder. The *caveat* expressed by the

learned judge at page 402 bears repetition:

'They took Mr Berry's concept. In the absence of patent protection they were perfectly entitled so to do. Copyright has been extended a long way beyond the bounds originally envisaged by those who first framed our copyright laws. The courts have been liberal in their interpretation of successive Acts with a view to trying to protect the legitimate interests of copyright owners. A balance must however be struck between the protection of such interests, in this case the work involved in the creation of the copyright drawings, and the right of persons other than copyright owners to compete in the production of articles which fulfil exactly the same function. This is a case where the plaintiffs have failed to establish copying and their action accordingly cannot succeed ...'

Very much the same line of reasoning applies where the physical forms by which a particular idea can be represented are limited or perforce similar.

Herbert Rosenthal Jewellery Corp v Kalpakian 446 F 2d (1971) at 738 is an example of such a case. The article in suite was a bee-shaped pin encrusted with jewels. On appeal to the US Court of Appeals, 9th Circuit, Browning J, (with whom his two colleagues concurred) first dealt with the fundamental difference between the rights conferred by a patent and those flowing from copyright. Although the learned Judge was obviously dealing with copyright under statutes that differ vastly from our Copyright Act of 1978, his reasoning is apposite and sufficiently cogent to warrant being quoted at some length. At page 740 the following appears:

'The owner of a patent is granted the exclusive right to exploit for a period of seventeen years (a maximum of fourteen years for design patents) the conception that is the subject matter of the patent ... The grant of this monopoly, however, is carefully circumscribed by substantive and procedural protections. To be patentable the subject matter must be new and useful, and represent a non-obvious advance—one requiring "more ingenuity and skill than that possessed by an ordinary mechanic acquainted with the business"; an advance that would not be obvious to a hypothetical person skilled in the art and charged with knowledge of all relevant developments publicly known to that point in time... A patent is granted only after an independent administrative inquiry and determination that these substantive standards have been met... This determination is subject to both administrative and court review ...

Copyright registration, on the other hand, confers no right at all to the conception reflected in the registered subject matter. "Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea—not the idea itself." Accordingly, the

prerequisites for copyright registration are minimal.'

Then at page 741 the learned judge is reported as having said:

'Because copyright bars only copying, perhaps this case could be disposed of on the district court's finding that defendants did not copy plaintiff's bee-pin. It is true that defendants had access to plaintiff's pin and that there is an obvious similarity between plaintiff's pin and those of defendants. These two facts constitute strong circumstantial evidence of copying. But they are not conclusive ... and there was substantial evidence to support the trial court's finding that defendants' pin was in fact an independent creation. Defendants testified to independent creation from identified sources other than plaintiff's pin. The evidence established defendants' standing as designers of fine jewellery and reflected that on earlier occasions they had designed jewelled pins in the form of living creatures other than bees Any inference of copying based upon similar appearance lost much of its strength because both pins were life-like representations of a natural creature. Moreover, there were differences'

The judgment proceeds to discuss the difficulty in deciding in such a case whether it was the idea or its expression that had been copied and concludes that, inasmuch as the idea of a jewel encrusted bee pin and its expression were indistinguishable:

'copying the idea will not be barred, since protecting the ``expression" in such circumstances would confer a monopoly of the ``idea" upon the copyright owner free of the conditions and limitation imposed by the patent law.'

I would add that in deciding the relevant question of fact, one should be mindful of the statement of general principle in a free enterprise system expressed as follows by Lord Scarman in *Cadbury Schweppes (Pty) Ltd and others v Pub Squash Co (Pty) Ltd* (1981) 1 ALLER 213:

'... Nor should one strain to prevent competitors entering a market created by another ...'

Although that was a case based on passing off the statement of principle is nevertheless in point.

When I turn to analyse the facts of the instance case in the light of the authorities discussed, the following features appear relevant to me in support of a finding that a *prima facie* case of infringement has been made out:

1. There *is* evidence of similarity between the two appliances.
2. There is also evidence from which it could be inferred that Haz Products had access to the K10 before the Combi Kettle was conceived or designed.

On the other hand:

1. The evidence of similarity is not only hotly contested but appears to be largely misdirected and does not really attempt to deal with the controverting evidence.
2. Moreover, the evidence of similarity was exaggerated, relied on drawings that were misleading and failed to distinguish between features pertinently indicative of copying and similarities due to common restraints such as cost, moulding requirements, standard volume, standard element, standard socket and common function.
3. The two kettles, although resembling one another in some respects, clearly look different.
4. What is in issue is not a creation of art but a utilitarian domestic appliance.
5. The very circumstances that the case sought to be made out on similarity is weak, virtually puts paid to Kambrook's case. No amount of evidence of access without evidence of significant similarity can avail. After all, the wrong sought to be prevented is *copying* (reproduction or adaptation) and not the disclosure of confidential information of a useful or valuable idea.

Although I am mindful of the fact that Kambrook need at the interlocutory stage do no more than establish a *prima facie* case, even one open to some doubt, I am singularly unpersuaded that it has succeeded in doing so. In arriving at that view I have not overlooked the circumstance that Sharman moved from one camp to the other shortly before the K10 came on the market and had previously been on good, or even friendly, terms with Aston. I am, however, also mindful of two highly significant features. The first is that Sharman, when he prepared the budget for Haz sales in 1984, made no mention of the Combi Kettle. That, to my mind, establishes a strong probability that he, at that time, could not have been aware of Haz's plans to manufacture and market the Combi Kettle. In this regard it is important to remember the evidence of Bannigan and Sweidan, that the K10 was an appliance with such unusual appeal that it was to have been the Kambrook flagship and the further evidence that Sharman shared that view. It is therefore highly unlikely that he would have overlooked the competing flagship or deliberately have excluded it from his calculations. Secondly, on Sweidan's own reasoning it is highly unlikely that Haz Products, having been told by Sharman of the K10 or having seen it in his office some time around April or May 1983, would have tarried until July of the following year before launching the Combi Kettle. In this regard it should be remembered that it was an integral part of the case put forward by both Bannigan and Sweidan that the launching of a copy to compete with the K10 was a deliberate

stratagem designed to destroy or seriously harm the marketing of the whole range of competing products.

It is further to be remembered that if the K10 had merely been copied, as Kambrook would have it, it would have been, on Sweidan's version, a simple matter for the respondents to have produced the competing Combi Kettle before the end of 1983. There is also evidence that in mid 1984 there were still design problems entailed in the production of the Combi Kettle. Those circumstances, to my mind, cast very serious doubt on the suggestion that the Combi Kettle was copied by the respondents from the K10 at some time, either before or shortly after Sharman had joined Haz Appliances. Moreover, I found De Wet's detailed description of the design process which he followed, commencing with the conception having been given to him, and the volumetric dimensions having been given. Thereafter he proceeded from the point of the egg boiling tray, taking the Bosch device as his example. From there, as I have summarised, he progressed step by step and within the permissible practical boundaries of cheap plastic moulding and proper design to arrive at a product resembling both the Haden and the K10. I cannot find that on the papers before me De Wet's evidence can be rejected.

I am therefore of the view that Kambrook has failed to establish a *prima facie* case of infringement.

However, should I have taken too critical a view of Kambrook's case, it would still be one with such unpropitious prospects that a case of considerable substance would have to be made out on the other criteria to be considered, ie balance of convenience, relative damage likely to be suffered and the adequacy of alternative remedies. In order to assist me in the evaluation of those requirements I have referred to a large number of cases, eg *Corruplast Ltd v George Harrison* 1978 RPC 761; *E.A.R. Corporation v Protector Safety Products* 1980 F.S.R. 574; *Brupat Ltd v Sandford Marine Products Ltd* 1983 RPC 61; *Cold International Ltd v H H Roberston Africa (Pty) Ltd* (unreported, Case no 1890/83 T.P.D. 21/4/83) and *Stauffer Chemical Corporation et al v Safsan Marketing & Distributing Company (Pty) Ltd et al* (unreported Court of the Commission of Patents, judgement delivered on 17 May 1983).

I have also had regard to the *American Cyanamid* case referred to repeatedly in those cases. It is cited as *American Cyanamid Company v Ethicon L.W.* (1975) 1 AllER 504. Reference was also made to the old case of *Plimpton v Spiller* 1876 (4) Ch D 286. That case, of course, has been cited so often that the principle there discussed has come to be called the Plimpton rule.

A reading of those cases has certainly proved instructive. Thus in

Plimpton and *Stauffer* the crucial consideration which led the court to grant an interdict in favour of the aggrieved party was that it had an old and established trade whereas the alleged infringer was a newcomer. Hence preservation of the *status quo* pending final resolution of the dispute could best be achieved by obliging the newcomer to cease his offending trade for the time being.

So too the relative inability of the one or the other party to meet an eventual award of damages against it, may be decisive, eg the *Cyanamid* case, *supra*. On the other hand Templeman LJ in *Brupat*, *supra*, quoted the following caveat expressed in an earlier case:

'It would be intolerable if the *Cyanamid* case was allowed to become a charter of success for all rich companies who seek interlocutory injunctions against poor companies in cases in which damages would be an adequate remedy, enabling them to obtain an injunction merely on showing that there is a serious question to be tried ... Accordingly, I think the court has to be astute to prevent this sort of unfairness if this can be done without injury to the plaintiffs.'

Each of the cases appears to me, to have been an attempt, within its particular factual context, to achieve the 'fairness, justice and common-sense' enjoined in *Hubbard's* case, *supra*.

In the present case there are two companies well able to meet an award of damages. They are engaged in the self same field of commerce. Kambrook entered the South African electrical appliance market in about December 1983. Haz Products had been producing some products for the retail market slightly earlier, but only really got going as a direct seller to the retail trade in about November 1983 when Haz Appliances was incorporated and Sharman was appointed to head the selling organisation. There can, therefore, be no real distinction between the two parties on the basis of the length of time the one or the other has been in the market.

An interdict blocking marketing of the Combi Kettle will be damaging but not disastrous for the respondents. Equally, continued marketing thereof will affect sales of the K10 to a significant extent but not too seriously. In saying that I have not overlooked but have discounted the 'flagship' contention advanced by Bannigan and Sweidan. I have done so on the basis of Sharman's informed denial and also on my perception of the realities of the market place.

By and large the other considerations to be weighed are therefore in equipoise. The weight of Kambrook's case on infringement is therefore decisive. Being as it is, ie at best a weak one, an interim interdict cannot in my view be granted.

The application is dismissed with costs, including the costs occasioned by the engagement of two counsel.

WARNER BROTHERS INC AND OTHERS v MELOTRONICS (PTY) LTD *

CAPE OF GOOD HOPE PROVINCIAL DIVISION

TEBBUTT J

19 AUGUST 1987

Demonstration of the unauthorised sale of copies of films registered under the Registration of Copyright in Cinematograph Films Act (no 62 of 1977) constitutes prima facie proof of infringement of copyright. The onus of proving authority to sell such copies is not discharged by explaining the source of the copies by reference to a purchase from a liquidator of a business which dealt in pirated copies of the films. Anton Piller relief is available to the holder of copyright in films where there is a real possibility that the evidence of the infringing copies might be destroyed by erasure of the video cassettes containing them.

The applicants were the holders of the copyright in certain cinematographic films. They granted to South African companies the exclusive licence to hold master copies of the films and make copies for distribution to video dealers, who obtained the right to hire them out for private home viewing but not the right to sell them. Some of the films the copyright in which was held by the applicants were registered under the Registration of Copyright in Cinematograph Films Act (no 62 of 1977).

On 3 September 1985, a police informer purchased from the respondent infringing copies (in the form of video cassettes) of the applicants' films. Later on the same day, members of the Narcotics Bureau of the South African police raided the respondent's premises where further infringing video cassettes of the applicants' films were discovered. A receipt book indicating that the previous month a business known as Dora's Video World had purchased video cassettes from the respondent at prices substantially below the market price for the cassettes was also discovered. Some of the video cassettes also appeared to originate from that business.

On 7 March 1986, the police seized further infringing copies of video cassettes from another company which had purchased them from the respondent. Some two months later, the applicants obtained an order against the respondent authorising the deputy sheriff to enter the respondent's premises and search for and attach and remove all infringing copies of the applicants' films as well as documents and records relating to the supply or hire of such copies. The deputy sheriff was ordered to retain infringing copies and the respondent interdicted from infringing the applicants' copyright in any of the films. The order was issued in the form of a rule nisi, and executed immediately by the deputy sheriff.

* * The cited parties were parties to one of ten applications considered simultaneously in this judgment. The applicants in eight of the other applications were: MGM/UA Entertainment Company, CPT Holdings Inc, Walt Disney Company, Universal City Studios Inc, Twentieth Century Fox Film Corp, Paramount Pictures Corporation, United Artists Corporation and Columbia Pictures Industries. The respondent was Melotronics (Pty) Ltd. In the other application, the applicant was Melotronics (Pty) Ltd and the respondent E.I. Askew.

Confirmation of the rule was opposed on the return day. The respondent alleged that it had purchased the infringing copies seized by the police and sold to the other company from the liquidator of Dora's Video World and that the purchase had been part of a package deal in terms of which electronic equipment was also sold. It alleged that it had obtained counsel's opinion as to whether or not it was entitled to sell the video cassettes thus purchased and had been advised that it was. It also alleged that the police raid had its sequel in a decision by the Attorney General not to prosecute on the grounds that the video cassettes had been legitimately purchased from the liquidator.

It was not the function of the court to decide whether or not the rule nisi should have been issued, nor to decide whether those portions of it which were mandatory in nature and of immediate and final effect should be confirmed. The court had to decide only whether or not the applicants should have applied for those orders and whether the others should be confirmed.

Because it was undisputed that the respondent sold the films in respect of which the applicants held the copyright, the applicants had made out a prima facie case that their copyright in them had been infringed. The respondent's explanations as to its source of the video cassettes did not discharge the onus cast upon it by section 26(9)(b) of the Copyright Act (no 98 of 1978) to prove that it had the necessary authority to sell, let or offer or expose for sale or hire by way of trade copies of the films. Those orders without immediate and final effect were therefore confirmed.

As far as the 'Anton Piller' relief was concerned, there was justification for it because the applicants had cause to think that there was a real possibility that the respondent might destroy evidence tending to show infringement of the applicants' copyright. The owner of copyright in video films was in a position of great vulnerability, and this was compounded by the fact that the erasure of infringing cassette tapes was an easy operation. The information at the disposal of the applicants gave rise to the almost irresistible inference that the respondent possessed infringing cassette tapes. There was no duty on the applicants to make enquiries with the liquidator regarding the source of the tapes, nor to make enquiries regarding the progress of the police investigation following its raid on the respondent's premises.

The rule nisi was confirmed.

Tebbutt J: This case concerns a number of orders that are now commonly referred to as *Anton Piller* orders.

On 6 May 1986 the nine applicants brought applications for *Anton Piller* orders against respondent, to which, where convenient, I shall refer as Melotronics. The applicants are all major American film producing companies and they comprise the entire membership of the Motion Picture Association of America Inc referred to in the papers as 'MPAA'. Where it is convenient to do I shall refer to the applicants as 'Warner Bros', 'MGM', 'CPT', 'Walt Disney', 'Universal', 'Twentieth Century', 'Paramount', 'United' and 'Columbia' respectively. Each applicant holds copyright, in hundreds if not thousands of cinematograph films. This court (van Schalkwyk AJ) granted in each application an order that the deputy sheriff be authorised and

instructed to enter respondent's premises at 27 Adderley Street, Cape Town and there search for, attach and remove all copies of cinematograph films trading in which by respondent infringed the copyright of the respective applicant (referred to as 'infringing copies') and all respondent's documents and records relating to the sale, supply or hire by it of any such copies. For the purpose of identifying the infringing copies and documents and records concerned, the deputy sheriff was to take with him two representatives of the applicants, Edward Irving Askew (Askew) and Gert Petrus von Tonder (von Tonder). The respondent was entitled to have its legal representatives present. Pending the determination of an action or application to be instituted within 90 days by the applicants against respondent for any relief in terms of the Copyright Act (no 98 of 1978), as amended, the deputy sheriff was ordered to retain the infringing copies and documents and records (or photocopies of them) and respondent was interdicted from infringing the applicant's copyright in any of the films by reproducing or causing the reproduction of the works, making or causing to be made an adaptation of the works, importing or causing the importation of copies of the works or by selling, letting or distributing copies of the works. The orders were made in the form of rules *nisi* returnable on 12 June 1986. The orders contained the provisions usual in these matters that the proceedings be held *in camera* and the matter not be placed on the roll or made public until the return day of the rules *nisi*. These also provided that the costs of the applications were to be costs in the cause of the action or application to be instituted. On 12 June 1986 the rules *nisi* were extended to allow respondent to file opposing affidavits and applicant to reply thereto and the matter came before me on 3 December 1986. On that day I was asked by applicants to make the rules *nisi* final. Respondent opposed the confirmation of the rules, averring in particular that applicants had abused the process of the court by applying for *Anton Piller* orders. It also brought an application for the committal to prison of Askew for contempt of court because he had given information to the editor of a magazine known as 'Video and Movie Business' that the applicants had obtained *Anton Piller* orders from this court which information was publicised in the June 1986 edition of the magazine.

It was necessary, therefore, for me to consider (i) whether I should confirm or dismiss the rules *nisi* in question and (ii) to deal with respondent's contempt application against Askew.

Askew was the deponent to the main affidavit founding each of the applications. He deposed in each instance that he was 'duly authorised' to make his affidavit and 'to bring these proceedings on behalf of the applicant'. Each of the nine applicants hold copyright in different films. These films are

referred to by their titles in each of the nine orders granted by van Schalkwyk AJ. Apart from this the applications are virtually identical and so is the opposition by respondent. I need therefore refer only to the papers in one application. I have chosen the MGM application. Where any differences occur which may be relevant I shall refer to the particular application concerned. The films released by the applicants which are the subject of these applications are all video types. CPT's application differs from the others in this regard that unlike them it has not released any of its films on video tape in South Africa. And in the Warner Bros matter, respondent has raised an extra defence. Otherwise what I shall now say in regard to the MGM application applies to all the others.

To appreciate the issues between the parties it is necessary for me to set out at some length and in some detail the facts involved in these applications.

What van Schalkwyk AJ had before him when he granted the applicants their orders was the following.

MGM is a corporation existing under the law of the State of Delaware and situated in Culver City, California, in the United States of America. The other applicants are also based in various states in America. Askew, who describes himself as an investigator, with over 35 years experience, and with particular experience and expertise in films and video tapes and their making and reproduction and the copyright in them, is the representative in South Africa, through a company of his, of the MPAA. This organisation which represents and looks after the interests of the motion picture companies in America, has its headquarters in New York. It has offices in numerous countries, including South Africa. Among the MPAA's activities is a system of registration of films and policing the enforcement of the copyright of films made and/or distributed by its member companies. MGM is one of those companies. The companies apparently consider South Africa a substantial market for their films, particularly in the home video field, and in April 1981 established a film security office in South Africa of which Askew is the director. It operates from the same address as his company and Askew says that his company is 'thus the representative of the MPAA in South Africa and is for all practical purposes a branch of the MPAA in South Africa'. He has, he says, an intimate knowledge of all aspects of the business of its member companies in so far as they relate to the distribution of their films in South Africa.

The primary activity of his company as representing the MPAA is to police the home video market in South Africa in order to 'locate, identify and eradicate piracy' in relation to MPAA members' films. A 'pirate' copy of a film is one made without the authority or permission of the owner of the

copyright in the film. The police often conduct raids on video dealers suspected of dealing in pirate copies of registered films and video tapes. He or members of his staff often accompany the police on such raids to identify pirate or infringing copies of films and tapes. Askew says that he has substantial expertise and experience in doing so, has an intimate knowledge of the home video market, and has participated in about 300 raids and identified hundreds of infringing tapes. Von Tonder works for him. He too, so he says, has considerable knowledge of, and expertise in, the home video market and the law of copyright relating to films and videos and the *modus operandi* of video pirates.

MGM has appointed a licensee in South Africa to reproduce its films on video tape here and to distribute such tapes in the home video market. It is a company called CIC-MGM/VA Video (Pty) Ltd of Sandton, Transvaal ('CIC'). It is the only person or company authorised by MGM to do so and is thus the only legitimate source of MGM video tapes in South Africa. MGM has copyright, including South African copyright, in thousands of films. Some of them have been registered under the Registration of Copyright in Cinematograph Films Act (no 62 of 1977) (hereinafter referred to the Registration Act); many others have not. CIC as MGM's licensee makes copies of films on video from a 'master' copy of the original film sent to it by MGM which it then supplies to video dealers. Those copies are therefore indirect copies of the original copyright film. Only CIC can do so. Even a licensee of MGM in another country cannot do so but it can export a copy made by it to CIC. These are known as 'parallel imports'. Anyone, therefore, who trades in MGM's films in South Africa without CIC's authority does so without MGM's authority and if such a person were to make a video tape of one of MGM's films or a copy of a video tape made by CIC, that tape would be a pirate one or an infringing copy. Video distributors such as CIC who distribute video films on tapes to video libraries and home video dealers enter into contracts with such dealers entitling the latter to hire out and otherwise distribute video tapes to the general public for private home viewing. These contracts lay down that the tapes may only be hired out by that dealer himself and may not be sold, swapped or otherwise distributed to a third party without the distributor's permission. All the other applicants also have appointed licensees in South Africa with the same functions and powers and operating in the same manner as CIC does for MGM.

On 3 September 1985 members of the Narcotics Bureau of the South African police, who investigate possible cases of copyright infringement, raided respondent's premises at 27 Adderley Street, Cape Town. Respondent is a retailer in electronic and electrical goods and appliances and also

conducts a video library at two of its 15 branches viz at 27 Adderley Street and at Mitchell's Plain. A large number of tapes infringing copyright, including two films of which MGM is the copyright holder, were found on the premises and seized by the police. Similarly tapes infringing the copyright of the other applicants were also found and seized. The police also found and seized documents showing that respondent had sold copies of films belonging to the applicants. Von Tonder was present at the raid.

On 7 March 1986, said Askew, the police at George told him they had seized a large quantity of pirate video tapes from one Clive Adams, an employee of what Askew described as a company known as 'Hanover Gas and Hardware' of Mitchells Plain (Hanover), who said Hanover had got them from respondent. Included in the applications is an affidavit from one Achmat Moosa who says he is the owner of 'Hanover Gas and Hardware and Video'. He said he had bought 10 000 video tapes from respondent for R28 500,00. Among the tapes were many belonging to the applicants. I shall deal in more detail later with his affidavit.

Askew averred that in so far as copyright in the films in those tapes is held by the applicants, respondent had sold copies of them without the authority of the copyright holders.

Askew then proceeded to set out in general terms the *modus operandi* of video pirates and in justification of his applying for *Anton Piller* orders, and his apprehension on behalf of the applicants that respondent may destroy evidence which might substantiate the applicants' allegation that respondent was infringing their copyright. The Copyright Act, as I shall refer to Act no 98 of 1978, provides very severe criminal penalties for copyright infringement.

He said that it had been a feature of the video trade in South Africa and elsewhere that infringers, if alerted that their activities may be detected, had shown a tendency to destroy or obliterate all incriminating evidence. Invoice books and other documentary evidence could easily be destroyed by burning or shredding while video tapes consist of recorded magnetic impulses which can be destroyed in a matter of minutes by means of a bulk eraser. Video tapes can be cleared and the films on them erased within minutes. Many video pirates own, or have access to, bulk erasers for this purpose. Video pirates also often store stocks of infringing tapes, particularly 'master' tapes, in localities other than their normal businesses such as warehouses or their private homes to avoid them being discovered. It is for these reasons that resort has been had to the *Anton Piller* procedure in the video trade both in the United Kingdom and South Africa.

Askew went on to allege the following:

'I have been aware for some time that the respondent has been conducting a clandestine trade in pirate and other unauthorised video tapes. My company has in the past encountered numerous instances of unauthorised video tapes believed to be emanating from the respondent being sold in various parts of South Africa and South West Africa, mainly in rural country districts. The *modus operandi* has always been that the tapes have been sold or offered for sale in a surreptitious manner by travelling, roving representatives operating in an undercover manner from their motor cars. We have, however, in the past been unable to obtain concrete evidence of such trading by or instigated by the respondent.'

He added -

'The sale by the respondent of a vast quantity of offending tapes to Hanover, an unlikely firm to be conducting business as wholesalers or retailers of video tapes, and the way described in this evidence in which Mr Adams went about distributing the tapes in question is entirely consistent with my company's information regarding the distribution methods utilised for tapes emanating from the respondent and with the practices of video pirates.'

Askew said that the sale of a large quantity of tapes to Moosa at below market related prices (the average cost of a recorded video tape supplied by a legitimate video distributor being about R150) suggested that respondent wanted to dispose of tapes in its possession as quickly as possible to liquidate its stock of unauthorised tapes.

He averred that if proceedings were to be brought against respondent in the normal way with notice being given to it or if respondent became aware of the proceedings through the applications being heard in open court, he had 'no doubt whatsoever' that respondent would destroy or otherwise make unavailable to the applicants all infringing films in its possessions or under its control and all relevant documentation which would be germane to claims by applicants for damages or an account of profits. Hence the *Anton Piller* applications. All the evidence should be preserved, he said, as it would be evidence essential to applicant's claims which would include damages, an account or profits and delivery up of infringing copies of films.

Askew's affidavit was supported by one from the general manager of CIC, John Smithers, which I need not detail here, and by one from von Tonder.

Von Tonder said that on 2 September 1985 he was shown thirteen recorded video tapes by the police purchased from respondent by a police informer for R179,00. He identified one of the tapes as a pirate tape. It was one of the episodes in a series produced by Columbia that were not being distributed legitimately with Columbia's authority in South Africa at present.

On 3 September 1985 he went to respondent's main branch premises at 27 Adderley Street and at the video department, where video tapes are hired out to members of the public, he asked to purchase recorded tapes, new or second hand. He was unsuccessful. He was told that only blank tapes were available for sale. He and the police then instructed the informer who had made the first purchase to buy another batch of recorded tapes. The latter did so, buying 23 tapes for R529,00. All of them were illegitimate or pirate tapes. It was then decided by the police to raid respondent's premises. Von Tonder accompanied them. On the third floor which is used as a storeroom for tapes and hi-fi and other equipment there were literally thousands of recorded video tapes. Von Tonder estimated that there were between 10 000 and 16 000 of them. At the request of the police, von Tonder extracted those which were easily identifiable as pirate copies. After extracting about a hundred of them the police said they had sufficient evidence. Von Tonder said a large proportion of the tapes in the storeroom appeared to originate from a business called Dora's Video World. He knew it had recently been placed in liquidation. He said -

'I know that neither Dora's Video World nor the liquidators were authorised by any of the authorised MPAA distributors to sell or otherwise dispose of any tapes they had supplied to Dora's Video World.'

Von Tonder said that when Dora 's (as I shall call the firm) went into liquidation the applicants were on the point of initiating proceedings against it for infringing their copyright and for trading in pirate tapes. Indeed criminal convictions were obtained against the firm for unlawful trading in video tapes.

All in all the police took away about 400 tapes. Many were copies of films of which the copyright is held by the applicants. They were, said von Tonder, acquired by respondent without the authority of the South African copyright holders. Many were also 'parallel imports' and therefore illegitimate copies of films for South African purposes.

Von Tonder said that during the raid he found a receipt book indicating that on 9 August 1985 respondent sold to Mrs Dora Lees of Dora's a number of video cassettes at prices substantially less than current prices in the market place for legitimate copies of the films concerned. Von Tonder went on to make the following allegation:

'From my dealings with Melotronics and the investigation which I conducted on their premises, I believe that, while they are ostensibly conducting business as a home video hire outlet, Melotronics are in a clandestine manner conducting business as buyers and sellers of pre-recorded video tapes. I believe further that the tapes which were seized

during the police raid are tapes which were being held by Melotronics for purposes of trading in them.'

Von Tonder said that after the police in George seized the tapes in the possession of Adams, he went to the premises of Hanover Draperies and saw Moosa. Moosa told him he had purchased those tapes and about 10 000 others from respondent for R28 500,00. He showed von Tonder the invoices issued by respondent in respect of them. These tapes were mostly pirate tapes. This proved, so von Tonder averred, that respondent was conducting a clandestine trade in pre-recorded video tapes because Hanover Draperies was ostensibly a trader in textiles and respondent was therefore using 'underground' distribution channels to dispose of unauthorised goods.

In his affidavit Moosa described himself as owner of 'Hanover Hardware, Gas and Video' of Mitchell's Plain. He said he had been a customer of respondent for video machines and equipment since 1983. In August 1985 one Faried Halim of respondent's company had telephoned him and asked him if he was interested in buying video tapes at R25 and R30 each. He was not and told Halim so. In December 1985 one Wagiet who works for respondent and who hired video tapes from him told Moosa that respondent had about 10 000 video tapes for sale for R30 000,00. He was interested and went to respondent's premises on 7 January 1986 where he saw Halim and offered him R20 000,00 for the tapes. Halim, however, wanted R30 000,00. Moosa said:

'Die videobande het volgens Mnr Faried almal films opgehad. Hy het my ook meegedeel dat hy dit by likwidateurs gekoop het en dat die videos wettig is.'

Moosa selected 20 tapes to test the quality of the films. The quality was good. On 9 January 1986 he went back to respondent's premises where he agreed with Halim to pay R28 500,00 for 10 000 tapes. He cleaned about 7 000 of them and sold them as blanks. Of the rest about 500 were sold in South West Africa. Moosa went on to add:

'Ek het spesifiek aan Mnr Faried Halim gevra of ek die videos net so kan verkoop. Hy het toe gesê dat dit in orde is en dat hy die videos wettig by die Hooggeregshof gekoop het. Mnr Faried het my ook meegedeel dat die polisie op omtrent 200 videobande beslag gelê het maar dat hulle geen klagte teen hom het nie.'

On 6 March 1986 Adams, who was his agent, informed him that the police at George had seized about 50 tapes in his possession. On 20 March 1986 von Tonder visited him. He showed von Tonder about 2 000 tapes at his house that had not yet been cleaned. These were part of those bought by him from respondent and included a number of video titles which von Tonder in

his affidavit said were pirate tapes.

It was on those facts that van Schalkwyk AJ made his orders.

On the postponed return day I had before me both respondents' opposing affidavits and the applicants' replying affidavits. I must refer to each of these in some detail. They are, however, all extremely lengthy (the papers in each one of the nine applications run to over 350 pages), and I shall mention only those parts which I feel are salient to the present proceedings. I have, however, in coming to my conclusions, obviously taken careful cognisance of the entire contents of all the affidavits filed by the parties.

For respondent the main affidavit filed was that of Ebrahim Bhorat, one of its directors. He said that one of respondent's associated companies, Melotronics Management (Pty) Ltd, acting on respondent's behalf, in March 1985 purchased from the joint liquidators of Dora's, which was then in liquidation, 58 video tape recorders, 22 television sets and 14 959 video tape cassettes for a total of R90 000,00. The tapes include 156 Warner Home Video cassettes purchased at R50,00 per cassette and 14 803 others at R4 each. Warner Home Videos (WHV) is the trading name of WEA Records (Pty) Ltd, the South African licensee for Warner Bros. Respondent was really interested only in the tape recorders and television sets but the liquidator with whom the sale was negotiated, Mr Ralph Millman, of Cape Trustees Ltd, made it clear that respondent could not purchase the recorders and sets without also buying the video cassettes. Respondent felt that the tapes could be more readily sold as blanks after they had been cleared but assumed that there was nothing to prevent it from selling them without their first being blanked as they had been bought from the liquidators of Dora's. There was no reason to think that the latter had no right to sell them and that respondent could not, in turn, itself sell them. A sale of blank tapes was advertised by respondent in the press on 31 July 1985.

In the police raid in September 1985 approximately 400 cassettes were seized by the police. No instructions or directions were given in regard to those left behind and respondent accepted, said Bhorat, that no restrictions existed in regard to them. Respondent only traded with them by selling them. It never hired them out. All transactions in them were conducted openly and openly recorded and no attempt had ever been made to cover them up or do away with the documentation regarding thereto. Bhorat went on to say in relation to respondent:

'It was not and is not a video pirate and no basis exists for applicant of MR ASKEW or MR VON TONDER or anybody else to assume that respondent or any of its associated companies was or is a video pirate or would destroy or otherwise make unavailable to applicant the cassettes in

question as well as the documentation relating to trading with the video cassettes.'

Apart from the 400 tapes seized by the police, the balance of the tapes bought from the liquidators of Dora's were sold to Moosa in January 1986 and respondent did not retain any of them. In April 1986 the tapes seized by the police in September 1985 were returned by them to respondent with a request that they be kept by the latter under lock and key. This request had been complied with and they were still under lock and key in respondent's possession.

Bhorat's further allegations are that the applicants had no grounds for seeking and obtaining *Anton Piller* orders against respondent and also that the requirements for such orders had not been satisfied. He said that he had been advised that two such requisites were (i) that an *Anton Piller* order must be the only practical means of protecting applicants' rights and doing justice between the parties and (ii) that the respondent must have the incriminating goods or information in his possession or that at least there must be good grounds for believing this to be the case. These, he said, had not been satisfied because information as to the sales by respondent to the police informer and to Moosa was already in the possession of applicants who did not need *Anton Piller* orders to protect their rights in respect of such sales and, secondly, apart from those returned by the police (of which applicants were unaware) respondent was not in possession of any tapes that could form the subject of these proceedings. No basis had been made out by applicants for believing that respondent still had any tapes in its possession. A simple enquiry from Moosa would have shown that there were no tapes left in respondent's storeroom after Moosa had removed the tapes bought by him. If applicants had also followed 'the elementary procedure' of contacting Millman and asking what had happened to the stock of tapes Dora's had had, it would have been manifest, so Bhorat averred, that respondent had acquired the tapes legally and openly and a further enquiry from respondent would have elicited the information that it had disposed of all the tapes it had acquired. Applicants had, after finding out about Moosa's purchase from respondent, taken no steps to ascertain if the latter had any further tapes in its possession.

The deputy sheriff in executing the *Anton Piller* orders, attached some of the tapes returned by the police and also some tapes which respondent had acquired directly from MGM under a conversion agreement, said Bhorat.

Bhorat also alleged that the partner in applicants' attorneys of record handling these matters, Mr O H Dean, and Askew knew that the joint liquidators of Dora's had ceased trading and that it was also clear from the

papers that applicants knew that the stock of video cassettes held by respondent had been acquired from Dora's. No enquiries had been made from Millman for information regarding the sale of the cassettes in question. It was unnecessary for applicants to rush into court to apply *ex parte* and *in camera* for *Anton Piller* orders in respect of the cassettes. No valid reason existed why they could not have obtained the information they required from Millman nor was there any reason for them to believe that the cassettes or evidence relating to them would be hidden, stored or spirited away if respondent were to have been informed that applicants contemplated taking legal proceedings against respondent for an alleged infringement of copyright.

The granting of the *Anton Piller* orders and the consequent attachment of cassettes by the deputy sheriff had done considerable and incalculable harm to respondent's reputation. These events had been reported in 'Video and Movie Business' which, according to its 'masthead', is a trade journal whose print order exceeds 2 000 copies and is posted country-wide to video dealers, video and film distributors, cinemas and to retail chains and hardware retailers and merchants. The information had been given by Askew and represented a serious contempt of court. The impression given by the report was that respondent was a video pirate, caught redhanded with pirate copies after the *Anton Piller* orders had been granted.

It was important, said Bhorat, that applicants should not approach the court for *Anton Piller* orders except in every exceptional and clear cases and after careful investigation from all available sources so that the commercial harm that inevitably followed when it is known that such orders have been granted would be avoided. He submitted that this court should, by an appropriate order as to costs, show its displeasure of the fact that to applicant's knowledge, Dora's had been liquidated, the stock of tapes held by it had been acquired from Dora's and applicants had 'deliberately refrained' from making any enquiries from the liquidators as to what had become of Dora's stock of tapes.

Bhorat stated that respondent had not been criminally prosecuted or charged with infringing copyright in regard to the tapes seized by the police but had been informed by the latter that the Attorney General had declined to prosecute 'because the tapes had been legitimately purchased from the Joint Liquidators of Dora's'.

Bhorat denied that respondent traded in the tapes without authority or had infringed applicants' copyright. Respondent had bought the tapes in question from Dora's. Applicants and their South African licensees must have known that the liquidators of Dora's would, in the process of winding up the

company, sell the stock of video cassettes held by it and that by taking no steps to stop such sales, must be taken to have assented thereto and thereby to the sale to respondent of the tapes. No restrictions were attached to the sale of the tapes to respondent. Consequently while applicants or their licensees may normally, when selling or hiring video tapes to dealers, attach conditions or restrictions as to trading therewith, none such were stipulated as regards the sale of the tapes to respondent who understood that, short of making unauthorised reproductions of the tapes, it was entitled to sell them to whomsoever it pleased. Alternatively, said Bhorat, the licensees had waived the normal restrictions governing the tapes or in the further alternative, had 'created an apprehension in the mind of respondent that the video tapes were being sold free from the restrictions prohibiting the further sale by respondent'. Respondent 'acting *bona fide* on the strength of such misrepresentation', had altered its position to its prejudice entitling it to raise the defence of estoppel against applicants. In the third alternative he said applicants' claims were against the equities and all good faith and principles of justice and if enforced would amount to unconscionable conduct.

Bhorat stated in regard to the tapes bought by respondent from the liquidators of Dora's that, after taking delivery of them the 14 803 tapes other than those originating from WHV, were sorted by an employee of respondent into original copies, imported copies and pirate copies and into Beta or VHS format. Shortly thereafter a few thousand of these tapes were handed to Stax, a firm which demagnetises pre-recorded video tapes, which erased the films on those tapes. These were then sold as refurbished tapes to the general public. These were some of the blank tapes sold to Moosa. Moosa then, said Bhorat, conducted a business known as Hanover Video through two or three outlets in the Cape Peninsula.

Bhorat went on to deny that the tapes sold to Moosa were sold 'as quickly as possible' after the police raid in September. Negotiations for their sale had started in August 1985 at R35,00 to R30,00 per unit. If respondent had wanted to destroy incriminating evidence, it would have erased the tapes after the police raid. The tapes were admittedly sold cheaply to Moosa but this was because they were dead stock, occupying space in respondent's storeroom and respondent wanted to get its money back on them having made a handsome profit on the sale of the recorders and television sets bought by it from Millman. Applicants knew that most of the tapes came from Dora's and there was no reason for them to believe that respondent was reproducing large quantities of pirate tapes. He denied that respondent was conducting a clandestine trade.

Bhorat contended that applicants had failed to bring the facts set out

above of which they had knowledge to the attention of van Schalkwyk AJ and accordingly their resort to the *Anton Piller* procedure was an abuse of the process of the court.

An affidavit by Millman was also filed by respondent. Dora's was provisionally liquidated on 13 July 1984 and finally on 16 August 1984. He was appointed as one of the joint provisional liquidators on 19 July 1984. On 30 July 1984 he received a letter from Dean, acting on behalf of WHV, asking for confirmation that trading in the latter's cassettes by Dora's, which Dean alleged infringed his client's copyright, would cease. He confirmed that this would happen on 2 or 3 August 1984 when Dora's business would close. Dora's had a large stock of tapes in its possession which he wished to sell and he then took counsel's opinion (coincidentally from Adv G D van Schalkwyk SC who, as van Schalkwyk AJ granted the rules *nisi* in these matters) who advised he would not be infringing the Copyright Act if he sold them and that he had the right to do so. He then sold them with the recorders and television sets that Dora's had in stock to respondent as an indivisible transaction. Millman said the transaction was conducted openly in the course of the winding up of Dora's. Applicants had never approached him for information about the sale of the tapes to respondent which he would have given unhesitatingly.

In reply to respondent's allegations, Askew filed a 66-page affidavit. I shall obviously not set it out *in extenso*. It will suffice for the purposes of this judgement to say that Askew denied that licensees gave permission or must be deemed to have given permission to Millman to sell the relevant tapes or that he was entitled to do so. He also denied that he knew when he launched the present proceedings that the relevant tapes had been purchased by respondent from Millman or that he knew that Millman had been told that he was entitled to sell them. He further denied that he had knowingly or deliberately failed to place material evidence relating to the right of Millman to sell the tapes to respondent before the court in his founding affidavit.

In elaborating on these denials he said that there was a long history of pirating and unlawful trading in applicants' tapes by Dora's. It had also traded in 'counterfeit' tapes in which replicas of authentic labels and 'inserts' were printed on its behalf and used in pirate tapes to imitate authentic ones. Dora Lees, a director of Dora's, had been criminally convicted of copyright infringement and fined about R2 000,00. A large percentage of the video tapes traded in by Dora's at the time of its liquidation was pirate material. This appeared in a report by the joint liquidators to creditors dated 11 December 1984 in which they reported that such pirate tapes could not be sold. Other video tapes could also not be sold as in terms of the contracts by

which they were acquired they could only be hired out to customers.

There was some dispute between WHV and Dora's about the former's tapes but this ended when Millman confirmed that Dora's would cease trading. Askew said that he thereafter took no interest in what became of the assets of Dora's and assumed that Millman would not act unlawfully in disposing of the video cassettes which were some of the assets. The business of Dora's Video World resumed operations in mid-1985 using the same name but under the ostensible ownership of a company called Variety Video (Pty) Ltd. It was, however, still run by Dora Lees. It soon began trading again in pirate and unauthorised tapes and when the present proceedings were launched, *Anton Piller* proceedings were also pending and orders were granted against Variety Video (Pty) Ltd and Dora Lees on 19 June 1986 and executed on 20 June 1986. Askew said he gained the impression that the vast majority of tapes traded in by the 'new' Dora's were tapes which had belonged to the 'old' Dora's. Askew said he thought about the fact that the tapes in respondents' possession with Dora's labels on them may have come from the liquidators but decided on the evidence he had that this was improbable. He did not pursue who may have supplied them to respondent because he concluded that they could not lawfully have been sold to respondent with the right for it in turn to sell them. He did not know, nor did applicants, that the offending tapes found in respondent's possession had been bought from Millman. No authority by the applicants or their licensees could have been given to the liquidators or anyone else to sell pirate copies of their tapes. No agreement had ever been entered into with Dora's by applicants or their licensees to sell copies of applicants' tapes. It could therefore not do so—and neither could the liquidators. The liquidators were also not entitled to sell them on the strength of counsel's opinion which in any event was incorrect, counsel having failed to take into account the amendments to the Copyright Act brought about by the Copyright Amendment Act (no 52 of 1984).

Askew said that it was only from documentation seen by him when the present orders were executed on 13 May 1986 that it became clear to him that a substantial portion, if not all, of the video cassettes had probably been acquired by respondent from Millman. He rejected the contentions and insinuations made on behalf of respondent that he had knowledge of facts which he failed to disclose when he made his founding affidavit. Many of these came to his knowledge thereafter and particularly when he participated in the execution of the orders. For instance, he did not know, when he made his founding affidavit, that the offending tapes came from Dora's. He also denied that Dora's was the only source of such tapes. In fact, he said, other

offending tapes came to light during execution of the orders.

Askew also said that if he had approached Millman for information about the tapes from Dora's, he would merely have learnt that Millman had sold a vast quantity of mainly pirate tapes without authority from the copyright holders. This would have reinforced applicants' conviction of the necessity to get *Anton Piller* orders against respondent to preserve the evidence of the infringement of applicants' copyright.

Askew denied being guilty of contempt of court. He had consulted his attorney, Dean, before giving the information to the journal concerned who advised him that he could do so. Dean, in an affidavit, submitted that his advice was correct on the basis that the secret nature of an *Anton Piller* order was entirely for the benefit of an applicant to prevent the respondent being able to dispose of evidence which it is sought to preserve by search and seizure and not to protect the respondent from publicity. He had made an extensive study of such orders, had read widely on them and written articles on the subject in legal journals and had nowhere found that the rationale for them was other than that expressed by him.

Askew also denied that the applicants or their licensees had waived their rights or had become estopped from enforcing them or had engaged in unconscionable conduct in bringing their claims. They were merely seeking to enforce the rights conferred on them by the Copyright Act. He denied that there had been an abuse of the process of the court. Respondents knew, from the classification of some of the tapes as pirate tapes, that it had pirate tapes in its possession. Even the most uninitiated video dealer would know that no-one could not legitimately trade in pirate tapes, no matter who made them.

Dean also denied any knowledge of an entitlement by Millman to sell the tapes to respondent or of any entitlement or right of respondent in turn to sell them, as it did.

Applicants obtained the orders they did in applications brought on their behalf by Askew. Before I decide whether to confirm the rules *nisi* issued then I must deal with a point *in limine* taken by respondents that the applicants should not have obtained their orders because there was insufficient proof that they had authorised the bringing of the applications in their names.

Each applicant is an artificial person 'organised and existing under the laws' of one or other American state. Askew said he was 'duly authorised' to bring the proceedings on behalf of each applicant. In no case was a resolution authorising the bringing of the application annexed to it nor was one filed in reply after Bhorat stated in his opposing affidavit that he did not know whether, and therefore did not admit that, Askew was authorised to bring the

application. The matter was not dealt with in reply. It was submitted on behalf of respondent that where an artificial person is an applicant, there must be proof before the court that it had authorised, by way or resolution, the bringing of an application in its name. Reliance for this submission was placed on *Mall (Cape)(Pty) Ltd v Merino Ko-operasie Bpk* 1957 (2) SA 347 (C); *Pretoria City Council v Meerlust Investments (Pty) Ltd* 1962 (1) SA 321 (A) at 325 C-F; *Griffiths and Inglis v Southern Cape Blasters* 1972 (4) SA 249 (C) and Joubert: *Law of South Africa* Vol 3, para 138, and Herbststein and van Winsen: *Civil Practice of the Superior Courts in South Africa*, 3rd ed, p 77-78. It was submitted that there was greater need for proof of authority where the deponent who alleges he is authorised is neither a director nor an employee of the applicant and where the latter is a foreign corporation. As no resolutions had been filed, proof of the necessary authorisation was lacking and this was fatal to all the applications. I do not think this issued need detain one long; indeed Mr Farlam, who appeared with Mr C Y Louw for the respondent, did not pursue it with much vigour. Askew's company, Business Information Services (Pty) Ltd is, Askew said, the representative of the MPAA and for all practical purposes a branch thereof in South Africa. The applicants are all members of the MPAA. These facts are admitted by respondent. Askew said that applicants had 'duly authorised' him to bring these proceedings on their behalf. Bhorat, moreover, in several passages in his affidavit had sought to impute the alleged knowledge of Askew of certain matters to applicants. In one such passage in the MGM matter he said:

'Mr Askew of Business Information Services (Pty) Ltd, who has been authorised by applicant to bring these proceedings on applicants' behalf, knew that the joint liquidators of Dora's had ceased trading.'

In another he said:

'Because of the fact that applicant is a member of the MPAA and Business Information Services (Pty) Limited (of which ASKEW is the director and VON TONDER is a senior official) is the representative of the MPAA in South Africa, and a branch of the MPAA as such in South Africa, and a branch of the MPAA as such in South Africa (see p 5, para 7 of ASKEW's affidavit) and because Mr DEAN is applicant's attorney, I say that the knowledge aforesaid which ASKEW, DEAN and VON TONDER had of Dora's Video World can and must be imputed directly to the Applicant herein.'

In *Mall (Cape (Pty) Ltd v Merino Ko-operasie Bpk supra*, a Full Bench decision of this Division, Watermeyer J (de Villiers JP and Ogilvie Thompson J, as he then was, concurring) said at p 351G-352:

'There is a considerable amount of authority for the proposition that,

where a company commences proceedings by way of petition, it must appear that the person who makes the petition on behalf of the company is duly authorised by the company to do so (see for example *Lurie Brothers Ltd v Arcache* 1927 NPD 139, and the other cases mentioned in Herbstein and van Winsen, *Civil Practice of the Superior Courts in South Africa* at p 37, 38). This seems to me to be a salutary rule and one which should apply also to notice of motion proceedings where the applicant is an artificial person. In such cases some evidence should be placed before the court to show that the applicant has duly resolved to institute the proceedings and that the proceedings are instituted at its instance. Unlike the case of an individual, the mere signature of the notice of motion by an attorney and the fact that the proceedings purport to be brought in the name of the applicant are in my view insufficient. The best evidence that the proceedings have been properly authorised would be provided by an affidavit made by an official of the company annexing a copy of the resolution but I do not consider that that form of proof is necessary in every case. Each case must be considered on its own merits and the court must decide whether enough has been placed before it to warrant the conclusion that it is the applicant which is litigating and not some unauthorised person on its behalf. Where, as in the present case, the respondent has offered no evidence at all to suggest that the applicant is not properly before the court, then I consider that a minimum of evidence will be required from the applicant (cf *Parsons v Barkly East Municipality, supra; Thelma Court Flats (Pty) Ltd v McSwigin* 1954 (3) SA 457 (C)).'

Referring to the fact that the deponent to the founding affidavit, who was the secretary of the respondent society in an appeal in that case, had stated that he was 'duly authorised' to make the affidavit, Watermeyer J said that the use of the word 'duly' showed that the authority had been properly conferred and the inference was irresistible that it was the society that had conferred it. No evidence had been put forward by the other party to show that the secretary had not been properly authorised by the society. It was held that a similar point *in limine* taken in that matter to the one in this had been correctly overruled by the court *a quo*. The same considerations in my view apply in this case. Askew's representation of the applicants in South Africa and his averment under oath that he is duly authorised to bring the applications on their behalf is, in my view, sufficient evidence to establish at least *prima facie* that applicants had authorised the bringing of the proceedings in their name. There is no evidence to the contrary. Indeed, respondent has in the passages cited, apparently admitted Askew's

authorisation despite saying earlier in regard thereto that he had no knowledge of it and did not admit it. Moreover, in all the applications save one there are supporting affidavits from the applicants' licensees in South Africa. The other cases relied upon by Mr Farlam are distinguishable from this one, the decision in the *Pretoria City Council's* case turning on an interpretation of a resolution of the Council as to whether it had authorised the prosecution of an appeal to the Appellate Division and that in the *Griffiths and Inglis*' case on the fact that the main deponent had merely said he was the managing director and majority shareholder of the applicant company but had not said he was authorised by it to bring the application. In all the circumstances I cannot find that Skew was not properly authorised to bring these proceedings and that they are not those of the applicant. The objection *in limine* to them accordingly fails.

The applicants now seek confirmation of the rules *nisi* they obtained on 6 May 1986. Are they entitled on all the facts which I now have before me, to a confirmation of these rules? Before I decide that question, it is necessary I feel to make clear what I have to decide at this stage.

In so far as the orders granted then are concerned, those portions which were made immediately operative such as that the proceedings be held *in camera* and not be made public until the return day of the rules *nisi* and that the respondents' premises be searched and infringing copies of applicants' films and documents and records relating to their sale, supply or hire be seized and the ancillary orders as to who could be present at the search, have really fallen away, all the events in relation to them having taken place. It is only whether the applicants should have applied for those orders that need concern me now. It is none of my function to express any view as to whether van Schalkwyk AJ should have made the orders on the information before him. He made them and it is not for me to say if he was correct in doing so or not. I am not sitting in appeal on his decision. This is the return day of a rule. What now concerns me, apart from what I have just said, is whether I should make those portions of the orders final relate to the retention by the deputy sheriff of the infringing copies and the documents and records seized by him and the interdicting of respondents from infringing applicants' copyright pending actions or applications by applicants for relief under the Copyright Act. Those actions or applications have not yet been instituted. Many of the contentions in the papers and much of the argument by counsel for both parties was directed to whether respondent had in fact infringed applicants' copyright, particularly in view of its denial that it had done so. That, however, is not an issue with which I intend to deal fully, nor is it one on which, in my view, I can at this stage come to a positive conclusion purely

on the papers before me. That will be the subject of the actions or applications mentioned. It will only be necessary for me to consider whether the applicants in resorting to the *Anton Piller* procedures—which respondent says they were not entitled to do—had a clear case of infringement against respondent in the sense that it was not based on speculation or that applicants failed to make out a case for relief against respondent (see *Roamer Watch Co SA and another v African Trade Distributors* 1980 (2) SA 254 (W) at 272 C-E). I agree with Cilliers AJ, who gave the judgment in the latter case, that it does not have to be 'an extremely strong *prima facie* case' which is the test applied in England (see per Ormrod LJ in *Anton Piller KG v Manufacturing Processes Ltd and others* [1976] ALLER at 784 and *Ex parte Island Records Ltd* [1978] 3 ALLER 824 at 837).

Those portions of the orders granted other than those relating to the retention by the deputy sheriff of the tapes and documents attached by him and the interdicting of the respondent from further infringing of applicants' copyright were mandatory in nature with immediate and final effect. They were cast in the form of a rule *nisi* but I agree with Cilliers AJ in the *Roamer Watch* case supra at 276 F that they really should have been in the form of an outright order, as *Anton Piller* orders are in England. That was the way they were carried into effect on 13 May 1986. It was submitted on behalf of applicants that it is pointless so long after the orders had been executed to investigate whether they should have been granted at all and that respondent was attempting to persuade the court to enter into an enquiry which is academic. Respondents conceded that the orders having been granted and executed, it was academic to enquire whether they should have been granted on the papers before the court at the time. They contended, however, firstly, that applicants should not have brought the applications in the first place and, secondly, that they had failed to disclose material facts and information which they either had or could have acquired which, if put before the court then, would probably have resulted in a refusal by the court to grant the applicants the *Anton Piller* orders which they sought. An *Anton Piller* order can damage or have an adverse influence on the trading reputation of a firm; it castigates it as dishonest. In the present instance, so the submission went, respondent is said to be a pirate video dealer. It says it is not and could never have been thought to be and has opposed the confirmation of the rules *nisi*, albeit that portions have already been executed, to put its reputation right.

Whether respondent is a video pirate or is not, or whether it has in fact infringed the applicants' copyright, is not for me say at this stage. However, section 23(1) of the Copyright Act provides that copyright is infringed by anyone who, not being the owner of the copyright and without the latter's

licence, does any act which the owner of the copyright may authorise. The owner, in terms of section 8(1) of the Act, which was introduced by the amending Act of 1984, may authorise the selling or letting or offering or exposing for sale or hire by way of trade a reproduction or adaptation of a film. Anyone, therefore, who sells, lets or offers or exposes for sale or hire by way of trade a copy of a film without the consent of the copyright owner, infringes the copyright concerned. Section 26(9), which creates certain presumptions in regard to the infringement of copyright in films registered in terms of the Registration Act, provides in sub-section 26(9)(b) that a person who is alleged to have done an act which infringes the relevant copyright, did that act without the required authority, unless the contrary is proved. The *onus* of proving that he had the necessary authority is therefore on the alleged infringer. The films that form the subject of the orders in all the present applications were all registered in terms of the Registration Act. It is undisputed that respondent sold films the copyright in which vests in the applicants. It did so to Moosa. It also did so to the police informer. *Prima facie* therefore it infringed applicant's copyright. It says it did not do so because it bought the films from the liquidator of Dora's who said he could sell them without infringing applicants' copyright and had counsel's opinion that told him he could do so. Applicants say that that opinion was wrong and that the liquidator infringed their copyright—and so did respondent. Respondent also says that applicants authorised the liquidator to sell the allegedly infringing films, or waived their rights to enforce their copyright, or are estopped from doing so or acted unconscionably. As I have said, I do not intend now to deal with any of these defences, many of which involve conflicts of fact. That is outside of the purview of what I am called upon to decide. I am also not going to consider whether counsel's opinion was correct or not despite argument having been directed thereto by both sides. I am, however, of the view that applicants have made out at least a *prima facie* case that they have a cause of action for the relief they are claiming and not one based on speculation which is all they need do at this stage (see *Universal City Studios Inc and Others v Network Video (Pty) Ltd* 1986 (2) SA 734 (A) at 755 A).

I turn then to consider whether the applicants should have used the *Anton Piller* procedure if they thought that their copyright had been infringed or whether they should have proceeded against respondent in the normal and ordinary manner, using the machinery provided in the Rules of Court.

The *Anton Piller* procedure is an extraordinary one, involving as it does the granting *ex parte* without notice to the other party and *in camera* of orders permitting *inter alia* the entry of the respondent's premises and

authorising the search therefor, and the attachment of, property in which the applicant has a real or personal right or the attachment of documents or other things in order to preserve evidence in an intending case between the parties. It appears to owe its origin to the ease and facility with which 'pirates' may infringe copyright particularly in electronically recorded material such as video tapes. The procedure derives its name from the case of *Anton Piller KG v Manufacturing Processes Ltd supra* which was the original such case in England. That case related to infringement of copyright and the misuse of confidential information by an agent of the plaintiff and the aim of the order in that case was the preservation of certain vital evidence which might otherwise have been destroyed or removed beyond the jurisdiction of the court. *Anton Piller* orders have since been frequently granted in England. So have they in South Africa. The first case in which this happened was the *Roamer Watch case supra*. Since then they have been granted in numerous cases involving infringement of copyright, trade marks and patents, passing off, unlawful competition and restraint of trade and the unlawful use of confidential information. They have been unequivocally and scathingly condemned (by Coetzee J in *Economic Data Processing (Pty) Ltd and others v Pentreath* 1984 (2) SA 605 (W) and *Trade Fairs and Promotions (Pty) Ltd v Thomson and another* 1984 (4) SA 177 (W)) as being no part of our law, and more restrainedly, their validity has been doubted by a Full Bench of the Transvaal Provincial Division (per *van Dijkhorst J*) in *Cerebos Food Corporation Limited v Diverse Foods SA (Pty) Ltd and Another* 1984 (4) SA 149 (T). Any doubt as to their validity has, however, been cleared up by the Appellate Division and the ability to resort to such procedure in appropriate cases has received that court's approval. In *Universal City (Pty) Studios Inc v Network Video (Pty) Ltd supra*, the Appellate Division considered the question of *Anton Piller* orders and the various judgments in which they have been discussed. At p 754 E, Corbett JA who gave the judgment of the court said:

'Now, I am by no means convinced that in appropriate circumstances the court does not have the power to grant *ex parte* and without notice to the other party, ie the respondent (and even, if necessary, *in camera*) an order designed *pendente lite* to preserve evidence in the possession of the respondent. It is probably correct, as to cogently reasoned by the court in the *Cerebos Food case supra*, that there is no authority for such a procedure in our common law. But, of course, the remedies devised in the *Anton Piller case supra* and other subsequent cases for the preservation of evidence are essentially modern legal remedies devised to cater for modern problems in the prosecution of commercial suits.'

Stressing that the Supreme Court possesses an inherent reservoir of power to regulate its procedures in the interests of the proper administration of justice, the learned Judge of Appeal said (at p 755 A):

'In a case where the applicant can establish *prima facie* that he has a cause of action against the respondent which he intended to pursue, that the respondent has in his possession specific documents or things which constitute vital evidence in substantiation of the applicant's cause of action (but in respect of which the applicant can claim no real or personal right), that there is a real and well-founded apprehension that this evidence may be hidden or destroyed or in some manner spirited away by the time the case comes to trial, or at any rate to the stage of discovery, and the applicant asks the court to make an order designed to preserve the evidence in some way, is the court obliged to adopt a *non possumus* attitude? Especially if there is no feasible alternative? I am inclined to think not. It would certainly expose a grave defect in our system of justice if it were to be found that in circumstances such as these the court were powerless to act. Fortunately I am not persuaded that it would be. An order whereby the evidence was in some way recorded, eg by copying documents or photographing things or even by placing them temporarily, ie *pendente lite*, the custody of a third party would not, in my view, be beyond the inherent powers of the court. Nor do I perceive any difficulty in permitting such an order to be applied for *ex parte* and without notice and *in camera*, provided that the applicant can show the real possibility that the evidence will be lost to him if the respondent gets wind of the application.'

It is, however, clear from all the judgments cited and from the extraordinary nature of the remedy that *Anton Piller* orders should not be granted lightly but with care and circumspection. It is a drastic remedy. In the *Roamer Watch* case *supra* Cilliers AJ considered that it should be the only practical means of protecting an applicant's rights and of doing justice between the parties. The essence of the procedure is the preservation of evidence. There should therefore be clear evidence that the respondent has in its possession incriminating documents or things or that there are good grounds for believing that that is the case (see the *Roamer Watch* case *supra* at p 272 G-H) and that there is a real possibility that the respondent may destroy, conceal or spirit away such material before the application can bring its action or application *inter partes* before the court. The *raison d'être* of an *Anton Piller* order is that the respondent, if appraised of the impending legal proceedings, would somehow get rid of the incriminating articles or other evidence which the applicant wished to have preserved and hence absence of

notice is an essential part of the procedure to obtain one (per Corbett JA in the *Universal City Studio's* case *supra* at 750 D). As Lord Denning said in the original *Anton Piller* case at 783 F, such an order will be granted

'... when, if the defendant were forewarned, there is a grave danger that vital evidence will be destroyed'

Did the applicants have cause to think that there was a real possibility that respondent may destroy or spirit away incriminating evidence in its possession or that there was a grave danger of vital evidence being destroyed or done away with? I think they had. The applicants have pointed out that the owner of copyright in video films is in a position of great vulnerability and dealers who either sell or supply them are, as the evidence in this case clearly shows, not over-scrupulous in respecting the right of such owner. Trafficking in pirate tapes is seemingly rife, if one has regard to the number of apparently successful raids to which Askew testifies and to the activities of dealers such as Dora's and others. It is also difficult for a copyright owner to enforce his rights for he often does not know who is infringing them or that they are being infringed. As such infringement occurs by making pirate copies, it is only when the existence of such copies comes to his notice that he becomes aware of the infringement and then he does not necessarily know who made the infringing copy. The provisions in the Copyright Act creating the prohibitions on sale or hire of infringing copies, and the presumptions in the Act to some of which I have referred above, are obviously designed to assist copyright owners to meet some of these difficulties. But the difficulties do not end there. Modern technology has made easy the erasure of tapes and all traces of infringement on video film can be obliterated quickly and efficiently. Tapes can be cleaned of film and rendered blank either individually or *en masse*, as Bhorat said happened when he handed thousands of tapes, bought by respondent from Dora's liquidators, to Stax for the erasure from them of the film content on the tapes. The destruction of evidence of infringement is, accordingly, very easy. Apart from the civil consequences, such as a claim for damages, that an infringement may entail, the criminal penalties for infringement of the Copyright Act are extremely heavy. It is thus evident that the temptation to destroy incriminating evidence would be hard to resist by an infringer if he got wind of his being detected. It would also be easy in order to thwart a claim for damages, to destroy or spirit away documentary evidence which might establish financial exploitation of the tape by the infringer.

In the present case Askew, who acted on behalf of the applicants, knew the following facts when applicants decided to seek *Anton Piller* orders: There were in existence copies of tapes that were infringing applicants'

copyright. A large number of such infringing tapes estimated at between 10 000 and 16 000 were found at respondent's premises when the police raided them on 3 September 1985. Many bore the labels of Dora's, which was a notorious video pirate and infringer of copyright. The police seized almost 400 of the tapes. Thousands therefore remained behind. In March 1986 the police at George also seized a large number of pirate tapes, many of which infringed applicants' copyright as well, from Adams who worked for Moosa. It was found that these had emanated from respondent. Respondent had sold them to Moosa. Respondent had tried to sell tapes to Moosa in August 1985, before the police raid, for R25,00 to R30,00 per tape. It had eventually in January 1986, after the police raid, sold 10 000 of the tapes to Moosa for under R3,00 a tape. Moosa erased about 7 000 of the tapes and sold them as blanks. He sold about 500 in South West Africa, *a modus operandi* frequently employed by video pirates. Moosa had about another 2 000 in his private home. Video pirates often keep pirate tapes in their homes and not in their business premises. It must also be remembered that respondent had sold pirate tapes, including one infringing Columbia's copyright, to a police informer on one occasion and others infringing other applicants' copyright on another.

These facts, in my view, gave rise to the almost irresistible inference that respondent had pirate tapes, including tapes that infringed the applicants' copyright, in its possession. Applicants certainly had good reason to believe that was so. Respondent was disposing of the tapes. It was doing so at extremely low prices. It had got rid of 10 000 of them at those prices shortly after the police raid. 7 000 had been erased. Others were being, or were to be, sold at far-off places such as George and South West Africa. Again, in my opinion, it would not be an unreasonable inference to draw that respondent was attempting to destroy or otherwise get rid of the infringing tapes. Applicants' apprehension that this may well have occurred if respondent were altered to the fact that applicants were intending to institute proceedings against it for infringing their copyright was accordingly, in my view, well grounded.

Respondent submitted, however, that applicants, through Askew, should have made certain enquiries from (a) the police; (b) Millman; and (c) respondent itself. If it had, it would have elicited facts which would have made recourse to the *Anton Piller* procedure inappropriate. Those enquiries have their basis in the fact that many of the tapes bore the labels of Dora's on them and that Moosa told von Tonder that Halim had said that respondent had bought the tapes from liquidators and that they were legitimate tapes and that Halim had also said to Moosa that respondent bought the tapes legally

`from the Supreme Court'. Indeed von Tonder said Moosa told him that respondent had obtained the tapes from `the liquidator of Dora's Video World'. Askew knew that Dora's was in liquidation. Being possessed of this information, so the submission went, Askew or someone on behalf of applicants should have made enquiries from Millman as to where the tapes bearing Dora's labels had come from. If they had they would have learnt that Millman had sold the tapes to respondent when disposing of Dora's assets and pursuant to counsel's opinion that he was entitled to do so. If the police had been approached they would have told Askew that respondent was not being prosecuted because the Attorney General considered that the tapes had been legitimately purchased from the liquidators of Dora's. An enquiry from respondents would have also elicited the information as to where it had got the tapes and that it was dealing with them in a completely open fashion. It was applicants' duty, so Mr Farlam submitted, to make proper and full investigations and to exercise the utmost faith and make full disclosure of all material facts in *ex parte* applications for *Anton Piller* orders. They had not done so.

I do not think that respondents' submissions are sound. When the police raid took place, the applicants cannot be blamed for thinking that they had come across a large scale pirate operation. The raid followed the purchase by the police informer of infringing tapes. During the raid thousands of tapes were seen of which hundreds, even during an inspection of only limited duration, were found to be pirate ones. Many bore the label of a well-known pirate, Dora's. I do not think that applicants or Askew can be faulted for not having made any enquiries at that stage as to the origin of the tapes. Nor, in my view, can they be faulted for not having enquired from the police as to the course of any possible prosecution. Police investigations often take months to complete. Indeed, it appears that it was thought that they were still proceeding because von Tonder, in the founding affidavits, said that the tapes seized were in the possession of the police, `pending the institution of criminal copyright proceedings against Melotronics'. There was no reason therefore for applicants to enquire from the police whether the prosecution was going ahead or not. They obviously thought it was. I also do not feel that applicants can be faulted for not asking the police, after the raid, if the latter had found out where the tapes had come from. That would probably have been regarded by the police as being no concern of theirs.

Nor do I think that applicants or Askew can be faulted for not making any enquiries as to the origin of the tapes, particularly those bearing Dora's labels, from Millman. They knew that they had given him no authority to sell tapes in which they owned the copyright. Even if they believed that the tapes sold

by respondent had been bought by him, an enquiry from him would merely have elicited the reply that he had sold them to respondent. This would not, I feel, in their minds, have legitimised the sale by respondent of the tapes. Indeed suspicious as they were—and, as I feel, not unwarrantedly so—that respondent was engaged in a pirate operation, an enquiry from Millman may have caused the latter to contact respondent, who would have been alerted to applicants' intentions to bring claims against, something that applicants were not eager to disclose because of their apprehensions as to what respondent might do if it got wind of their intentions. Moreover, during the police raid von Tonder found an invoice book showing that on 9 August 1985 respondent sold to Dora Lees a number of video tapes for R2 300,00 at prices substantially less than current prices in the market place. Bhorat said that while such an entry appears in the invoice book the sale in fact never took place as he had not agreed to it, Halim having negotiated the deal without his approval. The invoice was, however, not marked 'cancelled' and von Tonder could, therefore, have legitimately believed that there was a two-way trade going on in pirate tapes between respondent and Dora's. An enquiry from Dora's liquidators would therefore in applicants' view of what was happening, have been inappropriate. In any event, von Tonder, and Askew therefore probably as well, were suspicious of Moosa. Von Tonder said he took down in his handwriting Moosa's affidavit when he visited him and did not return with a typed copy later because he feared that Moosa might then no longer be willing to co-operate with him. Moreover, according to von Tonder, during the police raid it was observed that, although many of the tapes bore Dora's labels, there were many others that bore the labels of other outlets, such as 'Peepers'. Applicants were, therefore, in my view, justified in thinking that not all the tapes had come from Dora's. There would therefore have been no purpose in approaching Millman. Indeed, Askew said in terms that on all the evidence he then decided that it was improbable that those tapes bearing Dora's labels had come from the liquidators. I cannot find that belief to be unjustified.

Respondents further submitted that applicants had failed to disclose certain material facts to the court *a quo* which, if they had, may have resulted in the Court's refusing to grant the orders it did. Those are (i) that applicants did not tell the court that it had made no enquiries from Millman and (ii) that it had sought to mislead the court by failing to set out pertinently that Moosa operated a video business. As to the first I have already come to the conclusion that applicants cannot be faulted for not having made any enquiry from Millman as to the origin of the tapes in Moosa's possession. I can see no reason, therefore, why they should have told the court *a quo* that they had

not done so. As to the second point, it is true that Askew stated that he was told by the police that Adams was employed by Hanover Gas and Hardware while von Tonder said that when he went to make his investigations from Moosa he went to Hanover Draperies. It is also true that von Tonder stressed the latter fact as support for his averment that respondent was distributing tapes clandestinely through a firm which was ostensibly a trader in textiles. He did so when he had an affidavit from Moosa describing his firm as 'Hanover Gas and Hardware *and Video*' (my emphasis). This was, I feel, remiss on von Tonder's part. It was submitted by Mr Goldstein, who with Mr Puckrin, appeared for applicants that nothing was hidden from the court *a quo* in that Moosa's affidavit stating that his firm was described also as 'Hanover *Video*' was before the court, as was an invoice from respondent to Moosa for some of the tapes bought by the latter which was made out to 'Hanover Video'. The court could not therefore have been misled. I am not convinced by this argument. Van Schalkwyk AJ had before him nine applications each running to some 110 pages. He received the papers the day before hearing the matter as a matter of urgency. If he failed to notice von Tonder's description of Moosa's business as a drapery concern was incorrect because it had been described elsewhere as 'Hanover Video' it would not be surprising. Von Tonder was, I feel, at fault—and so was Askew—in not pointing out the latter fact to the learned Judge. Moreover, having learnt that Moosa called his business Hanover 'Video' an investigation by von Tonder was clearly called for which would have revealed that Moosa also conducted video outlets. I am not, however, convinced that had the latter fact been brought to the learned judge's attention, he would not have granted the orders. He would still have had the allegations before him of sales by respondent which were ostensibly unauthorised at places far removed from Moosa's normal business premises and of all the other facts to which I have referred above and which no doubt persuaded him to grant the orders he did. He did not, I feel, grant them on only the one allegation viz that Moosa was selling tapes from a draper shop and not from a video outlet. I therefore find that while von Tonder was remiss in averring that respondent was distributing videos from a drapery store when he knew of should have known that Moosa also conducted a video business, this factor was not such that it would have resulted in a refusal of the orders. I find therefore that there was no abuse of the process of the court by applicants in using the *Anton Piller* procedure nor that there was any material non-disclosure which would have influenced van Schalkwyk AJ not to grant the orders.

The question then is whether I should confirm those orders now that I have all the facts before me.

I can at this stage not say that applicants were not justified in resorting to the *Anton Piller* procedures. I have already set out my views as to the inferences which I feel they were entitled to draw from the facts at their disposal. In addition there are other facts which have now come to light. Large scale sales of infringing tapes by respondent were taking place. Respondent now says that Millman sold them to it as part of a larger sale also involving television sets and video recorders which was what it was really interested in and not the tapes and that it was entitled to sell the latter. It was, however, a video dealer and knew, or should have known, that it could not sell infringing tapes. Bhorat says that having bought them from Millman who he thought was, as liquidator of Dora's, entitled to sell them, he could sell them too. Bhorat, however, says that on receipt of the tapes from Millman, respondent had one of its employees sort them out and classify them as to whether they were Beta or VHS format and were original, imported or pirate copies. They were not classified into types of films, eg. dramas, comedies, westerns or love stories but classified in terms of legality. Yet it would appear that in the sale to Moosa no distinction was made between the classifications; in other words, pirate copies and imported copies were sold on an equal basis with original copies. Pirate copies can surely not be sold by anyone. Thousands of the tapes were erased not only by Moose but also by respondent using a bulk eraser. The sales took place at prices substantially lower than market prices. Bhorat has explained that the sales took place openly and were all documented and that none of respondent's actions can be regarded as either clandestine or as being in such infringement of applicant's copyright as to warrant a resort to the *Anton Piller* procedure. Respondent is not, he says, a video pirate. That may be so. Askew on behalf of applicants says respondent is a video pirate. He may be right. It is not for me to say who is correct. It will only be possible to decide after a full canvassing of all the relevant facts by oral evidence, which will have to take place when applicants bring their actions against respondent, if they should choose to do so. At this stage, however, it seems to me that applicants have established *prima facie* that they have a cause of action against respondent which they say they intend to pursue. Respondent has tapes in its possession which applicants say will provide evidence that their copyright is being infringed and they had, in my view, a real and well-founded apprehension that that evidence may have been destroyed or otherwise disposed of and which they were entitled to have preserved. Respondent says, however, that applicants themselves never considered that the rights were being so infringed or that evidence in regard thereto was being destroyed that it was urgently necessary for them to move the court by way of *Anton Piller* applications. It points out that the police raid

on 3 September 1985. There is also evidence that on 24 January 1986 applicants requested an affidavit from the policeman who conducted the raid, stating that they intended instituting proceedings against respondent, which was refused on 18 February 1986, the police saying they could use the evidence of von Tonder, who was present. On 7 March 1986 the further tapes were seized by the police in George and on 27 March 1986 Moosa's affidavit was taken. Yet the applicants only lodged their applications on 5 May 1986. If this may at first seem an inordinate delay applicants in my view, have satisfactorily explained it. Following the police raid prosecutions were pending and applicants were entitled to believe that respondent would not continue to deal in infringing tapes. This belief was, however, shattered when the thousands of infringing tapes were found in Moosa's possession. Then within a month the applications were brought. Moreover, Mr Puckrin stated from the Bar that following the *Cerebos Food Corporation* case, applicants were uncertain whether resort could be had to the *Anton Piller* remedy and it was only after the Appellate Division decision in the *Universal City Studio's* case was delivered on 27 February 1986 that it became clear that they could do so. It was also contended that after obtaining the orders on 6 May 1986 applicants were in no haste to have them executed, this only taking place on 13 May 1986. Mr Puckrin again explained, however, that the orders could only be uplifted on 7 May 1986, a public holiday fell on 8 May 1986 which was a Tuesday and as it was felt that two days were necessary to execute the orders, this was done following the weekend, ie on 13 May 1986. I cannot find that there was any delay on applicants' part disentitling them from pursuing the relief they have sought.

It follows that I hold that I should confirm the rules *nisi*. I feel, however, that the orders should be modified. Those portions of the orders to which effect has already been given fall away. In each order copies of certain named films in which the individual applicant has copyright were ordered to be attached by the deputy sheriff. He has done so. There was much argument by counsel as to whether an applicant who says his copyright has been infringed has the right to delivery up of the infringing material. Interesting though that topic may be, it is unnecessary for me to consider it at this stage. It has been accepted that an order for the interim attachment for the preservation of property in which a real or personal right is claimed by the applicant is competent (see *Cerebos Food Corporation* *supra* at 164 D-F *Universal City Studio's* case *supra* at 752 H). That is what applicants want in this case and I feel they could have it. As to that portion of the rules *nisi* interdicting the respondent *pendente lite* from infringing applicants' copyright it was conceded on behalf of the latter that they could only ask for such an order in

respect of the selling or letting of distributing copies of the films in question.

Mr Farlam from the Bar said his clients gave an undertaking not to sell any of them. It would only hire out those which it was entitled to do in terms of a conversion agreement with applicants. Apart from that undertaking, however, I am of the view that the applicants have established the requisites for an interim interdict in the limited terms now sought (see Joubert: *Law of South Africa* (Lawsa), Vol II, p 298, para 323) and that such interdict should apply to both the selling and letting of the films cited in the orders. Only a few films are involved (the deputy sheriff attached 20 films in all the nine applications although there is more than one copy of some of the films). There can clearly be no inconvenience to, or disruption of respondent's business should these few films remain in the deputy sheriff's possession. There are also still it seems some 392 films under lock and key at respondent's premises at the police's direction. I understood Mr Farlam's undertaking not to sell any tapes to include those.

As I have said above, after a full investigation, at a trial, of all the facts, it will emerge whether applicants' apprehensions as to respondent's alleged activities were justified or whether respondent was justified in its opposition to the granting of final orders in the applicants' applications. In the rules *nisi*, the order was that costs of the applications should be costs in the cause of the action or applications to be instituted. I think that would still be the appropriate order as to costs at this stage. I would add that as the issues will require to be determined by oral evidence and as applicants say they will be claiming damages, in which case the procedure would be by way of action, that the applicants should bring their claims for such relief as they may choose to seek by action rather than by way of application. Applicants say they also intend to claim an account of profits. Respondent says they are not entitled to do so under the Copyright Act. There was some debate as to the competence of such a claim before me. I need express no view on it now. Such a claim is not before me and it would be academic for me to deal with the question now.

I turn finally to respondent's application that Askew be committed for contempt of court. As respondent is the applicant herein I will refer to it as Melotronics. I shall, however, continue to refer to the nine film companies as applicants. It is admitted by Askew that he gave the information contained in the article in the magazine in question to its editor. He did so deliberately. He did so, however, he said, after he had consulted Dean, applicant's attorney and with whom he works closely in all matters affecting applicants. Part of the way in which he, in protecting applicants' interests in South Africa, seeks to combat piracy of their films, is to conduct a publicity campaign in which

attention is focused on the problems of copyright theft and the steps taken to bring taken to bring transgressors to justice. An important aspect of such campaign is to keep the media informed of action taken by the police or by his company. The editor had asked him, shortly after the *Anton Piller* orders had been obtained by applicants, for up-to-date information on the anti-piracy campaign. The most noteworthy recent action had been the granting of the orders. He had asked Dean if he could tell the editor about the orders. Dean had said he could do so but should just give bare details of what had transpired, as the proceedings were still *sub judice*. In a supporting affidavit Dean said he had given Askew the advice that he could give the information in question. As I have set out above he said that in his extensive reading, studying and research into the *Anton Piller* procedure he had never found any suggestion that the proceedings must be kept secret or confidential in order to protect the respondent. The provisions that the proceedings be heard *in camera* and not be made public were for the benefit of the applicant to prevent respondent learning of them before execution of the orders. It was therefore binding on the court officials, the deputy sheriff and other third parties who gain knowledge of the order prior to its execution but not on the applicant. Dean's view was also that advanced by Mr Goldstein in argument before me. He, too, submitted that the secrecy part of an *Anton Piller* order is for the benefit of the applicant alone. I think that his submission is correct. As Mr Goldstein pointed out, an application for the other relief claimed in an *Anton Piller* order, apart from the secrecy aspect of it, can be made in open court in which event the allegations or piracy would be made public. In such a case of course, the respondent would have to be given notice of the application and could immediately also make public his refutation of the allegations. Furthermore, the *Anton Piller* procedure carries with it the stigma of dishonesty that if the respondent were to get wind of the proceedings he would destroy the incriminating evidence in his possession. For both these reasons *Anton Piller* orders are given with care and only when the circumstances warrant this extraordinary remedy. It does not follow, though, that the secrecy aspect of the procedure is for the respondent's protection or as much for the latter's protection as it is for the protection of the applicant's interests. As I have already set out above, in the *Universal City Studio's* case *supra* at 750 D, Corbett JA said that:

'Since the very *raison d'être* of the order was the apprehension that the defendant, if apprised of the impending legal proceedings, would somehow get rid of the incriminating articles or other evidence which the plaintiff wished to have preserved, absence of notice was an essential part of the procedure.'

At p 753 C he said:

'It is, however, of the essence of the *Anton Piller* procedure that notice is not given to the other party; the reason being that it is apprehended that the giving of notice will defeat the purpose of the order: will cause the horse to bolt, as it had been put.'

It was argued that as the limit on prohibition on publication in the instant order was the return day, this showed that such prohibition was for the benefit of the respondent since, on the return day, it would have the opportunity of publicly refuting the applicants' allegations. Applicants have, however, stated that they chose the return day as the limit of the prohibition and not the date of execution and the reason for doing so was the latter was uncertain whereas the former was not. They suggested such date to the learned judge *a quo* who accepted it. There is nothing to suggest anything to the contrary; nor is there anything else in the order to suggest that by making the return day the limit on the prohibition, the learned judge had in mind the protection of Melotronics. I am accordingly of the view that the prohibition was for the applicants' benefit alone, who could waive it if they chose to do so.

Even if I am wrong in this view, however, I do not think that Askew was guilty of any contempt. Contempt of court is the deliberate and intentional (ie wilful) disobedience of an order of court (see *Consolidated Fish Distributors (Pty) Ltd v Zive and others* 1968 (2) SA 517 (C) at 522 C and cases there cited; *LAWSA*, Vol 3, p 216, para 394). Once it is shown that an order was granted and that it has been disobeyed, wilfulness will normally be inferred and the *onus* will then be on the respondent to rebut that inference on a balance of probabilities. The element of wilfulness is essential (see the *Consolidated Fish Distributors'* case *supra* at 522H-533A). In the latter case it was also held that while in some cases it has been held that in addition to wilfulness there must also be *mala fides*, the better view seemed to be that *mala fides* was equated with wilfulness and a respondent may avoid a finding of contempt if he could show *bona fides*. As it was put by Baker AJ, as he then was, at p 524 C-E:

'Even though respondent may be wilful, and admittedly so, he may yet escape liability, if he can show that he was *bona fide* in disobedience, that is, that he genuinely, though mistakenly, believed that he was entitled to commit the act, or the omission, alleged to be a contempt of court.'

While it seems that the learned judge, with respect, may have been confusing a wilful commission of the act which constitutes a disobedience of the order, as opposed to an accidental or otherwise unintentional commission thereof, with a wilful disobedience of the order in the sense that the

respondent knew he would be challenging the court's authority if he committed the act but nevertheless went ahead with it, I agree that in order to establish that he had not wilfully and intentionally decided to challenge the court's authority or fly in the face of it by deliberately disobeying it, a respondent can, in order to avoid a finding that he had been in contempt or such order, show that he genuinely, though mistakenly, believed that he was entitled to commit the act (see also *Wickee v Wickee* 1929 WLD 145; *Noel Lancaster Sands (Edms) Bpk v Theron* 1974 (3) SA 688 (T)). In the present case I am of the view that Askew has shown that he was not *mala fide* and that he genuinely believed that he was entitled to disclose the information he did to the editor concerned. Moreover, he consulted his attorney who advised him that he could do so. Now, I am not saying that a respondent who knows that he is going to wilfully disobey a court's order can always avoid liability simply by saying that he consulted his attorney. It will depend on the circumstances of each case. Here, however, Dean had given him an opinion as to his rights which was not an unjustified one. Askew only acted after having sought that advice. It was contended on behalf of Melotronics that Askew had not acted in good faith but wilfully in order to harm Melotronics. Bhorat also said that he did not accept that Dean had given the legal advice that he said he did. It was therefore submitted that the court should in terms of Rule of Court 6(5)(g) direct that oral evidence be taken and that both Dean and Askew be cross-examined. There can, in my view, be no purpose in doing so. Dean is an officer of the court. He made his affidavit under oath. I cannot conceive that he would have broken that oath and lied to the court on this aspect or that cross-examination will prove that he did so. He corroborates Askew's evidence. In my view there are no reasonable grounds for doubting the correctness of the allegations and that no recourse need therefore be made to the provisions of Rule 6(5)(g) (cf *Moosa Bros & Sons (Pty) Ltd v Rajah* 1975 (4) SA 87 at 93H). As Askew has, in my opinion, shown that he acted *bona fide* and not in wilful disobedience of the orders contained in the rules *nisi*, it follows the Melotronics' application for his committal for contempt must fail and I so hold. Melotronics must pay the costs involved in this application. For the guidance of the Taxing Master, I record that approximately 2 hours of the time of the hearing were taken up in the argument on this application.

In the result, therefore, I make the following order:

1. In respect of the rules *nisi* issued in each of the nine applications in matters 4607/86; 4608/86; 4609/86; 4610/86; 4611/86; 4612/86; 4613/86; 4614/86 and 4615/86, the rules *nisi* are confirmed in the following terms:

- 1.1 The deputy sheriff is directed to retain the copies of films attached by him during his execution of the orders granted by this court on 6 May 1986 and such documents and records (or photocopies thereof) relating to the sale, supply or hire by respondent of such copies as were also then attached by him, pending the determination of actions to be brought by the applicants against respondent within ninety (90) days from date hereof for any relief in terms of the Copyright Act (no 98 of 1978) (as amended).
- 1.2 Pending the determination of such actions, respondent is interdicted from infringing the applicants' copyright in the aforesaid films by
 - 1.2.1 selling, letting or by way of trade offering or exposing for sale copies thereof or distributing copies thereof for the purposes of trade or causing any of the foregoing to be done.
- 1.3 Respondent's undertaking not to sell, pending the determination of such actions, any films in its possession which may infringe applicants' copyright is recorded.
- 1.4 Costs of this application are to be costs in the cause of such actions.
2. Respondent's application in matter 7826/86 is dismissed with costs, such costs to include the costs of two counsel.

CCP RECORD COMPANY (PTY) LTD v ADAMS RADIO TV AND ELECTRONICS

DURBAN AND COAST LOCAL DIVISION

DIDCOTT J

25 SEPTEMBER 1987

Where an act of infringement of copyright takes place as a result of a 'trap' a court will treat the evidence tendered on the basis of the trap with circumspection but will also take into account whether or not the copyright holder holds the view that the alleged infringer has persistently infringed its copyright and escaped detection. Evidence of the use of high-speed recording equipment is relevant where the infringing act takes place in the presence of the trap but is of less importance otherwise.

The plaintiff held the copyright in a musical arrangement which had been recorded on a cassette tape. An agent of a detective agency employed by the plaintiff went to the defendant's shop and requested a copy of the music recorded on the cassette tape. The defendant then copied the cassette tape and sold the copy to the agent. The agent did not determine whether or not the defendant had high-speed recording equipment on its premises at the time.

The plaintiff then brought an action for an interdict preventing the defendant from infringing its copyright and for payment of additional damages in terms of section 24(3) of the Copyright Act (no 98 of 1978). The defendant opposed the action. The action for damages was abandoned at a later stage.

The court had to be alive to the dangers of trap evidence but this danger was less likely to arise where the alleged infringer was not high on the list of targets for trapping. This was not such a case, nor one in which the plaintiffs had in the past attempted to obtain evidence against the defendant and failed. In the latter circumstances, a court would have to look carefully at the inherent possibility that the trapping was attended by unacceptable methods of obtaining evidence.

The fact that the plaintiff's agent did not determine whether or not high-speed recording equipment was on the premises meant that the trap was less effective than it could have been. Evidence of the presence of such equipment was relevant where the infringing act was alleged to have been committed on the premises in question but was irrelevant where the copying could have been done elsewhere.

The fact that the plaintiff's evidence showed only that the defendant infringed its copyright on one occasion was an indication that damages in terms of section 24(3) would not apply to the case. The same fact might have indicated that an action for infringement was unnecessary but because the defendant opposed the action, denying the allegations of infringement at all times, the plaintiff's action for an interdict was appropriate.

The action succeeded.

Didcott J: As a result of a series of amendments to the plaintiff's particulars of claim, the case has been narrowed down very substantially. I shall not go

through the pleadings in their historical sequence, dealing with what the cause of action originally was and with the changes to it which have been brought about. It suffices to say that the effect of these changes was not to add to the cause of action, but to narrow it down very crisply and to avoid a great deal of time which might otherwise have been taken up by the trial. I mention it at this stage because the trial only got going finally at about midday on the second day, the whole of the first day and the earlier part of the second day being taken up either in debate in court about what was in issue or what was not in issue and, as far as the afternoon of the first day was concerned, in the need for certain persons representing the defendant to travel to Johannesburg to listen to a transcription which could only be done on the machinery available there of a particular tape, this having become necessary as a result of the amendments. I am quite satisfied that the time thus spent was not wasted time, that if the case had proceeded on the pleadings as they stood when the trial was due to start at 10 am on the first day it would have lasted at least twice as long as the time it has actually taken, and in all probability a few days longer. In short this was time, as I have already said, well spent which, in my view, has no bearing on the costs of the action, except perhaps that it has succeeded in actually reducing them.

The claim is a claim for an interdict relating to an alleged copyright infringement, coupled with a claim for the rather general and apparently punitive damages for which the Act caters in certain circumstances. That claim for damages has fallen away, but I shall come to that point later. It is now common cause that the plaintiff is the owner/proprietor of copyright in a particular recorded tape which goes by the title 'Take Your Time', this being a musical arrangement featuring some group of performers called Cheek to Cheek. It is also common cause that Exhibit 3 in this case is an exact reproduction, and a pirated reproduction, of that tape in which copyright exists. Exhibit 3 is the tape of a type which is sold as a blank tape. Its brand is DNL, a DNL cassette tape which has the usual inlay card, I believe it is called, containing for all practical purposes nothing except the maker's name and a description of the blank tape. In short, there is nothing on it indicating any recording on the tape, and it is certainly not the usual commercially prepared card of that kind which gives information, sometimes accompanied by illustrations of what is to be found on the tape. That tape, as I say it is agreed, now contains everything which is on the original tape in which copyright resides.

The only question, apart from the relief to be granted, if any, and the question of costs, is whether the defendant made this copy. Now, the plaintiff's evidence certainly, if accepted, proves that. Mrs Radebe went into

the defendant's shop on that particular day, and she says that in front of her, in her presence, this particular tape was recorded from the commercially produced version of the copyrighted tape which the defendant had in stock. And indeed the same happened with regard to another tape which is not the subject matter of this litigation, although referred to in it.

I have no doubt whatsoever that the plaintiff has succeeded in proving this case. I do not intend to go into the evidence in great detail, or indeed in any greater detail than is necessary to explain why I come to that conclusion. Mrs Radebe was, I do not think, an ideal witness. Hardly surprisingly, she suffered from some faults of memory and recollection. She conceded, quite candidly, that she had to rely fairly considerably on refreshing her memory from affidavits she had made at the time, and that her recollection of the events some two years ago was somewhat foggy. She was not a very confident witness. She was not a highly impressive witness, as Mr Marais rather suggested in argument that she had been. On the other hand, she was certainly not a witness about whom one had very serious doubts. Her evidence was not damaged in cross-examination, for instance. By and large she performed in the witness box satisfactorily and competently, if one cannot put it much higher than that.

The only witness on the other side was Mr Rafik Khader, a much less impressive witness, in my judgment. He did not impress me at all. He did not answer questions that were put to him. He improvised a great deal. He slid off at tangents. He was evasive. I had no difficulty in reaching that conclusion. He was evasive, and he did not give me any confidence at all.

But the dispute between them really does not rest to any great extent on this comparison of their qualities or lack of them in the witness box. There are some considerations in this case which are overwhelmingly in favour of the plaintiff's version, particularly insofar as the inherent probabilities of the matter are concerned. Mrs Radebe's evidence is corroborated on some important points by Miss Meyer. She also had some difficulty in remembering details of what happened a couple of years ago, but she could not really be faulted on what she had to say in the witness box, and by and large acquitted herself tolerably well there.

From this evidence it emerges without any difficulty at all, and indeed in argument counsel for the defendant had to concede that it did, that Mrs Radebe went into the shop of the defendant on the morning in question. First of all of the circumstances here is the one that she had been detailed to go into that shop that very morning, and Miss Meyer dropped her off outside it and went to park, and saw her proceeding in the direction of the shop. Miss Meyer did not see Mrs Radebe actually enter the shop, but she saw Mrs

Radebe setting off in the direction of the shop. And some time later, twenty/thirty minutes, whatever it was, something of that order, Miss Meyer saw Mrs Radebe returning from the direction of the shop. Mrs Radebe says she entered the shop, and her evidence is not denied. Mr Khader says she entered the shop, and her evidence is not denied. Mr Khader hardly surprisingly does not remember whether a particular customer went in there two years ago or did not go in there. And Mrs Radebe, what is more, gave a pretty accurate description of Mr Rafik Khader, of his physical appearance. That description matches him on just about all its features, if not on every single one. Of course, it is possible that she had been into that shop on some other occasion, or went into it afterwards, and saw him there and was able to give the description for that reason. But it is somewhat unlikely. She worked in Durban and I assume lived thereabouts. Certainly Stanger was not a place which was on her normal beat, the shop being in Stanger, and there was no suggestion in any event made to her in cross-examination that she might have seen Mr Khader on a different occasion and thus have been able to give the description. It is also proved on the evidence of Mrs Radebe, corroborated by Miss Meyer, that Mrs Radebe emerged with two tapes in her possession, one being the one which is now Exhibit 2, and we know at that stage that Exhibit 3 then had on it the recording it has on it. Certainly there has been no suggestion in cross-examination or otherwise that this was put on subsequently.

Now what are the possibilities? The one possibility, of course, is that the recording was done, as Mrs Radebe says it was, in the shop at the time. The other possibility is that it was not done there at all. It was either done in some other shop in the vicinity or bought in a condition in which that recording had been done previously from some such shop. Well that I can dismiss quite easily and comfortably. In the first place the possibility that Mrs Radebe might have entered some other outlet in the vicinity was never put in cross-examination, either to Miss Meyer, who might have been able to throw some light on it, but more important, to Mrs Radebe herself. There was no suggestion made that she had gone elsewhere, and it is in the highest degree improbable that she got this tape elsewhere. Her employer had, after all, been employed as a detective agency by the recording industry to check on dealers with regard to general matters of quality control and the like. There was a specific instruction to go to the defendant's shop in relation to two particular tapes at least, and Mrs Radebe's assignment in Stanger, and her only assignment in Stanger, was to go to that shop and to that shop alone. The idea that, when she had been sent out to trap a pirate, and when that was the task which the firm employing her had been engaged to do, that she would have

gone to some other shop is far-fetched. The third possibility, and the only other one, is that Mrs Radebe not only emerged from the defendant's shop with a tape but entered it with the selfsame tape, in short that she planted it from the beginning. This too can, in my view, be dismissed.

I am fully alive to the dangers of trap evidence. The dangers arise most frequently and are alluded to most frequently in criminal cases because, of course, it is criminal cases in which trapping usually takes place. But the same danger can easily exist in a civil case, and this was clearly a trapping case. Mrs Radebe had to use some persuasion at least to induce Mr Rafik Khader to make the recording for her, a point to which I shall return. But, as in all these situations, one must look at the inherent probabilities of the particular case in the light of all its circumstances. This was not, and I regard this as the most important feature in the case, this was not a case in which the defendant's shop was high on the list of targets for trapping. What I mean by that is this. It was not a case where, let us take the analogy of trapping somebody for dagga or any other drug. The police, from information they have, know full well, or believe they know full well, that a particular person is a dealer, an important dealer, in dagga or drug. He avoids or escapes the net half a dozen times. Attempts are made to arrest him, to catch him red-handed, and for a variety of reasons they have failed, or he is charged and the evidence is not good enough and he is acquitted, and eventually the police, believing full well that a large criminal is escaping, decide that they will cook the next bit of evidence in order to ensure a conviction. And they conspire to set a trap and they tamper with evidence to make sure that the trap works, reconciling themselves to the dishonesty of that course by their firm conviction that, even if by unorthodox means, they have caught someone who richly deserved to be caught. I am not, of course, commenting on the extent to which this happens. I do not know whether it does happen, or to what extent it does happen. But then it might happen. It might happen with any police force in the world. It is clearly a real possibility that the court has got to take into account.

We have absolutely nothing of that kind in this case. There is, and I emphasize the importance of this, there is no suggestion that this shop had been raided time and again unsuccessfully. In fact the evidence is that it had not been. There is no suggestion that either the detective agency or its employer was determined to get the defendant at last, even if that meant cooking the evidence. And I hope I am not being misunderstood to suggest that I think that this particular detective agency would have lent itself, even in those circumstances, to cooking the evidence. I am not suggesting that for a moment. I am just saying that, if it had been a case where I had been told

that the recording industry was quite convinced in its own mind that the defendant was engaged in a piracy on a large scale or on any consistent, continuous basis, that they had tried unsuccessfully to catch the defendant before and failed, I would at least have had to look very carefully at the inherent possibility that there might have been something a bit fishy about the trapping in this case.

What is the picture we have? We have the picture of a concern which was visited once. There was never any request that they go there more than once. Miss Meyer said that, if they had drawn a blank on this occasion, they never would have gone back again in the absence of some express instruction from their client, arising out of a fresh incident, which occasioned the supposed need for a fresh instruction. And that evidence was not challenged at all. It was common cause. Now it was no skin off the detective agency's nose whether the trap sprung in this case caught anything or whether it did not catch anything. It made no difference to the agency at all. They would simply report to their client on what the result of the exercise was, whichever way that exercise had gone, and that was that and there was no suggestion to the contrary.

In those circumstances why on earth, one asks oneself, should Mrs Radebe, who did not give me the impression, I may say, of being somebody who is likely to do very much on her own that she was not told to do, why should she have cooked the books or, if the idea was not hers, why one earth should her detective agency have decided to cook the books? The answer is, no reason one can think of at all.

When I take together the poor impression Mr Khader made on me, the better impression, albeit it is not a strongly favourable impression which Mrs Radebe made on me, but more important of the corroboration of her evidence by Miss Meyer to some extent, and even more so by the inherent probabilities of the case, I have no doubt whatsoever that the plaintiff has proved that Mr Rafik Khader did copy the tape in question for Mrs Radebe in the shop that morning. It is true that this could only have been done on special equipment, high speed equipment, because Mrs Radebe was not in the shop long enough for two C35 tapes to be played their normal playing length, a total of seventy minutes. They could only have been recorded, if they were recorded then and there, as she says, and not pre-recorded, on a machine which could complete the task in much less time than that. And such a machine apparently exists. I have heard evidence about it, and apparently it exists in an open and perfectly respectable commercial context. It can obviously be used for the illicit purpose of piracy. But then, with perhaps less facility but nonetheless, so can ordinary tape recording equipment. There is no suggestion that this

high-speed machinery is only sold to pirates or used for the purpose of piracy.

Mr Rafik Khader insists that no such machine was in stock at the time, and indeed there was no market for it in Stanger. The sort of clientele that the shop had really did not encompass this rather sophisticated equipment. When I say 'sophisticated' I do not wish to suggest, however, that it is so sophisticated that it is out of the ordinary field of commercial availability. The evidence is indeed to the contrary. It is apparently not a very expensive machine, so I have been told.

Now, of course, the trap would have been more effective had somebody thought of checking on whether such a machine was in the shop, either Mrs Radebe herself or perhaps someone who was a little bit more *au fait* with machinery and equipment of that type going there either the same day or a day or two later. In the ordinary case of trapping piracy I suppose this is not necessary because, if the tape has been pre-recorded, it does not matter if there is a high speed machine in the shop or not. It could have been done at home. It could have been bought from somebody else who did the pirating of his own machine. But in the particular circumstances of a case like this, where the recording is said to have taken place in the presence of the customer and while the customer was there, and it is a critical question as to whether high speed machinery was used or not because of the relatively brief time the customer was in the shop, obviously a really effective trapping operation would concentrate on that feature, and no doubt will in future, now that its importance has become obvious in this case.

We have, with regard to the unavailability of the machine in the shop, the fact that it just was not there, only the evidence of Mr Khader, uncorroborated and unsupported. There is no evidence from anybody else on the defendant's side who might or might not have been able to confirm his evidence. I draw no inference from the fact that his father, the owner of the business, was not called, I simply point out the fact that there is no corroboration on that score. If Mrs Radebe's evidence is true, it must follow that such a machine was there and that Mr Khader has not told me the truth. I am satisfied that that must have been the case because I am satisfied, for reasons already given, that the evidence of Mrs Radebe in all other respects is supported overwhelmingly by other evidence in the case and the inherent probabilities.

And so I find that Mr Rafik Khader indeed did what he did. There is no question whatsoever of this having been on some frolic of his own. He was, if not in title the manager of the shop, for all practical purposes such, at least when it came to the ordering of stocks and the disposal of stocks and dealing

with customers, and what he did is clearly attributable to his father, the owner of the shop.

Now there was, as I mentioned earlier, originally a claim for damages in this case. I have not been addressed with regard to the case law on the operation of section 24(3) of the Copyright Act which in terms seems pretty broad. I suppose that at least in part the damages awarded under that section, when they are, are punitive. I may say, for what it is worth because the issue has fallen away, that the defendant does seem to have been somewhat severely punished already for this occasion, having had all its supplies of records and tape terminated by one supplier after another until there are none left, and having effectively had what I assume is an important part of its business shut down with no indication at this stage of when, if ever, those supplies will be resumed.

The real difficulty with regard to the claim for damages is that the evidence goes no further than to show a single, isolated occasion. It may be that what happened on the day in question is the tip of an iceberg, and if it is the tip of an iceberg it may well be that the section requires me to speculate about the size of the iceberg that is below the surface, or at the very least to take account of the real possibility that it has some considerable dimensions there. But as far as the evidence goes there is no reason to believe that this was the tip of any iceberg. It could have been simply a chunk of ice floating around in the water on its own. Mrs Radebe exercised some persuasion. In the first place, it was not a case where the dealer had stocks of pirate tapes. I have no difficulty with the proposition that, if somebody goes into a shop and buys a pirated tape which has been pre-recorded, in the absence of some special explanation for how that particular tape was there, in most circumstances the court would infer that it was there because tapes like that were ordinarily kept in stock, and one would certainly there have the iceberg suggested by the tip. But there is no suggestion that pirated tapes were in stock. A special job of recording was done on this occasion of a particular tape, and to some extent at least as a result of Mrs Radebe's persuasions because she pleaded poverty and said she could not afford to buy the commercial version, and asked eventually that these should be recorded. The only question here is whether some kind of offer preceded its acceptance, and therefore whether the request that was made originated from her without any offer at all. There was a certain measure of blandishment.

I have no reason to believe that Mr Rafik Khader, as far as his performance that day as opposed to his untruthful account of it today goes, I have no reason to believe that he was guilty of anything more than foolishly and good-heartedly endeavouring to help a customer, because the profit he

would have made on that single transaction would have been negligible. Of course, it is possible that there was more to it. In these circumstances one cannot say that the plaintiff had suffered any real harm or damage at all as a result of a transaction which it, through its agent, Mrs Radebe, induced in the first place in which, as far as I know on the evidence, would never have occurred had it not been for that particular inducement. Nor is there any reason to believe that any benefits accrued to the defendant by reason of the infringement, to use the language of the Act. Indeed, a good deal of harm seems to have accrued to the defendant by reason of the infringement and the reaction to it.

I am perhaps going into this aspect of the case to a greater extent than is really necessary because, as I have mentioned earlier, Mr Marais in the result did not pursue the claim for damages, but indeed abandoned it. There is clearly in my view insufficient in the circumstances of this case to warrant the somewhat penal and punitive award for which section 24(3) provides, or which I assume is what it is meant to provide for.

It was suggested by Mr Pammenter for the defendant that, if this was indeed a one-off isolated instance, as it may well have been, there was no case even for an interdict. I disagree. Things might have been very different if the defendant had, right from the beginning, admitted that this in fact happened, apologised for it, explained that it was an isolated occurrence, given an undertaking that it would never happen again, and consented to an interdict at that stage, because I do not think that one can seriously expect the record industry necessarily to content itself with undertakings by dealers, which are easily given but perhaps not so confidently or readily observed and carried out. Instead of that, the defendant has fought this case tooth and nail from the beginning. The Defendant has, in the interdict proceedings denied any incident of the kind, and I find that denial to have been false. And it seems to me to be eminently appropriate that the plaintiff should seek at this stage the protection of an interdict. It is one thing to say that we have no evidence to prove that this type of thing had happened before. It is another thing for the plaintiff to be expected to accept that it may never happen again, more especially when there has been a complete lack of candour from the defendant's side, a candour which might have made a very considerable difference to the litigation, indeed might well have avoided the litigation altogether, because the undertakings given, if they had been given in a situation of candour might well have satisfied the plaintiff in the first place.

With regard to the question of costs, I intend to order them all to be costs in the cause. I have already commented on such costs as might otherwise have been attendant on delays in the start of the trial and trips to

Johannesburg. I have said, and I repeat, that that money was well spent and has, in my view, reduced the overall costs. Insofar as the costs of the interdict proceedings are concerned, which were reserved for decision on this occasion, it is quite true that the interdict sought at that stage is in somewhat different terms from the one now sought, and which I intend to grant in a moment, and that the plaintiff got something of the wrong end of the stick about which copyright had been infringed. But these proceedings were not defended on the footing that it was true that the incident relied upon had occurred, the opposition being confined to the question of what copyright, if any, had been breached or infringed. The defendant opposed the interdict proceedings on the false and untruthful basis that no such incident had ever occurred, and I certainly, in those circumstances, have no intention of relieving it from the normal consequences of defeat in litigation.

When I said all the costs would be costs in the cause, of course I exclude from those any that particularly flow from the amendments which the plaintiff has applied for and been granted from time to time. Those, of course, the plaintiff must bear.

In the result there will be an order in terms of paragraphs 1 and 2 of the amended prayer which now appears at page 3 of the documents I was given this morning. The defendant is to pay the costs of the action, excluding the costs of the various amendments made by the plaintiff to its particulars of claim in this action, but including the costs of the application, which was case no 7533/86, reserved for decision on this occasion.

**PUNCH-LINE (PTY) LTD AND ANOTHER v INTERNATIONAL
MICRO COMPUTERS INC AND ANOTHER**

SOUTH-EASTERN CAPE LOCAL DIVISION

FOXCROFT J

15 JUNE 1988

In assessing whether or not an Anton Piller order granted by way of a rule nisi is correctly granted, a court may have regard to whether or not an interdict granted simultaneously was correctly granted. An interdict is correctly granted when the respondent deals in unauthorised reproductions of the applicant's work knowing that the applicant holds copyright in the work.

In July 1984 the holder of the copyright in certain computer programmes and accompanying manuals requested the respondents to surrender all such works. The applicants later became the holder the copyright.

In June 1987, the respondents' price list reflected the programmes and one of the respondents' employees sold one of them to a customer.

The applicants then obtained an Anton Piller order in the form of a rule nisi authorising a search of the respondents' places of business. No unauthorised reproductions of the applicants' computer programmes were found. The applicants also obtained an order interdicting the respondents from infringing the applicants' copyright. Their papers failed to disclose their ownership of the copyright in question.

The rule was confirmed on the return day, the respondents consenting thereto without prejudice to the question of whether the applicants had been entitled to the orders granted. The question of costs was then argued.

The results of the execution of the Anton Piller order were an incorrect measure of success. The correct measure was determined by an assessment of whether the applicants were entitled to an interdict at the time when proceedings were instituted. That they were so entitled was clear inter alia from the fact that the respondents were aware of the applicants' copyright. The respondents' owner must also have been aware of the fact that the computer programmes it held were unauthorised reproductions, because this could have been inferred from the lower prices he had paid for them.

The respondents' consent to the confirmation of the rule on the return day meant that they could not insist on direct evidence that the applicants held the copyright in the computer programmes.

The applicants having been entitled to the interlocutory relief, they were also entitled to their costs.

Foxcroft J: On 30 July 1987 applicants obtained what has come to be known as an *Anton Piller* order and temporary interdict against respondents returnable on 30 September 1987.

On the same day as the *Anton Piller* order was made, it was executed against respondents at their two places of business. No unauthorised

reproductions of applicants' dBase III computer program and manual were found.

On the return day of the rule *nisi* (of immediate effect in respect of the *Anton Piller* order) respondents consented to an order being granted in terms whereof paragraphs 2.1, 2.2, 2.3, 2.4 and 2.5.1 of the rule *nisi* were confirmed. The first four sub-paragraphs related to the *Anton Piller* order which had already been executed and sub-paragraph 2.5.1 was in the following terms:

'2.5.1 Interdicting and restraining the first respondent and the second respondent, finally, alternatively, pending the determination of such action or application, by themselves or through their servants or agents, from infringing the copyright of the second applicant in its dBase III computer program by the reproduction and/or importation and/or distribution and/or sale and/or offering and exposing for sale of disks, diskettes, tapes other storage media or the like which embody or contain unauthorised reproductions of, or of substantial parts of or adaptations of the aforesaid computer program of the second applicant.'

The question of costs was reserved and was argued before me. It was also recorded in the order of this court of the 30th September, 1987 that the rule was confirmed without admission of any liability on the part of respondent. (What was obviously intended was respondents, the names of the two respondents being trade names of the real respondent, one John Alexander Longmore.)

In an affidavit by the said Longmore *jurat* 7th December, 1987, it is made abundantly clear that it was at all times made perfectly plain to the applicant that his consent to the interdict was entirely without prejudice to the question of applicants' alleged right to such an order and without prejudice to the question of costs. The affidavit continues:

'The consent order was made strictly on the basis that the respondents had no materials in their possession which were alleged by the applicants to be infringing copies, had no intention of acquiring such materials and had no intention of dealing in such materials.'

Before me, Miss Jansen for applicants disavowed any intention of seeking to make anything of the fact that respondents had consented to the interdict.

Her argument was, in its essentials, that applicants had obtained a rule *nisi* in the terms sought and had had ample grounds for seeking such an order. The fact that no infringing materials were found in the possession of respondents, should not in her submission be sufficient to deprive applicants of their costs. She stressed that there is no denial on the papers before me that

respondents dealt in infringing material prior to the bringing of this application.

Mr van Rooyen, for respondents, contended that since no infringing material was found in possession of the respondents, insofar as the *Anton Piller* part of the order was concerned 'the applicants have accordingly had no success whatsoever'.

In my view, this is an incorrect measure of success. Applicants obtaining of immediate relief in the form of the *Anton Piller* order, and the temporary interdict, serves to show that in the view of Jones J, before whom the matter originally came, applicants had placed enough information before the court to justify such an order at that stage. The courts do not, in the light of the various comments and strictures in matters of this kind and the invasion of privacy which is a necessary concomitant of *Anton Piller* orders, grant such orders lightly.

Mr van Rooyen contended further and correctly, in my view, that the real question was whether at the time when these proceedings were instituted, applicants were entitled to an interdict. In saying this, however, one cannot divorce from considering the question of entitlement to the *Anton Piller* relief. While applicants obviously could have obtained the temporary interdict alone, they did in fact obtain *Anton Piller* relief.

The fact that the birds might have flown by the time the search was concluded has, in my view, no real bearing on the question of costs.

Mr van Rooyen argued that in order to establish what he termed 'guilty knowledge' on the part of the respondents, applicants should have given respondents notice of the alleged infringement and an opportunity to consider the position.

While it is true that the giving of notice will avoid a plea of ignorance from the alleged copyright infringer, 'knowledge' of the kind required for a contravention of copyright has been described as

'notice of facts such as would suggest to a reasonable man that a breach of copyright law was being committed.'

(per Moll J, as he then was, in *Gramophone Co Ltd v Music Machine (Pty) Ltd* 1973 (3) SA (W) at 207 F-G).

One also cannot ignore the fact that *Anton Piller* orders developed after it was realized that, in many situations, notice would defeat the object of the exercise, that is to say the protection of rights.

I am satisfied, on a reading of the telephone conversation transcripts placed before the court that respondents' Carol Perkins was well aware of the copyright attaching to applicant's dBase III. What is more, first respondent had received a letter in July, 1984, from attorneys representing Apple

Computer Incorporated in which it was asked to hand over all programs, software, manuals and other matter infringing Apple's copyright.

Respondent's price-list reflected the dBase III and Framework II programmes as being for sale and the said Longmore, through second respondent sold two dBase III discs to one Brian Burstein on the 26th June, 1987, for R50,00 (record page 23).

It has been suggested that Mrs Perkins may have been on a 'frolic' of her own in so selling, but Mr van Rooyen disavowed any reliance on this argument, consenting himself with the argument that Mrs Perkins' act, not amounting to a tort or delict, could not be attributed to respondent, her employer.

Furthermore, Longmore in paragraph 2.11 of his answering affidavit admits that

'... up to the earlier part of June, 1987, I may have unwittingly infringed the copyright of the second applicant by selling illegal copies of the dBase III program.'

In the same affidavit (paragraph 1.5) he says that

'It is notoriously known that computers and computer programs obtained in the Far East, where most of the microchips are used in computers are manufactured are obtainable at considerably lower prices than elsewhere in the world.'

Longmore must, in my view, have been aware that at least one of the reasons for these lower prices is the unauthorised reproduction of genuine articles. What was unwitting was Longmore's admission, albeit indirect, that he infringed applicants' copyright in the dBase III program after acquiring the requisite knowledge.

In paragraph 13.2.1 of the same affidavit he says

'When I therefore heard the aforesaid rumours, I immediately instructed my staff at both the 1st and 2nd respondents to stop sales of the programs dBase III and Framework and to get rid of these manuals and programs. *I told them they could take, whatever was left of the aforesaid two programs and their manuals for themselves for their own private use.*'

This clearly amounts to 'distributing' the unauthorized reproductions within the meaning of section 23(2)(c) of Act no 98 of 1978.

Mr van Rooyen also argued that there was no direct evidence before the court that second applicant is the owner of the copyright in the dBase program.

To save unnecessary delay and expense in this matter applicants relied on notarially certified copies of certain affidavits executed by employees of the second applicant in other Supreme Court proceedings in the Transvaal and

the Cape Province in proceedings against Computer Warehouse (Pty) Ltd. Mr van Rooyen submitted that these copies amounted to papers filed in other applications and were accordingly hearsay.

Recognizing the well-known principle that hearsay will often be admitted in interlocutory matters where the source of the information is disclosed (as to which see the cases cited at pages 558 to 559 of *Galp v Tansley NO and another* 1966 (4) SA 555 (C)), Mr van Rooyen submitted that this evidence should not have been admitted for the purposes of obtaining final relief.

But this in my view, is where the fallacy in this argument lies. The hearsay evidence was admitted by Jones J, in giving interlocutory relief. Although the *Anton Piller* orders were of immediate *operation*, they were not final in effect. Nor indeed, did they result in anything being found on respondents' premises.

On the return day of the interdict, respondents chose not to contest the final order and in the circumstances removed the necessity for applicants to produce direct evidence of the copyright ownership. For the court to have insisted on such direct evidence being presented would have been inappropriate. Had such evidence been presented, the costs of the proceedings would obviously have been increased considerably.

It does not lie in respondents' mouth to insist *ex post facto* on the presentation of this kind of evidence which would have only have served to increase the costs. If respondents felt that the final order was incompetent for this reason, they should never have consented to the granting of the final order. While I am mindful of the reservation by respondents of their right to argue that applicants were not *entitled* to the order sought, respondents cannot in effect insist on direct evidence which was not necessary for the granting of interlocutory relief.

And it is only the granting of interlocutory relief with which this judgment is concerned. If applicants were entitled to interlocutory relief, they are entitled to their costs, unless something has happened to remove this case from the operation of the usual principle.

I do not consider it necessary to go into the question of vicarious liability in this case. Whatever Carol Perkins as employee or manageress said or did may add to Longmore's liability but it cannot detract from the fact that the businesses of respondents were his, that he allowed the possibility of unlawful sales and that he admitted unlawfully 'distributing' applicants property after he became aware of his infringements.

As to the wasted costs of the postponement on 30 September 1987, it is clear that the parties were unable to argue the question of costs on that day because of the lateness of respondents' answering affidavit.

Applicants were obviously not in a position to deal with the matter and it is idle to complain that the court order of 30 July had not prescribed any time limits. The very late filing of the answering affidavit was not in the circumstances timeous or proper in the sense of protecting respondents from any liability for costs occasioned by applicants as a result of such late filing.

In the result, I am satisfied that applicants are entitled to the costs of this application and respondents are accordingly ordered to pay applicants costs. Such costs are to include the costs of two counsel, save of course for the costs of the hearing before me where Miss Jansen appeared alone.

ADONIS KNITWEAR HOLDING LTD v O K BAZAARS (1929) LTD AND OTHERS

WITWATERSRAND LOCAL DIVISION

LEVY AJ

24 APRIL 1989

An artistic work will be sufficiently original and therefore subject to copyright protection where its creation is attended by sufficient skill, labour and expertise, even where a photograph is used as a basis for its creation.

In February 1986, the applicant's managing director obtained a photograph of a man's jersey. He created a picture from it, using much of the design appearing on the jersey. To do so, he used a sheet of graph-lined paper on which he created a matrix and drew the outlines and detail of the picture. Approximately three days were spent creating the picture. The picture was then captured as data in a computer programme. In creating the picture, the managing director had to have regard to extraneous factors such as the nature of the market to which the design would be sold, the technical capabilities of the applicant's knitting machines and the nature of the material which would eventually be used for the garment embodying the picture.

The applicant used the picture for a range of knitwear sold under the Christian Dior label and those garments were sold to upmarket retailers throughout the country. The first respondent then sold garments using the same colour combinations and design as was used in the applicant's garment. The third respondent manufactured the garments and the second respondent was responsible for the advertising of the garments through the medium of the television. That advertising had been arranged at a cost of R68 000,00 and would attract a cancellation fee of R109 262,00 if it were to be cancelled. The garment in question appeared on one of five models for a short duration during the television advertisement.

The applicant alleged an infringement of its copyright in the picture and brought interdict proceedings to prevent its continuation.

The respondents' argument that the picture having been merely copied from the photograph, the only skill and labour required for its creation was the expertise of the user of the computer could not be accepted in the absence of evidence. The creation of the picture did not however, involve mere copying because it was evident from what the applicant's managing director had deposed to that the creation of the picture involved the application of his expert knowledge of fabrics, colours and patterns as well as his experience in the knitwear industry. The application of the managing director's labour, skill and expertise in the creation of the picture made it an original work entitled to the protection of the Act.

The design and colour of the third respondent's garment was an exact replica of that used in the applicant's garment and in the absence of an explanation by it, it had to be accepted that it produced its garment by using the applicant's garment as the basis of for its own preparation of a picture similar to that created by the managing director. The third respondent could be interdicted from manufacturing the garments.

The first respondent admittedly sold the garments in question and could similarly

be interdicted from doing so.

As far as the second respondent was concerned, the balance of convenience favoured the view that it should not be interdicted from proceeding with its advertising of the garment.

Levy AJ: This is an application for an interdict restraining first respondent from offering for sale any garment which bears a picture substantially similar to the picture which is reflected in annexure B to the founding affidavit, and from advertising or causing any other person to advertise any garment bearing a picture substantially similar to that picture. The applicant seeks an order against the second respondent, interdicting and restraining it from broadcasting on any of its television services any visual material showing a garment bearing a picture substantially similar to that picture, all pending an action to be instituted against first and second respondents within ten days.

It will be observed that notice of this application was not served on third respondent; that no relief is sought against third respondent, nor apparently is it contemplated that third respondent will be joined in the action to be instituted. However, the notice of intention to oppose was given by the one firm of attorneys on behalf of all three respondents and counsel indicated that he was briefed on behalf of all of them.

Third respondent carries on business in Natal and it was considered that the requirement of 21 days' notice in terms of the Supreme Court Act (no 59 of 1959), would stultify this urgent application and so third respondent was not served.

Applicant carries on the business of designers and producers of knitwear in Johannesburg and it claims that its garments are of a very high quality and at the upper end of the knitwear market and in particular at the high-fashion market; and, says applicant, its products 'are priced accordingly'. Applicant claims that its products, whether sold under its own label or not, are recognised by the trade and the public as being high-quality original garments which are normally produced in relatively small quantities and which are offered for sale only in up-market shops and stores throughout the Republic. This reputation is said to have been built up over the last twenty years and applicant claims that any unauthorised use by a competitor of 'an original Adonis design' in a knitwear garment which is not intended for the upper market, would almost certainly undermine applicant's reputation and cause it irreparable and unquantifiable harm.

Applicant's managing director, a certain Joseph Bencen said that from time to time over the years he has created decorative patterns which have

been used in knitwear garments manufactured by applicant. He said that during approximately February 1986 he obtained a photograph of a man's jersey from a magazine which he found in a shop in Zurich in Switzerland and a copy of that photograph is attached to the application. He liked the concept contained in the photograph and he said that he used the idea for the creation of a picture. Although, when creating the picture, he used much of the design appearing on the jersey contained in the photograph as a basis, the picture, he said, is an original product of his own skill, judgment and labour and he is unaware of any copyright or any right which may have restricted him from using the design. He said that his creation of the picture involved the following steps:

- 1 He selected a large sheet of graph-lined paper;
- 2 He created a matrix, incorporating two hundred courses (vertical blocks) and 150 hoils (horizontal blocks), each block representing one stitch;
- 3 He then drew the outlines of an abstract picture and inserted the details of the picture.

His original drawing is the picture that is thus referred to. Although the picture is undated and unsigned, he is the sole author of that work, he said, and it was created by him at the time mentioned above. It is necessary that the picture be created in this manner to facilitate the capture of the data contained therein in a computer system. The picture was then handed to a technician employed by the applicant at the time, and he embodied the data in a computer programme. Bencen said that he spent approximately three days drawing the detail in this picture, and in creating the picture he used the experience, skill and knowledge that he has acquired over the years by being involved in this industry. The creation of the picture required intense concentration on his part and without the necessary skill, knowledge and labour spent on it would not have been possible to create such a picture for use in the manufacture of a garment.

Bencen added that when deciding to use the design, he had to make a number of decisions. He needed to consider and decide:

- (a) Was the design in general suited to the South African market? Bencen has been designing and marketing garments for almost 40 years and during this time he gained experience relating to the tastes and fashions and complexities of the South African market. His experience led him to believe that a similar design would satisfy and be accepted by the sophisticated part of the public that applicant perceived as its target market.

- (b) Having decided that the design was suitable for applicant he had to decide whether or not Adonis had suitable knitting machines, since the more complex a design, the more sophisticated and complex a knitting machine has to be. With his experience he was able to decide that Adonis would be able to knit garments with a similar design. In applicant's factory, he said, there are knitting machines which are 5, 7, 10 and 12-gauge machines, the gauge determining the number of stitches per inch. He thus had to decide what gauge to use. The appearance of design according to Bencen, will vary tremendously according to the gauge that is used. The gauge will determine the definition of the design. With his experience he was able to decide that a 7-gauge will be most suitable without having to experiment.
- (c) Having decided on the gauge, he then had to determine the width that the pattern needed to have, and its length. In the result, he decided to use a 200 by 150 matrix. He then drew the outlines that he wished the picture to have. As is clear from an inspection of the photograph and the picture, he did not copy the outlines visible in the photograph. It is clear from the photograph, he said, that as the jersey worn by the model is folded in certain places, it would not be possible to make a mechanical reproduction of the design depicted therein and merely to enlarge it in order to use it to prepare his picture. Moreover, said Bencen, he spent considerable time erasing and changing the outline until he arrived at an outline which, to him, had the correct proportions. Although the outline that he drew is similar in concept and idea to that shown in the photograph it was necessary, said Bencen, for him to use his imagination and design skills generally and to improvise in regard to those he had used, that are not visible in the photograph. He says that a detailed comparison of the photograph and the picture will reveal numerous detailed differences which were not coincidental but as a result of conscious decisions on his part to improve the design.
- (d) It was then necessary, said Bencen, for him to decide what colour and yarn texture to utilise in the different parts of the picture. Again, it was necessary for him to utilise his experience and knowledge of applicant's machines and the yarns available in South Africa to anticipate what the result would be. Having decided where in the picture he wanted to have the appropriate colours and textures, he then had to enter the crosses and shading in the appropriate squares of the picture, so that the technician referred to above could capture that data. Prior to the production of knitwear garments embodying the picture, Bencen said that he carried out

a crucial trial and error process in terms of which he assessed approximately ten different colour and fibre combinations before arriving at the finished article which is reflected in the various photographs of the finished product annexed to the application.

During September 1987 applicant commenced the production of mens' knitwear, embodying the picture in three styles, V-neck, crew neck and shirt-style, all reflected in the various photographs annexed to the applicant's application.

Bencen said that on 26 January 1988 applicant entered into its third exclusive manufacturing licence agreement with Christian Dior of France for mens' knitwear garments. Pursuant to that agreement applicant has continuously produced knitwear and sold these garments under the Christian Dior label and trade mark. Over the years applicant has become associated in the minds of retailers who sell such garments with the Christian Dior trade mark in respect of mens' knitwear.

Bencen decided to use the picture for a particular range of knitwear to be sold under the Christian Dior label. That range was to comprise the three styles of knitwear referred to above and each style was produced in, *inter alia*, blue and grey. Bencen said that the garments were well received by the trade and approximately 5 700 garments were supplied to the trade by April 1988. These garments were sold to numerous upmarket retailers throughout the Republic. As a result of the popularity of the garments, further orders were received and applicant produced a further 1 800 units towards the end of May 1988, which were then supplied to the same outlets.

In addition applicant launched a television advertising campaign for three of its garments produced for the winter 1988 season, which included the V-neck style garment which incorporated the picture. The advertisement appeared on television during the period April to June 1988 on the second respondent's television channels 1 and 3 and on Bophuthatwana television.

Applicant says that it is trite that the Christian Dior label enjoys a reputation for highly quality merchandise in South Africa and internationally. Applicant claims that the picture produced by Bencen is an original artistic work, reduced to material form in terms of the Copyright Act (no 98 of 1978) (the Act) produced by a South African citizen on behalf of the applicant, and ownership of such copyright therefore vests in applicant. It is this copyright which applicant claims has been infringed by third respondent which has produced mens' jerseys incorporating the pictures which are identical to applicant's garment, which were being sold by retail outlets in the middle of March 1989.

A few days after that time Bencen said that he went to the first respondent's Eloff Street Branch in Johannesburg and saw the same knitwear garments in crew-neck style and in two predominant colours, ie grey and blue, being two of the same basic colours used by applicant, with the same colour combinations used by applicant for its garments. He purchased a grey crew-neck example of this product for the price of R49,99. That garment bore the label 'St Germain A la mode Francais'. During that visit to first respondent's store, Bencen saw that there were approximately fifty to seventy of these garments, all being of the crew-neck style. He subsequently ascertained that the garments had been manufactured by the third respondent and were being sold at the first respondent's stores at Randburg and in Cape Town and probably were being sold in all its numerous branches throughout the country.

Applicant alleges that third respondent is manufacturing and selling these garments which constitute reproducing, publishing, making an adaptation of and reproducing and publishing such adaptation of the picture, and is an infringement of applicant's copyright; and further, that it is clear from a comparison of the work in the garments, that the abstract picture of the garments being manufactured by third respondent, is 'almost identical to that of applicant's garment and is at least substantially similar'. applicant alleges that third respondent has substantially copied the picture stitch for stitch, colour for colour and gauge for gauge from applicant's garments.

Third respondent has produced two types of crew-neck garments, having the predominant colour grey or blue and which, it is alleged, incorporate applicant's picture. applicant alleges in consequence that respondent's insistence in continuing to sell or advertise its offer to sell the offending garments with its present knowledge of applicant's copyright, amounts to an infringement of such copyright in contravention of section 23(2) of the Act. Applicant also says that by selling the garments first respondent is creating the false impression in the minds of members of the public who have previously seen or purchased applicant's garment incorporated in the picture, that applicant has supplied the garments to the first respondent. Applicant says that members of the retailing community who purchased applicant's garments displayed by first respondent, will believe that applicant has supplied first respondent with such garments at a much lesser price for resale. This will obviously lead to a hostile attitude to applicant's products in the future, both by members of the public and the retail community. Accordingly, says applicant, first respondent's conduct in these circumstances constitutes an act of unfair trading which should not be allowed to continue.

Applicant says that first respondent conducts business as a retail outlet and generally services the lower end of the market. When using the Christian Dior label applicant at all times aimed at the upper market and its goods are priced accordingly. Applicant says that the garments relevant to this matter had been sold by retail outlets for at least R100,00 as opposed to the first respondent's selling price of R49,99. The conduct of third respondent and of first respondent in these circumstances has the effect of damaging applicant's reputation in the market. It is obvious, says applicant, that any member of the public who has applicant's garments with the Christian Dior label or who knows of these garments will believe that first respondent is selling the same garment at half the price. Applicant says that its garments are of a superior quality to that sold by first respondent; that applicant uses a higher quality yarn and a higher quality technique in attaching parts of the garments to each other. Thus, for example, applicant says its garment is hand-finished whereas first respondent's garment is not.

The respondents have contended *in limine* that applicant has not demonstrated sufficient urgency to justify the hearing of this application on one day's notice to the respondents, it having been served on first and second respondents at 15h45 and 16h00 respectively on Monday, 17 April 1989. Respondents say as well that applicant became aware of the alleged infringement of its copyright towards the middle of March and its attorneys demanded redress from third respondent by letter dated 23 March 1989. Nor did applicant take any action until 7 April 1989 when a meeting was held at the offices of first respondent, which applicant attended. Respondent's point to applicant's own affidavit as proof of the fact that at that meeting applicant was advised that first respondent had prepared and completed an advertising campaign relating to knitwear, which included a television advertisement to be screened by second respondent by about 25 April 1989, and which includes a visual representation of the offending garment. Applicant viewed a screening of this television advertisement on 11 April, and on 12 April applicant's attorneys addressed a letter of demand to second respondent. The notice of motion was originally dated 12 April but amended to 14 April when the founding affidavit was signed, but the application was only served on 17 April, due to some delay at the sheriff's office. The submission is that applicant's delay from the date it first became aware of the infringement, that is, in the middle of March 1989, until its demand to respondents on 23 March and the delay from then until 7 April 1989 precludes applicant from relying upon urgency.

It was not until 7 April that applicant learnt of the intended television

advertisements and, given that the application was prepared by 12 April, I am not prepared to say that an application of this dimension, should have been prepared earlier. Nor should I condemn applicant for the slip in the sheriff's office which caused further delay. That fault, although the responsibility of applicant, is not to be attributable to applicant, nor used to deny it its right to the urgent protection of the court if it is otherwise entitled to it.

Some other interlocutory matters such as notices to strike out and a notice to produce were mentioned at the outset of argument in this matter, but these matters can make no difference to the ultimate outcome of this application and need not be referred to again.

Respondents deny that applicant has any copyright. They point to the fact that Bencen conceded that he has copied his picture from a pre-existing photograph and allege that applicant has failed to prove that the work on which it relies is original word within the meaning of section 2 of the Act. Respondents, having seen only the facsimile of the photograph and picture, said that colour appears to play no part in this application. However, the originals now produced show that the colours and the combination of colours do add to the distinctiveness of each garment. In addition, my observations suggest that the slashes of colour inserted into the garments are made more vivid by the contrasting background of the garment. So it is not only the design or pattern on which reliance is placed for copyright.

The respondents contend on Bencen's own admission that he has merely copied the photograph, and since there are computerized systems for copying designs on garments, such as knitwear, that he possibly made use of such a facility, or somebody else did it for him to produce his picture. This copying, says respondents, does not require the kind of skill, labour or expertise which is required for a work to be original for copyright purposes, in that all it required was some computer expertise.

The respondents offer no evidence in support of this contention, even though they say it is available and until such evidence is produced, respondent's contention must, in the face of Bencen's evidence as to how he created the picture, remain purely conjectural. But even accepting Bencen's version of the creation of the picture, respondents say that that itself constituted no more than copying, resulting in a mere mechanical reproduction of that original. This contention totally ignores the evidence of Bencen which I have set out in detail above and which, in my view, shows clearly that he embarked on the task of creating a picture from the photograph in the course of which he applied his expert knowledge of fabrics, colours and patterns, his experience in and his knowledge of the

knitwear industry and the parameters of manufacture.

'It is perhaps possible for an author to make use of existing material and still achieve originality in respect of the work which he produces. In that event, the work must be more than simply a slavish copy. It must in some measure be due to the application of the author's own skill and labour. Precisely how much skill and labour he need contribute is difficult to say, for much will depend upon the facts of each particular case.'

Per Copeling *Copyright and the Act of 1978* at page 15, quoted with approval in *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* 1987 (2) SA 1 (A); and as Grosskopf JA pointed out at page 37 of that judgment:

'An original work is protected even though the author may have borrowed extensively from others.'

Bencen's evidence, *prima facie* at least, convinces me that he applied a sufficient degree of labour, skill and expertise to the creation of his picture, from the photograph, to make it an original work entitled to the protection of the Act. The original largely pencil drawing handed into court, shows that it is not a computerised printout, which of itself, *prima facie*, dispels the doubt created by respondents' suggestion of a mechanical computer copying.

I turn to the question whether applicant has proven infringement of its copyright. I have already pointed out what Bencen said about the third respondent's product. Its garment, as I have seen myself, is almost identical to the applicant's garment. There is a great deal of pattern in the applicant's garment achieved by an introduction of eccentric lines and splashes of contrasting colour which bear resemblance to much of the paintings of some contemporary artists of this period. I saw this on a sample handed in at the hearing. With it came a sample bought by Bencen from first respondent. It is an exact replica of every whirl, whorl, curlicue and line of applicant's garment. That this is a current popular style of pattern, does not detract from the offence of copying. In the absence of any explanation by third respondent as to how it came to produce a replica of applicant's garment other than by copying, I must accept *prima facie* at least and without much doubt, that third respondent achieved this feat by using applicant's garment as the foundation for its own preparation of a picture similar to that created by Bencen and for the same purpose, ie to produce in three-dimensional form the garment pictorially represented in Bencen's picture. That form of indirect copying in terms of the *Klep Valve* case, *supra*, is an infringement of the copyright in the original picture.

I am accordingly satisfied that applicant owns copyright in Bencen's picture which third respondent has infringed.

As to first respondent, it receives notice on 7 April at the meeting and on 14 April when the application was served on it, that its conduct in offering third respondent's products for sale was an infringement of applicant's copyright. It thereby acquired the knowledge that it was dealing in infringing material and its present attitude in opposing the application shows that notwithstanding such notice, it persists in its offending conduct. Nor can it complain that it has been deprived of the opportunity of ascertaining whether or not the garments constituted an infringement of copyright.

I must accordingly find *prima facie* that first respondent is infringing applicant's copyright by offering his garments for sale, and it should be interdicted from continuing to do so *pendente lite*.

The second respondent stands, however, on a somewhat different footing. It is true that it is about to screen an advertisement showing the OK Bazaars as the willing seller of the offending garment. That advertisement is, however, not solely of this garment but of four others. The advertising film has been made at a cost of approximately R68 000,00 which applicant has tendered to pay for if it should be shown at the trial to be wrong in its claim of copyright. But first respondent will in all probability have to pay a cancellation fee amounting to R109 262,00 if the screening is stopped summarily by order of court. I must accept, too, that the glimpse of the offending garment displayed on one of the five models engaged in modern dancing and of short duration, ie a fleeting one which will have little, if any, impact on the uninformed viewer. Anybody who possesses applicant's garment or the tradesmen in that line might recognize it for what it is. More likely, in my view, than thinking that applicant has turned to the lower end market, such person will think that it is probably a cheap copy. How many of such informed people will view the screening is also conjectural, and I think the balance of convenience favours the view that first respondent should not be stopped from using an expensive advertising medium for the advertisement of itself and other garments at such great cost. Applicant also can recover such additional damages as it may have suffered in the action in terms of section 23(4) of the Act, where the burden of proof of loss is somewhat lessened.

I consequently make no order on the first respondent or second respondent regarding the screening of the television film on SABC, Bop TV or M-Net during the week commencing 23 April 1989.

So far as costs are concerned, these should be costs in the cause. No additional costs have been incurred by the joinder of second respondent, since only one counsel was briefed by one attorney and appeared for all

respondents. Applicant thus far has been largely successful and I propose to make no special order for costs. I should add as well that I consider it unnecessary in the circumstances to allude to applicant's allegation of unfair competition or to consider whether first respondent is affected by such proof.

There will be an order in terms of paragraphs 2, 2.1, 2.1.1, 2.1.2 and 2.3 of the notice of motion. There will also be an order in terms of paragraph 2.2 of the notice of motion, save that such order shall not be effective until 1 May 1989. Costs of this application are to be costs in the cause of the action instituted by applicant.

LINTVALVE ELECTRONIC SYSTEMS v INSTROTECH AND ANOTHER

WITWATERSRAND LOCAL DIVISION

VAN SCHALKWYK J

16 AUGUST 1989

An application for an interdict based on copyright infringement may be referred to trial where disputes of fact arise on the affidavits. An applicant will not be able to anticipate such disputes of fact arising where the objections stated by the respondent prior to the application are based on incorrect conclusions of law and do not clearly dispel other indications that the respondent admits the fact of the copyright infringement.

In August 1984, the first respondent sent a telex to the applicant enquiring whether or not it had any intellectual property rights in its designs or methods of application in the manufacture of steam leak detection equipment. It indicated that unless advice was received from the applicant regarding the matter, it would assume that it had no objections to the first respondent manufacturing such equipment. The first respondent then installed a prototype steam leak detection system for the second respondent at one of its power stations. A representative of the applicant inspected the installation and alleged, from the observations he had made, that the first respondent had reproduced the applicant's listening port, a critical part of its own system. The applicant alleged that the design and configuration of the device gave it its particular efficacy and advantages over competing systems.

In February 1986, the first respondent's attorney rejected the applicant's complaint and alleged that the listening port formed only a small part of the first respondent's entire system. He pointed out that the components used by the first respondent were all standard items purchased from suppliers and that the dimensions of the piping used for the port were determined by the second respondent's pipe sizes. He denied any infringement of the applicant's copyright had taken place.

The applicant then sought a series of interdicts against the respondents based upon alleged unlawful competition and copyright infringement. Irreconcilable disputes of fact arose in the affidavits filed in the matter, particularly on the question whether the first respondent had devised an acoustic steam leak detection system by copying the applicant's design or had done so by the application of its own efforts. The applicant sought to have the matter referred to trial.

The first respondent's attorney's rejection of the applicant's complaint was based on an incorrect conclusion of law, ie that originality could not be claimed in respect of a device manufactured from components which are freely available.

The telex sent by the first respondent was not an attempt to elicit information from the respondents but, in view of the invitation to respond, conveyed a clear intention on the part of the first respondent to copy the applicant's designs and methods. The applicant was therefore justified in coming to the conclusion that the first respondent would not dispute that copying had occurred. Since the first respondent's attorney's rejection of the applicant's complaint amounted substantially to a statement of defences which did not directly contradict the applicant's allegation of copyright

infringement, the applicant was not bound to have foreseen that a real dispute of fact would emerge in the application.

The matter was referred to trial.

Van Schalkwyk J: The applicant seeks a series of interdicts against the first and second respondents which are based upon alleged unlawful competition and copyright infringement. The first applicant opposes the relief sought and has filed no affidavit.

It is common cause that the affidavit of the first respondent discloses a number of irreconcilable disputes of fact relating, in particular, to the question whether the first respondent has devised an acoustic steam leak detection system by slavishly copying the applicant's design or whether this was accomplished by the first respondents through the application of its own research and development.

Because of these factual disputes Mr Plewman, for the applicant, seeks to have the matter referred to trial under the provisions of Rule 65(g). Mr Serrurier, who appeared for both respondents, has opposed such order on the basis that the applicant should have foreseen, at the time when this application was launched, that this dispute was likely to arise. He argues that the applicant's contention that the first respondent copied the applicant's confidential designs and information is based upon a series of assertions for which little or no support is to be found in the papers. There are, according to his argument, no facts that bear out the applicant's contention that the first respondent has engineered a clone of its acoustic steam leak detection device.

The issue which I must determine is whether the applicant should have foreseen the dispute at the time when the application was launched. Mr Plewman has formulated what amounts to the same test in a different way: Did the applicant get only the defence which it was obliged to anticipate or did it get something more?

Using the test thus postulated, the question then is this: What was the defence which the applicant was obliged to anticipate? Mr Tero, who deposed to the applicant's founding affidavit, and who claims to have been the innovator of the system, makes these averments:

9.11 I examined the Instrotech installation during my said visit and from memory shortly thereafter produced a drawing of the configuration of its listening port. Annexure Y is a copy of my drawing.

9.12 Comparison of Annexure Y with annexure L1 shows that the Instrotech system has reproduced all the essential elements of the Lintvalve listening port, reproducing slavishly from the point

where the tube enters the boiler. The angulation of the Lintvalve system and the 90° angle which Lintvalve had, through the exercise of considerable effort, application and skill, developed over ten years.

- 9.13 It is precisely this configuration which gives the Lintvalve system and its listening port in particular its efficacy and advantages over the competing systems described above.
- 9.14 It is this configuration which allows the Lintvalve system to solve the vital technical problem of corrosion-free acoustic access to the volatile environment of boiler tubes. The configuration creates listening ports effectively within the boiler, remote from background noise and free of interference from erosion.'

And

- '10.2 Annexure Z is a copy of Instrotech's promotion of its system in a trade magazine. In that literature Instrotech falsely claims to have developed the acoustic system it uses.
- 10.3 Annexure Y, my drawing of the Instrotech listening port, (especially in the context of other competing systems such as that of CESI, the 'air chamber' and of Mitsubishi) demonstrates that Instrotech, far from developing its system itself, has reproduced a critical part of the Lintvalve system entrusted to it in the circumstances described aforesaid.
- 10.4 The Instrotech reproduction of the Lintvalve listening port represents only a portion of what Instrotech has misappropriated.
- 10.5 Great play is made in Instrotech's promotional literature, annexure Z1, of the fact that Instrotech uses a spectrum analyzer and that it collects and displays the data processed by the spectrum analyzer on a computer screen. As will appear below, the operative word is 'display'. All Instrotech has done is display results collected by a system of acoustic monitoring which wholly reproduces that of Lintvalve on a computer screen. Even then, those results are displayed on the computer screen by way of a bar chart identical in format to that of Lintvalve.'

The drawings to which reference is made in the affidavit, are reproduced as annexures and show a substantial identity in the components as well as the design. In a letter from the attorneys then acting on behalf of the first respondent, dated 25 February 1986, the following observation is made:

- '2. My client installed a prototype steam leak detection system for Eskom at its Duva power station. The complaint in paragraph 2 of your letter appears to relate only to the piping and microphone assembly attached

to the boiler which forms only a small part of the entire system which includes computerised monitoring equipment. To the extent that your client suggests that even the "microphone assembly" constitutes a faithful reproduction of the system used by your client, this is denied. The components used by my client in its proto-type are all standard items purchased from suppliers of these components and the dimensions of the piping are largely predicated by the steel pipe used by Eskom to which the assembly is affixed. Given the foregoing, my client's system in fact differs substantially from the system used by your client.'

The last sentence of this paragraph is not at all clear. As a conclusion it is inconsistent with the proposition upon which it is predicated. What attorney Brian Kahn is really saying is not that the system 'differs substantially' but that the system has been manufactured from components which are commonly available. It appears that the attorney acting for the first applicant was labouring under the delusion that no originality could be claimed in respect of a device which is manufactured from components which are freely available.

The same conclusion may, I think, be derived from paragraph 4 of the same letter which, apart from the averment that 'as far as the question of copyright is concerned, my client has not copied any of your drawings, nor the system itself' goes on to record:

'My client has furthermore serious doubts as to whether your client enjoys any copyright in the drawings or the system, certainly, in any meaningful sense, as the drawings depict and the system is composed of an assembly of standard tubing, flanges and a 90E elbow, all of which are standard items which may be freely acquired from suppliers thereof.'

On 13 August 1984 the first respondent had sent a telex to the applicant which read:

'Re steam leak detection system:

1. We are presently looking into manufacturing and/or supplying, and/or dealing in steam leak detection equipment in general and in particular for power station boilers.
2. Should you have any patterns or copyrights protecting your designs or methods of application or any other rights, then please advise us by telex or registered airmail before 31.08.84. Full details of patent numbers and registered authority must be included.
3. Should we receive no advice from you in this matter by the above date, we will assume you have no objections and we will then proceed on that basis.

4. Of course, nothing contained herein must be interpreted to suggesting that you have any such rights or that your consent is required.
5. Please view this enquiry as urgent and serious.'

When I asked Mr Serrurier whether this document did not manifest a clear intention by the first respondent to copy the applicant's product, he suggested that the telex demonstrated only that the first respondent did not want to spend time and money on the development of a product, only to find that it was protected by a patent. In response Mr Plewman has argued that if the first respondent wanted only to know whether the applicant's product was protected by a patent, that could easily have been accomplished by doing a search of the patent's office.

There is, it seems to me, an even more fundamental reason why Mr Serrurier's interpretation of the purpose of the telex cannot be supported. Paragraph 3, as I have indicated, reads:

'Should we receive no advice from you in this matter by the above date, we will assume you have no objections and we will then proceed on that basis.'

What, after all, is the purpose of inviting objections if the letter was intended merely to elicit information? Moreover, how would the absence of an objection avail the first respondent if in fact the applicant's advice had been protected by a patent? It seems to me that this document conveys a clear intention on the part of the first respondent to copy the applicant's designs and methods. In view of the similarity with the applicant's system, which Mr Tero detected when, in September 1985, he examined the system sold to Eskom by the first respondent, I am of the opinion that the applicant was justified in having concluded that the first respondent would not dispute that the copying had in fact occurred. The defences which the applicant could then have expected to encounter, are those which can be found in the letter of attorney Brian Kahn, dated 25 February 1986. These amount in essence to the following: 0.0.0.0.0.0.1 that there is no patent;

- 1 that the components from which the device is manufactured are commonly available, and by implication that there is therefore no confidentiality;
- 2 that the drawings supplied by the applicant to the first respondent had become the property of the first respondent.

Although the letter does contain averments, as I have indicated, that no copying had occurred, I do not think, within the context of the letter and in view of the history of the matter, that the applicant was bound to foresee that a real dispute of fact would emerge on this question. Such a dispute has now emerged. It would, in my opinion, therefore be appropriate to refer the matter

to trial.

Mr Serrurier has referred to the long delay by the applicant before having launched this application, as well as the delays which occurred thereafter. He argues that the lack of expedition on the part of the applicant means that one of the requirements of Rule 65(g) cannot now be fulfilled. I do not read the rule in this way. An expeditious decision within the meaning of the rule may yet be attained, bearing in mind the date upon which the application for referral to evidence is brought. The real question is whether a referral to evidence will now lead to a more expeditious resolution of the dispute than the dismissal of the application. It is true, of course, that the dismissal of the application does not preclude the institution of an action by the applicant. However, I am of the opinion that the best way of ensuring a just and expeditious decision of the matter is by way of the referral to trial under provisions of Rule 65(g). Mr Serrurier has argued in any event that the action against the second respondent should be dismissed with costs. He contends that the relief sought is inappropriate and in the case of prayer 4.2, untenable. I agree that prayer 4.2 does not envisage the kind of order that the court would make. The applicant does, however, contend that the second respondent has authorised and participated in the unlawful activity of the first respondent.

In the circumstances I am of the opinion that the application against the second respondent also cannot be dismissed. The application is referred to trial; the notice of motion is to stand as a summons. The applicant is to serve its declaration with 21 days; thereafter the further procedural steps will comply with the rules of court.

The applicant has argued that the respondents should be ordered to pay the costs of this opposed application. It is suggested that the opposition was unjustified. In view, particularly of the somewhat ambiguous language used by attorney Kahn in the letter of 25 February 1986, upon which both parties relied, I am not disposed to make such an order. The costs of the application will be costs in the cause.

KINNOR (PTY) LTD v FINKEL

WITWATERSRAND LOCAL DIVISION

LEVY AJ

1 JUNE 1990

There can be no copyright in a meaningless word such as 'LePacer' because such a word cannot be classified as a literary work as defined in the Copyright Act (no 98 of 1978).

The applicant sold wrist watches and clocks bearing a mark 'LePacer', the letter 'P' having an elongated loop extending the length of the whole word. The mark was also used in advertising material. The applicant claimed that he held the copyright in the mark which had been created by him.

The respondent also sold wrist watches bearing the mark 'LePacer' which he bought from the applicant and other suppliers, one of whom was also the applicant's supplier. The watches were of a quality inferior to that of the applicant.

When the applicant demanded that the respondent desist from selling the watches, the respondent replied that it had no intention of promoting the watches under the applicant's mark since this would be detrimental to the promotion of watches under its own mark. The applicant demanded an undertaking from the respondent that it would not continue to use his mark. The respondent failed to respond to this demand and the applicant proceeded to seek an interdict inter alia preventing the respondent from infringing the applicant's copyright in the mark and from passing off the watches it sold as those of the applicant. The respondent then did give the undertaking required by the applicant, including an undertaking not to import watches bearing the applicant's mark, but reserved its right to sell thirty of the watches which still remained in his possession.

The main thrust of the applicant's claim was that it held the copyright in the words 'LePacer'. That mark was no more than a fictitious word. As such, it was also meaningless, even though its two constituents 'Le' and 'Pacer' were not. It followed that there could be no copyright in it as a literary work.

As far as the applicant's claim on the grounds of passing off was concerned, even if its goodwill would be cheapened by the respondent's activities, the introduction of the respondent's watches into the same market as the applicant's could not be seen as an intrusion upon the applicant's rights.

The application was dismissed.

Levy AJ: Applicant is a distributor of watches and clocks in the Republic of South Africa and it claimed to be the owner of a trade mark LE PACER which it first adopted in July 1983 and has used continuously since then in the Republic in respect of watches and clocks.

An application to register that trade mark was made in terms of the Trade Marks Act on 1 July 1983 but it is said that due to an oversight the trade mark, although it had proceeded to acceptance, was never advertised in the

Patent Journal, and in the result the registrar endorsed that application for registration as abandoned. Applicant alleges that it never intended to abandon this trade mark and has given instruction to its attorneys to make re-instatement of the application for its registration and in addition has filed further applications for registration as trade marks of LE PACER and PACER as recently as 11 December 1989.

These two new applications for registration of a trade mark show in the case of LE PACER that in fact it is written as one word in the form 'LePacer' with the loop of the 'P' elongated for the full remainder of the length of the word up to and including the letter 'r'. The mark is therefore not the mark as described by applicant in this application where it is invariably written as two words, that is, 'LE PACER'. Various watches were exhibited to me in the course of the hearing of this application some being of the applicant's stock, and some being of the respondent's stock, and all have the mark printed on the face of the watch as one word 'LePacer', that is, with the 'L' as a capital letter and the 'P' a capital letter with the elongated loop also as described above. Again in various advertising material which is part of this application the mark is again printed as one word in the form that I have described. Despite the fact that applicant and respondent too, for that matter, consistently refer to the mark as 'LE PACER' I shall hereinafter refer to it as 'LePacer' without the elongated loop of the 'P'.

The deponent to the founding affidavit, a certain Northing, who is the managing director and marketing manager of applicant, says that at all material times he was and is a South African citizen permanently resident in South Africa and during that time as well he was employed as the marketing manager of applicant. He says that the mark which applicant claims as its own property was the product of his labour, skill and intellect, that it was not copied from any other source but was arrived at by a process of trial and error until he arrived at a mark which he describes as 'LE PACER', (written as two words). He has said in particular that the elongated letter 'P' was arrived at by him in the course of that process of trial and error.

Northing says that once he had formulated that mark he travelled to Hong Kong to secure a manufacturer of watches and clocks to which that mark could be applied and did so. Northing says that he selects the watches and clocks to which the mark is to be applied, ensuring that they meet applicant's standards and requirements for sale in South Africa, and that mark is then placed upon the goods ordered by applicant from that manufacturer and by it before shipment to applicant. Northing says that since 1983 applicant has sold in excess of 5 million watches and clocks bearing that mark and has also used it extensively in advertisements placed in newspapers, trade magazines, price lists, catalogues, in-store header boards, display stands and visual

displays. Northing says further that there has been extensive promotion of clocks and watches bearing that mark through trade magazines, trade centres and supermarket catalogues in respect of all of which applicant spent during 1989 some R30 000,00 which figure is not indicative of the quantity of advertising done by applicant since Northing says that most of the advertising is done by major stores and chains carrying that line. Northing also refers to various trade shows and watch and jewellery exhibitions at which applicant has exhibited and displayed its watches and clocks bearing that mark throughout the years. However, some of the advertising material does show the mark in the form 'Le Pacer', but mostly it is in the form LePacer as one word with the elongated loop of the 'P'.

Northing mentions several supermarkets at which he says that LePacer clocks and watches are carried in all their branches nationwide and in particular these clocks and watches are sold extensively in Johannesburg.

Northing says that on 2 April 1990 he became aware that respondent was offering for sale wrist-watches to which applicant's mark is applied. Applicant says that these watches are sold by respondent without any guarantee whereas applicant offers a twelve months guarantee on its watches and clocks, and Northing says also that the watches marketed by respondent are of inferior quality to applicant's watches bearing that mark. Northing indicates that the areas in which the respondent's watches are said to be of inferior quality are in the watch strap which in applicant's case, it is said, is leather, stitched and stuffed, whereas respondent's watch straps are plastic, unstitched and unstuffed. Furthermore, says Northing, the so-called gold watches bearing the trade mark LePacer sold by it are plated with 23 carat gold two microns thick, while those of respondent have acid gold which is merely sprayed on. The gold-plating on applicant's watches, says Northing, will last at least three years with normal use whilst the acid gold on respondent's watches will wear considerably after two to three months. A test conducted by applicant on one of respondent's watches by rubbing it on a carpet surface for a short time resulted in the gold finish being rubbed off whereas the same test showed no visible effect on one of applicant's gold watches.

Northing points to the fact that applicant's twelve month guarantee is supported by a workshop maintained by applicant for the repair of such watches and clocks sold by it, and its overheads in connection with the running of this workshop amount to some R7 800,00 per month with a sufficient stock of spare parts maintained for that purpose.

Applicant maintains that the inferior quality of respondent's watches is likely to cause them to be brought to applicant for repair and that the extensive reputation and goodwill which applicant has built up through its

use of the mark since 1983 will result in the public being deceived into believing that respondent's watches are those of applicant, that their inferior quality will result in damage to applicant's goodwill and trade reputation, and as well, if applicant is obliged to turn away owners of watches bought through respondent, it will cause ill feeling in those persons and consequently damage to applicant's reputation and goodwill.

A letter dated 4 April 1990 was transmitted on that day by applicant's attorneys to respondent by fax and was responded to by respondent in these terms on that same day:

'Please note that we have no intention of importing any watches into South Africa under the brand name of LE PACER. We further advise that we have no intention of advertising the brand name of LE PACER and we have not done so in the past. We have no interest in promoting the watches under the brand name of LE PACER as this would be detrimental to our business in the promotion of our own brand name.

We apologise for any inconvenience caused to your clients Kinnor, please pass these sentiments on to Shaun and Nelson.'

Shaun is the Christian name of Northing. Applicant's attorneys' response to this was also transmitted by fax to respondent which noted that no undertaking had been given by respondent to cease selling watches using applicant's trade mark. An undertaking was attached in terms whereof it was sought *inter alia* of respondent to discontinue using the trade mark such undertaking to be effective in Southern Africa.

As no response was received to this letter requiring the undertaking to be signed and returned by fax that same day, that is, 4 April 1990, applicant then sent a further message by fax to respondent on 5 April 1990 informing him that it had received instructions to proceed urgently to court with an application.

This application was launched on 11 April 1990 and applicant seeks an interdict against respondent from infringing applicant's copyright in what is described as its literary and artistic work LE PACER (*sic*) and from importing or distributing or selling or offering or exposing for sale any goods particularly watches and clocks or the like which constitute or embody unauthorised reproductions of or of substantial parts or adaptations of the aforesaid literary and artistic work; further interdicting and restraining respondent by himself or through his servants, agents or employees from passing off his goods particularly watches and clocks as and for those of the applicant or being connected with those of the applicant by using in relation to these goods particularly watches and clocks the trade mark LE PACER (*sic*) or any other names, trade marks or get-ups so nearly resembling those of the applicant to be likely to deceive or cause confusion; further ordering

respondent to deliver up to the applicant for destruction all the aforesaid goods, watches and clocks their packaging, containers and get-ups and advertising material relating to such articles in respondent's possession or under his control; further an account of profits is sought by applicant of respondent in these proceedings.

Respondent does not deny that he has been dealing in watches bearing the mark LePacer. He said that he had bought watches from various agents including applicant which he sold on stands of watches on consignment to pharmacies. In this way, he said, he sold approximately 40 000 watches during his first year of business and in the last year he has sold as many as 80 000 watches all of them supplied by him to pharmacies with an unconditional guarantee unlimited in time. He says that he has a full-time watchmaker whose job it is to repair watches that are returned by the pharmacy concerned from customers. It seems clear that his method of operation is to place a stand in a pharmacy containing various watches selected by him, presumably with an eye to the quality of business transacted in that pharmacy, all of which would be on consignment to the pharmacist to be paid for as and when purchased by any customer. Respondent says that in this way he has been selling watches bearing 30 or 40 brand names including watches marked LePacer bought by him from applicant. He says that since he has been in this line of business he has probably purchased approximately 4 000 watches from applicant. The number of pharmacies to whom respondent sells watches on consignment in this fashion he estimates at 180.

About six years ago, says respondent, while in Hong Kong he met a Peter Tsui who is the managing director of P R T Electronics (HK) Company Limited (P R T), a watch manufacturer based in Hong Kong. He visited that factory with the view to purchasing watches from P R T but although nothing came of it, he says, Tsui was quite ready to sell LePacer watches directly to him. In July last year respondent again met Tsui in South Africa when he negotiated from him the purchase of 600 LePacer watches on behalf of an American company based in Dallas Texas. These watches were to be manufactured by P R T in Hong Kong and shipped directly to America and would be paid for from America. This specific transaction for the supply of these watches was intended for the Christmas period of 1989. The watches were duly delivered to America but were not a success and a number remained unsold for a considerable time. Respondent then agreed with the American firm to purchase 100 of these watches from it and to import them into South Africa, he says, to analyse why they were not selling, but with the intention of selling them through the pharmacies constituting respondent's chain of customers. Respondent says he was not aware that there was anything unlawful in his conduct. The watches he purchased were in fact

manufactured by P R T, the same company which manufactures the watches for applicant which it distributes under the name of LePacer. It is not disputed as alleged by respondent that P R T does indeed manufacture the watches bearing that mark and that these are watches selected by applicant to be manufactured by P R T; and it is P R T which puts that mark on the watch itself in the course of that manufacture or assembly. Respondent says that the mark was created by P R T together with applicant's representative Northing. But while the mark is used only by applicant in South Africa and Namibia, P R T sells watches bearing that mark elsewhere throughout the world. These watches thus sold by P R T elsewhere, says respondent, do look the same as those sold by applicant but materials and specifications may be different.

Prior to sending the letter of 4 April 1990 to applicant's attorney respondent had telephoned applicant's attorney and informed him that there were only 70 watches left with which the issue was concerned. Respondent says now that he has no intention nor did he have any intention of using the trade mark in the future and he has himself embarked upon a campaign to market watches under his own mark, namely Je Time. When respondent received the letter demanding his signature to an undertaking already given by him in his first letter to respondent's attorney would suffice, but at that late hour he was unable to deal with the demand for the further undertaking. He consulted his attorneys on 5 April who immediately responded to applicant's attorney informing him that they were obtaining instructions and would revert to them in due course. Applicant's attorneys' response to that was to inform respondent's attorneys that an interdict would be sought on an urgent basis. This threat was repeated again the next day, that is, on 5 April 1990, and respondent's attorneys' reply was that there was no basis for an application to be brought urgently. The reply sent by applicant's attorneys to respondent stated that applicant is the proprietor of the copyright in a literary and artistic work constituted by the mark LE PACER (*sic*), that is was an original literary and artistic work arrived at after the expenditure of labour skill and intellect and that applicant therefore owned copyright in it in terms of the Copyright Act. A written undertaking was demanded of respondent on that day failing which it was applicant's intention to proceed to court on an urgent basis for an interdict restraining respondent from the continuance of his allegedly unlawful conduct. On that day as well respondent sent a signed undertaking to applicant's attorneys substantially in the same form as that required of respondent by applicant on 4 April 1990. On 12 April 1990 a letter was written by respondent's attorneys to applicant's attorneys referring to the various letters of demand that had been addressed by applicant to respondent and setting out respondent's contentions in regard

to the alleged infringement of applicant's trade mark or copyright. Applicant was informed in that letter that a small selection of watches manufactured in Hong Kong bearing the trade mark LePacer had been sent to America at respondent's instance for the sole purpose of selling them in the United States. The lack of success that they met resulted in respondent arranging for the remaining watches to be brought to South Africa of which there were approximately 30 left in his possession and which he anticipated would be sold by 20 April 1990. Respondent's attorneys said that respondent was under the impression that he too could import and sell watches bearing the trade mark as he was not aware of any local distributor of watches claiming proprietary rights in that trade mark in South Africa. Respondent's attorneys assured applicant that respondent had no intention of importing or selling watches in the future bearing the trade mark but he did dispute that applicant had any proprietary right in it. The undertaking that was called for was signed and returned to applicant under cover of that letter but respondent nevertheless recorded his view that the manufacturers of watches in Hong Kong supply watches to various customers wherever they may be in the same style or get-up but with a brand name or trade mark applied to the watches at the customer's choice. It was said that P R T supplied the watches in question bearing the LePacer trade mark manufactured according to its own standard specifications and sold with that trade mark. This letter contains a request for information by respondent as to the justification for applicant's claim to exclusive rights to the style and get-up of its watches.

It is those 30 watches remaining which are in dispute between the parties since it is clear that respondent has not undertaken not to sell those watches remaining in its possession and will do so at an opportune moment and that its undertaking is in respect of any future importations of watches into the country. That this is so emerges clearly from the letter of respondent's attorneys to applicant dated 12 April 1990 in terms *inter alia* wherein, after giving the undertaking that he would not in the future import or sell watches in South Africa bearing the trade mark nor would he use that trade mark literary and artistic work in any manner whatsoever, he stated that:

'Any damage suffered by your client as a result of the sale by our client of the remaining 30 watches will be minimal and will not have the effect of diluting your client's right to the trade mark LE PACER (*sic*). As advised our client anticipates that these watches will be sold by 20 April 1990.'

I consider therefore that while with the one hand giving the undertaking in unqualified terms that it would discontinue the use of the literary and artistic work LePacer in any manner whatsoever, on the other hand respondent asserted his right to continue to dispose of the remaining watches

in his possession bearing that mark. In this context it has been argued that respondent was entitled to a period within which to ascertain applicant's rights in the sense of determining for itself that the complaint is a justified one and that during that period of investigation respondent would be entitled to continue selling the articles complained of. Undoubtedly knowledge of the infringement is required before the owner of copyright may secure an interdict against the infringer who must be shown to possess guilty knowledge of the infringement and equally he must have an opportunity of a reasonable duration to enable him to make adequate inquiry to satisfy himself that there is a *bona fide* claim advanced by the alleged owner of the copyright. Respondent's inquiry addressed to P R T elicited a response on 6 April 1990 that

'We have started business with Shaun (Northing) since 1980. We created the brand LePacer together. LePacer brand is exclusively used by Kinnor in South Africa and Namibia not throughout the world as we also do marketing ourselves for other countries.'

That communication from P R T should have been sufficient to inform respondent that applicant had justification for its claim to a proprietary right in the mark. There was therefore no justification whatsoever for respondent to insist upon its right to dispose of the remaining stocks of LePacer watches in its possession as small as that quantity might have been.

It is appropriate now to determine the nature of the rights in the LePacer mark to which applicant has shown itself to be entitled :

- 1 Applicant's original claim was that there was an infringement by respondent of its trade mark LePacer. That trade mark as applicant itself has demonstrated was never registered and the application in the Patent Office has been described as abandoned.
- 2 Applicant has somewhat tentatively claimed a common law trade mark in LePacer by which I understand applicant to mean that that mark applied as it has been consistently for a number of years in this country to wrist-watches and clocks has acquired for applicant a descriptive and distinctive quality as being articles of that nature sold by applicant and, says applicant, the application by respondent of that trade mark to watches sold by respondent which applicant claims are of an inferior quality to those of applicant, will cause harm to applicant's proprietary interest in that mark.
- 3 However, the main thrust of applicant's claim against respondent is that it has copyright in the words 'LePacer' which it uses as the distinguishing feature of the clocks and watches sold by it and that the use of a similar mark by respondent is a breach of that copyright. Respondent in some detail has set out the circumstance under which Northing came to devise

the mark, clearly indicating that it was a product of his own skill and ingenuity and claiming that Respondent's conduct constitutes an infringement of applicant's literary and artistic copyright. This application proceeded without any attention being paid to the fact that while the affidavits of both applicant and respondent consistently described the trade mark as LE PACER, reference to the copy of the mark attached to applicant's founding affidavit shows that it is written as one word in the fashion already described by me and that this style of writing has been retained in all the advertising material placed by applicant before the court save only in the one instance that I have already pointed out. All the allegedly infringing articles placed before me as well as all the articles of similar style sold by applicant in this country have the mark LePacer printed upon the face of each watch and written as one word. Even without reference to the communication received by respondent from P R T there can be no doubt on the affidavits of applicant and respondent that no part of any of the watches is in any way a design of applicant's, nor, of course, of respondent, but are simply watches manufactured by P R T for distribution world-wide. Even in that regard it is not clear whether P R T does anything more than assemble the watches from parts manufactured by others. However, this is not of any importance. What matters is that the end result is that many watches of many styles and designs are manufactured or assembled by P R T which then as requested by its customers, who are distributors of such watches world-wide will place upon the face of such watches any name that might be suggested to P R T by such customer. What is also of importance is that P R T does sell world-wide, save in South Africa, to other distributors, watches bearing the mark LePacer which as appears from the communication of P R T is spelt by P R T correctly as one word. In that form I am satisfied that the mark LePacer is nothing more than a fictitious word. If broken down into its original constituents, that is, Le Pacer, is might be regarded as a combination of the French 'Le' with the English word 'Pacer' and could be thought to mean the watch that paces other watches. I would not treat that combination of French and English words in this manner as being meaningless in the English language. The French word 'Le' is far too well known for its rejection as a meaningless word and it is equally well known that the French do of themselves, in their adoption of English nouns, frequently use the word Le in combination with that English noun as a phrase to denote the article described by its English word, thus, for example, Le Beefsteak, is a common word created by the French by that method to denote a beef steak. On that ground alone therefore, that is, the use of the two languages to create the phrase in question, I would not have

placed the phrase in a category of meaningless writings but once it is combined into the word LePacer then it seems to me that this fashion of rendering the two words has turned their combination into a meaningless one and about which there can be no copyright as a literary work. See *Exxon Corporation v Exxon Insurance Consultants Ltd* 1982 RPC 69 for the reasoning of Graham J which I respectfully adopt and with all due deference to the literary value of Lewis Carroll's *Through the Looking Glass*.'

Graham J's judgment was upheld in the Court of Appeal where Stephenson LJ (in the main judgment of the court) at page 87 of the same volume of reports quoted with approval statements that there cannot be copyright in an invested name or word and as Oliver LJ said at page 90 it is simply an artificial combination of letters of the alphabet, and, I add, without any literary content.

The extension of the loop of the 'P' does not make it an original artistic work. It is simply a different way of writing what remains a letter 'P'. See, for example the registered trade mark PIRELLI also written with an elongated loop of the 'P' extending the length to the right of the remainder of the word exactly as in LePacer.

Finally, I should add that if P R T share joint ownership of the copyright with applicant then the watches were legitimately sold to respondent by P R T without any restriction as to place of resale and the publication of the copyright in the Republic would be with the implied consent of P R T.

I turn now to applicant's claim that by disposing of watches bearing the name 'LePacer', respondent is passing off those watches as being watches imported and distributed by applicant and in so doing injures applicant's goodwill. Applicant says that a reference to its sales figures shows that its business has grown steadily throughout the years since 1983 and that all purchasers of LePacer watches would readily associate applicant as being the sole source of their supply in South Africa. Applicant alleges that it has developed a local goodwill or a domestic goodwill in respect of LePacer watches and particularly through the services it provides to purchasers of such watches which itself contributes to the goodwill which applicant claims to have in the distribution of LePacer watches. I should pause at this stage to point out that there has been no complaint by applicant that the works of the watches sold by respondent under the name of LePacer are in any way inferior to the works of LePacer watches as are distributed by applicant. The quality of the straps which has been relied upon by applicant as evidence of the inferior quality of respondent's watches is an obvious feature of such watches. The purchaser can see what sort of strap he is buying and there can be no question that in purchasing a watch with such a strap he would be

relying upon the reputation or goodwill of applicant. The other defect in respondent's LePacer watches alleged by applicant is that heavy rubbing of a so-called gold watch will cause the gold to be rubbed off. Applicant ascribes this to the fact that the watches it obtains from P R T have two microns of gold plate on them whereas respondent's watches as I have already indicated are merely sprayed with acid gold providing presumably an even thinner layer of gold upon the surface of the watch. The watches that I saw were not all gold-coloured. Most of them were either silver or steel in appearance and there was little to choose in any event between the appearance of the gold watch of applicant and the gold watch of respondent. I do not know, nor is any evidence tendered, to suggest that ordinary wear of such gold watches would have the same effect as continuous rubbing of these watches as being watches manufactured or distributed by applicant. See *Salusa (Pty) Limited v Eagle International Traders* 1979 (4) SA 697 (C) at 705.

In *Resmarc SA (Pty) Limited v Hendon Enterprises (Pty) Limited* 1975 (4) SA 626 (W) where competing companies were selling the same article in identical get-up applicant who had sole distributing rights in the Republic of South Africa claimed that anybody else importing those same goods and selling them in competition with him was trading on applicant's reputation. Coetzee J citing *Imperial Tobacco Company of India Limited v Bonnan and others* 1924 AC 755 said this:

'An importer may acquire a valuable reputation for himself or for his wares by his care in selection or his precaution in transit and storage or because his local character is such that the article acquires the value by his testimony to its genuineness. But apart from contract or misrepresentation there is nothing to prevent a person from acquiring goods from a manufacturer and selling them in competition with him even in a country into which the manufacturer or his agent has been sole importer.'

As is pointed out by Webster and Page *South African Law of Trade Mark*, 3rd edition, page 462, where a purchaser exports goods for resale in a country where the manufacturer already has a sole distributor neither the purchaser nor the reseller can be prevented from doing so either by the distributor or the manufacturer on the basis of passing-off. Applicant's complaint really is that he has built up a market in a line of goods of which he has been the only distributor in a country and who finds to his unpleasant surprise that such market has now attracted competition from others who have been able to obtain supplies of the same goods elsewhere. One can well understand applicant's sense of grievance that the market that he has so laboriously and apparently successfully built up should now be intruded upon by others.

Applicant's allegation is that its goodwill in LePacer watches as a local supplier of them will be cheapened in some way by respondent's activities, but even if that be so I cannot find that applicant has made out a case for its contention that the introduction into this country of watches named LePacer manufactured by the same manufacturer who supplies applicant, and which watches are freely available throughout the world, should be regarded as an intrusion upon applicant's rights or that it has any right to protect itself against competition by others who wish to engage in the business of distributing the same product as applicant. See my similar remarks in the unreported judgment in *Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd* case number 15846/88. For these reasons therefore I am of the view that applicant has not shown that it has any exclusive right to the distribution of watches manufactured by P R T and named LePacer by P R T in South Africa or elsewhere, or that by so doing respondent would be passing-off such goods as being the goods of applicant or that there is any representation by respondent that his LePacer watches are the LePacer watches of applicant. See *Capital Estate and General Agencies (Pty) Limited and others v Holiday Innes Inc and others* 1972 (2) SA 916 (A).

For these reasons the application is dismissed with costs.

ARA OY v PASCALL AND OTHERS

WITWATERSRAND LOCAL DIVISION

MYNHARDT J

1 AUGUST 1990

The remedy of delivery up provided for in section 24 of the Copyright Act gives the copyright holder similar rights to those of the owner of other proprietary rights.

The applicant held the copyright in certain drawings and specifications relating to parts of machines which it manufactured and marketed in South Africa. Bateman Mining Equipment (Pty) Ltd became the exclusive licensee of the copyright in the drawings.

The first three respondents were former employees of Bateman, and the other respondents were companies controlled by them. After leaving Bateman's employ, they began competing with Bateman. In doing so, they infringed the applicant's copyright in the drawings, having obtained copies of some of the drawings from one of Bateman's employees.

The applicant sought an interdict restraining the respondents from continuing their infringement of its copyright as well as orders that:

i) the respondents deliver up under oath all two and three dimensional reproductions of the applicant's drawings and tooling and machinery used for the manufacture of such three dimensional reproductions; ii) the respondents provide the applicant with a list of all drawings legally the applicant's property and which were under the respondents' possession or control; iii) the respondents provide the applicant with an account of profits and payment thereof; iv) the respondents pay additional damages in the sum of R2 000 000; v) alternatively to (iii) or (iv), the matter be postponed for the determination of the quantum of profits payable or additional damages; and vi) the respondents pay the applicant's costs on the attorney and client scale, including the costs of two counsel and the costs of travel to the applicant's country of residence for the purposes of obtaining evidence necessary for the application.

The applicant was entitled to an interdict restraining the respondents from continuing their infringement of its copyright. As far as prayer (i) was concerned, section 24(1) of the Copyright Act (no 98 of 1978) provided that in any action for infringement of copyright, relief by way of delivery of infringing copies or plates used for infringing copies was available to the plaintiff as it was available in any corresponding proceedings in respect of infringements of other proprietary rights. The section did not mean that the rights of the copyright holder had to be equated to those of the owner of other proprietary rights. It meant just that the copyright holder possessed remedies similar to those available to the owner of other proprietary rights. Since they were entitled to orders for delivery up, the copyright holder was also so entitled. The applicant was therefore entitled to this order in respect of the reproductions of the applicant's drawings were concerned. In respect of the tooling and machinery, the order had to be confined to those items properly classified as plates.

Mynhardt J: In terms of the Notice of Motion applicant seeks an order:

- `(a) interdicting the respondents from their continued, direct and indirect, infringement of the applicant's copyright in the drawings listed in schedule ``HE 7";
- (b) that the respondents deliver-up under oath to the applicant all:
 - (i) two-dimensional reproductions of the applicant's drawings listed in schedule ``HE 7" in the possession or under the control of any respondent or any contractor of a respondent.
 - (ii) three-dimensional reproductions of the applicant's drawings listed in schedule ``HE 7" in the possession or under the control of any respondents or any contractor of a respondent, and
 - (iii) tools, dies, jigs and other tooling and machinery used for the manufacture of the three-dimensional reproductions of the applicant's drawings listed in schedule ``HE 7".
- c) that the respondents provide the applicant with a list of drawings, other than the drawings listed in schedule ``HE 7", which are legally the property of the applicant and which are in the possession or under the control of the respondent or any contractor of the respondent and that the respondents deliver-up to the applicant the drawings listed;
- d) that the respondents provide the applicant with an account of profits and payment thereof by the respondents jointly and severally;
- e) an award of additional damages in the sum of R2 000 000 to the applicant and payment thereof by the respondents jointly and severally; and
- f) in the alternative to (d) and/or (e) above an order postponing the matter to be arranged for the hearing of oral evidence in order that the question of an account of profits and/or the question of additional damages may be investigated and determined by the court;
- g) that the respondents pay the applicant's costs, on the attorney and own client scale, such costs to include the costs of the employment of two counsel and the costs, and travelling to Finland and accommodation expenses whilst there, of Dr Burrell of the applicant's attorneys in collecting and collating the evidence necessary to support the application.'

The salient features of the applicant's case may be summarised as follows: the applicant is a Finnish company; over many years applicant and its predecessors have developed the TORO LHD (load, haul, dump) product line, ie machinery, more specifically, front end loaders, of which various models are manufactured and marketed; as part of this development process a number of technical drawings of the parts of these machines and specifications relating thereto have come into being; by virtue of a licensing

agreement Bateman Mining Equipment (Pty) Ltd ('Bateman') has become the exclusive licensee of the applicant in the Republic of South Africa; in terms of this licensing agreement applicant has supplied many of its aforesaid technical drawings and specifications relating to parts of the TORO machines to Bateman and there has also been a continual interchange of specialist technical personnel and knowledge; in terms of the licensing agreement the applicant retained its copyright in the drawings and Bateman is obliged to ensure that 'all ARA know-how and technical information' provided is to be kept confidential; the respondents are in competition with Bateman in supplying some of the goods and spares for underground loader equipment and other earthmoving equipment; the first respondent was, until 1 April 1988, the general manager of Bateman Mining Equipment Ltd, the predecessor of Bateman; the second respondent was also in the employ of Bateman Mining Equipment Ltd, he was also the company's marketing manager and he resigned on 30 September 1988; the third respondent was also in the employ of Bateman Mining Equipment Ltd as a parts sales clerk and he resigned on 29 February 1988; the first respondent is also a director of the fourth and fifth respondents and he is the sole member of the sixth respondent. During August 1989 Bateman received information that the respondents were involved in stealing confidential drawings of the TORO product line from Bateman and one of Bateman's employees, Mr T L Nkhetoa revealed to Bateman that he had, on various occasions, been requested by the third respondent to make copies of drawings relating to TORO machinery and to supply these copies to him and that he had complied with these requests. Bateman applied to court for a so-called *Anton Piller* order which was granted. This order was executed at different addresses of the respondents and a number of drawings were attached. An examination of the drawings which were attached revealed that copies have been made of drawings relating to parts which were designed by the applicant and which are used exclusively in TORO vehicles. The respondents have also obtained the services of a sub-contractor to manufacture TORO parts which the respondents have sold and supplied to various clients of them. Applicant initially applied for leave to intervene as a co-applicant in the abovementioned application which was brought by Bateman against the respondents but has since decided not to proceed with the application for leave to intervene but to launch the present application in its stead. Applicant contends that copyright subsists in the drawings which form the subject matter of this application and that the copyright vests in applicant; that the respondents have infringed the copyright and that applicant is therefore entitled to the relief claimed in the Notice of Motion.

The respondents have not produced evidence to refute the applicant's

allegations. The respondents have contented themselves with merely denying applicant's allegations. The respondents do, however, allege that applicant and Bateman are acting in concert with each other and that they are improperly utilising the process of the court to mulct the respondents in enormous legal costs and thus forcing them out of the market place. The respondents further alleged that in view of the fact that they have tendered an undertaking the applicant as early as September 1989 not to infringe the copyright claimed by applicant, the present application should not have been instituted but that they in any event consent to an order in terms of paragraph (a) of the Notice of Motion, and that the applicant ought to be ordered to pay their costs of suit.

At the commencement of the hearing Mr Serrurier, who, together with Mr Goodman, appeared for the respondents, conceded that applicant has proved that copyright in the drawings vests in the applicant and that respondents have infringed applicant's copyright and that applicant is entitled to an interdict as prayed for in paragraph (a) of the notice of motion. Mr Serrurier's whole argument was therefore directed to the further relief claimed by applicant and he submitted that applicant is not entitled to the relief claimed in paragraphs (b) to (g) of the Notice of Motion. In view of this concession it follows that at least an order in terms of paragraph (a) of the Notice of Motion will have to be made.

The question therefore is whether or not the applicant is entitled to an order in terms of any one or more of the remaining paragraphs of the notice of motion. These paragraphs will now be considered.

PARAGRAPH (b)

It will be seen from the formulation of this prayer in the notice of motion that applicant seeks an order which is directed to the delivery-up of reproductions of the drawings which belong to applicant and in respect of which applicant is the holder of the copyright, and, also, to the delivery-up of tools, dies, etc. which was used for the manufacture of three-dimensional reproductions of the aforesaid drawings.

Mr Puckrin, who together with Mr Franklin, appeared for the applicant, submitted that the applicant is entitled to an order for delivery-up of the reproductions of the drawings as well as the tools, dies, etc. in terms of section 24(1) of the Copyright Act (no 98 of 1978) ('the Act'). Mr Puckrin conceded that the order was too widely framed in the Notice of Motion in so far as it directed the respondents to deliver-up the documents and items 'under oath'. These words will therefore have to be ignored.

Mr Serrurier submitted, in the main, that section 24(1) of the Act does not entitle applicant to an order in the terms as sought by applicant; that the relief sought in any event involves an assumption that the respondents will

not heed the interdict, an anticipation that the respondents will not comply with the interdict for which assumption there is insufficient evidence, and, that applicant has not proved that the respondents are in possession of any infringing reproductions of the drawings.

Section 24(1) of the Act reads as follows:

'Subject to the provisions of this Act, infringements of copyright shall be actionable at the suit of the owner of the copyright, and in any action for such an infringement all such relief by way of damages, interdict, accounts, delivery of infringing copies or plates used or intended to be used for infringing copies or otherwise shall be available to the plaintiff as is available in any corresponding proceedings in respect of infringements of other proprietary rights.'

The first question to be considered is whether or not the relief which applicant seeks is 'available in any corresponding proceedings in respect of infringements of other proprietary rights'. Mr Serrurier has submitted that the owner of copyright has no proprietary right to recover 'offending' reproductions or copies and for this submission he relied upon the judgment of Slomowitz AJ, who delivered the judgment of the Full Bench, in *Video Parktown North (Pty) Ltd v Paramount Pictures Corporation*; *Video Parktown North (Pty) Ltd v Shelburne Associates and others*; *Video Parktown North (Pty) Ltd v Century Associates and others* 1986 (2) SA 623 (T) at 641 F-G. In the passage relied upon by Mr Serrurier Slomowitz AJ said the following:

'As I have been at pains to point out, copyright is a species of ownership. Because it is the ownership of an incorporeal, it does not admit of the notion of natural fruits. The rental received for the letting out of pirated copies of copyright material is a civil fruit of those pirated copies. The offending copies are not, however, part of the patrimony of the copyright owner, and the rental in question is not his either. It follows that in the absence of the remedy of conversion and detention accorded by s 19 of the 1965 Act, no right to an account falls to the copyright owner any more than would the owner of, say a holiday home be entitled to sue a trespasser who has let it for reward to an account of the rental which the trespasser obtained. His remedy is in damages alone.'

Mr Serrurier has also relied upon a passage in the judgment of Van Dijkhorst J who delivered the judgment of the Full Bench in *Cerebos Food Corporation Ltd v Diverse Foods SA (Pty) Ltd and another* 1984 (4) SA 149 (T). The relevant passage is to be found at p 173 F-I of that judgment and it reads as follows:

'The South African Courts have therefore no jurisdiction to grant an order for the attachment of the property of another where no right of the

applicant therein exists, merely for the purpose of its production as evidence.

The last component of the *Anton Piller* order to be considered is whether, ancillary to an interdict, an order should be made for the handing over of the property of another 'to make the interdict effective' where no right to that property exists. This type of order may arise in trade mark cases where the infringing trade mark is sought to be erased and the applicant wants to do that himself.

This type of order presupposes that the interdict, which prohibits the respondent from utilising that product as long as it contains the infringing trade mark, will be disregarded. This presupposes, even before the order is granted, that the respondent will be in contempt of court and that, should an order be granted that the respondent himself erase the offending work, that order will equally be disregarded. I find this a strange approach. The courts of this country have always acted upon the basis that their orders are complied with and, if not, the procedure for committal for contempt of court is effective. There is no reason to make this order and in law the court has no power to order the handing over of the property, for the reasons set out above.'

In my view it does not follow that because the copyright owner is not the owner of the 'offending' copies that he would therefore not be entitled to an order for delivery-up thereof. What section 24(1) of the Act does, in my view, is to grant to the copyright owner relief similar to that granted to the holder of other proprietary rights who complains that his rights have been infringed. The rights of the copyright owner need not be equated to those of the holder, or owner, of other proprietary rights; the section does not, in my view, require or imply that: the section accords the copyright owner relief or remedies similar to that which is available to the owner of other proprietary rights. Mr Serrurier did not contend that the owners of other proprietary rights is not entitled to an order for delivery-up of 'offending' copies. It therefore follows, in my view, that if the owners of such rights are entitled to orders for delivery-up then the applicant in this matter would also be entitled to such an order in terms of section 24(1) of the Act.

Furthermore, I do not think, in any event, that the above quoted passage in the judgment of Van Dijkhorst J in *Cerebos, supra* can be regarded as authority for the submission made by Mr Serrurier. In the *Cerebos*-matter the court was not concerned with the remedies of, or the relief available to, the holders of rights of a proprietary nature.

The second reason, why, in my judgment, the submission made by Mr Serrurier cannot be accepted, is that orders of this nature have, in the past, been granted by our courts in favour of the copyright holder. In *Paramount*

Pictures Corporation v Video Parktown North (Pty) Ltd 1983 (2) SA 251 (T) McCreath J made an order in favour of the holder of the copyright in the films with which the court was concerned, for the delivery-up of the 'offending copies'. This order was the subject of attack on appeal before the Full Bench in *Video Parktown North, supra*. The appeal against this order was dismissed by the Full Bench. See *Video Parktown North, supra*, at 636 I.

In *Galago Publishers (Pty) Ltd and another v Erasmus* 1989 (1) SA 276 (A) the court *a quo* made an order in favour of the copyright owner for the delivery-up of all copies of the infringing work. On appeal the Appellate Division did not specifically deal with this order of the court *a quo* as no objection was taken to it. See *Galago Publishers, supra*, at 194 F-G.

I cannot accept that the court in *Video Parktown North, supra*, and the Appellate Division in *Galago Publishers, supra*, would have allowed the orders to stand, even if no objection was taken to them, if a copyright owner was not, in law, entitled to such an order as was contended by Mr Serrurier. In *Fax Directories (Pty) Ltd v SA Fax Listings CC* 1990 (2) SA 164 (D) a similar order was granted. Admittedly, the order was granted without the court considering the question of whether or not the holder of the copyright was entitled to the order. The case is, however, at least authority for the proposition that our courts have invariably granted orders of this nature of the holder of copyright.

In regard to the other arguments advanced by Mr Serrurier I have come to the conclusion that they, too, cannot be upheld. I agree with Mr Puckrin's submission, namely that it has been shown on the papers that the respondents have made themselves guilty of a flagrant breach of their duty not to infringe applicant's copyright in the relevant drawings listed in schedule 'HE 7' to the founding affidavit of Mr Heikki Euro. The respondents have not taken the court into their confidence by stating that they have no other copies of those drawings in their possession. This they could easily have done. Applicant was also not a party to the obtaining of the *Anton Piller* order and was not involved in its execution. Applicant cannot, therefore, vow for the fact that the respondents still have copies of the relevant drawings in their possession. This is something exclusively within the knowledge of the respondents and they have chosen not to take the court into their confidence. It does not lie in their mouths, therefore, to say that applicant has not shown that they are still in possession of any copies of the drawings. In view of the fact that copies of these drawings were in fact found in the possession of the respondents when the *Anton Piller* order was executed and the fact that applicant has proved that at least the third respondent had been instrumental in stealing copies of the drawings under the control of Bateman, I would have thought

that the respondents would have regarded it their duty to be frank with the court and to have disclosed to the court whether or not they still have copies of the drawings in their possession. This, as I have said, they have failed to do. Under these circumstances it seems to me that the inference is almost an irresistible one that they still have copies of the drawings in their possession. In my view applicant is therefore entitled to an order in terms of prayer (b)(i).

As far as prayer (b)(ii) is concerned the applicant has also proved incontestably that respondents have caused parts to be manufactured by their sub-contractor, Rocoal Mining Equipment Supplies (Pty) Ltd ('Rocoal'). These parts could only have been manufactured by making use of applicant's drawings or copies thereof.

For the same reasons why an order in terms of paragraph (b)(i) will be granted the applicant is, in my view, entitled to an order in terms of paragraph (b)(ii) of the notice of motion.

In regard to paragraph (b)(iii) Mr Puckrin conceded that the relief has been too widely framed. The applicant is not entitled to delivery-up of the respondents' factory, so to speak. What applicant is entitled to is an order for the delivery-up of the appliances used for the manufacture of the parts referred to in paragraph (b)(ii) of the Notice of Motion. In terms of section 24(1) of the Act an owner of copyright is entitled to delivery-up of 'plates used or intended to be used for infringing copies'. The word 'plate' is defined in section 1 of the Act so as to include 'any stereotype, stone, block, mould, matrix, transfer, negative or other similar appliance'. Mr Puckrin submitted that the appliances referred to in paragraph (b)(iii) of the Notice of Motion are in fact the 'plates' referred to in section 24(1) of the Act. I did not understand Mr Serrurier to contest this. No other argument was advanced by Mr Serrurier why an order in terms of paragraph (b)(iii) should not be granted. It follows therefore that an order in terms of that paragraph of the Notice of Motion, suitably amended, will also have to be granted.

PARAGRAPH (c)

This paragraph is also concerned with drawings which are the property of the applicant. The relief claimed is accordingly of a vindicatory nature.

During argument Mr Puckrin conceded that it would not be necessary, in the event of the order being granted, to demand of the respondents that they compile a list of the drawings. In the event of the order being granted he suggested that it be granted in an amended form so as to direct the respondents to deliver-up to the applicant drawings belonging to the applicant.

Mr Serrurier submitted that, on the probabilities, respondents do not have any other drawings in their possession after the execution of the *Anton Piller* order. He also submitted that applicant has not proved that respondents have

any drawings in their possession which belong to the applicant.

Once again I regard it as an important factor that the respondents have not stated under oath in their answering affidavits that they do not have any such drawings in their possession. Once again I must also make mention of the fact that applicant has showed, by means of the affidavit of Mr Pretorius, Annexure 'HE 6' to the founding affidavit, that respondents have been in possession of a number of drawings. It also appears from paragraphs 22 and 23 of Mr Pretorius' affidavit that the respondents must have had drawings in their possession which would have enabled them to give a quotation for a complete refurbishment of a TORO 200D-machine. These drawings could only have been obtained from Bateman which, in turn had the drawings of the applicant under its control. As I understand the matter, there is nothing to show that those drawings which the respondents must have had in their possession, were also attached by the deputy sheriff when he executed the *Anton Piller* order. If that were so, the respondents could easily have said so. What is more, there is also no proof that the *Anton Piller* order was executed at all the places or addresses of the respondents where they could possibly have kept documents or drawings. Once again, bearing in mind that this is also a matter within the exclusive knowledge of the respondents, it is rather significant that the respondents have not told the court that they do not have any drawings, other than those listed in schedule 'HE 7' of the founding affidavit, in their possession.

In paragraphs 29 and 30 of the founding affidavit and in paragraphs 16 and 20 of Mr Pretorius' affidavit it is alleged that the respondents must have been in possession of the so-called 'fabrication drawings' in order to have been able to have manufactured certain components or parts of TORO machines. In paragraph 54 of the founding affidavit it is stated that there are indications that the respondents have filched a substantial number of, if not all, the drawings relating to at least one entire machine in the TORO product line. This allegation is confirmed in paragraph 22 of Mr Zille's affidavit, Annexure 'HE 23' to the founding affidavit. In paragraph 56 of the founding affidavit it is also stated that the respondents have other drawings in their possession which they have filched from Bateman. This allegation should be read in the light of what Mr Pretorius has stated in paragraphs 22 and 23 of his affidavit to which I have referred above. The respondents have chosen, for reasons better known to themselves, not to deal in any detail with these allegations and they have not put forward any factual averments to contradict the allegations made by the applicant. Under these circumstances I agree with Mr Puckrin's submission namely that as the papers stand at present the respondents do have drawings in their possession, other than those listed in schedule 'HE 7', which belong to the applicant.

I am therefore satisfied that the applicant has made out a case for the relief sought in paragraph (c) of the Notice of Motion.

PARAGRAPH (d)

Mr Puckrin submitted that the judgment of the Full Bench of this Division in *Video Parktown North, supra*, which held that the remedy of an account of profits was a substantive remedy that it had been removed from the South African Law of Copyright in the Act was wrong. I am, however, bound by the aforesaid judgment and I accordingly refrain from expressing any opinion on the interesting questions whether or not the remedy is merely a procedural one or a substantive one and whether or not it forms part of our law. See also *J L & J E Walter Enterprises (Pvt) Ltd v Kearns* 1990 (1) SA 612 ZHC at 616 B-F.

It follows, therefore, that applicant is not entitled to an order in terms of paragraph (d) of the Notice of Motion and that that prayer will have to be dismissed.

PARAGRAPHS (e) and (f)

Paragraph (e) is a prayer for an award of additional damages in the sum of R2 000 000 and an order that the respondents should pay that amount jointly and severally. Paragraph (f) is a prayer, in the alternative to prayer (e), for an order referring the matter for the hearing of oral evidence so that the question of additional damages may be investigated and determined by the court.

In paragraph 53 of the founding affidavit it is stated that the applicant and its predecessors have spent between R10 000 000 and R14,4 million in developing the TORO product range. On the basis then of the respondents having stolen all the drawings relating to at least one entire machine in the TORO product line, it is suggested in paragraph 54 of the founding affidavit that they have avoided at least R2 000 000 in costs of development. In paragraph 16 of the applicant's replying affidavit it is stated that the respondents have gained an advantage of at least R2 000 000 through their theft and dishonest copying of applicant's drawings which enabled them to manufacture, or procure the manufacture of TORO parts without having to invest any money.

These allegations of the applicant must also be read in the light of its allegations in paragraphs 55, 56 and 57 of the founding affidavit namely that effective relief would not otherwise be available to the applicant.

In terms of section 24(3) of the Act an owner of copyright is entitled under the circumstances therein set out, to recover additional damages. For present purposes it is not necessary for me to express any opinion on the true nature of the damages recoverable under this section of the Act; a matter about which there exists differences of opinion. See *Priority Records (Pty)*

Ltd v Ban-Nab Radio & TV; Gramophone Record Co (Pty) Ltd v Ban-Nab Radio & TV 1988 (2) SA 281 (D); *CCP Record Co (Pty) Ltd v Avalon Record Centre* 1988 (1) SA 445 (C) at 449I-450A.

The question in the present matter is whether or not I ought to make an order in terms of paragraph (f) of the Notice of Motion and either refer the matter for the hearing of oral evidence or for trial in terms of Rule 6(5)(g) of the Uniform Rules of Court.

Mr Serrurier submitted, firstly, that such an order ought not to be granted because the applicant had no basis for not anticipating a dispute of fact in regard to the question of damages and, accordingly, should not have proceeded by way of an application but should have instituted an action. For this submission he relied upon *R Bakers (Pty) Ltd v Ruto Bakeries (Pty) Ltd* 1948 (2) SA 626 (T) at 630-631 and *Room Hire Co (Pty) Ltd v Jeppe Street Mansions (Pty) Ltd* 1949 (3) SA 1155 (T) at 1159-1162.

I do not think that it would be correct to say that the applicant had no basis for not anticipating a dispute of fact in regard to the question of damages. If regard is had to the overwhelming proof of unlawful infringement of copyright by the respondents it is not difficult to understand that the applicant might have thought that no real dispute of fact in regard to the question of damages would arise. It should also be borne in mind in this regard that it is only a certain kind of dispute of fact which has to be foreseen in order to disqualify motion proceedings as the appropriate form of procedure. See *Cullen v Haupt* 1988 (4) SA 38 (C) at 40F-41B. In any event, the applicant would still be entitled to ask the court to refer the matter for the hearing of oral evidence, or for trial, in the event of the court being of the opinion that the disputes of fact cannot be resolved on the papers. See *Marques v Trust Bank of Africa Ltd and another* 1988 (2) SA 526 (W); *Fax Directories (Pty) Ltd v S A Fax Listings CC, supra*, at 167 C-J. I therefore remain unpersuaded that the order should be refused merely on this basis.

Mr Serrurier contended, in the second place, that Rule 6(5)(g) only permits the hearing of oral evidence on 'specified issues with a view to resolving any dispute of fact ...' or a referral of 'the matter' to trial. Relying upon cases such as *Room Hire, supra* at 1161 and *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1978 (4) SA 696 (T), Mr Serrurier further submitted that it would be inappropriate to make an order in terms of paragraph (f) of the Notice of Motion in the present case. More specifically, submitted Mr Serrurier, Rule 6(5)(g) excludes the possibility of referring the present matter to trial only in so far as the question of damages is concerned because 'the matter' will not then be referred to trial but only a portion thereof and that would result in a piecemeal hearing of the case; something which should not be permitted.

It is true that the courts have consistently declined to regard motion proceedings as appropriate for the determination and recovery of damages. For that reason they have refused to refer questions of damages for the hearing of oral evidence or for trial. A factor which must, in the present case, also be taken into account is the question of how the matter is going to be conducted if the question relating to damages is referred to trial. Mr Puckrin has suggested that the court could give the necessary directions if the parties are unable to agree in regard to the future pleadings. The problem I have with this suggestion is that, in terms of Rules 17(1), 17(2) and 18(10) of the Uniform Rules of Court, a combined summons will have to be issued by the applicant if the matter is referred to trial and it is ordered that the founding affidavit should stand as the summons or letter of demand. In view of the lack of particularity in the founding affidavit and the replying affidavit about the damages suffered by the applicant, the court would be doing the respondents an injustice if it is ordered that the matter be referred for the hearing of oral evidence or that the founding affidavit should stand as the applicant's combined summons. This aspect distinguishes the present case from other cases, eg *Pressma Services (Pty) Ltd v Schuttler and another*, 1990 (2) SA 411 (C), where the affidavits were ordered to stand as pleadings. Therefore, if the applicant will, in any event, have to file a combined summons I can see no real advantage to be gained by the applicant by requesting the court to refer the matter for trial for adjudication of the question of damages.

In regard to Mr Serrurier's argument that the court is in any event precluded from referring the question of damages to trial because that would result in a piecemeal hearing of the matter as opposed to 'the matter' being referred to trial for hearing, I should state that I disagree with that argument. I do not think that the court is precluded, in principle, in terms of Rule 6(5)(g) to refer a particular aspect to trial. See *Tamarillo (Pty) Ltd v B N Aitken (Pty) Ltd* 1982 (1) SA 398 (A) at 430F-431C.

I am therefore of the opinion, in the light of the foregoing, that it would not be proper to make an order in terms of paragraph (f) of the Notice of Motion but that it would be more correct not to make any order on this prayer as well as on prayer (e).

PARAGRAPH (g)

This paragraph relates to costs. During argument Mr Puckrin has conceded that, in the event of the applicant being successful, it would not be entitled to an order for costs on the scale as between attorney and own client. I think that this concession was correctly made. Mr Puckrin submitted that an order granting the applicant costs on the ordinary attorney and client scale would be appropriate in the present matter.

The respondents have most certainly behaved in a scandalous manner.

They have filched the applicant's drawings which were under the control of Bateman. They have used these drawings to manufacture components for machines which they have sold to clients of theirs in direct competition with Bateman. They have persistently denied that they have infringed the applicant's copyright. They have persistently denied that applicant is the owner of the copyright subsisting in the drawings. It was only at the commencement of the hearing that the respondents have made the concessions to which I have referred above.

Mr Serrurier submitted that the applicant should be ordered to pay the costs of this application. He argued that as early as September 1989 the respondents offered an undertaking to applicant's attorneys not to infringe applicant's copyright in future. This undertaking was contained in a letter written by respondents' attorneys and a copy of which is Annexure AMP 4 to the first respondent's answering affidavit. Mr Serrurier further submitted that applicant should have accepted that undertaking and should therefore not have instituted the present application as there was, since September 1989, no reason to suspect that respondents would not honour the undertaking. This undertaking was again repeated in a written tender which was filed of record on 4 May 1990. The applicant has therefore made itself guilty of an abuse of the process of the court by instituting the present application, submitted Mr Serrurier.

I do not agree with these submissions by Mr Serrurier. The so-called undertaking of September 1989 was given on the basis of respondents denying having infringed applicant's copyright and on the further basis that applicant had no cause of action against them. The tender of the relief claimed in paragraph (a) of the Notice of Motion which is contained in the aforesaid written tender was tendered on the basis that respondents do not admit any of the allegations made by the applicant in the papers.

In my opinion both the undertaking and the tender were given in terms and under circumstances which justified the applicant in rejecting them. The applicant all along, since August 1989, had reason to believe that its rights have been flagrantly infringed in a scandalous manner. As the owner of the copyright subsisting in the drawings it had every right to take effective steps to protect its copyright. Any undertaking by the respondents could have been justifiably viewed with suspicion by the applicant because of the facts which were disclosed to it by Mr Pretorius and Mr Nkhethoa and by what was attached by the deputy sheriff when he executed the *Anton Piller* order. The applicant had every reason in the world to be suspicious of the respondents and to be wary to place any reliance upon what the respondents say. Furthermore, in so far as the applicant was not in a position to exercise control over the litigation between Bateman and the respondents, unless it

also became a party to that litigation, it was justified in taking the necessary steps to protect its rights.

I have therefore come to the conclusion that applicant is entitled to an order for costs on the scale as between attorney and client.

It was not contested by Mr Serrurier that the present matter justified the employment of two counsel by the applicant.

In regard to the costs incurred by applicant's attorney in travelling to Finland to collect and collate the necessary evidence, I think that I would be usurping the taxing master's functions if I make an order awarding these costs to the applicant. In my view it is a matter for the decision of the taxing master and I am not prepared to award those costs to applicant without the taxing master having considered the matter. See also *Cambridge Plan AG v Cambridge Diet (Pty) Ltd & others* 1990 (2) SA 574 (T) at 604G-605D.

Although the applicant has not succeeded in obtaining an order in its favour on paragraphs (e) and (f) of the Notice of Motion, I am of opinion, as was also contended by Mr Puckrin, that the applicant still has achieved substantial success. It is obvious from the papers that the most important part of the application was the question concerning the applicant's copyright and the infringement thereof. The applicant has been successful in vindicating its rights. The question whether or not the applicant is entitled to the relief sought in paragraphs (e) and (f) of the Notice of Motion was a subsidiary one and I do not think that it played such an important role so as to warrant a special order of costs.

In the result the following order is made:

1. An order is granted:
 - 1.1 interdicting the respondents from their continued, direct and indirect, infringement of the applicant's copyright in the drawings listed in schedule HE7 to the founding affidavit deposed to by Heikki Euro;
 - 1.2 that the respondents deliver-up to the applicant all—
 - (i) two-dimensional reproductions of the applicant's drawings listed in the aforesaid schedule HE 7 in the possession or under the control of any respondent or any contractor of a respondent;
 - (ii) three-dimensional reproductions of the applicant's drawings listed in the aforesaid schedule HE 7 in the possession or under the control of any respondent or any contractor of a respondent; and
 - (iii) tools, dies, jigs and other tooling appliances used for the manufacture of the three-dimensional reproductions of the applicant's drawings listed in the aforesaid schedule HE 7;
 - 1.3 that the respondents deliver-up to the applicant all drawings, other than the drawings listed in the aforesaid schedule HE 7, which are legally the property of the applicant and which are in the possession or under the

- control of the respondents or any contractor of a respondent;
- 1.4that the respondents pay the applicant's costs on the attorney and client scale, such costs to include the costs of the employment of two counsel;
 2. No order is made on paragraphs (e) and (f) of the Notice of Motion.
 3. The claim for an account of profits and payments thereof by the respondents jointly and severally, is dismissed.

ST LEGER AND VINEY (PTY) LTD v SMUTS AND OTHERS

TRANSVAAL PROVINCIAL DIVISION

SWART J

23 APRIL 1991

In determining whether or not there has been an infringement of copyright, a microscopic analysis of similarities between two works is inappropriate. What is required is an assessment of the general character of the two works to determine whether there is substantial similarity. Such a qualitative assessment might result in a conclusion that there was no infringement even if there had been deliberate copying of some parts of the copyright work.

The first respondent and a certain Viney, traded as members of a close corporation in the business of designing and producing fabrics and textiles in South Africa. During that time, Viney conceived a design and commissioned a graphic designer to convert it into material form. This was done and the design was named the 'Palazzo Labia Damask'.

In April 1989, the close corporation was liquidated and the design, along with other designs, including the copyright in it and the exclusive right to use it was sold to the applicant. The applicant then traded in the design and the fabric sales incorporating its design amounted to approximately 20% of its sales.

In March 1991, the applicant learnt of a fabric, known as the 'Michael Smuts Damask', designed by the first respondent and about to be sold in the same market by the second respondent. The applicant contended that the first respondent's design was substantially similar to the applicant's and that there had been copying of its design, a breach of the terms of the sale of the design and unlawful competition by the three respondents.

The respondents denied that the Michael Smuts Damask design was similar to the Palazzo Labia Damask design in any other manner than that they were both derivations of the same style which had been manufactured for many years. It alleged that there were substantial dissimilarities between the two designs and that its design had been created by an independent designer who had worked from numerous Damask designs in order to create the respondents' design.

The two designs did in fact appear to be different from each other in their overall impact, their character, nuances and emphases and the assessment of them by the respondent appeared to be closer to the truth. The court accepted, however, that there were similarities in such images in the designs as the tulip, the positioning of certain griffins in relation to certain lions, and the spacing of central motifs in the repeats. It was also accepted that the applicant held the copyright in the Palazzo design.

The respondents were about to launch the sale of their fabrics on the market when the applicant instituted interdict proceedings to prevent it from doing so. For this purpose, the respondents had prepared 600 sample books containing their Damask designs. To excise them would have detracted from the aesthetic tenor of the books. After the interdict proceedings had been instituted, the respondents tendered to keep records of their sales of the fabrics pending the outcome of a trial action. The applicants did not tender the payment of damages should the interim relief which it claimed not be ultimately upheld.

The applicant was not entitled to succeed on the grounds of passing off because though it could be assumed that it had established a reputation in the Palazzo Labia Damask, it had not shown that its product was likely to cause confusion as far as the public was concerned.

As far as the allegations of copyright were concerned, the general character of the two designs had to be considered, rather than a microscopic analysis of their similarities. The quality, not the quantity of the similarities was relevant so that even if there had been deliberate copying in some respects, there might not have been sufficient copying to constitute an infringement of the applicant's copyright. It did not appear that an infringement of the applicant's copyright or recognisable adaptation thereof had taken place, but given that the applicant had established a *prima facie* right against the respondents, it had still not shown that the remedy of a damages claim which it might be able to prove in a trial was unavailable to it. That such damages could be relatively easily calculated was apparent from the fact that the second respondent tendered to keep meticulous records of its sales.

The balance of convenience was also in the respondent's favour because the granting of an interdict would have meant that the respondent would not have been able to launch the sales of any of its fabrics on the market. The respondent therefore faced a potential total loss of its expenditure as far as the launch was concerned. The applicant faced more remote and only speculative damages.

The application for an interdict was refused.

Swart J: In this matter I made an order on 20 April 1991 dismissing the application with costs, including the costs of two counsel.

These are the reasons: The applicant applied on an urgent basis for a temporary interdict pending the return day of a rule *nisi*. The application was based on various causes of action (see later) and was principally aimed at restraining first and second respondents from producing, marketing, distributing, or in any manner dealing with fabric known as the Michael Smuts Damask and/or any other fabric which is identical or substantially similar to the fabric known as Palazzo Labia Damask.

After the filing of answering affidavits, it appeared that the Smuts Damask design is printed on the instructions of first respondent by a Zimbabwean company and that a company known as Michael Smuts (Pty) Ltd of which first respondent is the sole director and shareholder, had contracted to supply second respondent (to be properly identified—see later) with the Michael Smuts Damask and other designs under the name of the Cotton and Chintz Collection. It also appeared that no company called Rowe Innotex (Pty) Ltd exists. Rowe Innotex is simply a trading division of Homemakers Group Ltd.

Applicant consequently applied for:

1. the joinder of Michael Smuts (Pty) Ltd as third respondent;
2. an amendment to the citation of second respondent to read Homemakers Group Ltd trading as W & A Textiles and/or Rowe Innotex;

3. the amendment of the introductory sentence of prayer 2 to refer to respondents;
4. the amendment of the introductory sentence of prayer 2.1 and of prayer 2.2 to refer to the third respondent as well;
5. the amendment of prayer 2.1.4 to refer to the first and/or third respondents; and
6. the amendment of prayer 2.3 to refer to second respondent or third respondent.

There is no objection to the aforesaid application and there can be no prejudice to any of the parties involved. The joinder is ordered as prayed for and the amendments are granted.

The applicant conducts business as designers, producers and distributors of household and industrial fabrics and textiles throughout South Africa and specialises in the decorator and upmarket retail markets. The first respondent is a designer and producer of fabrics and textiles. The second respondent is a designer, producer and distributor of household and industrial fabrics and textiles throughout South Africa and is engaged in precisely the same sphere of business activity as applicant, although it is a much larger corporation. The following is a synopsis of the applicant's case as set out in the application: 1.

First respondent and one Viney traded for approximately three years as members of a close corporation doing exactly the same business as that in which applicant is presently engaged. During the period of its existence, Viney conceived what was ultimately to become the Palazzo Labia Damask. In conjunction with the first respondent, he on behalf of the close corporation, commissioned for reward a graphic designer by the name of Misiewicz to convert this novel conception into material form. This she did. She lays no claim to the copyright. Ultimately, with frequent input from Viney and to an extent from the first respondent, the design was created in the form of a drawing and on instructions of Viney and the first respondent, a mill was commissioned to cut a screen from the drawing and to print the corporation's Damask design. Samples of the Damask designs used as inspirational references are attached as GEV1 to 4. There were other fabrics as well.

2. During April 1989 the corporation was liquidated and various designs were auctioned for the benefit of the members as constituting assets of the corporation. Applicant bought three of the designs for R231 800,00, including the Palazzo Labia Damask. The sale was effected by the liquidator pursuant to a written agreement which was signed by the representatives of Viney and first respondent as well. The applicant thus acquired the

Palazzo Labia Damask, including:

`all right, title and interest of whatsoever nature, in and to such designs, together with the copyright therein and the sole and exclusive right to use these designs for the purpose of printing fabrics and other materials incorporating such designs and to exploit their commercial value in any way whatsoever.'

Applicant says concerning the agreement:

`It was the clear understanding and agreement of both parties that the member who failed to acquire a particular design or designs, would not produce and/or commercially exploit any of the designs and/or designs substantially similar thereto knocked down to the other party. To construe the parties' agreement otherwise, would render it meaningless, and the purchase of any given design, senseless.

3. Since 21 July 1989 applicant has been trading in these designs and it and its agents have spent some R70 000,00 on promotion on a nation wide basis, resulting in sales of fabric formerly produced and marketed by the close corporation increasing by some 300%.
4. Applicant states that its Damask range is important. It constitutes approximately 20% of its sales, it has large stocks on hand and its profitability is dependent upon maintaining the level of Damask fabric sales. Applicant also alleges it has created a reputation among members of the public connected with the fabrics.
5. On 26 March 1991 applicant saw an example of *inter alia* the Michael Smuts Damask. Applicant also learnt early in April that second respondent was about to launch first respondent's fabrics in South Africa. Despite letters of demand to first and second respondents and objections voiced to second respondent, the latter made it clear on 8 and 12 April 1991 that the launch would go forth. This was in due course followed by the arrest of first respondent to found or confirm jurisdiction (which matter is not involved in this application), and this application.
6. During argument, Mr Bowman acting for respondents with Mr Silver, professed to some confusion as to applicant's alleged rights, but approached the matter on the assumption (see paragraphs A to D at pages 3 to 7 of second respondent's answering affidavit) that applicant contended that its rights have been breached in the following respects:
 - (a) Breach of contract (the sale of the design) by first respondent.
 - (b) Wrongful and intentional assistance by second respondent in such breach, including the fact that second respondent is first respondent's agent (the latter is denied by both respondents).

(c) Passing off by respondents of the Michael Smuts Damask as being the applicants Palazzo Labia Damask.

(d) Infringement of applicant's copyright.

I think the summary by respondent is fair. It must also be kept in mind that applicant is not trying to make out a case for final relief. I was not invited to decide the matter on the basis that respondents, having answered, a rule *nisi*, is not necessary that I should finally decide the matter. I think counsel are also agreed that although the granting of an order would have the result that the launch on 22 April 1991 would be finally terminated, that would not constitute the application one for final relief. It remains to refer specifically to some of the allegations relied upon by applicant.

(a) Its future has been placed in jeopardy by the conduct of the respondents which constitutes wrongful, unlawful and unfair competition (paragraph 4.1).

(b) The Michael Smuts Damask is substantially similar in almost every significant respect to the Palazzo Labia Damask.

'For purposes of comparison, I annex hereto, marked ``D'', samples of applicant's fabrics. As regards the ``Damask'' designs, I annex hereto marked ``E'' and ``F'', colour photo copies of further samples of the Applicant's and second respondent's fabric respectively. The similarity of these fabrics becomes even more evident when one compares larger samples thereof, which for practical reasons cannot be attached to the papers, but will be made available to this Honourable Court at the hearing.'

(Paragraph 4.4.2)

(c) First respondent is copying applicant's designs (paragraph 4.5).

(d) In breach of first respondent's obligations in terms of the agreement of sale, first respondent has, without applicant's knowledge or consent, caused a fabric to be processed in Zimbabwe incorporating the designs acquired at the auction sale by the applicant and/or designs so closely similar thereto as to result in a reasonable likelihood that members of the public may be confused and/or deceived into believing that the fabric in question emanate from the applicant. (Paragraph 6.1) In paragraph 6.5 it is stated that there is a 'striking similarity' between the two Damask fabrics which will damage the goodwill of applicant's business and divert customers from the applicant's business to that of the respondents. In this connection applicant also relied on the affidavits of Mrs Hansen (Annexure L), Mr Segall (Annexure M) and Marguerite Macdonald (Annexure B). It is not necessary to refer to these affidavits in detail. They

support broadly a contention that there is such an amount of similarity, that it may lead to confusion. Lynn Misiewicz (Annexure G2) says she has no doubt that substantial elements of the one design had been identically copied in the other and that the two are confusingly similar.

Applicant alleges that the matter is urgent, that it has no alternative remedy and will suffer prejudice relying substantially on the following:

- (a) If the launch takes place, it would be absolutely impossible for applicant's loss to be computed.
- (b) The Michael Smuts Damask is inferior to the Palazzo Labia Damask, although substantially similar in design and get-up and its distribution will undoubtedly be harmful to applicant's goodwill and reputation in a manner which cannot be accounted for in monetary terms.
- (c) The launch is one to the trade (retailers, designers, interior decorators, architects, etc). Once the launch takes place the wheels of distribution will be set in motion and it will be impossible to redress the harm suffered by applicant.
- (d) Once members of the trade are in possession of sample material, there is very little likelihood of their placing orders for a substantially similar product with the applicant. Applicant verily believes that the confusion in the minds of the trading public will result in the response that they already have the product in stock and have no need to place an order with applicant.
- (e) Should the launch go ahead, applicant's claim to exclusivity in its 'Damask' design and its credibility in the market place will be placed in jeopardy.'

First and second respondents answered. First respondent's answer also constitutes that of third respondent. Urgency has been attacked, as well as each of the causes of action relied upon by applicant. Applicant, purportedly for time related reasons, chose not to reply.

I intend referring at this stage to only the following details of the answering affidavits: Mr Smuts, the first respondent, has *inter alia* the following to say, I refer to paragraph 9.6.1 to 9.15:

9.6.1 I set out now the history of the production of the Palazzo Labia Damask Damask and the Smuts Damask fabrics. At the outset I point out that Damask fabric has been manufactured for many years and probably centuries. It is distinguished by the fact that it contains plain woven patterns and hitherto comprised a satin weave on a plain woven ground. The pattern normally is a repeating pattern and numerous conventional Damask patterns

have been produced over the years. I annex hereto a bundle of photocopies being extracts from the books available at the Johannesburg Reference Library (Art section) and the Michaelis Art Library as annexure JS 1. These extracts reflect Damask patterns.

- 9.6.2 In the short time afforded to me for the preparation of this affidavit I have only been able to search these two libraries. I am certain that there are many other variations of Damask designs. It will be seen that Damask patterns comprise a number of motifs in a formal repeating pattern.
- 9.7 Among the Damask designs which have been on the market for some time is a Damask design known as "Edith D'Lisle Damask", a sample of which will be exhibited at the hearing of this matter and a photocopy whereof is annexed as annexure JS 2. As mentioned in the affidavit of Graham Elliott Viney the Palazzo Labia Damask Design was created for the company Smuts & Viney CC ("the corporation"). The Palazzo Labia Damask was a design based on the Edith D'Lisle Damask which was used as "inspirational material" for the design. In making this design both Mr Viney and I contributed ideas and suggestions which were then reduced to material form by the designer mentioned by the applicant, Ms Lynn Misiewicz.
- 9.8 Because Damask designs have become so well known the name Damask appears in the *Fairchild's Dictionary of Textiles* an extract of which is attached hereto marked "JS 3" as well as the *Shorter Oxford Dictionary* an extract from which is attached hereto marked "JS 4".
- 9.9 Among the motifs used in the different variations of Damask designs are animals, flowers, leaves, medallions.
- 9.10 After the liquidation of the corporation I instructed a designer in the United Kingdom Miss Georgina Boyle to prepare some fabric designs for me which I have had produced and these designs are about to be launched by Homemakers under the name of "Cotton & Chintz Collection". Among the designs produced by Miss Boyle is the design about which the applicant complains "which will be referred to as the "Smuts Damask". I paid Miss Boyle approximately £450,00 (equivalent to R2 200,00). Miss Misiewicz was paid approximately R500,00 for her services by the corporation.
- 9.11 In preparing the Smuts Damask, Miss Boyle had to my knowledge many Damask designs including the D'Lisle fabric. She also used other examples of Damask designs when creating her work.

Unfortunately the fabric which she used for examples is presently in my home in London.

9.12 I draw attention to the fact that the D'Lisle Damask, the Palazzo Labia Damask and the Smuts Damask designs are all repeating designs, each design containing a number of motifs and to assist the above Honourable Court in analyzing these motifs, I annex hereto as annexure JS 5 photostat copies of the designs.

9.13 I draw attention to the fact that in all three of these designs there is a "tulip" motif which I have indicated in a circle numbered "A". I have marked other similarities, such as animals, leaves and other motifs "B", "C" and "D".

9.14 On comparing the Palazzo Labia Damask prints with the Smuts Damask it will be noted that there are similarities in the provision of a "medallion" which is marked "F" and "G". The medallions "F" and "G" of the two designs vary dramatically. In the Palazzo Labia design there is a bowl shaped portion with a scaling effect on them marked "H". At the centre of this bowl shaped portion there is a leafy design "J". In addition in the Smuts design no such bowl shape section is provided. Two elongated almost horizontal leaves "K" are provided in the Smuts design below the medallion "C". The leaf section has diamond shaped hatching on it. The Palazzo Labia design incorporated the motif of the griffins "L" close to the tulip design. The repeating patterns of the Palazzo Labia Damas have a minimal overlap whereas there is substantial overlap between the two side by side designs of the Smuts Damask. Furthermore between the designs of the Palazzo Labia motifs there are many leaf motifs "M" which give the Palazzo Labia Damask a very full and busy appearance. In the Smuts design although there are fern leaf motifs "N" the design is more open with substantial open spaces so that the design gives a cleaner and uncluttered appearance. When seen on a large piece of fabric it has a different appearance created by the strong horizontal lines formed by the leaves and other horizontally extending parts. I submit that the design produced by Misc Boyle *viz* the Smuts Damask has so many differences as to be an entirely different design.

9.15 I submit therefore that the production and sale of the Smuts Damask fabric would not constitute wrongful, unlawful or unfair competition with the applicant.'

He denies the thrust of the affidavits of Macdonald, Hansen and Segall. He admits that sale of his materials will divert customers from applicant's

business, but states that divert customers from applicant's this will result from the normal forces of the market place. He terms the design of Ms Misiewicz as a variation of a typical Damask design.

Mr Plastow answering on behalf of second respondent, has this to say in paragraph C at pages 4 to 5 of his affidavit:

'In so far as (i) is concerned, namely the applicant's alleged reputation, the Damask design is simply a classic style of design which has been manufactured for centuries. Indeed, this very point is made in paragraph 8 of the affidavit of Mr Graham Elliott Viney which forms annexure ``G1" to the affidavit of Mr. Searle. Samples of such Damask designs will be made available, at the hearing of this matter, to the above Honourable Court. A distributor of textiles, such as the applicant, can no more claim to have built up a reputation in a particular Damask design than can any other distributor, for example, claim to have a reputation in a particular Tartan design. The applicant has, on its own papers, not established any repute in a Damask design range and, more particularly, in the Palazzo Labia Damask design.

In so far as (ii) above is concerned, Homemakers have never made, or attempted to make, any comparison between the Michael Smuts Damask design and the Palazzo Labia Damask design and, indeed Homemakers' product is printed on a different base cloth to that of the applicant; the marketing and promotion of the Michael Smuts Damask design is contained in a range to be marketed under the name of ``Cotton and Chintz Collection"; is marked ``Michael Smuts" on the selvedge as opposed to the words ``Palazzo Labia Damask" on the applicant's selvedge and is marketed by the W & A Textile Division of Homemakers, which in turn has a very substantial reputation in the field, without any reference whatsoever to the applicant, and on an ordinary and fair competitive basis in the market place. The only similarities between the Palazzo Labia Damask and the Michael Smuts Damask designs, incorporating elements of traditional Damask designs.

Indeed, as Homemakers perceive the applicant's case under the rubric of ``passing off", what the applicant in fact is endeavouring to obtain is a monopoly in South Africa in relation to Damask designs. I am advised that this is something to which the applicant is not entitled in law.'

He also stresses the fact that apart from all Damask design having a similar character, the Palazzo Labia and Michael Smuts Damasks cannot be regarded as being substantially similar particularly in the wide field of Damask designs available internationally. He also states that the colour

ranges are markedly different. He points out that the weight of the two fabrics differ and denies that the Michael Smuts inferior. He stresses that the launch will be one to the trade (furnishing specialists) and not to the general public. He says in paragraph 69:

'The applicant is, as I have already stated with respect in no position to claim exclusivity in relation to the Damask design market. All the applicant is entitled to is the very limited exclusivity in respect of its Palazzo Labia Damask design and no more. This is an area which Homemakers do not invade and a right which Homemakers have no wish to infringe.'

He states in paragraph 56 to 63:

- '56. In these two paragraphs of his affidavit (7.2 cf Mr Searle's affidavit), Mr. Searle appears to be dealing with the balance of convenience and I deny what he states in those two paragraphs.
57. Homemakers have spent a very considerable sum of money (in an amount which I approximate to be well in excess of R100 000,00) to promote the "Cotton and Chintz Collection".
58. As is admitted by Mr Searle in paragraph 6.7 of his affidavit, Homemakers is a large and powerful concern with substantial assets and is well able to pay the applicant any damages or costs that may be awarded against it.
59. Homemakers, moreover, maintain meticulous records of its sales and purchases and will be able to provide such figures to facilitate the computation of any damages that may be incurred.
60. Homemakers hereby tenders to submit, on a monthly basis, figures of its sales to its attorneys of record who will hold these figures on file to submit to the above Honourable Court, if need be.
61. The applicant, in turn, is a small business. It has not tendered to pay the damages of Homemakers in the event of the temporary relief which it seeks being granted against Homemakers and of Homemakers subsequently succeeding at the trial of the action.
62. I verily believe that the applicant does not have the financial resources to pay the damages which could result from the aforementioned circumstances.
63. Homemakers, on the other hand, hereby tenders the payment to the applicant of any damages that it may suffer in the event of the temporary relief which it seeks being refused by the above Honourable Court and of the applicant subsequently succeeding at the trial.'

I was addressed extensively by Mr Nelson for applicant and Mr Bowman for respondents. I was also shown the originals of annexures C, D and GEV1 to 4, full length repeats (or at least large samples) of Palazzo Labia and Smuts Damasks in a light colour (sand or putty, I think) and similar samples of a blue Smuts Damask and red Palazzo Labia and a green Palazzo Labia.

I was also referred to second respondent's sample book which is titled *Cotton Chintz Collection* and has the names W & A Textiles division Rowe Innotex clearly legible on the outside. It contains 30 samples, the last five of which are Smuts Damask designs in red on red, shaker, yellow, blue on tea and sand. I probably have not been shown applicant's full colour range, but from what I saw, only the last Smuts Damask in the sample case is actually closely similar in colour to the Palazzo range. On the reverse of each of the leaves in the sample book, appears the label detailing the design, the reference code, the colour way and the width in which the material is available.

I have also been informed that when material is sold, the selvedge of the Smuts Damask will bear the words 'Michael Smuts Damask' while that of the applicant carries the words 'Palazzo Labia Damask'. Members of the trading public who are skilled in these matters, will refer to such information and will know from which supply each is obtained. Lay customers will not have the same expertise, but will not be told by applicant and particularly not by respondents, that the same fabric and design is involved.

I turn to my findings in the light of what has been said. I will deal with the merits first (as stated, only for the purposes hereof—whether a case for interim relief has been established on the papers).

1. Applicant has relied upon a number of causes of action. That of breach of contract, I think, may immediately be discarded as overlapping with either copyright or passing off. I accept that first respondent as signatory of the sales agreement is bound by the terms of the sales agreement. However, I find nothing in the agreement granting applicant greater rights or protection than the law of copyright or the right to be protected against delictual infringement of applicant's rights. There is certainly nothing to the effect that first respondent may not develop and exploit his own original Damask design utilising traditional Damask motifs or exploiting the Damask character as such. He bound himself to respect only a particular design, the Palazzo Labia Damask.
2. As regards passing off, let me quote certain passages from the unreported judgment of Van Dijkhorst J in *Bress Designs Pty) Ltd v G.Y. Lounge Suite Manufacturers (Pty) Ltd and Das Haus*. Firstly, at 29 to 30:

'Passing off in our law is a form of unlawful competition. It consists in a representation by one person that his merchandise or business is that of another and in order to determine whether a representation amounts to a passing off one enquires whether there is a reasonable likelihood that members of the public may be confused into believing that the merchandise or business of the one is connected with that of another. *Capital Estate and General Agencies (Pty) Ltd and others v Holiday Inns Incorporated and others* 1977 (2) SA 916 (A) 929 C. In every passing off case two propositions have to be established by a plaintiff before he can succeed. The first is that his name, mark, sign or get-up has become distinctive, that is, that in the eyes of the public it has acquired a significance or meaning as indicating a particular origin of the goods (business, services) in respect of which that feature is used. This is called reputation. The second is that the use of the feature concerned was likely to deceive and thus cause confusion and injury, actual or probable, to the goodwill of the plaintiff's business.'

Secondly at 31 to 32:

'A plaintiff must show more than mere prior user by him of the particular ``get-up". He must show that the ``get-up" has become in the mind of the public distinctive of one particular trader and no other trader; so that the ``get-up" has come to mean, to the public, a product coming from a particular commercial source. They, the public, do not have to know the name of the trader. But it has to be shown that the product is, in the minds of individual members of the public who are buyers or potential buyers of the goods, ``the product of that manufacturer with whom I have become familiar" ... Where the ``get-up" consists of characteristics of the product itself, such as the shape and colour of the article itself, such proof is not easy. The common law leans against the recognition of a monopoly right. ... The task of plaintiff seeking to establish such a right is particularly difficult where, as here, the distinctiveness claimed for the product itself in some degree involves a copy of, or supposed resemblance to, some pre-existing artistic style: such as French bedroom furniture, white in colour and with gold-coloured ornamentation and with more or less standardised shapes of various parts of the articles of furniture.'

(The latter quote was taken from the matter of *G Hampshire Ltd v Restawhile Ltd* 1973 (1) WLR 144 ostensibly at 271). I will accept that applicant has *prima facie* established a reputation in the Palazzo Labia Damask in the trade without deciding so. After all, applicant is presently the only supplier in the

RSA of printed Damask. I have doubts whether that is so far as the lay public is concerned. However, it is as far as the second requirement is concerned, that applicant runs into severe difficulties. I have referred to the evidence on behalf of respondents. The court must decide, but the eye of the court does not mean the untutored eye.

The court may have the benefit of expert evidence to assist the judge in coming to a proper conclusion. See *Allen-Sherman-Hoff Co v Registrar of Designs* 1935 TPD 270 at 274, as approved in *Homecraft Steel Industries (Pty) Ltd v S M Hare & Son (Pty) Ltd and another* 1984 (3) SA 681 (A). The eye involved is that of the court, but looking through the spectacles of the customer. See 692 A to C of the latter judgment. Approaching the matter thus, I am of the opinion (without having heard evidence, as the matter stands) that whatever similarities there are (see later) the overall impression, particularly of larger samples and when contrasting different colours, is such that no confusion can arise. This will be particularly true concerning the trade, but also as regards the buying customer. Respondents have all along contended that larger samples should be viewed. I was shown such samples in perspective, that is not by way of nearsighted appraisal, but at a fair distance as one would evaluate the impact of the fabric. In my view, although both are Damask designs, the overall impact and character and the different nuances, and emphases are such that they are not the same design and that there is no reasonable likelihood of confusion as far as the public is concerned. This is particularly true on comparison of say a blue Smuts Damask with a red or beige Palazzo Labia. But the same impression persists in a comparison of the lighter colours as well. I think the analysis of the first respondent in his affidavit is nearer the mark and I think the fears expressed on behalf of applicant are exaggerated. In addition I refer to the evidence that the material sold will be clearly marked with the different names and that second respondent will sell the material as its own, under its own name and not ostensibly as that of the applicant. I find that applicant's case based on passing off fails.

3. Applicant has, albeit in passing, referred in its papers to unlawful competition. The law is set out in *Schultz v But* 1986 3 SA 667 (A). Considering *inter alia* what has been said above, I do not think that this is a case of unlawful or unfair competition. The facts, to start with, fall far short from those which pertained in *Schultz v Butt* and also in the *Bress Designs* case *supra*.
4. I come to the alleged infringement of copyright. Mr Bowman submitted that applicant has no copyright in Misiewicz's drawing, because she was

not shown to be a qualified person and because she had not assigned her copyright to the close corporation. Mr Nelson said applicant was really relying on the copyright in the design on the fabric. Mr Bowman suggested that the same problem arises in that the mill had not assigned the copyright to the close corporation, in view of, presumably, the fact that the screen cut by the mill would constitute the material manifestation of the design idea. Mr Bowman contends that section 21(1)(d) of Act 98 of 1978, as contended for by Mr Nelson, is not applicable because Misiewicz was not employed by the corporation and that no other provisions of section 21 vested copyright in the corporation. There is a lot to be said for this argument. However, I am uncertain whether section 21(1)(c) read with the definition of 'gravure', could not be applicable. It would probably depend on expert evidence. I will consequently accept, without deciding, that applicant did acquire copyright of an artistic work. The remaining question is then whether there has been an infringement of such copyright. I also bear the definition of 'adaptation' in mind. The test appears from *Galago Publishers (Pty) Ltd and another v Erasmus* 1989 (1) SA 276 (A) at 280 A to D. It is sufficient if a substantial part of a work has been reproduced. What is required, is sufficient objective similarity between the alleged infringing work and the original work, or a substantial portion thereof, for the former work to be described, not necessarily as identical with, but as a reproduction or a copy of the latter. There must also be a causal connection. The question is, has the respondent copied the plaintiff's work, or is it an independent work of its own. See as well the unreported judgment of Myburgh AJ in *Cavendish Textiles Ltd v Manarch (Pty) Ltd* where he *inter alia* held that the general impression of the two works was so similar, that copying did take place, in spite of the changing of individual pieces. This result he obtained on a visual examination of the two pieces of curtaining and not by looking through the eyes of a purchaser. There are similarities in for instance the design of the tulip, the position of the griffins vis-a-vis the lions and the spacing of central motifs in the repeats. I am not saying that there are not other similarities. I am willing to accept, for purposes hereof, without deciding, that such similarities are the result of deliberate copying in greater or lesser respect. Mr Bowman did not contend that the Palazzo Labia Damask had not been available to the designer of the Smuts Damask. It must however, be kept in mind that first respondent denied a copying, but was at a disadvantage in that the materials used by his designer were in London and were not available at the hearing.

In view of my findings concerning the general impression of the two designs, the history and extent of Damask designs and the obvious inspirational role played by the Edith D'Lisle Damask regarding the Palazzo tulip, I am of the opinion that the matter should not be decided on the basis of a microscopic analysis of the similarities or upon the quantity thereof, but on the quality thereof, viewing the design as a whole. See *LAWSA*, vol 5, paragraph 351. See as well *Ladbroke (Football) Ltd v William Hill (Football) Ltd* reported in 1964 1 *Weekly Law Reports* at 273. I intend quoting certain of the passages. Firstly at 283:

'It will, therefore, depend, not merely on the physical amount of the reproduction, but on the substantial significance of that which is taken.'

Secondly at 288:

'There remains the question whether there has been a substantial appropriation by the defendants of the independent labour of the plaintiffs. Substantiality depends on quality, not quantity, as is illustrated by the case of *Hawkes & Son (London) Ltd v Paramount Film Service Ltd*, where the refrain only of "Colonel Bogie" was appropriated. True that the bulk of the coupon documents consists of lists of matches and of odds offered in which (as calculations) no copyright is claimed but the essential feature of the coupons, indeed of all the football coupons in evidence, is the selection of a limited number of matches from the whole number and the selection of a number of bets. These bets require nice calculation and great skill in order to ensure that the bookmaker will win vis-a-vis the punters as a whole while at the same time the odds offered will not be so unattractive to the individual punter that he will not fill in the coupon in the hope of winning.

The defendants are not, in my opinion, able to escape by saying that all that they have done is to give banal commonplace descriptions to matter which is common to all engaged in the business and that, even if they have copied, they have copied nothing of any significance. I think it is not inappropriate in this connection to quote the words of Peterson J in the case from which I have cited when he said "there remains the 'rough practical test that what is worth copying is *prima facie* worth protecting". I have no doubt that the defendants have taken a substantial part of the plaintiffs' copyright.'

The next matter I wish to refer to, is that of *Chatterton v Cave* reported in volume 3, 1877 to 78, Appeal Cases 483. I intend quoting at 503:

'If the Chief Justice had left the question to the jury, and told the jurors in his summing-up that it was proper for them to consider exactly the

same things which he says were the grounds of his own decision; if he had told them that, in considering the question whether the Defendant had represented part of the Plaintiffs' drama, they were to consider not only whether the Defendant took these two points direct from the Plaintiffs' drama, but also the nature of the two points which were not parts of the dialogue or composition of the Plaintiffs' drama, but were in the nature of dramatic situations or scenic effects; and that they were also to consider the general character of the two dramas, and the extent to which one was taken from the other, and its effect upon the total composition, and then to say for themselves whether, in representing the Defendant's drama, the Defendant represented what was a part of the Plaintiffs' drama, which was, as *Planché v Braham* (2) decides, a question to some extent of degree; would such a summing-up have been a misdirection? If it would, I am inclined to think that the finding, though by a Judge alone, would have been liable to question in the nature of an application for a new trial but it is unnecessary to decide that, if, as I think, such a direction would have been unexceptionable.'

Thus approached, I do not think that there has been a infringement of the applicant's copyright or a merely recognisable adaptation thereof. I may of course be wrong. I think that these matters are seldom straight forward, neither has this matter been. I must consequently also approach the matter on the basis that it may be held that the applicant has made out a *prima facie* case on one or more of the causes of action advanced by it. If so approached on the basis of a *prima facie* right, although open to some doubt, I have to consider the other requisites of a temporary interdict. I may mention that if such a *prima facie* right is held to exist, I would on the basis of what has been said, consider it to be a remote and not a strong case.

The other requisites I wish to refer to are the following: The first is the question of no other remedy. It is well known that an interim interdict is an extraordinary remedy and should not lightly be applied if another suitable legal remedy is available to a litigant. In this connection, I think that the allegations made by and on behalf of the applicant as to its prejudice and as to the absence of any other available remedy, are somewhat vague and somewhat exaggerated. I think that there is in fact a strong prospect, on the facts of this case, that should the applicant's case be upheld at a trial, applicant would be able to suitably prove its damages.

In the first instance, the applicant seems to be the sole distributor of printed Damask in the country at the moment. Secondly, the only new printed Damask which will come on the market, will be from the sales of first (or

third) respondent's fabrics through the second respondent. The probabilities are consequently there that if there is any change in the pattern of applicant's sales, there would have been a close causal connection with the sales of fabric by the second respondent. The second respondent has tendered to keep meticulous records thereof, which I presume will be made available to the applicant if necessary and I cannot see why, in such a case, even if it cannot be done with mathematical certainty, the applicant should not be able to prove its damages.

In any event, this is also a matter of degree and judgment and is involved in the discretion which a court may exercise as to the granting or refusal of a temporary interdict. The other aspect is the balance of convenience. The test in this connection is too well-known to bear repetition. The strength of the particular litigant's *prima facie* case is a factor to be taken into consideration.

In this respect, I note that the applicant has not tendered the payment of any damages to the respondents, should the interim relief ultimately not be upheld. Consequently, in view of the launch which was scheduled for 22 April, the probabilities are overwhelming that the second respondent and to a lesser extent the first or third respondent would have suffered damages in appreciable amounts. I refer to what Mr Plastow has said about this. Mr Smuts, the first respondent has referred to a loss of some R33 000,00 for stocks already obtained.

I have also been told that the launch cannot go ahead on a partial basis. This followed upon inquiries in court whether it would not be feasible to remove the Smuts Damask samples from the sample book of the second respondent. I was told that not only must the whole collection go ahead as an entity, but that it would not be possible to remove the samples. I can readily understand this statement, considering the time element. Some 600 sample books had been prepared. They have been tastefully and expensively prepared. They have been put together by way of pop rivetting and the only practical way to omit the Smuts Damask designs would have been to cut them out, which I think would not have been in accordance with the aesthetic tenor of the sample books and of the position of the second respondent in the market. In any event, as will appear from what I have to say hereafter, why should it be required of second respondent to do this over the weekend or even over part of the weekend?

The position is consequently that the second respondent would in all probability have suffered a total loss of its expenditure as far as the launch is concerned. On the other hand, the damages or the potential damages of the

applicant are to a certain extent remote, and to a certain extent speculative. Only a part of the applicant's business is involved in the Damask design and I do not think that the applicant contends or really can contend that he will lose that whole part of his business, should the launch take place.

In any event, other purchasers and members of the public may think, as I think, that the Palazzo Labia Damask is a substantially more attractive design than is the Michael Smuts Damask. The last point is that even if a case has been made out for the granting of a temporary interdict, the court has a discretion not to grant such an interdict. I am inclined to think, also with reference to what I will say *anon*, that this is a matter, for the reasons which I have set out above, where I would not have exercised a discretion in favour of the applicant. Let me refer in this connection to the matter of *Juta & Co Ltd v Legal and Financial Publishing Co (Pty) Ltd* 1969 (4) SA 443 (C). I am not stating that there is any close resemblance between the facts of the two matters, but I think there is an appropriate principle to be found on page 445 A to B:

'If, in fact, there is such a clear case of copying, the matter should and could have been dealt with by counsel within a day or two. Relief *pendente lite* is a special remedy: it grants relief between the time of the order and the final determination of the dispute between the parties in order to avoid undue prejudice while proceedings are pending. In view of the long delay that has not been satisfactorily explained and the other points referred to, I am not prepared to allow the replying affidavits to be filed, and the application must accordingly be refused.'

This ties up with the question of urgency to which I will now refer.

In *Luna Meubel Vervaardigers (Edms) Bpk v Makin and another* 1977 (4) SA 135 (W), Coetzee J said *inter alia* this at 136 G:

'These practitioners then feel at large to select any day of the week and any time of the day (or night) to demand a hearing. This is quite intolerable and is calculated to reduce the good order which is necessary for the dignified functioning of the Courts to shambles.'

Mr Bowman strongly relied upon that decision in this matter and strongly contested the question of urgency. The salient facts are the following:

Early in March 1991 the applicant became aware that certain Smuts designs were available in Harare. On 26 March 1991 the applicant saw samples thereof. On 4 April 1991 the applicant became aware of the intended launch by second respondent on 22 April 1991. This was after attempts by applicant to contact Mr Plastow and Mr Levine on 1 or 2 April 1991 and to set up a meeting. Such a meeting followed on 4 April. The second respondent

was informed of applicant's alleged rights. An appointment was made for the next day for the parties to view larger samples. On the same day, that is 4 April 1991, a letter of demand was sent to the first respondent by telefax. This was never replied to. On 8 April 1991 applicant was informed by second respondent that further communication would be pointless in that they had decided to go ahead with the launch.

Applicant immediately contacted its attorney. Annexures N and O were dispatched on 11 April 1991. Second respondent was warned of an urgent application if no suitable reply was received by 11 April at 16:00. Yet it appears that after the lapse of such deadline, the application was not prepared or immediately launched and, as a matter of fact, applicant was informed on 12 April that the launch would go ahead. The founding affidavit is dated 15 April. As a matter of fact, all the affidavits were signed on that day. There is no express reference to or explanation of why a period of some three days was required. The papers were not served on 15 or 16 April, but held in abeyance in order to arrest the first respondent on 17 April 1991. That took place at 17:15. Papers were also only served on the second respondent after business hours on 17 April 1991.

The question certainly arises why the papers, which had ostensibly been available some days earlier, had not been served on the second respondent. This was asked in court and I was informed that it was not done in order not to scare off the first respondent, whose arrest had been envisaged. This becomes all the more relevant if it is considered that the launch by the second respondent on 22 April, if stopped, would have done away with any urgency whatsoever in the matter.

The result was one of extensive inconvenience to the respondents and to the court as well. Although being a complicated and extensive matter, it was set down on the Friday roll in the ordinary urgent court. There is no semi-urgent court in this division. The matter was set down for 10:00 in the morning, but due to the pressure of other urgent matters, was only heard commencing from approximately 12:00. The hearing of the matter lasted till 18:15 that night and the larger part of the weekend was involved in coming to a conclusion and in preparing these reasons in order to obviate a deferred decision as to the reasons. The latter also involved a part of Sunday and the larger part of yesterday. Under these circumstances, I think that it would have been appropriate to refuse the application, other considerations left aside, on the basis of urgency as well. I should also mention that the necessity for first respondent's arrest was that costs would not have been recoverable against him as a peregrinus. For that purpose the proceedings against second

respondent were delayed, in my opinion unfairly, because the urgency lay in stopping second respondent from carrying through the launch. It is, moreover, not clear to me that an earlier attachment of what was then regarded as first respondent's stock in the hands of second respondent, could not have been considered suitable protection of applicant's claim for costs. Citation of first respondent as a necessary party could have been accomplished by an urgent application for edictal citation.

I was asked by Mr Bowman in case the application is dismissed, to award the costs of two counsel. This was not expressly contested by Mr Nelson and I think that on a basis of fairness and reasonableness, such an order was warranted. An order was consequently made dismissing the application with costs, including the costs of two counsel.

PASTEL SOFTWARE (PTY) LTD v PINK SOFTWARE (PTY) LTD AND ANOTHER

TRANSVAAL PROVINCIAL DIVISION

ELOFF J

15 AUGUST 1991

In determining whether or not there has been copyright infringement of a computer programme, regard may be had to the screen formats produced by the computer programme in respect of which copyright is claimed and those produced by the alleged infringing programme. Where there is a degree of objective similarity, an inference will be drawn that there has been infringement.

The applicant and first respondent entered into an agreement in terms of which the applicant granted the first respondent the exclusive right and licence to publish, market and sell certain computer software authored by the applicant. It was agreed that 'software' included an accounting programme and documentation thereon and that the programme included programme updates, revisions and upgrades. The first respondent was prohibited from modifying the software without the consent of the applicant. The agreement incorporated an acknowledgement that the copyrights used or embodied in the software remained the property of the applicant.

A further provision of the agreement gave the first respondent the right to give notice of the reduction by half of the royalties payable to the applicant. Such a notice also meant that the first respondent's right and licence to the software would become non-exclusive. The whole agreement could be terminated on 9 month's notice being given.

On 31 January 1991, the first respondent gave the reduction notice provided for in the agreement, and also gave notice of termination of the agreement. The applicant then began selling the software under its own trade name.

In May 1991, the first respondent sent a circular letter to a number of the programme users announcing an upgrade of the programme and making remarks about the comparative advantages of its programme as against that of its competition. The first respondent's demonstration disk of its programme produced screens which were substantially identical to those produced by the applicant's programme.

The applicant then applied for an interdict restraining the first respondent from: 1. modifying the programme in breach of the agreement, 2. infringing its copyright in the software and 3. competing unlawfully with the applicant.

As far as the allegations of breach of the agreement were concerned, the essential question was whether or not the first respondent's demonstration disk originated in the software supplied by the applicant. This question could be answered affirmatively because the objective similarity of the screens produced in both programmes led to the inference that those produced by the demonstration disk were not produced independently of the applicant's programme.

As far the allegations of breach of copyright were concerned, it was clear from the papers, that the applicant's employee had reduced to material form the screen formats for the programme and had incorporated in manuals the ideas giving

expression to the programme. By expending the effort that he had in creating the programme, the applicant's employee had created a copyright in the programme and also in the reproductions of it. That programme was a 'literary work' within the meaning of the term as defined in the Copyright Act (no 98 of 1978). Infringement of that copyright was proved because there was sufficient objective similarity between the applicant's screens and those of the first respondent for the latter to be described as reproductions of the former. The degree of objective similarity led to the inescapable inference that the first respondent copied the applicant's screens.

As far as the allegations of unlawful competition were concerned, the first respondent had in its advertisement misrepresented that the programme it was selling was an adaptation of the applicant's programme, whereas on the papers before the court it had said that its programme was something entirely new. By retaining the connection with the programme created by the applicant, it had obtained a competitor's advantage over the applicant which was unfair to the applicant.

The application succeeded.

Eloff J: This application centres around the rights to certain computer programs, the modifications thereto and upgrades thereof.

The original program as also certain modifications thereof were created by the deponent Mr M Katz in the course of his employment and as part of his duties with the applicant, initially bearing the name New Bernica Software (Pty) Limited, thereafter Keysource (Pty) Limited and later Pastel Software (Pty) Limited. I shall henceforth refer to the applicant by the name Pastel. In the agreement about to be discussed Pastel's copyright in the program is acknowledged. The program features in the first prayer formulated by Pastel in which it seeks to enforce a contract dealing with the program. It features in the second prayer in which Pastel claims protection by reason of alleged infringement of the copyright which it has in the program. And it forms an essential component in Pastel's third set of claims, founded on allegations of unlawful competition in connection with the program.

The case first came before me at the end of June 1991 as a matter of urgency. At that stage only the founding papers, a very short answering affidavit presented on behalf of first respondent ('Pink'), and a replying affidavit were filed. I had first to consider the question of urgency. I ruled that the matter was urgent. In view of Pink's complaint that it was afforded inadequate time to answer the allegations fully, I granted a postponement of the hearing until yesterday and gave directions as to the filing of more complete affidavits. Pink thereafter filed further and fuller affidavits and more comprehensive affidavits were filed on behalf of Pastel. In the result a record of close on to 500 pages was built up. I heard argument yesterday, and consistent with my ruling of urgency, undertook to present my judgment

today. I would have preferred to have been allowed more time to deal with some of the interesting questions debated in this case, but having formed a clear view on those issues, I decided to give judgment so soon after argument.

Pastel and Pink commenced their association and involvement with computer programs when, on 13 June 1990, they entered into a licensing agreement, the scope and terms of which are of considerable importance in relation to the issues adumbrated in the papers. It is accordingly necessary at once to set out the major aspects of the agreement. In that agreement Pastel is described as 'the author' and Pink as 'the publisher'. In terms of the contract Pastel granted Pink the exclusive right and licence to publish, market and sell certain computer software. 'Software' is defined as including a certain program and documentation and manuals in respect thereof. Clause 2.3.3 further says of the program:

'Program means each of the following programs:

- 2.3.3.1 The program currently known as TurboCASH 5;
- 2.3.3.2 The program currently known as TurboCASH +;
- 2.3.3.3 An Afrikaans version of the TurboCASH + program to be developed prior to 30 June 1990 subject to the provisions of 2.3.7 below;
- 2.3.4 A multi-user version of TurboCASH to be developed prior to 31 August 1990 subject to the provisions of 2.3.7 below;
- 2.3.5 Any other program or translation of a program developed by the author which is similar to the programs referred to in 2.3.3.1, 2.3.3.2 or 2.3.3.3 above or which competes with such program and all enhancements, updates, revisions and upgrades of all of the foregoing.'

The agreement (clause 11.1) acknowledges Pastel's copyright as follows:

'The publisher acknowledges that any or all of the copyrights used or embodied in the software including all documentation and manuals relating thereto (but excluding the trademarks and tradenames relating to the software as well as logos, colophons, labels and the like in respect of the programs) are and shall remain the property of the author.'

In commenting on the above-quoted clause 2.3.3, the deponent to applicant's founding affidavits (Ferrer) with special reference to 'upgrades' and 'updates', says an upgrade is an improvement which adds functional features to the program. An upgrade is used to make a program meet changes relating to matters handled by the program, such as an increase in general

sales tax from 12 to 13 percent. As to that, more later.

Clause 8.1.1 binds Pink not to modify, amend, add to or in any way alter the software supplied to it without Pastel's consent. No such consent was ever given, says Pastel and this averment is not disputed. It was further provided that should Pastel give its consent, then notwithstanding such consent, Pastel will retain copyright in any such modification, amendment, addition, translation and/or alteration.

Pink also undertook while exclusivity applied to the program in terms of the agreement, not to be concerned or interested in the production, marketing or advertisement of any general accounting package which is so like or similar to the software as defined as to be capable to restricting or competing with the market for software.

I should, incidentally, observe that Pastel says and Pink admits that advancements, updates, revisions and upgrades of the program were created only by Pastel and supplied to Pink.

Clause 6.2 of the agreement gave Pink the right to give not less than two months' notice (the reduction notice) whereby at the expiration of the notice, the royalties which Pink was obliged to pay, would be reduced by half. The further consequence of giving the reduction notice would be that Pink's right and licence to the software would become non-exclusive.

It was further provided that Pink might not give a reduction notice if it had already given notice of termination of the agreement. And clause 5.2 gave Pink the right to terminate the agreement *inter alia* on nine months' notice.

The agreement bound Pink to pay royalties for the right to use the programs and modifications thereof, subect, as already mentioned, to those royalties being halved once the reduction notice was given.

It is common cause that on 31 January 1991 Pink gave the reduction notice already referred to. The period of notice was due to expire on 31 March 1991. Later, on 31 January 1991, and obviously in terms of clause 5.2, Pink gave nine months' calender notice of termination of the agreement to expire on 31 October 1991. The result of the giving of the reduction notice was of course that Pink's royalty obligation was reduced by 50 percent and Pastel was no longer obliged to provide Pink with any enhancements and developments of the software as from 31 March 1991. When the agreement was converted to a non-exclusive one, Pastel decided to sell the software, as it was entitled to, under its own tradename 'Pastel' in direct competition with Pink. The mark TurboCASH was Pink's property.

It appears from the papers that the program to which the agreement relates, had become the leading entry level accounting program in South

Africa. Pink has to date supplied approximately 12 000 users with copies of the program and upgrades. The practice is for users to register as such and they are provided with all changes to the program.

The first major event leading to the dispute dealt with in the papers, was the despatch by Pink on 15 May 1991 to a number of TurboCASH users of a circular letter in which, firstly, a disparaging remark is made concerning Pastel's alleged inability to deliver a program that is locally competitive and which kept up with the latest developments internationally. The letter proceeds:

'For this reason we decided to put our TurboCASH programs who have a better understanding of leading edge-computing technology onto our new version of TurboCASH. We are proud to announce that the first upgrade is already shipping. It is the Turbo-cash fast search utility which will find account names or names (on existing TurboCASH sets of accounts) by simply starting to type in whatever your search criteria may be. It runs 50 times faster than the current search utility and requires half the keystrokes to evoke. The main advantage over the competition is that the new TurboCASH is being developed with total VAT-integration. Other developers will have to use complicated tack-on programs to get their software running SA-VAT-compatible. Pink will be a first South African software company to release a graphics-based accounting program which will make TurboCASH far easier to use than any text-based system. We will also be releasing a window's version later on.'

There also appeared an advertisement about Pink's 'upgrade ... the new TurboCASH 7.0' and on 17 May 1991 a further advertisement was published by Pink concerning its 'TurboCASH' version 7.0 (VAT-upgrade)', said to be a 'new fully updated version of TurboCASH'. Pastel was concerned about all of this and attempted to inspect the 'upgrades', but Pink refused it to allow it to do so. However, Pastel obtained certain discs of the sort supplied as TurboCASH 7.0 demo-disc to dealers, which shows the proposed format of the screen presentations involved. To his affidavit, the aforesaid Katz annexed photocopies of Pastel's screens as annexures M1 to M32. He then, in annexure M33, gave details of a demo-disc emanating from Pink and appears to be Pink's much advertised TurboCASH Version 7.0. He said that it appears that apart from differences in shading and other unimportant features, the essential information and basic format of Pastel's screens are indetical. In the aforementioned short affidavit filed on behalf of Pink, the deponent, Copeman, one of Pink's directors, made the point that the screens do not show the complete differences between the various screens, and actual

photographs of what the screens show were produced. It should at this point already be said that the degree of similarity revealed by the photographs as also of the documents produced by Katz is evident. As to that, more later.

Pastel's case is in the first instance based on the contract and in particular clause 8.1.1 thereof, which creates a prohibition against modifications of the software without Pastel's consent. The relief sought is an interdict restraining Pink from modifying, amending, adding to, translating or in any way altering Pink's program. The copyright infringement is sought to be remedied by a prayer restraining Pink from infringing Pastel's copyright 'by reproducing in any manner or form or making any adaptation of applicant's copyrights, works identified in the affidavit of M D Katz and reproducing any program for producing them'. I interpose to say that it would be more consistent with clarity of the reference to Katz's affidavit were to be paragraphs 18, 20 and 22.

Pastel's case, based on unfair competition, led to the formulation of the following prayers (I omit prayer 3.4 and 3.5 which were not persisted in):

'Restraining the first respondent from competing unlawfully with the applicant by

- i) distributing in the advertisement forming annexure P19 to the affidavit of Ivan Barry Ferrer at pages 135 to 136 of the record;
- ii) ruling out advertising, selling and offering for sale any of its programs as upgrades for updates or later versions of the applicant's programs referred to in paragraph A;
- iii) accepting and fulfilling orders obtained and/or received by the first respondent as a result of the advertisement identified as annexure P19 to the affidavit of Ivan Barry Ferrer (at pages 135 to 136 of the record) and any other orders obtained and/or received as a result of any misrepresentation as the first respondent's computer programs or upgrades and/or updates of applicant's computer programs.'

Final relief was sought yesterday, but counsel for Pastel intimated that in the alternative interim relief would be sought.

Since an interdict is sought in each case, it is necessary to remind myself that Pastel has to make out a clear right, an injury actually committed or reasonably apprehended, and the absence of similar protection or any other remedy. As to the facts, in spite of having a mass of paper before me, I concluded that the terrain of conflict is relatively simple and uncomplicated. As will appear later on, a lot of the material in the affidavits was produced because of Pink's deponents not being able to comprehend what the case was all about. I make bold to say that the comparison between Pastel's program

and Pink's screens following on Pink's TurboCASH 7.0-program could be done by myself. In other matters reasonable inferences can be drawn, and on several aspects the documents speak for themselves. I should observe that in the course of argument it was suggested by Pink's counsel that expert testimony would be required to elucidate certain matters. The meaning of certain parts of the contract were *inter alia* referred to. I was not, however, told of any part of the contract which was not capable of linguistic construction or which I would not be able to understand without expert tutoring.

I now turn to the various claims:

The breach of contract claim

The precise wording of the relevant part of clause 8.1.1 is

'During the continuance of this agreement and after the termination date, the publisher (that is Pink) undertakes—not to nullify, amend, add to, translate or in any way alter any software (including the code or literal files of the programs) supplied to it under this agreement without the author (that is Pastel's) written consent ...'

It will be recalled that software includes all of the programs and program means each of TurboCASH 5, TurboCASH + an Afrikaans version of the TurboCASH 5 and a multi-user version of TurboCASH and any program or translation of the program developed by Pastel which is similar to the foregoing or which competes with it. Although notice of cancellation was given, the contract will still be in force until 31 October 1991 and the clause is operative until then. It seems to me that Pastel's averment that it supplied Pink with the programs of which the screens are reproduced as annexures M1, 6, 12, 13, 18, 23, 27, 28 and 31, was not effectively controverted. Copeman, previously referred to, put up a denial of sorts in both of his affidavits (in the first paragraph 29 and in the second affidavit paragraph 41) but it does not really carry any weight.

Having made that finding, I am left, it seems, with the issue whether Pastel submitted adequate proof that Pink's TurboCASH version 7.0 demo-disc constitutes a modification of the software provided by Pastel. A simplistic approach to the matter might be that Pink inferentially admitted that much in the circular advertisements previously referred to, in which it refers to the new program as an upgrade, 'the most significant upgrade to TurboCASH since its inception' and also that part in which customers are told of 'ongoing product development and upgrades'. If it is an upgrade, it is certainly based on the TurboCASH-program to which the contract applies and constitutes an amendment thereof. However, I accept that the question

calls for a deeper inquiry. An analysis of all the circumstances and affidavits impels me to the conclusion that the question must be answered in Pastel's favour.

Before embarking on further discussion, I should observe that the parties on both sides were guilty of fundamental overlapping with the copyright questions and at times confusion resulted. Various claims in the case were not methodically compartmentalised in the affidavits, and even in argument counsel at times dealt with the contractual claim as though it was part of the copyright protection claim. I find it difficult to decide such questions, eg when Copeman claimed that the TurboCASH 7.0 program is something completely new, whether he is answering allegations of copyright infringement or breach of contract. I shall nevertheless do the best I can to do justice to the averments and contentions of both parties.

It seems to me that if it appears that Pink's TurboCASH 7.0-disc originated from the software supplied to Pink by Pastel, the next component in Pastel's charge, namely unauthorised alterations, can easily be inferred from the very nature of Pink's case, namely that something new was brought about. It is also clearly demonstrated by considering Katz's memorandum, annexure M33. In certain cases, Pink's screens add to those of Pastel. In other cases there are alternations, not great, but they are there. The remaining question is then whether Pink's TurboCASH 7.0-disc was put up on the basis of or originated in Pastel's program as supplied to Pink.

To begin with, it was common cause that Pink never had Pastel's source code available. Pastel provided Pink in terms of the licensing agreement with screens and printouts. It is next relevant to have regard to how Katz created the new screens and printout formats. He says (paragraph 18):

'18 In the creation of each of the new screen and printout formats and updates of them, I personally drew the formats on layout sheets which are sheets designed to simulate the screen of a computer monitor. They are each provided with 25 lines and 80 columns. Each of the screen formats 1 to 8 referred to later including all updates, was therefore originally prepared by me in hand on appropriate layout sheets. This took considerable skill and effort, particularly bearing in mind the fact that I was creating screen formats which complied with the requirements of the various accountants that I had spoken to and are potential users and were completely original and different to anything that had gone before.'

He then dealt in some detail with the manner in which interaction and selection of information is dealt with and continues in paragraph 20 as

follows:

`20 In each case having prepared the respective copyright works, I attended to the creation of the necessary computer input to feed the format into the computers to be used and display the format on the screen as a reproduction of the original copyright works which I had prepared on the layout sheets.'

And lastly in paragraph 22, he says:

`22 After different programs had been created by me, I also attended to the creation of manuals for the operation of the software and I also did the typesetting of the manuals. This was also done by me with considerable effort on my part using the skills that I had acquired in conjunction with computer programming and was all original work.'

He then gave details of how the essential information was presented. Having regard to this statement, which was not effectively disputed, the inference from the similarity in the screens is strengthened.

It is also necessary to have regard to what the deponents to Pink's affidavit say about the origin of TurboCASH 7.0. It is firstly said that Pink's screens could have been produced by any number of people having basic knowledge of computers and business accounting. This is said in answer to Pastel's claim of copyright infringement, and it is also relied on in the context of the issue whether TurboCASH 7.9 was an alteration of software supplied by Pastel. This misses the point. The case Pink had to meet was clearly spelt out by Pastel's Mr Ferrer and by Katz, namely that TurboCASH 7.0 was part of the software provided by Pastel which was altered.

Also illuminating, is the answer given by Pink's Mr van der Merwe in dealing with the comparison made by Katz. He says that:

'The programs of TurboCASH 7.0 have had no need to copy the procedure from the applicant's program.'

Significantly it does not say, whether necessary or not, that copying did or not occur. And elsewhere he says:

'Even had the first respondent (that is Pink) learnt of the procedure from the applicant, the applicant cannot claim I submit, a monopoly on this type of procedure. I submit that there cannot be anything unlawful or improper in one learning that there is on the market a program which performs a particular task or provides a particular facility and thereupon resolving to write a new program which will be sold in competition of the former which incorporates that very facility.'

Later he adds:

'I submit that even if this was a unique feature of the applicant's program,

which it was not, there is nothing to prevent the first respondent on learning of this facility to elect to write a program which also accomodates it.'

Significantly it does not say that Pink did not derive or copy from Pastel's software. He is simply contending for a notional possibility. And it is important that Pastel's case throughout is not that its methodology was copied, but that the content of its screens was reproduced. It is furthermore significant that Van der Merwe, who was an accountant with some close connection with Pink, does not say what use was in fact made by the programmer of the TurboCASH 7.0-system of Patel's screen, however possible it might have been to arrive at a similar format.

It is in this regard useful to quote Ferres' encapsulation of Pastel's point of view in paragraph 9 of his replying affidavit.

'9 Pastel denies the contents of this paragraph and states that they are irrelevant. Pastel is not here concerned with source codes or copying of them, but with copying of original written works and compilations created by Mr Katz. Whether or not the text, pictorial or graphic representation could be produced on a computer screen by any number of people having a basic knowledge of computers and business accounting, is not relevant. The creation of original works is. Mr Katz created the copyright works identified in his earlier affidavit with his own skill and efforts on the basis and for the reasons set out in his founding affidavit. Pastel denies that anyone with a basic knowledge of computers and business accounting could have created the original copyright works on which Pastel relies in its application.'

This seems to me to be a cogent and correct summary of the real situation.

The main basis of my finding is, however, my assessment of what the screens themselves reveal. My view of the objective similarity between Pastel's screens on the one hand and those of Pink on the other, is such that the inference must be drawn that the latter were not produced independetly of the other. Pink's screens were produced with Pastel's screens as source and were derived from Pastel's screen. I conclude that Pink's TurboCASH 7.0 constitutes an amendment to Pastel's software and that Pink acted in breach of clause 8.1.1. Pastel accordingly has a clear right. There is moreover a reasonable apprehension of further harm and I do not think that an alternative remedy is available. An interdict should be granted.

The copyright claim:

Firstly, a few observations on the law: The Copyright Act (no 98 of 1978) applies. I agree with counsel for Pastel that the original manuals and screen

formats designed by Katz, can best be categorised as 'literary works'. Section 2(1) of the Act says that a literary work includes:

' ... Irrespective of literary quality and in whatever mode or form expressed—

...

(g) written tables and compilations.'

To qualify for copyright, a literary work has to be written down, recorded, or otherwise reduced to material form. I interpose to observe that Katz says that he did that. He drew his screen formats on layout sheets and recorded his ideas in manuals. The original writing no longer exists, but there is no reason to doubt that it did exist in material form.

One of the rights of the owner of copyright is to reproduce the work in any manner or form (see section 6(a)) 'and reproduction includes a reproduction made from a reproduction' (section 1(1)). Only the owner of a copyright may make a reproduction. Also relevant is the provision in section 1 (2A) that any reference in the act in relation to any work ordinarily is a reference also to the doing of an act to a substantial part of the work.

Coming to computer copyright in computer programs, reference might be made to *Handbook of South African Copyright Law* by Dean where he says:

'The term "literary work" is something of a misnomer and a description such as "written works" would probably convey a more accurate impression. What is in fact meant by "literary works" in the Copyright Act, is any combination of letters and/or numerals which embody the results of a measure of intellectual effort or skill. Mere sentences or slogans, however mundane, can qualify as literary work under the act. The British courts have even not excluded the possibility that a single word can be a literary work and thus the subject of copyright.

... Wage and salary forms and computer programs have been held by our courts to be literary works and to be protectable as such. ...'

Of the cases mentioned by the author, is that of *Northern Office Micro Computers (Pty) Limited and others v Rosenstein* 1981 (4) SA 123 (C).

While discussing the law, I should deal with two submissions made by Pink's counsel. The first is that for copyright to be claimable, something in tangible material form has to be produced and to be in existence. Applying this to the facts it is contended that at best Pink reproduced screen images which are ephemeral and cannot found a copyright claim. Only on proof that Pink had access to the source, code and extracted or reproduced it or part of it, would there be a copyright infringement. This proposition is untenable.

As pointed out earlier, Pastel enjoyed copyright protection in regard to

also the reproduction of its work. The screens and printout qualify as reproductions and may also not be copied. That the original work should have existed in material form is clear, but the fact that the material form is no longer available does not, as counsel seem to suggest, mean that copyright is lost or no longer exists. If I accept, as I do, that Katz recorded his original creation as manuals and that those were converted into reproductions in the form of screens and printouts, he is entitled to protection, even though the original 'existing material form' no longer exists. The screen forms part of the program and may not be imitated.

The second point is recorded as follows in Pink's counsel's abridged heads:

'There is nothing wrong in visually examining the images generated by the applicant's program on the screen and then writing a program to generate identical ones. That is because what the respondent has created, is not a copy or reproduction of anything.'

I am not sure that I understand the point. If Pastel in law acquired copyright in Katz' manuals, it in law enjoyed the sole right of making reproductions and of resisting efforts to make imitations of its reproductions. There is everything wrong in someone examining the reproductions and imitating them. An imitation is a copy of a reproduction of the screen image in regard to which Pastel enjoys copyright.

So much for the law.

As to the facts, Katz' description of the effort and ideas that went into his reproduction were quoted earlier and I think that there is no reason to question that. By doing that, he created a copyright in the works as also the reproductions thereof.

The deponents to Pink's affidavits appear to suggest that 'fundamental accounting knowledge' cannot be claimed 'to be the exclusive copyright of the applicant'. They denied that 'the compilation of information on or the expression of screens and printouts required skill or effort exclusive to Katz on which was to any extent not common in the accounting industry'. This denial again misses the point. However general the information and knowledge, Katz created a specific format. Pastel does not claim exclusivity to any fundamental accounting knowledge or to any concept. It is the way in which such accounting principles as are involved in the ideas associated therewith have been reduced to material form by having been written down by Katz, that forms the basis of Pastel's claim to the subsistence of copyright in their screens it relies upon.

Pastel is entitled to exclusive protection and I turn to the question whether

an infringement was proved. In a sense I have to retrace the steps I took in the breach of contract claim. In my view, the screens which are shown on the TurboCASH 7.0 demo-disc program which has been seen by Katz constitutes reproductions of the whole or at least a substantial part of Pastel's screen and/or adaptations thereof (in the sense that those expressions are used in section 6 of the Copyright Act). There is sufficient objective similarity between Pink's screens and the screens relied upon by Pastel (or substantial parts thereof) for the former properly to be described, not necessarily as identical (in each and every instance) but as a reproduction or copy of the latter. That this is so will be apparent from an objective comparison of their screens.

It can reasonably be inferred that Pastel's screens were the source from which Pink's screens were derived. Pastel's screens (being part of the programs Pink was in terms of the license agreement between the parties entitled to deal in) were clearly available to Pink, who thus had access to them sufficient to establish the 'causal connection' required for the subjective part of the proof required for a copyright infringement. The degree of objective similarity between the screens relied upon by Pastel and those shown by Pink in the TurboCASH 7.0 demo-disc program in question, is such that the inference is inescapable that Pink copied Pastel's screens and did not arrive at its screens as an independent work of its own. Indeed, as pointed out, Pink's case appears to be not that it did not arrive at its screens as a result of independent work done by it or its computer programmers including Mr van der Merwe, but rather that the screens contained no more than that which was within the public domain having regard to fundamental accounting principles. Indeed, the evidence of Van der Merwe is not that the screens were not similar, but that there was a logical explanation for that similarity.

I conclude that the infringement has been shown. Pastel has shown that it has a clear right and an injury committed and no adequate protection other than by interdict. The scope of the interdict should be not only in relation to Pink's TurboCASH 7.0 demo-discs, but any further versions that Pink might decide to market, possibly with the introduction of VAT. An order will accordingly issue.

The unlawful competition claim:

The applicable principle is that a trader may not make a false representation which is to his knowledge false when that misrepresentation, if acted upon, would be to the prejudice of the rival. A trade rival may not wilfully represent the nature of its business so as to induce customers of a

competitor to deal with it rather than with the competitor (see *Geary and Son (Pty) Limited v Gove* 1964 (1) SA 434 (A) at 466I-441G).

The complaint in this regard centres around the advertisement of 17 May issued by Pink to which I referred previously. By reason of the importance of this advertisement, it is necessary to produce most of it:

‘Announcing TurboCASH version 7.0 VAT-upgrade:

The change to VAT will lead to a substantial change in the way of your business functions. It will be crucial that your software correctly caters for all VAT-transactions and consequences. It must produce clear, accurate reports for the Receiver of Revenue to enable you to obtain full relief on all VAT payments.

Pink Software currently has a team of seven people working on the latest release of TurboCASH to ensure that the software meets your requirements. Written in C++ this is the most significant upgrade to TurboCASH since its inception. Targeted for release in early August TurboCASH will sport a brand new graphic user interface and will cater comprehensively for VAT. You can expect a magnitude of improvements in program performance.

Features of the new release are :

- VAT reports
- Open item debtors and creditors
- Graphic user interface
- A new manual including a VAT tutorial
- Improved invoicing (TurboCASH PLUS only)
- Improved stock system (TurboCASH PLUS only)
- Multi-user LAN facility (TurboCASH PLUS only)

As we have over 12 000 users in South Africa alone, we anticipate a rush for upgrades. So order now to obtain your brand new, fully updated version of TurboCASH.’

Then follow certain details and on the next page there is reference to ‘Ongoing practical development and upgrades’.

It should in the context of this complaint be borne in mind that until 31 October 1991, Pink was entitled, subject to the restrictions discussed earlier, to ‘publish, market, sell and advertise all enhancements, updates, revisions and upgrades of essentially the TurboCASH programs’ on a non-exclusive basis. Pastel is of course no longer obliged to provide Pink with further enhancements and developments of the software.

It may be assumed, as I found earlier, that the TurboCASH 7.0 program is in a sense a new product differing from Pastel’s latest TurboCASH version.

I turn now to the 17 May 1991 advertisement, the dissemination of which

Pastel seeks to interdict. In my view, the advertisement contains a clear misrepresentation to the prejudice of Pastel. It represents that the TurboCASH program has been improved and that Pink had come up with a more modern version of TurboCASH. There was cogent proof of customers being misled, for example Gillette, Shoveaux and Trisos and also the letter from Van Jaarsveld. Pink is playing a double game. In its affidavits it holds out that the TurboCASH is something entirely new, something that it thought out itself. But with its clients it seeks the advantage of involvement with and reliance on the reputation surrounding the various TurboCASH programs, by claiming the advantage of saying that the new program is an improvement or upgrade. That occurs in the background of the fact, previously eluded to, that Pink may not alter any software supplied to it. Pink is consistently trying to get the best of both worlds. It tries to reap the advantage of association with the program provided by Pastel, but it tries to make out that independently it came up with something completely new.

Copeman tried to make out, in paragraph 7.1 of his first affidavit that the TurboCASH 7.0 program is a 'brand new program with its own distinctive attributes'. And later he puts up a version regarding upgrade (sometimes called update) which is untenable. That this is so is also shown by the averment by Van der Merwe, Pink's witness, who describes TurboCASH 7.0 as 'the writing of a completely new program'. If it is, it is not an upgrade nor has it had the continuity mentioned previously.

I endorse Ferres' statement that an upgrade in the computer industry is an improvement which adds functional features to a program and I also support what he said that an update is designed to make a program meet changes relating to matters handled by the program such as increases of general sales tax from 12 to 13 percent.

In short, if Pink had a completely new program, not just a modification of the program supplied by Pastel, it should have said so. The program is not completely new, and while trying to show in the affidavits in the case that it was completely new and not derived from Pastel's programs, it leads 12 000 customers to believe that there is continuity with the previous programs and an upgrading thereof. By doing so, Pink gets a competitors' advantage over Pastel, who was from 31 March 1991 also in the market as a distributor of computer programs. In my view, Pastel is entitled to the relief it seeks under this head. Again all the requisites of an interdict are established.

I make the following orders :

- 1 The first respondent is interdicted from modifying, amending, adding to, translating or in any way altering any part of the applicant's program as

defined in the agreement between the parties dated 13 June 1990 and in particular any of the applicants' screens depicted in annexures M1, 6, 12, 13, 18, 23, 27, 28, 31, accompanying the affidavits of Michael David Katz in conflict with clause 8.1.1 of the said agreement.

- 2 The first respondent is interdicted from infringing the copyright vesting in the applicant by reproducing in any manner or form or making any adaptation of the applicant's copyright works created by the production of manuals, screen formats and layout sheets identified in paragraphs 18, 20 and 22 of the affidavit of Michael David Katz.
- 3 The first respondent is interdicted from competing unlawfully with the applicant by:
 - (a) distributing the advertisement of which annexure P19 to the affidavit of Ivan Barry Ferrer is a copy;
 - (b) holding out, advertising, selling and offering for sale any of its programs as upgrades or updates or later versions of the applicant's programs referred to in paragraph 1 hereof;
 - (c) accepting and fulfilling orders obtained or received by the first respondent as a result of the advertisement, annexure P19 to Ferrer's affidavit and any other orders obtained and/or received as a result of any misrepresentation of first respondent's computer programs are upgrades and/or updates of the applicant's computer programs.
- 4 The cost of the application including the cost of the hearing on 25 and 26 June 1991, (such costs to be taxed on the basis of the retention of two counsel) are payable by the first respondent.

JUTA & COMPANY LTD AND OTHERS v DE KOKER AND OTHERS

TRANSVAAL PROVINCIAL DIVISION

McCREATH J

15 NOVEMBER 1991

Where the subject-matter of two works is the same, caution should be exercised when assessing whether or not the one work constituted an infringement of the copyright of the other. Though there might be similarities and connections between the two works, a substantial part of the copyright work will not be shown to have been reproduced in the other work where the alleged infringer can show that his work originates in a source other than the copyright work.

The applicants held the copyright in a work entitled 'Silke on South African Income Tax'. The first respondent and three other persons wrote a work entitled 'Income Tax in South Africa' which the applicants alleged infringed their copyright. Thereafter, he and another person began writing a second work also to be entitled 'Income Tax in South Africa' and the third respondent as their publisher began advertising the work. At the same time, the second and third applicants were completing an eleventh edition of their own work.

The applicants demanded that the authors of the first work cease infringing their copyright in their work. They also indicated their concern that the second work would also contain infringements of their copyright and demanded sight of the manuscript. The respondents did not admit that the first work had contained any infringement of copyright but undertook that no new edition of the work would be published and confirmed that all existing stocks had been destroyed. The respondents further denied that the second work contained any infringement of the applicants' copyright, undertook that it would not, and affirmed that it was intended as a new major text work aimed at practitioners rather than students.

The applicants then applied for an interdict restraining the respondents from infringing their copyright in the copyright work by, inter alia, publishing the works in South Africa. The applicants also sought an interdict restraining the respondents from competing unlawfully with the applicants by, inter alia, publishing the second work. The applicants alleged that the first work contained numerous similarities with the copyright work including the use of non-standard terms coined by the second and third applicants. A list of abbreviations in the copyright work's Table of Cases was copied directly in the first work and there were other examples of passages in which the phraseology and punctuation were similar.

The respondents' second work was published shortly before their answering affidavits were filed. In their replying affidavits, the applicants contended that the passages to which reference had been made as indicating copying had been changed 'cosmetically' in the second work. The respondents filed a second set of answering affidavits in response to this charge and contended that the first work was based on lecture notes previously used by the first respondent at the University of the Witwatersrand and on another work authored by a certain Van Niekerk and antedating the copyright work. As far as the second work was concerned, the first respondent contended that it was based on sources other than the first work all of which antedated the copyright work. In order to clarify some of the confusion which arose from the apparent contradictions in the respondents' two sets of answering

affidavits, the oral evidence of the first respondent was led. The effect of this evidence was that the first respondent's intention in writing the second work was to create a work different in character and objective from the first work, ie one which would be of use to a more sophisticated reader than the student. It further pointed to the probability that most of the passages in the second work to which the applicants had referred as evidence of copying, originated in the first respondent's lecture notes which antedated the copyright work, or in the work by Van Niekerk. There were some passages in respect of which the first respondent could not identify their origins and for which the original manuscript was unobtainable.

Notwithstanding the respondents' undertakings, the applicants were entitled to approach the court for relief because the respondents had at no stage admitted that they had infringed the applicants' copyright. The applicants were similarly entitled to do so on the basis of their case on unlawful competition since it was based on the alleged infringement of copyright of the first work, in that it apprehended that a repetition of that infringement would take place with the second work. The applicants' anticipation of harm resulting from the publication of this work was also founded on the probabilities that the author of a second work on the same subject has regard to his earlier work.

In deciding whether or not there had been substantial copying, caution had to be exercised in applying the principles enunciated in the authorities on copyright, for the subject-matter of the copyright work and the respondents' works was the same, viz the income tax law of South Africa, which itself was governed by the provisions of a single Act. It had also to be remembered that the object was to prevent the alleged infringer from availing himself of the labour of another and that the applicant had to show that the original work was the source from which the alleged infringing work was derived. That the applicants had made out a prima facie case to this effect was clear from the similarities which were apparent between the two works.

In the absence of a reply to the applicants' allegations regarding cosmetic changes to the second work, the applicants would have been entitled to relief. The allegations contained in the second set of answering affidavits however, suggested that there had been no infringement of copyright. After the hearing of oral evidence from the first respondent, it was clear that there were connections between the copyright work and the second work but the effect of the evidence was to show that the passages in question were based on works which antedated the copyright work. The fact that the origins of some of them could not be traced to such works was unsatisfactory, but it appeared that the first respondent was not being untruthful in regard to them and they were not, in any event, of significance as far as the determination of the matter was concerned.

Some of the similarities between the copyright work and the respondents' first work could be explained by the fact that both of them recited the same provisions of the Income Tax Act. Even if there had been copying of the copyright work in these respects, the fact that the origins of both were in the same Act showed that the copying was in fact unsubstantial. Other similarities could be explained by the fact that passages in one work could have been the result of each author's independent research.

As far as similarities such as the list of abbreviations were concerned, these were isolated instances which did not warrant the relief sought by the applicants. The fact that the respondents had undertaken not to publish the first work meant that no useful purpose would in any event be served by granting any relief in respect of this work.

The application was dismissed.

McCreath: During 1957, shortly before being awarded the degree of doctor of philosophy by the University of Cape Town, the later Dr A S Silke wrote a work entitled 'Silke on South African Income Tax'. The work was published by the first applicant. As its name indicates, the work constituted a treatise on the income tax law of South Africa. Several subsequent editions of the work were written by Dr Silke and, in between editions, supplements were written bringing each edition up to date. The various editions and supplements were once again published by the first applicant. During 1972 the seventh edition of the work made its appearance. In the meantime the second and third applicants had entered the employ of Dr Silke and assisted in the writing of that edition. Subsequent editions of the work appeared at intervals, written by Dr Silke and the second and third applicants, and published by the first applicant. This was also the case in respect of the tenth edition, which was published in 1982 and to which I shall refer as the copyright work. Dr Silke died in April 1983. It is not disputed that the copyright work enjoys copyright and that such copyright is presently held by the first to the fifth applicants inclusive. Nor is it disputed that until 1989 the copyright work and its predecessors were leading South African works on the Income Tax Law of South Africa. Several events occurred during that year which have a bearing on the present application and to which I shall hereinafter refer.

The first respondent is an associate professor of taxation at the University of the Witwatersrand. During the course of 1988 the second respondent published a work entitled 'Income Tax in South Africa' which had been written by the first respondent and Messrs R S Emslie and C R Frame. I shall hereinafter refer to the said work as the affected work. In the preface thereto it is stated that the work is intended primarily for the use of students and non-expert practitioners. It is also recorded therein that the work is based on a book entitled 'Income Tax in the South African Law' which was written by Prof van Niekerk and published by the second respondent. I shall refer to this third work as the van Niekerk work.

The second respondent is the publisher of the affected work.

According to the second applicant he received information in January 1989 which led him to make a study of the affected work. This, so he alleges, revealed that large and significant portions of the affected work reproduced verbatim substantial parts of the copyright work. In addition thereto, according to the second applicant, portions of the affected work reproduced passages of the copyright work with relatively insignificant changes of wording or by paraphrasing portions thereof.

In the meantime further works were in the process of completion. The second and third applicants were completing an eleventh edition of the

copyright work which was to be published in loose-leaf form in approximately June 1989. The third respondent had commenced advertising a new product comprising a work in loose-leaf form in two volumes entitled 'Income Tax in South Africa' which was being written by the first respondent and a Mr Urquhart. This work, to which I shall refer as 'the new work', was to be published by the third respondent.

The first, second and third applicants feared that the new work, one of whose co-authors was also a co-author of the affected work, would likewise contain reproductions of substantial parts of the copyright work. The applicants through their attorneys sent letters of demand to the first, second and third respondents, as well as to Messrs Frame and Emslie, calling upon all these persons to give a written undertaking that the alleged infringement of the applicants' copyright would cease and would not be perpetrated again in the future. The letters also called upon the addressees to deliver up the alleged infringing material and required undertakings as to the payment of compensation to the applicants. The attention of the addressees was also drawn to the fact that the applicants were concerned about the imminent publication of the new work and required a copy of the manuscript thereof to enable the applicants to ascertain whether the new work infringed the applicants' copyright. In response hereto the attorneys of the second and third respondents, in a letter dated 27 February 1989, stated that many of the applicants' complaints related to words of a commonplace nature or phrases in respect whereof they could not claim copyright. It was not admitted that there had been an infringement of copyright in any respect but 'to avoid disputes' in respect of the affected work an assurance and undertaking were given that the said work was out of date and out of print and all stocks had been destroyed and that no new edition would be published. A trade announcement requesting return of any stock-in-trade would be sent out within ten days or as soon as possible thereafter. In so far as the new work was concerned the second and third respondents' attorneys stated that that work had no connection with the affected work. They pointed out that the brochure for the new work stated that it was 'a new major text work', was a work which comprised some 1 500 loose-leaf pages in contrast with the 550 bound pages of the affected work and was aimed at practitioners and not intended for students. It was also pointed out that the new work was not a new edition of the affected work and there was only one author common to both works. The letter further stated that there was no intention of copying all or any part of the applicants' work and that any insinuation that there was such an intention was absurd. The letter concluded by stating that the second and third respondents would not agree to give the applicants sight of the manuscript of the new work.

The failure to comply with the applicants' demands precipitated the present application. It should be stated at the outset that the applicants have not proceeded against Messrs Emslie or Frame nor is there any complaint in regard to Mr Urquhart. The applicants' complaints relate to chapters in the affected work which were written by the first respondent and their apprehension at the time when the application was launched in May 1989 that the new work would contain offending material similar to that on those chapters. In the notice of motion the applicants sought an interdict restraining the respondents from infringing the copyright in the copyright work by 'publishing, printing, selling, offering for sale or distributing in the Republic of South Africa' any copies of the affected work. Certain ancillary relief in relation to the affected work was also sought. In so far as the new work is concerned, an order was sought interdicting all three respondents from competing unlawfully with the applicants by 'publishing, printing, selling or offering for sale or dealing with any copies' of the new work. By the time the answering affidavits were filed during July 1989 the new work had in the interim been published and was being marketed. The replying affidavits dealt *inter alia* with the contents of the new work.

When the matter first came before court during October 1989 two preliminary issues were argued on behalf of the respondents. After hearing argument on each of the said issues I made a ruling and indicated that I would give my reasons therefor during the course of this judgement. I accordingly proceed to deal with those two issues.

It was argued firstly on behalf of the respondents that the applicants had failed to make out a *prima facie* case against any of the respondents in the founding affidavits. In so far as relief in respect of the affected work is concerned, it was contended that the undertaking given on behalf of the second and third respondents (which I shall accept would be effective against the first respondent as well even though no specific undertaking had been given on his behalf) rendered it unnecessary for the applicants to approach the court for any relief. However, it is clear that the applicants in seeking relief in respect of unlawful competition in regard to the new work rely in the founding affidavits on an infringement of copyright in respect of the affected work and an allegation that substantial parts of the alleged infringing matter would be repeated in the new work. To that extent the undertaking in respect of the old work was irrelevant. In the correspondence between the attorneys it had also been indicated that there was no intention of copying all or any part of the copyright work in the new work and an undertaking had been given that the new work would not infringe the copyright in the copyright work. However, nowhere in the correspondence preceding the launching of the application is there any admission on behalf of the respondents that the

passages in the text of the affected work in respect whereof the applicants complained as infringing copyright did in fact constitute such infringement. Indeed the contrary is indicated. The undertaking and the expression of intent in regard to the new work did therefore not settle the dispute as to whether there had been any copying in the sense of an infringement of copyright and constituted no assurance that the new work would not contain the same or similar 'offending' material. The applicants would accordingly be entitled to approach the court if a *prima facie* case of infringement of copyright in respect of the affected work and of anticipated unlawful competition in respect of the new work had been made out. In that event relief could properly be sought against the first respondent as author and the third respondent as publisher of the new work. In addition thereto the applicants would be entitled, in the light of the allegation of deliberate copying by the first respondent, to an interdict against him in respect of the affected work. (See the *dictum* of Schreiner J in *Peter Jackson (Overseas), Ltd v Rand Tobacco Co (1936) Ltd* 1939 TPD 450 at 453-454). In so far as the second respondent is concerned, in the event of the applicants showing a breach of the copyright in the affected work I considered that *prima facie* they would be entitled to an order requiring the second respondent to recognise the second and third applicants' authorship in the affected work as provided in section 20 of the Copyright Act (no 20 of 1978) ('the Act').

The question which arose then in regard to this first preliminary issue was whether a *prima facie* case in respect of copyright infringement and anticipated unlawful competition had in fact been made out in the founding affidavits. The initial enquiry was whether sufficient allegations had been made in the said affidavits to substantiate *prima facie* that the affected work infringed the copyright of the applicants in the copyright work. The applicants allege that the copyright work is an original literary work and that they are the owners of the copyright therein. As such they are entitled in terms of section 6 of the Act to the exclusive right *inter alia* to reproduce the work in any manner or form, to publish the work and make an adaptation thereof and to reproduce or publish any such adaptation. 'Reproduction' is defined in section 1 of the Act to include *inter alia* a reproduction made from a reproduction of the original work whilst section 1(2A) provides that any act done in relation to a work shall include the doing of an act in relation to 'any substantial part' of such work. The applicants allege that both the copyright work and the affected work were duly published as required in terms of the Act. The question for determination is whether sufficient allegations are contained in the founding affidavit to indicate that a substantial part of the copyright work has been reproduced in the affected work.

The reproduction of a 'substantial part' denotes a qualitative rather than

a quantitative standard. In *Galago Publishers (Pty) Ltd and another v Erasmus* 1989 (1) SA 276 (A) at 285 B-E the appellate division adopted with approval the following statement in the case of *Ladbroke (Football) Ltd v William Hill (Football) Ltd* (1964) 1 All ER 465 (HL):

'If he does copy, the question whether he has copied a substantial part depends much more on the quality than on the quantity of what he has taken. One test may be whether the part which he has taken is novel or striking, or is merely a common-place arrangement of ordinary words of well-known data. So it may sometimes be a convenient short cut to ask whether the part taken could by itself be the subject of copyright. But, in my view, that is only a short cut, and the more correct approach is first to determine whether the plaintiff's work as a whole is 'original' and protected by copyright, and then to enquire whether the part taken by the defendant is substantial. A wrong result can easily be reached if one begins by dissecting the plaintiff's work and asking, could section A be the subject of copyright if it stood by itself, could section B be protected if it stood by itself, and so on. To my mind, it does not follow that because the fragments taken separately would not be copyright, therefore the whole cannot be. Indeed, it has often been recognised that if sufficient skill and judgment have been exercised in devising the arrangements of the whole work, that can be an important or even decisive element in deciding whether the work as a whole is protected by copyright.'

The British courts have not excluded the possibility that a single word can be a literary work and thus the subject of copyright—see *Exxon Corporation and others v Exxon Insurance Consultants International Ltd* 1982 RPC 69. Indeed, in my view there is no reason why chapters of a book or even pages, sentences and phrases therein contained cannot in an appropriate case be regarded as separate distinct literary works enjoying copyright. (See generally in this respect Nimmer on *Copyright* 1989 edition pp 2-15, Cornish: *Intellectual Property* page 348; Lahore: *Copyright Law* paras 2.3.15 and 2.3.20; Laddie, Prescott and Vitoria, *The Modern Law of Copyright* paras 2.9, 2.33, 2.34, 2.81; Latman, *The Copyright Law* 5th edition pp 25-26.)

The principle to be applied is succinctly stated in O H Dean, *Handbook of South African Copyright Law* where the learned author at page 1-20 states the following:

'Section 1(2A) of the Act provides that any reference to the doing of an act in relation to a work means a reference to doing that act in relation to 'any substantial part of such work'. This is consistent with the test for infringement being primarily qualitative and not quantitative in nature. As long as what is taken has substance in the original work (and is not *de minimis*) or has sufficient pith to constitute the embodiment of original

intellectual activity in a material form, for instance a paragraph in a book or perhaps even a sentence or sequence of sentences, copyright infringement could arise. Support for this contention can be found for instance in s 12(3) of the Act which postulates that the taking of an ordinary quotation from a work can constitute copyright infringement if the stated formal conditions are not met. When determining whether the taking of a paragraph or sentences constitutes copyright infringement one must have regard to the degree of similarity between the original material and derivative material.'

However, caution must be exercised in applying the aforementioned principles to works of the nature of those under consideration in the present application. The subject-matter of the works is a common one—viz the Income Tax Law of the Republic of South Africa. The Act is common property to all who may wish to write a treatise thereon and the legal principles therein embodied. Similarity in the competing works, in the sequence of corresponding topics and the use of identical terms of phrases, cannot be dubbed as copying if they are but following the sequence and wording of the Income Tax Act. Nor can similarity in the choice of quotations from decided cases dealing with the provisions, or in the paraphrasing of the provisions themselves, or even a coincidence in the submissions made by the authors necessarily constitute an infringement of copyright by the author whose creative product has found its way onto the market subsequent to that of his fellow writer.

Decisions of the English courts in a matter of this nature are helpful and I consider reflect the correct approach to be adopted. In *Harman Pictures NV v Osborne and others* 1967 (1) WLR 723 at 732 the following is stated:

'In the case of works not original in the proper sense of the terms, but composed of, or compiled or prepared from materials which are open to all, the fact that one man has produced such a work does not take away from anyone else the right to produce another work of the same kind, and in doing so to use all the materials open to him. But, as the law is concisely stated by Hall VC, in *Hogg v Scott*, "the true principle in all these cases is, that the defendant is not at liberty to use or avail himself of the labour which the plaintiff has been at for the purpose of producing his work, that is, in fact, merely to take away the result of another man's labour, or in other words, his property."

At 736 the court held that the question to be posed in regard to the work of the infringing author (John Osborne) was:

'.... did John Osborne work independently and produce a script which from the nature of things has much in common with the book, or did he proceed the other way round and use the book as a basis, taking his

selection of incidents and quotations therefrom, albeit omitting a number and making some alterations and additions by references to the common sources and by some reference to other sources?'

The same test was applied by the court of appeal in *Elanco Products Limited and Another v Mandops (Agro-Chemical Specialists) Limited and another* (1979) FSR 46.

Finally, it must be borne in mind that in order for there to have been an infringement of the copyright in an original work it must be shown that the original work was the source from which the alleged infringing work was derived ie that there is a casual connection between the original work and the alleged infringing work, the question to be asked being has the defendant copied the plaintiff's work or is it an independent work of his own? *Galago's* case, *supra*, at 280 C-D.

It is against the background of the aforementioned principles that I turn to what is contained in the founding affidavits. The second applicant attaches to his affidavit copies of some 200 pages of the affected work and copies of the corresponding pages from the copyright work. It should immediately be stated that on some pages only a heading such as, for instance, 'Introduction', has been marked as constituting offending matter. On other pages but an isolated phrase or very short passage has been thus marked. However, there are many instances where the similarities are of a more substantial nature. The second applicant alleges that a comparison between the relevant portions of the two works indicates that passages from the affected work are reproductions of the corresponding portions of the copyright work. The allegation is made that the possibility of two different sets of authors using identical language to the extent which the applicants allege has occurred is extremely remote. The second applicant contends that the alleged reproductions are further substantiated by the fact that examples in the two works illustrating how taxable income is arrived at are substantially identical in the marked passages and that in several instances the amounts used in the affected work are multiples of the amounts used in the copyright work. It is also alleged that non-standard terms coined by the second and third applicants in the copyright work have been repeated in the affected work. Moreover, so it is contended, there are several instances in which subjective submissions on legal points which do not describe that existing confirmed law have been repeated in certain passages. Reference is also made to blemishes in the copyright work in regard to punctuation which have been repeated in the affected work. There is also in the copyright work an instance where reference is made to the practice of the Commissioner for Inland Revenue in respect of a matter relating to the income tax which existed in 1982 when the copyright work was published. It is contended that the

practice no longer existed by the time the affected work was published in 1988 and, that notwithstanding, the same practice is mentioned in the affected work. Moreover, in one of the identical passages of text appearing in each work certain words emphasised in the copyright work have been likewise emphasised in the affected work. Mention is also made of an instance where a citation of a case in a footnote is prefaced by the word 'see'. This, so the applicants contend, is not customary unless the citation goes on to refer to an aspect of the judgement in the case. The footnote in question is for this reason so prefaced in the copyright work. However, although the case is cited in the corresponding footnote in the affected work there is no (pg 17) reference to an aspect of the judgment therein. This is not in accordance with the general pattern of the citation of cases in footnotes in the affected work. It is, so the applicants content, indicative of the fact that the authors of the affected work were not working independently but were copying selectively from the copyright work. A further aspect, and in my view an important one mentioned by the second applicant, relates to the Table of Cases of the copyright work. The first page thereof lists the abbreviations used in the Table in that work. The abbreviation used is in two instances incorrect in that it is not the customary abbreviation. This list is repeated verbatim in the affected work and the same errors appear therein. Moreover, in the copyright work the abbreviations relate only to cases in fact mentioned in the Table of Cases and all the abbreviations are thus appropriately included in the list. This, however, is not so in the case of the affected work. Some six examples are mentioned of abbreviations which are redundant in that no cases appear in the Table to which the abbreviations would apply. The conclusion is inevitable that the list of abbreviations has been taken directly from the copyright work.

I proceed to enumerate but two further examples of the applicants' complaints:

(i) The applicants contend that terms such as 'insurance and funds rebate', 'percentage dividend deduction' and 'basis exemption' are non-standard terms coined by the second and third applicants and repeated in the affected work.

(ii) In the copyright work the following passage appears:

'The repayment of an advance or loan that is a deemed dividend under s 8B does not affect the shareholder's liability for tax. Thus a shareholder who repays an advance or loan before the end of the year in which the advance or loan was made will nevertheless be liable to tax on the deemed dividend resulting from the advance or loan.'

It should be noted that a deemed dividend may arise only if there is an amount 'which could properly have been paid or distributed to such shareholder by way of a dividend out of the profits or reserve of [the]

company at the relevant time.' Thus if there are no such profits or reserves no deemed dividend can arise.

Inland Revenue takes the word "properly" in the phrases "properly ... paid or distributed" to mean properly in terms of the Companies Act 61 of 1973, that is, presumably, without regard to the articles of the company. It thus regards advances on loans made to its shareholders out of capital profits by a company the articles of which prohibit the distribution of dividends out of capital profits as deemed dividends under s 8B, on the ground that the articles may be amended at any time to authorise the distribution of such profits. It is submitted that this practice is "incorrect, since at the time when the advance or loan is made the capital profits cannot 'properly have been paid or distributed'."

In the affected work the corresponding passage reads as follows:

'The repayment of an advance or loan that is a deemed dividend in terms of s 8B does not affect the shareholder's liability for tax. For example, a shareholder who repays an advance or loan before the end of the year in which the advance or loan was made will nevertheless be liable to tax on the deemed dividend resulting from the advance or loan.

It should be noted that a deemed dividend may arise only if there is an amount "which could properly have been paid or distributed to such shareholder by way of a dividend out of the profits or reserves [the] company at the relevant time". Thus if there are no such profits or reserves, no deemed dividend can arise. Inland Revenue regards the word "properly" in the phrase "properly ... paid or distributed" to mean properly in terms of the Companies Act 61 of 1973, that is, presumably, without regard to the articles of the company. It thus regards advances or loans made to its shareholders out of capital profits by a company whose articles prohibit the distribution of dividends out of capital profits as deemed dividends under s 8B, on the ground that the articles may be amended at any time to authorise the distribution of such profits. It is respectfully submitted that this practice is incorrect, since at the time when the advance or loan is made the capital profits cannot 'properly have been paid or distributed'."

The similarity in phraseology (including the wording of the submission at the end of each passage) and in the punctuation of the two extracts are apparent.

In the light of the foregoing I was of the view that sufficient allegations were contained in the found affidavits to establish *prima facie* that passages in the affected work constituted an infringement of copyright in respect of the copyright work. I emphasise that it was but necessary for the applicants to make out a *prima facie* case in this respect. Clearly, once regard was to be

had to the evidence following upon the founding affidavits, the *prima facie* case might be destroyed or the applicants might at the end of the day have been in the position that they had failed to show on a balance of probabilities that there was any such infringement.

The point was made on behalf of the respondents that the applicants had failed to make any reference in the founding papers to the Van Niekerk work. In the correspondence between the attorneys for the parties prior to the application being launched the respondents' attorneys had made mention of the fact that the respondents contended that much of the alleged infringing material had been taken from this latter work. In my view it was not for the applicants in their founding papers to discount the possibility that the alleged infringing material had indeed emanated from the Van Niekerk work. The specific allegation is made that the first respondent had deliberately copied the copyright work. This, to my mind, was sufficient to establish a *prima facie* case, bearing in mind the similarities between the two works of which examples have been given above.

Finally, in regard to this first preliminary issue, it was argued on behalf of the respondents that the applicants had been premature in launching the application prior to the publication of the new work and seeking relief in relation to a work still to be published. There was no evidence, so it was contended, to suggest that the new work would incorporate any portions of the affected work and that the letters written by the respondents' attorneys indicated the contrary. This argument, to my mind, overlooks the fact that the second applicant states in the founding affidavit that as an author he is aware that the writer of a second work on the same subject has regard to his earlier work in preparing the second publication. The probabilities, in my view, favour the correctness of this statement, more particularly if regard is had to the fact that the affected work had been published in 1988, a period of but approximately one year prior to the anticipated publication of the new work. Moreover, the brochure advertising the new work purported to reproduce two pages therefrom. These pages were identical to two pages in the affected work. Admittedly the contents of the pages related to close corporations, a topic not dealt with in the copyright work inasmuch as the Close Corporations Act only came into operation in 1984. However, the reproduction in identical terms of the only two pages of the affected work to which the applicants had been able to obtain access was supportive of the second applicant's contention that it is the common practice of authors to use the language of an earlier work in producing a later work unless there is good reason to depart from the language previously used. Once that is accepted there was then also *prima facie* evidence to support the applicants' allegation that the first and third respondents would obtain a 'spring-board' advantage

over the applicants in the publication of the new work shortly before the appearance of the eleventh edition of the copyright work.

I consequently came to the conclusion that a *prima facie* case had been made out by the applicants and that the first point *in limine* taken on behalf of the respondents could not succeed. I reserved the issue of costs in that I was of the view that should the court ultimately come to the conclusion on all the evidence that the applicants had not established their case on a balance of probabilities the costs of the preliminary issue should follow the result.

I turn then to consider the second point *in limine* raised on behalf of the respondents—namely an application to strike out certain of the averments in the replying affidavits filed by the applicants. The striking out application consisted of six paragraphs. In paragraphs 1, 4 and 6 thereof the cause of complaint was in essence that certain evidence contained in the replying affidavits constituted new matter and that such evidence was not relevant to any relief claimed, alternatively that it was not the proper subject of a reply. The objection in paragraphs 2 and 5 was that the evidence was irrelevant. In paragraph 3 the basis of the objection was that the evidence was scandalous and/or vexatious alternatively argumentative and accordingly irrelevant. The allegation is also made in the notice to strike out that all the evidence aforesaid was prejudicial to the respondents in the conduct of their defence. I proceed to deal with each of the said complaints *seriatim*.

The evidence which the respondents contended constituted 'new matter' related to the nature and extent to which the new work infringed the copyright in the copyright work and constituted unlawful competition. Publication of the new work occurred at approximately the end of June 1989 shortly before the answering affidavits of the respondents were filed. In the replying affidavits the applicants give examples of the similarity between the new work and the affected work. The second applicant goes on to allege that 'cosmetic changes' had been made to passages which the second applicant had hi-lighted in the marked-up version of the affected work and which said passages had been made available to the respondents. He makes the further allegation that after the first and third respondents had received the applicants' letter of demand of February 1989 to which I have referred, they perused the marked-up copy of the affected work made available to them and took steps to change those portions of the text of the new work existing at the time in respect whereof they felt themselves to be 'at risk'. In the alternative the second applicant states that during the period available to him he has not been able to specify all the parts of the new work which were comparable to that which he does mention in the replying affidavits as constituting an infringement of the applicants' copyright. It seemed clear to me that the applicants were alleging that the same type of copying which the applicants

alleged had occurred in respect of the affected work had been repeated in the new work with 'cosmetic changes'. This forms the basis for the further allegation in replying affidavits to the effect that the respondents have 'reproduced and/or adapted substantial parts of the copyright work' in writing, printing and publishing the new work and selling copies thereof. Thereby, so it is alleged, the respondents have infringed the applicants' copyright in the copyright work. It must be borne in mind, in my view, that the first respondent himself makes reference to the new work in his answering affidavit, compares the new work with the affected work and makes the allegation that as the new work has now been published a comparison would reveal that it does not contain any reproduction of substantial parts of the copyright work. To this extent the replying affidavits are dealing with allegations made in the answering affidavits and the alleged new matter is not really such. In any event, to the extent that the allegations do constitute new matter then there is the fact that the new work made its appearance only subsequent to the launching of the application. Prior thereto the applicants had requested that the manuscript of the new work as it existed in February 1989 (and there is nothing to suggest that no manuscript existed as at that date—indeed the fact that the respondents stated that the work was still in the process of being written indicates that a portion of the manuscript must have been in existence) but the respondents had consistently refused to allow the applicants to have sight thereof. The applicants had, as I have indicated, made out a *prima facie* case in regard to 'a reasonable apprehension' that the new work would contain material which infringed the copyright in the copyright work. Moreover, I consider that prayer 3 of the notice of motion is couched in wide enough terms to cover an infringement of copyright in the new work. In the light hereof the principles stated in *Shako Investments (Pty) Ltd v Town Council of the Borough of Stanger* 1976 (2) SA 701 (D) are I consider applicable. The head-note to that case sets out accurately the principle enunciated by Miller J and is in the following terms:

'In consideration of the question whether to permit or to strike out additional facts or grounds for relief raised in the replying affidavit, a distinction must, necessarily, 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 utilise and enlarge upon what has been revealed by the respondent and to set up such additional ground for relief as might arise therefrom.'

In so far as the second respondent's association or involvement with the publication or distribution of the new work is concerned the respondents in their answering affidavits revealed that the statement in their attorney's letter addressed to the applicant's attorney prior to the institution of the proceedings to the effect that the third respondent held the copyright in the affected work was in fact incorrect. In the answering affidavits it is stated that it is the second respondent who is the owner of the copyright therein. The allegations made in the replying affidavit relate thereto and constitute averments to the effect that the second respondent, in the knowledge that portions of the affected work would be reproduced in the new work and that the copyright in the copyright work would thereby be infringed, nevertheless did nothing under their rights in respect of the affected work to prevent this from occurring. In further reliance hereon the applicants state that a search of the records of the Registrar of Companies reveal that the directors of the second and third respondents are to a large extent the same persons.

The respondents also contended that portions of the affidavit filed by the managing director of the first applicant constituted new matter. The allegations related to the standard procedure followed by the first applicant and book publishers in general in publishing books. The purpose of these allegations was to indicate that in the deponent's opinion it would be impossible for a 'new work' to be inferred from that which is alleged by the respondents to have been done in the case of the new work. In their founding affidavits the applicants had referred to a projected earlier publication date for the new work because of 'short cuts' due to copying. This was dealt with by the respondents in the answering affidavits and the passages complained of could therefore not be regarded as new matter. Paragraph 5 of the notice to strike out deals with similar matter. The material in respect whereof the respondents objected could not, in my view, create any prejudice as far as the respondents were concerned particularly if they were granted the opportunity should they so wish to file further affidavits to deal therewith. To the extent that the replying affidavits did contain new matter the court has a discretion to allow such material to remain in the replying affidavit giving a respondent an opportunity to reply thereto should special or exceptional circumstances exist—*Shephard v Tuckers Land and Development Corporation (Pty) Ltd (I)* 1978 (1) SA 173 (T) at 177G-178A.

Regard being had to all the circumstances I considered that the whole of the application to strike out should be dismissed with costs, such costs to include the costs consequent upon the employment of two counsel.

The respondents then sought the opportunity to file further affidavits and the matter was accordingly postponed to enable them to do so. The hearing of the matter was resumed on 4 June 1990 after a fourth set of affidavits and

a reply thereto had been filed.

On this latter date it was argued on behalf of the respondents that, regard being had to the papers as a whole and in view of the fact that final relief was being sought by the applicants, a proper case had not been made out and that the application should be dismissed. As against this, the applicants contended that a situation had arisen which required that the matter be referred to evidence on specific issues. More particularly, so it was argued, the first respondent should be required to testify on the question as to what sources had been used by him in writing both the affected and the new works.

In the initial answering affidavits the first respondent stated that much of what was contained in the chapters of the affected work which had been written by him and had been taken from lecture notes prepared by himself and his predecessors at Witwatersrand University. The book was also to some extent based on the Van Niekerk work. He conceded that there were similarities between the affected work and the copyright work as indicated in the marked pages of the former work attached to the founding affidavits. He stated that the lecture notes would of necessity have 'related' to the various editions of Dr Silke's work, which had been relied on as a standard text work for students. Any similarities between the copyright work and the affected work (other than extracts from the copyright work acknowledged in the affected work) arose from the adoption of the lecture notes and of passages from the Van Niekerk work. The first respondent 'simply did not consider the source from which the lecture notes and Van Niekerk's book were taken'.

Whilst in these affidavits the first respondent did not specifically admit that there had been any infringement of copyright by virtue of anything contained in the affected work and left that issue for the court to decide, he acknowledged that the similarities between the two works had caused him much distress and stated that he had, without any admission of liability, made a tender to the applicants in respect of their claim for damages in full and final settlement thereof.

Although the first respondent contended that certain of the applicants' complaints related to standard terms used by many authors on the subject, and other complaints to headings of a general nature in respect whereof no copyright could be claimed, there remained several passages in the text of the affected work which, in the absence of any explanation, were in my view so similar to the copyright work to warrant the conclusion that there had been copying of the copyright work. Moreover, the list of abbreviations and the anomalies therein indicating direct copying from the copyright work, remained unexplained. I therefore considered that the case made out in the found affidavits in regard to the affected work remained to a large extent

undisturbed by the allegations in the initial answering affidavits and appropriate relief was warranted. In this respect an amendment of prayer 1 of the notice of motion to prohibit the respondents from reproducing any portion of the copyright work was moved by the applicants at the commencement of the hearing in June 1990 and granted without any opposition on behalf of the respondents. The amendment cured any defect in the nature of the relief originally sought against the first respondent.

In regard to the new work the respondents denied any similarity therein to the copyright work and contended that a comparison between the two works would demonstrate that there had been no reproduction or infringement of copyright. I have previously indicated that in the replying affidavits the applicants contended that there had been cosmetic changes made to the alleged offending passages in the affected work in the production of the new work. In the absence of any suggestion by the respondents that the changes were effected by having recourse to original sources, then the alterations made to the passages in question would not cure the original infringement of copyright. Thus, in *Moffat & Paige Lim v George Gill & Sons Lim & C* (1902) 86 LT 465 there was a first edition of a work to which the copyright holder of a competing work took objection. The first edition was withdrawn and a second edition compiled making use of the first, but altering it in ways which it was thought would protect the author thereof from any complaint that it constituted an infringement. At 471 the Master of the Rolls states:

'No doubt he says: "I am a very well-informed man; I have given, in fact the greater part of my attention to these works, and I have no doubt I could have evolved the whole of these quotations from researches which I could have made: I know not only where those quotations come from, but I know the authors who have named them as appropriate to the particular matters, and I could tell you who they were." But, unfortunately, he did not go through that process himself; he has adopted the work of another man who may or may not have through it; but, whether he did or did not, the defendant did not. He simply took what another man had done.'

I was therefore of the view that on that which was contained in the original answering affidavits relief was also justified in respect of the new work on the basis of unlawful competition, in that the alleged infringement of copyright perpetrated in respect of the affected work had been perpetrated in the new work.

The second set of answering affidavits, however, put the whole matter, in regard to both the affected and the new work, in a different light. In regard to the old work the first respondent says the following:

'3.4 However, in so far as the applicants have made allegations of copyright infringement in respect of the old work and that the old work was based on the copyrighted work, I state that the contents of the old work were not copied from the copyrighted work. The old work was based on the following:

- (a) The lecture notes previously used by me at the University of the Witwatersrand; and
- (b) Income Tax in the South African Law by Van Niekerk ('Van Niekerk'), which was published as a loose-leaf publication and updated on an annual basis.

3.5 Van Niekerk was originally published in 1977 and the last update (issue 5) appeared in January 1982. The copyrighted work was published only in November 1982, five years later than the first edition of Van Niekerk and about ten months after the last update.

3.6 Copies of the lecture notes were made available to the applicants after all the affidavits were filed in the matter but prior to the hearing. With the exception of the section on Dividends, the notes were to a substantial extent prepared and distributed to students at the University in the period from 1978 to 1980. In late 1980 and 1981 I updated the notes but the updated notes were not handed to students because it was found that the provision of comprehensive notes adversely affected students' attitudes towards attending lectures. The bulk of the notes therefore antedated the publication of the copyright work by two years.'

The section on dividends, according to the first respondent, was updated in 1986, but only three passages in the old work include subject-matter which does not antedate the copyright work. Save for twenty one lines in one of the passages, which the first respondent concedes are substantially identical to the corresponding passages in the copyright work, the first respondent points out that there are differences in the other passages, or that which is similar, is of a minor nature.

As far as the new work is concerned, the first respondent maintained in his second answering affidavit that it was not based on the old work but on various other sources, including original articles written by him and Mr Urquhart, his personal lecture notes and previous Butterworths publications. These publications all antedated the copyright work. They included the Van Niekerk work, the latest update whereof was also, according to the first respondent, published almost a year prior to the copyright work. The use of the publications mentioned by the first respondent was authorised by either the second or third respondents, who had the right to do so.

If these averments by the first respondent were correct, it meant that there

could have been no infringement of copyright in respect of the affected work. Moreover, any argument that offending material in that work had been incorporated in the new work with cosmetic changes thereto would be destroyed. The difficulty, however, as I saw it, was that there had been a change of stance in the respondents' approach as set out in the initial answering affidavits compared with that in the later affidavits, which made it confusing to determine with any degree of certainty the case being made out by the respondents. The confusion was increased when, during the course of the hearing during June 1990, it appeared that the first respondent was incorrect in his statement that the latest update of the Van Niekerk work was published prior to the copyright work. Counsel for the respondents had ascertained that there were several subsequent up-dates thereof.

In all the circumstances I considered that it was in the interests of all parties, including the first respondent, that he be required to clarify the position by way of oral evidence. Any referral to evidence was opposed by counsel for the respondents, who argued in the alternative that, if the first respondent were to be ordered in terms of Rule 6(5)(g) to testify, then the second and third applicants, and representatives of the first applicant, should also be ordered to do so on various aspects. However, the only issues on which I considered that evidence was necessary, related to the sources and methods employed by the first respondent in writing the affected and the new works, issues on which he alone and any witnesses he might wish to call, could testify. I accordingly made an order in these terms.

The matter was resumed early in February 1991, and the first respondent testified on the aforesaid issues. According to his evidence, it appears that there was a set of lecture notes in existence at the time he joined the lecturing staff of Witwatersrand University. He had access to these notes from 1981 onwards and was given possession thereof when Prof MacGregor retired in 1986. In addition hereto, he had his current lecture notes which had last been fully updated in 1981. However, he conceded during the course of cross-examination that a measure of updating had been done subsequent thereto to enable him to retain for himself an up-to-date series of lecture notes for lecturing purposes. I gained the impression from his evidence that the updating had not been as extensive subsequent to 1981 because of the fact that from then on, written lecture notes were not handed to students. It is not altogether apparent why this factor should have played any role. In addition to the foregoing documents there was a paper dealing with income tax on dividends, which for the greater part, according to the first respondent's testimony, had been drafted in 1982, an Estates and Trusts document also prepared in 1982 and an annual review document of 1982. The current lecture notes were in part the source of the affected work, whilst some

reliance had also been placed on the Van Niekerk work. Numerous works in respect whereof the second and third respondents held the copyright and had authorised the use thereof by the first respondent had in part been used for purposes of the new work. Moreover, it became apparent during the course of cross-examination that there were connections between the affected work and the new work.

The first respondent dealt extensively with these various writings in considering the passages in both the affected and the new works which the applicants alleged infringed their copyright. I do not propose to analyse this evidence in detail. I shall refer to some examples in due course. The effect of the evidence was to show that the passages had their origin in material which preceded the copyright work and which the first respondent was entitled to use.

Counsel for the applicants criticised the first respondent as a witness. It was submitted that his evidence was at variance with the affidavits filed by him as to the material used for the affected work and whether there was any connection between that work and the new work. That there were discrepancies cannot be denied. At no stage, however, did I gain the impression that the first respondent was an untruthful witness. Indeed, he impressed me as a person who was endeavouring, to the best of his ability, to give a frank and accurate account of the methods employed and the sources utilised by him in writing both works. Such criticisms as can be directed at him must be seen against the background of the fact that there was an accumulation of material at his disposal when he formulated the notes upon which he ultimately relied, together with the Van Niekerk work, in creating the affected work. There were likewise numerous sources to which he had access when writing the new work. He had been called upon to trace the origin of a number of passages in each of the two works to qualify himself to testify. This he had been required to do whilst still performing his other duties as lecturer and as consultant in the income tax field. He was subjected to a searching cross-examination traversing a wide spectrum. And I accept the authenticity of his statement that he was unwell at one stage during his evidence which necessitated the postponement of the hearing for a day before he could resume his testimony.

I do not propose to detail all the features in the evidence of the first respondent which can be regarded as not entirely satisfactory. They relate, in my view, principally to aspects on which there was a measure of confusion on his part. Moreover, certain criticisms suggested by counsel for the applicants were, to my mind, on a proper analysis of the testimony, unwarranted. Thus, for instance, the statement in the answering affidavits that there was no connection between the affected work and the new work

might at first blush be considered to be at variance with the concessions made during the course of cross-examination that portions of the two works were identical or bore a strong similarity to each other. However, in my view, what the witness at all times intended to convey was that, in concept and intention, the two works, as far as he was concerned, bore no relation to each other—the affected work was designed to meet the needs of students only whilst the new work was directed at a wider public to include the demands of the more sophisticated reader. Similarly, the criticism that it is improbable that the first respondent would not have had more regard to the affected work in writing the new work than he was prepared to admit, loses a lot of its significance once it is accepted that his object was to create a work different in character and objective.

It is therefore against the background of my finding that the first respondent was a credible witness that I turn to deal with the salient features of his evidence intended to indicate that neither in respect of the affected work nor of the new work any infringement of the applicants' copyright had been perpetrated.

The first respondent traced the passages in the affected work in respect whereof the applicants alleged there had been copying from the copyright work, back to other sources to which he had access—partly to the Van Niekerk work (of which the latest update to which he had access was that of 1981 and which thus preceded the publication of the copyright work), partly his lecture notes and, to a much lesser extent, the Estates and Trusts and Annual Review documents of 1982. As far as the lecture notes are concerned (which are relevant in respect of a very large number of the passages complained of) the first respondent was able to link the corresponding passages in the affected work to notes (exhibit 'C' of the documents before court) which purport to antedate the copyright work. Thus, although he used later notes updated to 1987 in writing the affected work, such later notes were in turn derived from exhibit 'C', at least as far as the offending passages in the affected work are concerned.

The admissibility of exhibit 'C' was challenged by counsel for the applicants. The determination of this latter issue is important. Those 'offending' passages which are said by the first respondent to have their origin in the Van Niekerk work and/or exhibit 'C', are in all instances as similar in their wording to the corresponding passages in these latter sources as they are to any passage in the copyright work; in most instances the similarity is greater. It is therefore probably that they were derived from such sources and not from the copyright work.

Exhibit 'C' comprises the lecture notes which according to the first respondent were inherited by him from his predecessors at Witwatersrand

University. They are not the original notes of these earlier lecturers. Therefore, so it is argued, they are hearsay and, in the absence of any consent to their being used as evidence, are inadmissible in terms of section 3 of the Law of Evidence Amendment Act (no 45 of 1988).

The fallacy in this argument lies, in my view, in the fact that the documents in question do not constitute 'copies' in so far as the first respondent's use thereof is concerned. They are the original material given to him by his predecessors to utilise for his own purposes, even though they had been copies from some other source before coming into his possession. Nor are they submitted in evidence as proof of the truth of the contents thereof. Their purpose is to indicate that the wording of the contents is similar, and in some cases identical, to corresponding passages in the affected work. I accordingly consider that exhibit 'C' is admissible evidence for this purpose.

The next question is the date to be ascribed to the sets of lectures comprising exhibit 'C'. The only relevant aspect in this connection is whether they pre-date the publication of the copyright work. The dates reflected on the various sets differ. Some purport to originate during the decade commencing in 1950. All, according to the dates reflected on the documents, antedate the copyright work. Clearly, however, the first respondent was unable to testify of his own knowledge as to the accuracy of the dates appearing on the documents. Nevertheless, I have come to the conclusion that there is sufficient evidence to establish that the whole of exhibit 'C' was in existence prior to the date of publication of the copyright work and could not therefore have been copied therefrom.

Firstly, there is the evidence of the first respondent that he had access to these notes as from 1981. The tenor of his evidence is to the effect that there would have been no cause for any updating thereof subsequent thereto. Thereafter he had his own notes, described as his 'current' lecture notes (annexure 'A'). Secondly, certain of the notes date themselves. According to the first respondent, paper of a different size was used on which to type lecture notes until 1970 from that used thereafter for this purpose. Many of the 'offending' passages are similar, if not identical, to notes on the pre-1970 paper. There are other pointers to the date of certain of the notes. Thus, one set of notes contains a page on which reference is made to a 'recently' decided case, being a case reported in the 1954 volume 3 South African Law Reports. Admittedly, the same set of lecture notes must have been updated in 1956 in that mention is made on another page thereof to an amendment to the Income Tax Act of that year. However, I am of the view that if regard is had to the total picture presented by the evidence on this aspect of the matter, it can be accepted that exhibit 'C' pre-dates the copyright work.

The close similarity between so many of the 'offending' passages and the corresponding passages in exhibit 'C' and/or the Van Niekerk work has the consequence that the major portion of that complained of by the applicants in the affected work falls away.

There is a further factor which requires mention in regard to the material to which the applicants have taken offence. Certain portion of the lecture notes of the various lecturers on income tax at Witwatersrand University have no doubt, down the years, been perpetuated in later notes in the same or similar form. I refer to notes dealing with basic principles relating to aspects of income tax laid down in early appellate division cases which have not been altered by later income tax legislation. Doubtless the same has occurred in various succeeding editions of *Silke on South African Income Tax*. It is not inconceivable that there are passages appearing in both the lecture notes and the copyright work which, unbeknown to the parties to these proceedings, have in some measure had a common author. In the preface to each of the first to the sixth editions of the copyright work, spanning the years 1957 to 1969, Dr Silke acknowledges the 'assistance and criticism' of a Mr Drake. The evidence reveals that Mr Drake was at the time a part-time lecturer at the University of the Witwatersrand.

If the passages having their origin in the Van Niekerk work and the lecture notes comprising exhibit 'C' are to be left out of consideration for purposes of this matter then but very few passages remain which can have any bearing on the question whether there has been copying of the copyright work in the affected work. There are some passages which the first respondent could not relate to any lecture notes still in his possession, but which he said must have derived from notes which had been used to form part of the manuscript of the new work. That manuscript was no longer in his possession and he had no copy thereof, despite his contract with the third respondents requiring that a copy be retained by him. The respondents called no other witness to clarify this aspect of the matter. It is an unsatisfactory feature of the respondents' case. However, I did not gain the impression that the first respondent was being untruthful in regard hereto. In any event, the passages concerned are not, in my view, of any real importance as far as the ultimate decision of this matter is concerned.

It is desirable also to illustrate the fact that there are passages complained of which, whether or not they can be related to documents other than the copyright work, are not, to my mind, supportive of the applicants' case. The first example illustrates that, on the probabilities, the passage in the affected work was copied from the copyright work (and that the document whence it comes, namely the 1982 Annual Income Tax Review, was therefore also updated subsequent to 1982 despite the first respondent's initial statement to

the contrary) but, at the same time, that it is in effect only a recapitulation of the relevant provisions of the Income Tax Act.

The passage in the copyright work is the following:

'The first R100 of the aggregate of any dividends referred to in s 11(s) (dividends distributed other than out of capital profits by a "fixed property company" on shares included in a unit portfolio comprised in a unit trust scheme in property shares, such dividends being treated as non-dividend income for income tax purposes; see para 13.19) and amounts distributed by a unit portfolio out of interest income (that is consequently rendered exempt income for the unit portfolio under s 10(1)(iA) and for the purpose of s 19 is deemed to be income derived by the taxpayer other than in the form of dividends under s 19(5B); see para 9.39) received by or accruing to such a taxpayer less the amount of any interest that is exempt from tax under s 10(1)(i)(xv) is also exempt from tax (s 10(1)(i)(xvi)).'

The corresponding passage in the affected work reads as follows:

'The first R1 000,00 of the aggregate of any dividends referred to in s 11(s) (dividends distributed other than out of capital profits by a "fixed property company" on shares included in a unit portfolio comprised in a unit trust scheme in property shares, such dividends being treated as non-dividend income for income tax purposes; and amounts distributed by a unit portfolio out of interest income (that is consequently rendered exempt income for the unit portfolio under s 10(1)(iA) and for the purposes of s 19 is deemed to be income derived by the taxpayer other than in the form of dividends under s 19(5B); (see 12.19.1) received by or accruing to such a taxpayer less the amount of any interest that is except from tax under s 10(1)(i)(xv) is also exempt from tax (s10(1)(i)(xvi)).'

It is apparent that the two passages are identical save for the following: the reference in the copyright work to 'para 13.19' in the first phrase in parenthesis has been omitted—this was obviously necessary in that reference was being made to a paragraph in the copyright work which was not apposite in so far as the affected work was concerned; secondly, the author of the passage in the affected work has neglected to delete the semicolon preceding that which has been omitted and also the bracket thereafter; thereby the whole passage has been rendered nonsensical. The conclusion that there has been copying, albeit inept, is inescapable. However, the fact that the whole passage is but of a summary of the relevant provisions of the Income Tax Act, demonstrates the insubstantial nature of the copying.

The second example illustrates that, where it is alleged that there has been copying from the copyright work, the similarity in wording can equally well be attributed to the author's own individual research. The content of the

passage is itself indicative thereof.

Thus, in the affected work the following passage appears:

'Finally, there are other provisions that effectively provide for amounts to be deemed to be from a source within the Republic, irrespective of the actual source. The provisions are the following:

Section Amounts

22A(2) Proceeds of disposal of asset or interest if an asset consisting of trading stock acquired under a scheme of arrangement or reconstruction of a company (see para 11.33).

24A(3) Amounts, benefits and advantages derived from the disposal of shares acquired in an exchange of certain assets (see para 11.34).

30 Taxable income of persons carrying on business extending beyond the Republic (see para 8.7).

32 Taxable income of persons carrying on the business of transmitting messages to places outside the Republic by submarine cable or by wireless apparatus (see para 21.6).

33 Taxable income of persons other than those ordinarily resident in the Republic of 'domestic companies' who or which embark passengers or load livestock, mails or goods in the Republic as the owner or charterer of a ship or aircraft (see para 21.5).

37A(2),(3) Obsolete provisions relating to the taxable income of (4),(6)&(7) companies in the territory of South West Africa.'

The corresponding passage in the copyright work reads as follows:

'Other provisions providing or effectively providing for amounts to be deemed from a source within the Republic irrespective of their actual source are listed and briefly described below:

Section Subject-matter

22A(2) Proceeds of disposal of asset or interest in an asset consisting of trading stock acquired under a scheme of arrangement or reconstruction of a company (see para 17.24).

24A(3) Amounts, benefits and advantages derived from the disposal of shares acquired in an exchange of certain assets (see para 17.6).

30 Taxable income of persons carrying on business extending beyond the Republic (see para 17.2).

32 Taxable income of persons carrying on the business of transmitting messages to places outside the Republic by submarine cable or by wireless apparatus (see para 17.39).

33 Taxable income of persons other than those ordinarily resident in the Republic or 'domestic companies' who or that embark passengers or load livestock, mails or goods in the Republic as the

owner or charterer of a ship or aircraft (see para 14.37).

37A(2),(3) Obsolete provisions relating to the taxable income of companies (4),(6)&(7) in the territory of South West Africa (see para 13.35).'

It is apparent that two competent and conscientious authors, working independently of each other, will both compile a similar list with regard to those provisions of the Income Tax Act which provide for amounts deemed to be income derived from a source within the Republic (that being the topic under consideration). Nor is it surprising that the wording of a paragraph dealing therewith is couched in similar terms, even though no copying whatsoever has occurred. It is accordingly understandable that a paragraph of like nature is to be found in the new work; no inference adverse to the respondents can be drawn therefrom.

It is true that there is at least one further instance where the probabilities point convincingly to the fact that, in that instance, recourse was had to the copyright work and that the copying was not insubstantial. I refer to the list of abbreviations in respect of decided cases mentioned earlier in this judgement. The first respondent stated that he was not responsible for compiling the list. His hearsay statement to the effect that he understood that some person engaged by the second respondent for the purpose was responsible therefor does not assist the respondents, nor did counsel for the respondents seek to justify what had occurred. The question which arises, however, is whether isolated instances of this nature, which is all that remains in regard to any infringement of copyright in relation to the affected work, warrants the grant of any relief in respect thereof. I think not. The undertaking given by the respondents in their attorneys' letter prior to proceedings being instituted has, in consequence of the evidence now before the court, proved to be one on which full reliance can be placed. The isolated instances have not been repeated in the new work. The first respondent has proved that by far the greater portion of the passages in respect whereof complaint was made were, on the probabilities, derived from sources other than the copyright work, or are the fruits of his own labour. That which remains is, save for the list of abbreviations, not of a substantial nature. No passages other than those mentioned in the papers and in the documents disclosed prior to the hearing of oral evidence have been relied upon. The relief sought is also confined to the 10th edition of Silke on South African Income Tax. On the totality of the evidence there can be no question of cosmetic changes having been made to copied passages in the affected work in order to enable their inclusion in the new work. By virtue of the undertaking the affected work is for all practical purposes confined to the realms of the past. I consider that no useful purpose would be served at this

stage to grant any form of relief, which in any event would in effect be of an academic nature.

There remains the question whether any case has been made out in respect of the new work based on unlawful competition. It is apparent from what has already been said in relation to the affected work that the applicants cannot rely on infringement of copyright to substantiate any such case.

However, it was argued that there has also been unlawful competition in representing the new work to be a 'new major tax work'. The first contention advanced by the applicants that it is but a second edition of the affected work is to my mind void of substance. It is a work of two volumes, the first volume comprising well over one thousand pages and the second approximately that number of pages; this compared to a single volume of some six hundred pages. The first volume comprises text, whilst the second contains the Income Tax Act, the regulations promulgated thereunder, double tax agreements with other countries, practice notes and an index. Each volume is in loose-leaf form. It is apparent that both in content and in format it differs from the affected work. The second contention is in my view equally without substance. It is submitted that as the first respondent, on his own evidence, had made use of material from other works (having obtained the copyright holders' permission so to do) in creating the new work, the latter could not be described as a 'new major' tax work. I am unable to agree. The selection and arrangement of all that went into the new work was that of the first respondent, as also the combination of such material with his own input in order to create the whole. The relief sought in respect of the new work must in my judgement therefore also be refused.

There remains the issue of costs. It was argued on behalf of the applicants that as allegations of flagrant plagiarism had been made against the first respondent an award of attorney and client costs was justified. As against this consideration, there is the fact that the applicants were confronted with passages in the affected work which, in the absence of any explanation, appeared to constitute deliberate copying (eg the list of abbreviations of decided cases). There was no admission of copying in the letter of undertaking to which I have referred. The brochure advertising the new work created the impression that two pages of the affected work were reproduced verbatim therein.

In all the circumstances I consider that no special order in regard to costs is warranted. The respondents are liable for the costs of the application to strike out, as well as the costs of the two days when the case was unable to proceed, once because of the postponement sought by counsel to correct the position in regard to the updates of the Van Niekerk work and the other due to the indisposition of the first respondent.

The following order is made:

1. Save as is provided in paragraph 2 hereof, the application is dismissed with costs, such costs to include the costs consequent upon the employment of two counsel.
2. The respondents are ordered to pay the costs of the application to strike out as well as the costs of the hearing on 6 June 1990 and 7 February 1991; such costs are to include the costs consequent upon the employment of two counsel.

HARNISCHFEFER CORPORATION AND ANOTHER v APPLETON AND ANOTHER

WITWATERSRAND LOCAL DIVISION

FLEMMING DJP

29 APRIL 1992

Without proof of the copyright law of a foreign state, the presumption is that it is the same as that of South Africa. Where the copyright law of the United States is applicable because the Copyright Act (no 63 of 1965) leaves proclamations promulgated prior to its enactment of force and effect, the conditions required for copyright protection in terms of that law will therefore be the same as those required for copyright protection in terms of South African law.

The first applicant held the copyright in certain engineering drawings which were made during 1966 - 1969 in the United States. In 1991, the first respondent telefaxed the drawings to a third party. The second respondent manufactured parts usable on the machines from which the first applicant's drawings were manufactured by means of reverse engineering.

The applicants sought an interdict restraining the respondents from reproducing the applicants' drawings as well as any drawing for any part of one of the applicant's machines. In response thereto, the applicant inter alia undertook not to use any of the applicants' drawings in order to procure the manufacture of parts for its machines.

The applicants' failure to prove the law of the United States founding its copyright did not mean that it had failed to demonstrate what that law was because the presumption that foreign law is the same as local law applied. The respondent had not rebutted that presumption.

The fact that the first respondent at all times acted within the scope and course of his employment with the second respondent did not absolve him of liability toward the applicants because vicarious liability of an employer did not exclude the personal liability of the employee.

By virtue of section 43 of the Copyright Act (no 98 of 1978), the copyright which the applicants acquired during 1966 - 1969 depended on the Copyright Act (no 63 of 1965). That Act did not apply to works created in the United States, but it allowed the the protections already existing by virtue of proclamations created under the preceding 1916 Act would remain of force and effect. Proclamation 118 of 1924 made copyright protection for works created in the United States dependent on whether or not the creator of the work was a resident or citizen of the United States or whether the work was first published in that country. The applicants had to establish that one of these conditions existed, and had done so as far as the last was concerned even if upon hearsay evidence, and were able to prove compliance with the copyright laws of the United States by using the presumption that foreign law was the same as local law. The applicants had therefore established that they held the copyright in the drawings.

The fact that the respondents had given an undertaking not to infringe the applicants' copyright did not mean that an interdict should be refused because in view of the intention of the respondents to continue competing against the applicants as much as possible, the undertaking left the extent of the commercially effective

protection limited.

The applicants were entitled to an interdict restraining the reproduction of the drawings in question and to an interdict restraining them from reproducing any drawing for any part of one of the applicant's machines otherwise than by reverse engineering unless the drawing was obtained from a person whose disclosure of his source explained the circumstances of the acquisition sufficient to satisfy the respondents that the drawing was not a reproduction of a drawing in which the applicants held the copyright.

Flemming DJP: First applicant is a company incorporated in the United States of America where it manufactures machinery. Second applicant, a South African company controlled by first applicant, manufactures and distributes the same machinery and parts therefor.

Second respondent is a corporation which achieves the manufacture of parts usable on the Harnischfeger machines produced by applicants.

Applicants say that second respondent also achieved infringement of copyright and unlawful competition.

I will record applicants' case in very broad outline. First respondent was employed by second applicant until 1989. He is now in control of the activities of the second respondent. At the beginning of 1991 a hired investigator heard from Mr Pierce of Mitre Engineering that Mitre had in its possession Harnischfeger drawing number 1N1110 and was in the process of manufacturing an intermediate hoist gear 'from the drawing'. The investigator heard from Mr Bruce of Eclipse Foundry that Eclipse was in possession of Harnischfeger drawing 4J139. Both Pierce and Bruce said that first respondent telefaxed the drawings to them. This happened in a setting where second respondent contracted work out to such an extent that respondents' counsel even argued that it is wrong to say that second respondent 'manufactured' parts. (This contention was related to the argument that second respondent is not a party who committed a breach of copyright.)

Applicants fear a repetition of respondents' behaviour. They infer that first respondent took copies of many drawings when he left second applicant's employ and that he is using those copies in advancing the second respondent's business. This is denied. This denial must be the basis of my decision because of the conflict of fact and because credence is given to the reliability of the denial by statements by first respondent during a portion of 150 hours of telephone conversation which were eavesdropped and then transcribed and used to advance applicants' case.

Respondents do not deny the telefaxing but claim that drawings of Harnischfeger parts are freely available and were obtained from sources other than applicant. They also claim that manufacturing was done without using drawings created by or for applicants. It is said that *inter alia* 'reverse

engineering' was done—which is lawful since legislation was amended in 1988, the parts having a utilitarian purpose and being made by an industrial process.

In the view of these and other disputes applicants were forced to press also for relief, pending action which is to be instituted. Relevant to this relief is *inter alia* an undertaking which was offered in the opposing affidavits. The undertaking would bind respondent not to use any of 'the applicants' drawings' in order 'to procure the manufacture of or make parts' which are parts 'for Harnischfeger machines'. But respondent persists with the intent to make such parts (a) for customers who supply drawings; (b) by reverse engineering; and (c) from drawings made by anyone else including an American company known as Pyramid. Whether there is a breach of the undertaking will mainly depend upon what the correct meaning is of the phrases which I have quoted. Do they refer to drawings of which applicants are the owners? Or of which applicants own copyright? Or do the phrases refer to all drawings which tally fully with drawings which were created by or for applicants? Or to drawings which refer to Harnischfeger parts?

Respondents argued that on applicant's own case, the application ought to be dismissed and that factual disputes are therefore unimportant. Applicants reached the other extreme and *inter alia* argued that it is common cause that illegitimate copies were made by telefaxing drawings to two firms.

I turn first to determining what evidence may be taken into account.

The first aspect is law-dominated and law-denominated but the outcome is heavily dependent upon sound judicial discretion. In terms of section 3(1)(c) of the Law of Evidence Amendment Act (no 45 of 1988) the court may admit hearsay evidence if this is appropriate *in the interest of justice* having regard to: the nature of the proceedings; the nature of the evidence; the purpose for which the evidence is tendered; the probative value of the evidence; the reason why the evidence is not given by the person upon whose credibility the probative value of such evidence depends; prejudice to a party which may be caused by the admission of the evidence; and 'any other factor which should in the opinion of the court be taken into account'. It is clear that the interest of justice are paramount. It may be correct to admit evidence even if each of the prescribed factors in itself has little weight. I will record express comment on only some of the factors.

Favouring admission would be the ideal to allow a party to put his full case before court; not to require his to proceed without relevant evidence because direct evidence is not available or can only be produced at the price of subjecting the party to delay, costs and other practical hindrances. Here there is a practical hindrance in that Bruce and Pierce would normally be called as witnesses by respondents and not by applicants. They made their

living from work *inter alia* from the respondents. They will prefer to avoid antagonising the respondents. They may also fear the consequences of their part in breaching applicants' copyright.

The major factor against admitting hearsay evidence is normally the harm or risk of harm to the process of reaching an accurate conclusion if the objecting party can not test the reliability of the hearsay information. Respondents in this case show no real reason to dispute the reliability, or even to test either the reliability of the evidence of the investigator or the truth of what he was told. The possible unfairness of admitting the hearsay statement is also effectively negated as respondents did have an opportunity to produce rebutting evidence on the point. Respondents, probably without pressure, decided not to produce evidence from Bruce and Pierce.

On an overall view, the accurate adjudication of the truth is not at risk if the hearsay evidence about Bruce and Pierce is admitted. Exclusion of the evidence will only achieve exposing applicants to dismissal of the application or to a postponement with all the prejudice in its wake, and additional costs.

In regard to a second important category of evidence, I again mention only the most important factors. Firstly, the decision about admitting or excluding evidence is taken after all evidence is in and it is known what the case of each party on the pertinent point is. Taking into account what the respondents' evidence does not pretend to suggest, the indication also here is that objection is made not in order to obtain greater factual certainty in the judicial process (because reason for denying does exist), but in the interests of creating a gap in the applicants' case. It is true that respondents have reason to hope that they can dent the hearsay evidence. But I must look at what they demonstrate as reasons for disputing its veracity or cogency. If the indications are that the court can with adequate safety rely thereon, it is preferable to admit the evidence rather than to apply a strict approach which, in the name only of the most desirable way of convincing a court, leaves the applicant either without justice or burdened or hampered in his attempts to obtain justice. Although some rules find their justification in the interest of good order, the rules of evidence are normally only principles arrived at as a result of long periods of actual experience which produces sound insights. Experience also teaches about when there is adequate safety in acting upon evidence which normally calls for caution. It is in the interests of consistency and as a matter of correct jurisprudence often necessary and correct to apply a common sense lesson which has become a rule even when the reason for the rule appears to be absent in the particular case or when the incentives to doubt its soundness are inviting. However, the 1988 statute intends the hearsay rule to shake off its application merely because the underlying reasons for its existence are sound or simply because the rule exists. It

intends that the principle against hearsay evidence should not be a shield of defence against facts. It should not apply where it does not promote the better administration of justice and does not assist the objecting party to avoid being burdened by what does not actually exist. The latter possibility is absent in this case because respondents have really put no reason before this court for disbelieving or doubting the facts purportedly proved by hearsay evidence.

The second category consists of the evidence of several witnesses who claim to have had a role in the creation of applicants' drawings, and who live in the United States of America. The deponents touch upon their own position and the position of the individuals involved in creating drawings, in regard to where they were employed by first applicant, their domicile in the United States, the originality of the plans, etc. The reasons why the non-deponents did not themselves testify and why statements are made in respect of non-deponents are not explicitly covered in the papers. On probabilities some element will after the lapse of 17 years arise that people who were involved are not available at all or within adequate geographical proximity. Any weakness on the reason for not calling all direct observers is outbalanced by the factors favouring admission of the evidence. There is again no reason to doubt the veracity of the deponents. Nor is there any attempt to suggest real reason to doubt reliability so that the court should require cross-examination of the deponents. Respondents' level of presenting evidence to give reason for doubting the correctness of the hearsay evidence is so low that the request (in so far as it was persisted in) to cross-examine either a deponent or a person about whom the deponent was testifying, merits refusal. The desire to test the evidence in the mere hope that that process will give birth to a reason for regarding the evidence as unreliable, is not an acceptable basis for requiring oral evidence. Cf *Van der Merwe v Meyer* 1971 (3) SA 22 (A) at 27 A-B. I refer to reliability about both observation and interpretation. Secondly, what any specific deponent has to say about others is not all hearsay. Part may well reflect facts which he could observe and conclusions therefrom. A witness can so get to know another who lives nearby or who is a co-employee, that he observes *indiciae* of intent about domicile eg ownership of his residence, duration of occupying, etc. Proof of domicile is not dependant upon a *dixit* of the relevant person. Similarly an experienced employee in a workshop may observe sufficient facts about methods, activities, relationships, use of plans, etc to be able to interpret that a specific drawing represents the results of effort and independent input by a co-employee rather than a mere copying of a preceding drawing. It can not be said that all the evidence to which the objection is made is hearsay evidence. If any specific fact is more than an inference reached as a result of

the deponent's own assessment, it is not discernable which fact is of the class. Insofar as it is recognisable that a deponent's statement includes, hearsay elements, such components are of a subsidiary nature and, secondly, do not affect the more important overall probabilities.

As in the case of the said evidence, the prejudice to the party against whom the evidence is produced seems to be absent or slight also in the other instances of hearsay evidence. I say so bearing in mind the absence of contradicting pointers. The evidence generally does not relate to crucial facts. Bearing in mind also the nature of the proceedings and the nature of the evidence, I believe on an overall view that none of the instances of hearsay evidence should be dealt with as being inadmissible.

The next factual question is what the law of copyright was in Milwaukee, USA in 1966 to 1969.

It is argued that applicants have produced no evidence in proof of the foreign law. That is so. But that does not end the enquiry. It must be considered whether judicial cognisance is permissible.

Section 1 of the Law of Evidence Amendment Act (no 1988) empowers a court to take judicial notice of foreign law when such law can be ascertained readily and with sufficient certainty. I take it to be wide enough to cover not only the present law but the law in the sixties. Although 'readily' and 'sufficient certainty' defy definition, those words may not be ignored. As uncertainty is independently mentioned, 'readily' must refer to something else. It will often be dependent upon access to authoritative sources. If this court is the yardstick, the state will often be rendered nugatory because of limited access. (Unpredictability to litigants about what library sources can produce, will also create undesirable uncertainty). The Supreme Court library has only one American book on the topic, the *Corpus Iuris Secundum*. A British book has a chapter on USA law. I also have access to the library of the Rand Afrikaans University which houses a number of books including the publications of Professor Nimmer. I may borrow books from the Johannesburg Bar. This is in contrast to two Australian Universities and Supreme Court libraries where I observed that each had a full set of South African Law Reports and a full set of American Law Reports. I will assume that the law can be adequately determined as from the introduction into the United States Code of a title on copyright which, as from the 1st January 1978 governs the whole country. But before that date each State had its own statutes and certain States recognised some common law on copyright. The requirements for taking judicial cognisance of State law are not met.

Whether applicants must fail then depends on the presumption about foreign law and the incidence of the *onus* of proof.

To a South African court each aspect of foreign law is a factual question

and any evidence on that aspect must emanate from someone with the necessary expertise. *Schlesinger v Commissioner for Inland Revenue* 1964 (3) SA 389 (A) at 396 G. Although some Natal decisions in particular may provide ground for the doubts about consistency which were expressed by Professor Ellison Kahn in 1970 *SALJ* 145, at least the Transvaal has seen acceptance of the presumption. It is assumed that on any relevant point there is no difference between our law and the law in the foreign country. The result is that the party who in that sense relies upon the foreign law to assist him to a point where South African Law would not bring him, must produce evidence. See *ex parte Garney* 1942 TPD 178 at 181; *Daya v Gardee and Gardee* 1934 WLD 30 at page 41; *Bank of Lisbon v Optichem Kunsmis (Edindoms) Beperk* 1970 (1) SA 447 (W). The latter decision quotes convincing authority also in respect of Cape Provincial Division and the Eastern Cape Division. In the Orange Free State, there is *Hairman v Crawley* 1918 OPD 16. That decision quotes Privy Council authority which created binding law for this country in 1918. It also accepts that he who asserts that the law of another country is different must prove his allegation. In the present case a statute directs which law is applicable (as I will demonstrate) so that the assertion about *applicability* of foreign law requires no attention. But 'the *onus* lies upon any party who asserts that the law of a foreign country applies, to prove ... wherein it differs from our own'. *Schapiro v Schapiro* 1904 TS 673 at 677 and 679. That decision was given by a full bench of appeal. It was applied *inter alia* in *Ambassador Factors Corporation v K Koppe and Company* 1949 (1) SA 312 (T) at 318. Against this background, and in the absence of any indication of disagreeing with preceding statements of the principle in our Law, it was intended to convey what becomes clear if one inserts the words which I will underline and which do not appear in the original, into a dictum in *The Treasury v Hanf* 1919 AD 50 at page 55: 'The German Law indeed upon any point, if relied upon *as being different from our Law*, must be proved *by the party alleging that a difference exists* in the manner required by the laws of evidence, that is by the evidence of some expert witness...'. Similarly *Standard Bank of SA Ltd v Ocean Commodities Inc* 1983 (1) SA 276 (A) at page 294, 295.

I can therefore not sustain counsel's submission that applicants must fail because no evidence was produced about American Law.

But respondent's counsel invited the court to regard the presumption as inoperative in regard to statute law. It is true that, except perhaps for colonial powers, the chances of the statutes corresponding exactly are negligible. The relevant presumption, like most other presumptions, is a tool to facilitate the administration of justice. It relieves a party from the necessity of routinely proving foreign law even when foreign law is identical or can make no

difference to the outcome of the case. It prevents delays and costs and has for many years proved to work in practice. The mere fact, again similar to other presumptions, that one can point to a case where the logic of the presumption is not patently valid, is no reason to challenge the existence or even desirability of the presumption. As to the doubts expressed by Van Zyl J and the choice not to apply the presumption to portion of South African litigation (*S v Kruger* 1987 (4) 326 SA (T) at 336), I refer to the *Schapiro* case where it was said that the presumption 'is a rule founded on common sense' and that rejection thereof amount to 'adopting a procedure different to that which is, I believe, adopted in almost every civilised country'. In the *Bank of Lisbon* case, at page 451A, it was said: 'the presumption is, as I see it, no more than an arbitrary rule of convenience. It is based, not upon a belief that the laws of all countries are the same but upon a useful fiction which facilitates the resolution of disputes, and which works no injustice ...'.

The present application must therefore be decided on the same basis as if our law applied in Milwaukee at all relevant times.

I come to deal with the many reasons why, according to respondents, the application must fail even if the opposing affidavits are ignored.

It was argued that the application against first respondent should be dismissed because he at all times acted only in the course of his employment with second respondent and in the furthering of the interests of second respondent. Similar reasoning has been seriously advanced before me on several occasions in the past year or three. The argument adopts the settled yardsticks for vicarious liability. It then seeks to make inverted use thereof. If first respondent intentionally or negligently causes pecuniary loss while driving a motor vehicle, he is personally liable. That is so even if the relationship between his driving and his employer renders the employer liable. He does not cease to be liable because the employer is liable. The employer is also liable; he is not exclusively liable. The relationship between employer and the activity of his employee is a basis for holding an additional party liable and not a ground for absolving the person who actually committed the delict. Clearly, if applicants' copyright was infringed, it is the hand and the heart of first respondent who perpetrated the wrong to the first applicant. He can be interdicted even if his behaviour took place in circumstances rendering it permissible also to interdict the second respondent.

The substance of the second argument is that first applicant's copyright depend upon American law and that because that is unproved, applicants' case remains unproved. Applicants' counsel responded with the argument that copyright was created by the Copyright Act (no 98 of 1978). He claims that this results from section 43 which decrees: 'This Act shall apply in relation

to works made before the commencement of this Act as it applies in relation to works made thereafter ...'.

These words cause the 1978 Act to affect pre-existing copyright. They cause the 1978 Act to be decisive of, *inter alia*, what constitutes 'infringement'. But, having declared that no copyright will exist beyond what the 1978 Act itself creates or tolerates (section 41 (4)), it decrees in section 43 that

'(a) nothing in this Act contained shall -

(1) affect the ownership, duration or validity of any copyright which subsists under the Copyright Act, 1965.'

Whether first applicant did acquire any ownership of copyright in drawings 1N1110 and 4J139 when they were made between 1966 and 1969, and is so, whether the rights still exist in 1992 and are valid in this country, depend not on the 1978 Act but on the 1965 Act. Cf *Saunders Valve Co Ltd v Klep Valve (Pty) Ltd* 1985 (1) SA 646 (T) and the *dictum* on appeal at 1987 (2) SA 1(A) at 18 I-J. That that view was common cause between two duly represented parties in *Topka v Ehrenberg Engineering (Pty) Ltd* (AD, judgement on 8 March 1983) and that the court had no objection against deciding the matter on that basis, carries some weight. I disagree with Dean's view (*Handbook of SA Copyright Law*, 3-40) that in view of protection which has since 1981 (Government Notice R566 of 13 March, 1981) been given to American works under authority of the 1978 Act, such works are protected in this country regardless of when a particular work was made.

The drawings involved in this case were created after the commencement of the 1965 Act. The empowerment (section 32) in that Act to extend the protection thereof to foreign works was not exercised to protect American works. But some preceding protection decrees were permitted to survive. At the repeal of the Patents, Designs, Trade Marks and Copyright Act, 1916 in 1965, it was decreed that any proclamation, regulation or rule created under the 1916 Act would retain its force. See section 48(2) of Act 63 of 1965 and cf the sixth schedule in particular part VIII.

It is not necessary to follow the twist and turns of arguments about why a British law is relevant in this context. I am satisfied that this country was a 'self-governing dominion' in terms of section 30(2) of the British legislation and that even if that were not so the said 1916 Act obtained the force of law in this country. In terms thereof proclamation 118 of 1924 (Government Gazette of 13 June 1924) was created. It qualified the territorial dependence of copyright to being tenable according to our internal law (and protected by it) in respect of works made in the USA. The arising of copyright for a drawing made in America would, for the purposes of protection in our courts, as from June 1924 depend on whether the creator of a work was a resident of

or a citizen of the USA (if the work is not published), or (in the case of work which has been published), whether the work was first published in the USA. I need not mention qualifications and refinements except the one raised in argument viz that the preamble (but perhaps not the actual terms of making the 1916 Act available?) indicates that only works published 'simultaneously' in the two countries are protected. If the 1916 Act is declared to govern the situation (as the proclamation does), first publication in the USA remains a pre-condition (because section 1 of the 1916 Act says so) even if our courts will protect only those instances where there was simultaneous publication.

Applicants, contrary to the submissions of their advocate, therefore have to establish at least that first publication took place in the USA or that the drawings remained adequately unpublished. In the latter case it has to prove that the creators were resident in the USA or citizens of that country at the time when the drawings were made; and that the relationships with the creators were such as was legally necessary for copyright to vest in first applicant instead. Because of paragraph 1(a)(ii) of the proclamation, first applicant must prove the facts, if any, which constitute the 'accomplishment' with the conditions and formalities (if any) prescribed by the law operating in Milwaukee. 'The enjoyment of the rights conferred by this Proclamation' depends on that accomplishment. Lastly, paragraph 1(a)(i) of the Proclamation decrees that the duration of the copyright will not exceed the period to which USA law limited protection. This single instance might appear to be a question of law but it must be remembered that each question of USA law is a question of fact when the issue comes before our courts. This instance and the question of accomplishment are matters on which applicants are fully dependant on the presumption about American law. I have dealt with that. The other questions involved, according to our law and therefore presumably according to American law, feature factual issues whereby they to a greater extent turn upon evidence. I will deal with that.

I have sketched the reasons for admitting all hearsay evidence. In determining the cogency thereof it is necessary to remember the character of hearsay evidence and to be continuously aware of the pitfalls which are at the heart of the resistance to hearing hearsay evidence at all. Furthermore reasoning according to probabilities has its own risks, including that of venturing into speculation. Lastly, it remains easy to draw wrong inferences. Yet, for all that, a court must test a civil claim according to an adequate balance of probabilities. In so doing it need not be more convinced than knowing what the true facts probably are. For that reason, despite other pronouncements, also a fact which is established by inference need not be known to represent the only (reasonably) acceptable end-result. Such a fact also must only represent the conclusion which stands out as the most

plausible and most acceptable of the alternatives, when the whole picture is kept in mind. See inter alia *AA Onderlinge Assuransie Bpk v de Beer* 1982 (2) SA 603 (A) at 614 H.

Before stating factual conclusions, I deal with two arguments. In attacking the originality of drawings, respondents' counsel sought mileage from a note on drawings. Drawing X would proclaim that it is 'similar to drawing Y'. Counsel argued that this shows that X is a copy of Y. The argument is weighted wrongly. If identical twins at the same time sketch Table Mountain from the same point, the one sketch may be very similar to the other. Both sketches are original. A sketch by the second sister made not directly from the mountain but from her sister's sketch (or a photo thereof), may be 'original' even if it is similar to that of the other sister, provided there is adequate own insight and own effort aimed at own creation in contrast with trying to merely duplicate the first sketch. Counsel want to read too much into 'similar to'. I am also aware of the other contentions stated in the heads of argument eg that only limited differences were pointed out.

It is correctly argued that the 'indirect' infringement governed by section 23(2), which covers the distribution of an article which is an infringing copy, is dependant upon guilty knowledge. Section 23(2) states that it does not derogate from the generality of section 23(1). This case deals, *inter alia*, with such direct copying, not with getting any resultant articles off respondent's hands. The dispute about guilty knowledge does not bar partial success in this matter. Where it is necessary to prove that knowledge, I would regard it proper to have cross-examination of first respondent rather than simply to dismiss the application.

Applicants' case on infringement is confined to the two drawings which I mentioned. On the basis that American law has not been shown to be different from our law, I conclude that the evidence as a whole proves the requirements (in particular about originality, creation, relationship between creator and first applicant) to establish that first applicant held copyright in the two drawings. The telefaxing created infringing copies thereof.

It was argued that even if that conclusion is reached, an interdict should be refused. It is said that there was no prior demand and that when the application was launched an adequate undertaking was immediately offered and this removed all fear of repetition. It was probable or even clear that respondents would carry on making Harnischfeger parts albeit by using sub-contractors. They will need drawings or substitutes therefor to work from. Respondents in the transcribed telephone conversation showed an intent to give applicants a full competitive go and an enjoyment at being successful at that. They were on two occasions prepared to go further; they copied drawings unlawfully. Respondents will know that proving infringement is

costly and difficult. The undertaking is one which leaves the commercially effective extent of protection limited (correctly so according to law, I will presume) and, within that area, one of which the true scope is subject to some uncertainty. I believe that applicants are entitled to a remedy and do not have to rely on respondents' interpretation of the law or the facts or on their integrity. An order is also more effective to discourage weakness and to encourage caution in the future and is equitable in the circumstances.

There remains an area of dispute which cannot be resolved on the papers. In the claim based on unlawful competition it is in issue whether drawings were clothed with confidentiality. (Argument also raised other issues.) But reason other than respondents' tender of distance exists for refusing the request that oral evidence should be heard or that the application should stand as summons in an action. Applicants became aware of the important part of the facts upon which they rely in January 1991. The application was served only in October 1991. It must be inferred, bearing in mind also the trouble taken and expense incurred to create the application, that it was seen as useless to present a demand for cessation, so proving that it was expected that the application will be opposed. Nevertheless application procedure was invoked in order to obtain the result that should have been sought in an action (if action had been instituted in January 1991, the matter could now practically be on trial), and with a lack of pace which really excludes urgency of obtaining relief as an excuse.

In the alternative an interdict pending the outcome of an action was sought. This was opposed.

It is argued, firstly, that the lack of expedition with which applicants proceeded is in itself a reason for dismissing the application. The decisions relied upon, however, seem to have dealt with delay only as a factor in a wider context. That disrupting a respondent on short notice at a late state is unfair and limits his ability to adapt or counteract harm, was the limited role delay played in *The Financial Times Ltd v Evening Standard Co Ltd* 8 Fleet Street Reports 7. At page 13 it was *inter alia* said: 'I do not hold it against the plaintiff that no action was taken' to prevent the launch of an insert in a newspaper, the court pointing out that there was a completed launch and that harm will be wrought by interrupting the widely publicised launching. In *Metro Ontwikkelingsmaatskappy Edms Bpk v Allan Maskew (Pty) Ltd*, (November 1991, Commissioner of Patents), the tardiness was taken into account only in conjunction with the fact that the issues would be finally determined within a short time. In this case the issues will not be resolved soon but applicant could have brought about that they would have been resolved soon. In *Juta & Co Ltd v Legal & Financial Publishing Co Pty Ltd* 1969 (4) 443 (C) the tardiness played a role in a different decision viz

whether the court should condone late filing of papers. Dismissal of the application was the result thereof that after the refusal to receive the further affidavits, applicant remained without important evidence. This passage in *Crossfield & Son Ltd v Crystallisers Ltd* 1925 WLD 216 at pp 223, 224 rather indicates that the delay was seen as evidence of a lack of urgency and that a further period without a court order 'cannot be so damaging'.

However, the need remains to consider the balance of fairness. I always use that phrase (Afrikaans: 'billikheidsbalans') because that is more descriptive and accurate. Pointing out that something more fundamental than mere convenience is balanced, May LJ in *Cayne v Global Natural Resources PLC* 1984 (1) AER 225 at 237 referred to balancing the risk of doing injustice. *Francome v Mirror Group Newspapers* 1984 (1) WLR 892, referred to the 'balance of injustice'.

In striking the balance (*Eriksens Motors Ltd v Protea Motors, Warrenton* 1977 (3) SA 685 (A) at p 691 D-G), the prospects of being successful are in the scale together with the prospect for each party to suffer harm as a result of the court either interfering or alternatively not granting interim relief; the seriousness and irreparability of the harm; the difficulties to prove the extent of any harm; the risks of not recovering the amount thereof. Cf also *Fourie v Uys* 1957 (2) SA 125 (C) at 129; *Beecham Group Ltd v BM Group Pty Ltd* 1977 (1) SA 50 (T) at 54 E.

If an interim interdict is to be granted, the terms may be limited to the two drawings previously mentioned. If not, it will be in general terms, eg referring to 'first applicant's drawings' which may either, because of its undefined qualities, create undue uncertainty and dispute, or (if respondents are cautious) cause undue interference. It puts at risk an important part of the business of respondents who have only so many clients. Applicants on the other hand already have a completed period of loss and with the assistance of discovery procedures, can trace past sales and determine what parts were made and at what prices they were sold. There are no proven prospects of proving direct or indirect infringement in respect of more than two plans. The general probability and prospect of such proof is not on a level which disturbs the balance of the injustice of interfering with respondents' activities when weighed against the injustice of leaving applicants open to respondents' competition for the further period until the proposed action is heard.

The only relief which is at present justified is what I will order. In respect of cost the underlying reason is that applicants have achieved adequate success to justify the order.

1. Respondents are interdicted from causing or permitting the reproduction of drawings 1N1110 and 4J139 which were identified in the papers.

2. Respondents are interdicted from reproducing any drawing for any part of a Harnischfeger machine otherwise than by reverse engineering in respect of such a part (for as long as reverse engineering is lawful according to statute) unless the drawing has been obtained from somebody who discloses his source of acquisition of the drawing, and the disclosure in itself or together with accompanying facts which explain the circumstances of such acquisition, bring fair satisfaction to respondents that such drawing is in itself probably not a reproduction of a drawing of which copyright vests in first or second applicant.
3. Respondents are ordered to pay 70 % of the costs of applicants.

FRANK & HIRSCH (PTY) LTD v A ROOPANAND BROTHERS (PTY) LTD

APPELLATE DIVISION

CORBETT CJ, BOTHA JA, GOLDSTONE JA, NICHOLAS AJA AND HARMS AJA

2 JUNE 1993

The importation into the Republic of an item incorporating copyright material is prohibited by section 23(2) of the Copyright Act (no 98 of 1978) if the making of the work would have constituted an infringement of the copyright if it had been made in the Republic. The hypothetical making of the work posited in the section refers to a making of the article by the person who made it in fact. Therefore, if that person assigned the copyright to a person in the Republic, his making the work in the Republic would constitute an infringement of the copyright, and an importer of the item incorporating the work will be prohibited from so importing.

The appellant was the assignee of the copyright in literary and artistic works held by TDK Electronics Co Ltd, the manufacturer of certain audio recording tapes. In terms of the assignment, the appellant was vested exclusively with all the rights comprehended by the South African copyright in them. The literary and artistic works referred to in the deed of assignment consisted in the get-up of the audio recording tapes, including the design of the wrapper used as packaging for the tapes, and the wording found on the wrapper. Also included was the design placed on cardboard inserts placed inside the transparent plastic container holding the tapes.

The respondent imported the tapes and sold them in South Africa. The appellant then brought an application interdicting the respondent from doing so, applying for the delivery up of tapes in its possession, and an account of profits, alternatively postponing the determination of damages to a date to be arranged.

The appellant appealed the dismissal of this application.

Section 23(2) of the Copyright Act (no 98 of 1978) provides that a person infringes copyright by importing an article into the Republic, or by selling an article in the Republic, or by distributing the article in the Republic for purposes of trade to such an extent that the owner of the copyright is prejudiced, if the making of that article, to his knowledge, constituted an infringement of the copyright, or would have done so if the article had been made in the Republic.

The appellant relied on the allegation that infringement had taken place because the making of the tapes in the Republic would have constituted an infringement if they had been made here.

Section 23(2) applied to an article imported into the Republic, and required that a hypothesis be made, ie that the article in question is made in the Republic by the person who made it in fact. It provided that if such a person could lawfully have made it in the Republic, then there would be no infringement of copyright. It followed that if the person who made the article could not lawfully have made it in the Republic, a person who imports the article or sells or distributes it here, commits an infringement of copyright. It had therefore to be determined whether if TDK Electronics had made the tapes in South Africa this would have constituted an infringement of the appellant's copyright, if so whether the respondent knew this, and whether the respondent acted without the licence of the holder of the copyright.

The whole of the wrapper constituted an artistic work within the meaning of the definition of that term in the Copyright Act. Considerable design and draughting skill had gone into the production of the wrapper. The design placed on one of the cardboard inserts also constituted an artistic work. Since the appellant was vested exclusively with the South African copyright in these works, the making of them in the Republic by TDK Electronics would have constituted an infringement of the appellant's copyright.

The respondent knew that this was the position because it had been informed that this was so in letters written to it by the appellant's attorneys prior to the institution of the application.

The respondent acted without the licence of the copyright holder, and it could not be implied in the failure of TDK Electronics to indicate on the packaging of its tapes any restriction on their resale, that such a licence existed.

The interdict was granted, as well as an order for the delivery up of the tapes.

Corbett CJ: This case is concerned with what has become known as 'parallel importation' and it represents an attempt to prevent this by means of the law of copyright. In the court *a quo*, the Durban and Coast Local Division, the attempt failed. The appeal to this court seeks the reversal of the decision of that court, which has been reported (see *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd* 1991 (3) SA 240 (D)).

The appellant, a South African company with its principal place of business in Johannesburg, trades as an importer and distributor of, *inter alia*, blank audio and video cassette tapes. Since 1974 appellant has acted as the sole and exclusive importer and distributor of blank TDK audio recording tapes ('TDK tapes') in terms of a distributorship agreement entered into between appellant and the manufacturer of TDK tapes, TDK Electronics Co Ltd of Japan ('TDK Electronics'), and the exporter of these tapes, Furukama Trading Company Limited, of Japan. Included in this agreement (which I shall call 'the distributorship agreement') are clauses in terms of which (i) TDK Electronics grants appellant the right to be the exclusive distributor of TDK tapes in the Republic of South Africa and in certain other Southern African states (referred to as the 'Territory') and (ii) appellant undertakes not to sell sound recording tapes or similar products of 'other parties' in the Territory.

At the time of the proceedings in the court below the distributorship agreement was still in operation. It is common cause that TDK tapes are amongst the most famous and popular makes of blank audio cassette tapes in the world. Since 1974 appellant has established throughout South Africa a network of dealers to whom it supplies TDK tapes; and these tapes are stocked by many retail outlets in South Africa. They are one of the best selling brands of blank audio cassette tapes in South Africa. Appellant spends considerable sums of money each year on advertising and otherwise

promoting the sale of TDK tapes and thereby establishing and maintaining the pre-eminence of these goods in the South African market. The importation and distribution of TDK tapes has become one of the major areas of appellant's business.

The respondent is also a South African company and it has its principal place of business in Durban. Its trading activities comprehend the importation into and sale in South Africa of blank audio cassette tapes, including TDK tapes. It appears from the answering affidavit filed on behalf of respondent in the court *a quo* that respondent obtains its supplies of TDK tapes from Daldas and Co of Singapore, which in turn acquires them from Hock Cheong and Co, also of Singapore and the authorized dealer appointed by TDK Electronics in Singapore. TDK Electronics supplies these goods to Hock Cheong and Co without any restrictions on re-sale; and Hock Cheong and Co's supply of the goods to Daldas and Co and the latter's supply of the goods to respondent are similarly free of restriction. It appears that it would be unlawful in terms of Japanese law for TDK Electronics to impose contractual restrictions on the re-sale of TDK tapes supplied by it to its distributors.

The appellant has for some years been very concerned about the trading activities in South Africa of respondent in regard to the importation and sale of TDK tapes, which it terms 'parallel importation'. It avers that a parallel importer is in the nature of a 'parasite' in that he imports goods for which a ready demand has already been established by the regular and authorized distributor. The 'parasite' slur is, needless to say, strenuously denied by respondent.

In 1986 and after a running dispute for some years appellant instituted an action against respondent in the Durban and Coast Local Division, claiming that respondent's activities constituted the infringement of the mark 'TDK' and a certain device mark (which appears to represent a diamond with its different facets—the diamond device) on the cassette tapes, which were both registered trade marks; or alternatively that such activities amounted to the contravention of certain provisions of the Merchandise Marks Act (no 17 of 1941). The action was heard by Page J, who dismissed it with costs (see *Frank & Hirsch (Pty) Ltd v Roopanand Brothers* 1987 (3) SA 165 (D)).

Thereafter appellant and TDK Electronics considered other ways and means of preventing the parallel importation of TDK tapes by the respondent. It was eventually decided that in order to give effect to the exclusivity of the distributorship agreement TDK Electronics would assign to appellant all its copyright in the literary and/or artistic works comprised in the get-up and trade dress of TDK tapes. This was done by means of a written deed of assignment of copyright entered into between the parties in Japan on 4 June

1987. The preamble to the deed recorded that TDK Electronics was owner in South Africa of copyright in—

‘... certain original artistic and literary works within the meaning of the Copyright Act of the Republic of South Africa No 98 of 1978 in the nature of packaging, inserts, covers and the like for audio cassette and video cassette tapes, true copies of which works are annexed hereto marked ‘A1 - A27’

and that it might become the owner of the South African copyright in

‘further artistic and literary works of this nature to be made in the future’.

(Annexures A1 - A27 consist of a series of colour photographs depicting the different aspects of a number of different TDK audio and video tapes and showing not only the outward get-up, but also what are termed the ‘inserts’.) In the preamble all this was named the ‘the copyrighted works’. The deed further provided that TDK Electronics assigned and transferred to appellant—

‘... the full and complete South African copyright and all its right, title and interest in and to the copyrighted works for the full duration of the term thereof.’

Shortly thereafter, on 16 July 1987, appellant's attorneys wrote a letter to respondent setting out the full facts of the matter, including those relating to their exclusive distributorship, the nature of the packaging of the TDK tapes, their claim that the written and pictorial material included on such packaging constituted literary and/or artistic works in terms of the Copyright Act (no 98 of 1978) (‘the Act’) and the assignment to appellant of the South African copyright in such material by the owner thereof, TDK Electronics, for the full duration of the term thereof, and explaining in detail why the activities of respondent in importing and trading in TDK tapes constituted an infringement of appellant's copyright. The letter further demanded that respondent refrain from continuing to do so, on pain of legal action.

Respondent's reply was non-committal and, it appears, it continued to trade as before. On 15 December 1987 appellant's attorneys again wrote to respondent saying that they had received confirmation that respondent had sold in South Africa a TDK tape manufactured after the copyright had been assigned to appellant and threatening legal action unless there was compliance with the requirements of the letter of 16 July 1987. In January 1988 TDK Electronics adopted a new get-up for its TDK D60 audio cassette tapes, one of the best selling products of the range of TDK tapes. I shall later describe this new get-up which replaced the then-existing get-up for these tapes. In September 1988 a supplementary deed of assignment was entered into between TDK Electronics and appellant. The preamble to this deed refers to the deed of assignment of 4 June 1987 and recites that TDK

Electronics has adopted a new trade dress for its audio and video cassette tapes. In the body of the deed it is provided that the artistic and literary works embodied in this new trade dress is comprised in the 'further artistic and literary works of this nature to be made in the future', referred to in the preamble to the original deed; and that the original deed applies in all respects to the copyright in this new dress.

On 6 October 1988 appellant's attorneys addressed a further letter to respondent explaining that the new get-up adopted by TDK Electronics for its blank cassettes was covered by the assignment of copyright in appellant's favour and that accordingly the importation, selling and/or distribution by respondent of TDK tapes in the new get-up would constitute infringement of appellant's copyright. The letter ends with a warning that if respondent should be found to be doing this, infringement proceedings would be instituted forthwith.

Thereafter appellant was provided with evidence that respondent was continuing to sell TDK D60 audio tapes. And in May 1990 appellant instituted motion proceedings in the court *a quo* claiming an interdict and orders for delivery up, an account of profits or, alternatively, for postponing the question of damages to a date to be arranged, and costs. The matter came before Booysen J who, for reasons which I shall later elaborate, dismissed the application with costs, but granted leave to appeal to this court.

I turn to examine the legal basis of appellant's case. The Act was extensively amended by the Copyright Amendment Act (no 125 of 1992), but it is common cause that this case must be decided on the basis of the law as laid down by the Act prior to the 1992 amendments. Sections 23 (1) and (2) provided as follows:

- '23 (1) Copyright shall be infringed by any person, not being the owner of the copyright, who, without the licence of such owner, does or causes any other person to do, in the Republic, any act which the owner of the copyright may authorize.
- (2) Without derogating from the generality of subsection (1), copyright shall be infringed 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 hire in the Republic article; or
 - (c) distributes in the Republic any article for the purposes of trade, or for any other purpose, to such an extent that the owner of the copyright in question is prejudicially affected,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.'

('Republic', of course, means the Republic of South Africa—section 2 of the Interpretation Act (no 33 of 1957).) The appellant relies upon infringement in terms of section 23(2) sometimes termed infringement—and its claim new get-up of the TDK D60 'secondary' or 'indirect' relates specifically to the audio cassette tapes. (I shall call these 'the tape (or tapes) in issue'.) This get-up is illustrated by photographs of the two sides of the tape in issue which constitute annexures EG3 and EG4 to the founding affidavit. In addition, we have been provided (as was the court *a quo*) with a sample of such a tape. Appellant avers that this get-up embodies artistic and/or literary works within the meaning of those concepts in the Act.

In terms of section 24(1) of the Act, infringements of copyright are actionable at the suit of the owner of the copyright'. Section 21 defines in whom ownership of copyright vests. And section 22 deals, *inter alia* with assignment of copyright. It provides that copyright is transmissible as movable property by assignment; that an assignment of copyright may be limited so as to apply to some only of the acts which the owner of the copyright has the exclusive right to control, or to a part only of the term of the copyright, or to a specified country or other geographical area; and that no assignment of copyright shall have effect unless it is in writing signed by or on behalf of the assignor. The effect of a valid assignment is to vest in the assignee ownership of the copyright in the work or works covered by the assignment and entitles the assignee to sue for infringement of such copyright (see *Galago Publishers (Pty) Ltd and another v Erasmus* 1989 (1) SA 276 (A), at 279 F-G; Dean, *Handbook of South African Copyright Law*, at 1-35).

In the present case it is not in dispute that in terms of section 21 ownership of whatever copyright there is in the get-up of the tapes in issue originally vested in TDK Electronics; that this copyright in so far as it obtained in South Africa, was validly assigned to appellant; and that such copyright still subsists. In order to complete its cause of action in terms of section 23(2) appellant had to establish also—

- (a) that respondent either imported into South Africa the tapes in issue for a purpose other than for his private or domestic use, or sold, let or by way of trade offered or exposed for sale or hire in South Africa the tapes in issue, or distributed in South Africa the tapes in issue for the purposes of trade or for any other purpose to such an extent that the owner of the copyright in question is prejudicially affected;
- (b) that to respondent's knowledge the making of the tapes in issue either
 - (i) constituted an infringement of appellant's copyright, or
 - (ii) would have constituted such an infringement if the article had been

made in South Africa; and

(c) that respondent had no licence from the owner of the copyright to do what he did.

It is not disputed that the evidence of the activities of the respondent in importing and marketing the tapes in issue established one of more of the requirements of (a) above. As to (b), appellant relied on alternative (ii). This aspect of section 23(2) was considered by Goldstone J in the case of *Twentieth Century Fox Film Corporation and another v Anthony Black Films (Pty) Ltd* 1982 (3) SA 582 (W). In this case the court held:

(1) that the words in section 23(2)—

'... would have constituted infringement if the article had been made in the Republic'

applied, and could only apply, to an imported article, ie one not made in South Africa;

(2) that the hypothesis that the court is required to make in terms of these words is that the imported article was made in South Africa the person who made it in fact; and

(3) that if that person could lawfully have made it in South Africa, there is no infringement copyright.

(See the judgment at 589H-594H.) It seems to me, with respect, that these propositions are a correct interpretation of the relevant words of section 23(2). It follows, as a logical corollary, that, if the person who made the article could not lawfully (ie without infringing copyright) have made it in South Africa, a person who, with the requisite knowledge and without licence, either imports the article into South Africa or sells or distributes it here commits an infringement of copyright in terms of section 23(2): see *Paramount Pictures Corporation v Video Parktown North (Pty) Ltd* 1983 (2) SA 251 (T), at 261 B-F; also Dean, op cit, 1-23/4; Dean in an article entitled 'Parallel Importation - Infringement of Copyright', (1983) 100 *SALJ* 258, at 261-71.

In applying these statutory provisions, thus interpreted, to the facts of the present case the cardinal questions which must be asked are: whether, if TDK Electronics had made the tapes in issue in South Africa, this would have constituted an infringement of appellant's copyright in the get-up of the tapes; if so, whether respondent knew this; and whether respondent acted without the licence of the owner. The answer to the first of these questions depends in turn on whether there was in the get-up of the tapes in issue subject-matter enjoying copyright protection. It is to this question that I now turn.

Annexures EG3 and EG4 and the sample handed in show that the tape in issue is permanently encased in a transparent plastic cassette into which is built portions of the mechanism. When packed and ready for sale the cassette

is enclosed in a transparent plastic container the two halves of which are hinged together and which opens and shuts to a slight pressure of the fingers. This container is virtually devoid of embellishment. Inside the container there are placed pieces of paper called 'inserts'. The container itself is enclosed in a cellophane wrapper. In its fully-packed state the cassette (in its container) measures about 11 cm x 7 cm and is about 1,5 cm thick. In determining whether there is subject-matter in the get-up of the tape in issue I shall concentrate on the wrapper and the inserts. For reasons which will emerge later it is not necessary to deal with what appears to be printed on the sides of the cassette itself.

One side of the cassette, when packed and enclosed in its wrapper, is obviously the one which would normally be uppermost on display ('the obverse side'). The upper portion of the obverse side of the wrapper consists of a transparent panel through which portions of the tape and the cassette mechanism are visible. The rest of this side is opaque and is divided into a number of rectilinear strips or panels of different colours—white, black, red and gold. On the transparent panel appear (in white) the aforementioned diamond device, the mark TDK and the words 'Reliable cassette mechanism'. 'D60' (the 'D' in white and the '60' in green) is printed against the background of a black panel and other technical information appears on a white panel. The reverse side of the wrapper has a red background on which appear, *inter alia*, the diamond device, the TDK mark, D60 (in white) on a small black panel, a narrow gold panel on which are printed the words 'Dynamic Cassette Low Noise High Output', material descriptive and laudatory of the cassette, printed in black, in English, German and French, and various other inscriptions. The designs and colouring on obverse and reverse sides of the wrapper are carried over onto the edges of the cassette, upon which there are also various inscriptions, including the diamond device and the TDK mark.

The two inserts are somewhat different from one another. The one, made of thick, stiff paper is folded to fit into one portion of the hinged container ('the first insert'). When the container is closed (whether empty or containing the cassette) part of this insert forms a series of strips or panels, coloured white, grey, black, red and gold which are visible on portion of the obverse side and also on the bottom edge, after the wrapper has been removed. The rest of the insert is only visible on the obverse side when the container is empty. At the top of it is a strip coloured pink on which appear in red lettering certain inscriptions and below that a blank space with horizontal dotted lines. The purpose of this part of the insert was not explained to us, but I would infer that it is to provide the user of the tape with a convenient table upon which to list what he has recorded on the tape. On the reverse side

is visible, when the wrapper is removed and irrespective of whether the container is empty or not, a similar table. The other insert ('the second insert') consists of an oblong piece of paper. On the one side (colours white and red) are a number of strip (pull-off) labels; and on the other a warranty relating to the cassette in English, German and French (black print against a white background). The original author of the get-up of the tapes in issue, an employee of TDK Electronics named Nobora Yemura, did not claim to have made or devised the second insert and it can consequently be ignored.

In terms of the Act copyright may exist in respect of, *inter alia*, original 'literary works' and 'artistic works'. These are defined in the Act as follows:

''artistic work" means, irrespective the artistic quality thereof—

- (a) paintings, sculptures, drawings, engravings and photographs;
- (b) works of architecture, being either buildings or models of buildings;
- or
- (c) works of artistic craftsmanship, or works of craftsmanship of a technical nature, not falling within either paragraph (a) or (b);

...

''literary work" includes, irrespective of literary quality and in whatever mode or form expressed—

- (a) novels, stories and poetical works;
- (b) dramatic works, stage directions, cinematograph film scenarios and broadcasting scripts;
- (c) textbooks, treatises, histories, biographies, essays and articles;
- (d) encyclopaedias and dictionaries;
- (e) letters, reports and memoranda;
- (f) lectures, addresses and sermons; and
- (g) written tables and compilations.'

Applying these definitions I am satisfied that the whole of the wrapper constitutes 'artistic work' within the meaning of the statutory definition. As this definition indicates, artistic quality is not a necessary requirement. Nevertheless, I am satisfied that considerable design and draughting skill has gone into the production of this wrapper. The obverse side has a layout which is attractive, eye-catching and colourful; and, though less skill would appear to have been required to produce the reverse side, it, too, shows evidence of artistic quality. Moreover, it is interesting to note that the English courts have recognized items such as labels as having the necessary qualities to constitute artistic work: see *Charles Walker & Co Ltd v The British Picker Co Ltd* [1961] RPC 57; *Tavener Rutledge Ld v Specters Ltd* [1959] RPC 83. In the *Charles Walker* case the label, as illustrated on page 58 of the report, appears to have substantially less artistic merit or quality than either side of the wrapper here in issue.

At this point I should make it clear that appellant disavows any copyright in the diamond device and the TDK mark individually and dehors the wrapper or the insert as a whole. These two features had originally been made by someone other than the author of the wrapper and insert and were incorporated in the wrapper and the insert by the author thereof. The claim that the wrapper includes literary work is perhaps more debatable, but in view of the finding in respect of artistic work it is not necessary to pursue this aspect. And, I might add, I did not understand respondent's counsel to seriously dispute the proposition that the wrapper constitutes or contains artistic work. Nor did he suggest that this artistic work was not original; 'original' in this context meaning that the work should emanate from the author himself and not be copied (see *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* 1987 (2) SA 1 (A), at 22H-23B).

Turning to the first insert, I am of the view that, mainly on the strength of the portion displaying the coloured strips and panels, this item of get-up has artistic subject-matter. Again it is not necessary to consider literary subject-matter. Nor is it necessary to deal with the inscriptions printed on the cassette itself. As far as can be ascertained this is not separable from the cassette.

Assuming at this stage that appellant has shown infringement of copyright, it will be entitled to an interdict against respondent on the strength of, and in respect of, the wrapper and the first insert and will be entitled also to the delivery up of these items. But it will not be entitled, and this is conceded by appellant, to any such orders in respect of the cassette tape itself. In view of the impossibility of separating the inscriptions on the cassette from the cassette it is not feasible to grant any such orders in regard to the inscriptions.

I hold, accordingly, that the get-up of the tapes in issue did contain subject-matter for copyright protection. The assignment of the South African copyright in respect of the get-up of the tapes in issue vested in appellant exclusively all the rights comprehended by the South African copyright and divested TDK Electronics thereof. It follows that, hypothetically, the making in South Africa of the get-up of the tapes in issue by TDK Electronics would have constituted an infringement of appellant's copyright.

The next element required to establish appellant's cause of action is knowledge of this on the part of respondent. In the case of *Gramophone Co Ltd v Music Machine (Pty) Ltd and others* 1973 (3) SA 188 (W) 'knowledge' in the similar sections (sections 17(2) and 17(3)) of the previous Copyright Act (no 63 of 1965) was held to mean notice of facts such as would suggest to a reasonable man that a breach of copyright law was being committed (see p 207 F-G); and also *Paramount Pictures Corporation v Video Parktown*

North (supra) at 261 G; and the discussion in *Copinger and Skone James on Copyright*, 13th ed, p 140.) It is not necessary to decide whether this formulation is precisely correct or adequate for, in my view, appellant, by means of its letters of 16 July 1987 and 6 October 1988, placed before respondent sufficient facts from which it could and should have appreciated that its commercial activities relating to the tapes in issue constituted infringement of appellant's copyright. And it would have been no answer for the respondent to say that although it knew all the relevant facts it nevertheless believed, as a matter of law, that it was committing no infringement (*Copinger and Skone James on Copyright*, op cit, p 241; *Sillitoe and others v McGraw-Hill Book Company (UK) Ltd* [1983] FSR 545, at 557). None of this appeared to be contested by the respondent in this court.

Subject to the question of licence (with which I shall deal later) the appellant would thus appear to have established all the requirements of a cause of action in terms of section 23(3) of the Act. It was nevertheless non-suited in the court *a quo*. The court's reasons for doing so appear from the reported judgment, pages 244I-246D. Here the learned judge *a quo* commences his line of reasoning by focussing on the words in the section which relate to an article the making of which would have constituted an infringement of copyright if the article had been made in South Africa (at 244 I). Having referred to the purposes of the law of copyright and certain provisions of the Act he concludes that copyright in a literary or artistic work is infringed by making an article which is a reproduction, publication or adaptation of the work without licence of the owner of the copyright; or by importing such an article for the purposes of trade. The learned judge then poses the question (at 245 H-I):

'What is the position, though, if a physical reproduction of the work by *accessio* becomes part of a principal thing so that the thing thus made is not a reproduction, publication or adaptation of the work but a different thing altogether and what if such a physical reproduction of the work together with other physical things by *specificatio* becomes a new thing or article?'

He answers this question by stating the following (at 245 I to 246 C):

'It seems to me that the answer to this question must be that it is not an article the making of which constitutes an infringement if only the making of an accessory part of the article which has been made constituted an infringement. If the Legislature had meant to refer to such articles, it should have said so, eg by referring to an article or any part thereof. To hold otherwise would mean that the importer of a car which has shock absorbers of another manufacturer fitted, upon which literary or artistic work is printed or painted, could be infringing copyright and be

prohibited from importing the car.

The remedies of the Copyright Act components could not possibly have been meant to apply to such a situation. The short answer would be that the car article the making of which infringed copyright. The car would not be a copy, reproduction or adaptation of the work. The reproduction work would merely accessory component thereof.

It seems to me that these cassette tapes are also not articles the making of which would have constituted infringement of copyright. The physical reproductions of the artistic or literary works comprising the get-up were indeed accessory to the principal things, ie the cassette tapes and by *accessio* or *specificatio* became part of the cassette tapes, the articles in question.'

Respondent's counsel supported this line of reasoning. Indeed, despite the fact that respondent raised a number of other defences on the papers and in argument before the court below, this was virtually the only ground upon which respondent's counsel resisted the appeal in this court. He did also argue the question of licence, but without much conviction.

I am, with respect, unable to agree with the reasons and decision of the court *a quo*. The reliance on the concepts of *accessio* and *specificatio*, is, in my view, misplaced. In *Wille's Principles of South African Law*, 8th ed, the section edited by Prof C G van der Merwe contains the following definitions of accession and specification:

'*Accessio* is a method of acquiring ownership by a person in a thing by virtue of it being added to, or incorporated with, a thing belonging to himself' (at 285). '*Specification* occurs when a person creates a *nova species* (a new product) out of materials which belong wholly or partly to another without there being any legal relationship between the parties. The maker only becomes the owner of the new product if it cannot be reduced to its original form.' (at 287).

(See also *Aldine Timber Co v Hlatwayo* 1932 TPD 337, at 341.) I fail to see how these principles which deal with the passing of ownership in corporeal property have any relevance to the present situation. The owner of copyright in certain subject-matter holds incorporeal rights created and regulated by statute. The statute determines when and how those rights come into existence, how they may be transferred and when and how they terminate.

Respondent's counsel conceded that he knew of no authority which suggested that the principles of *accessio* and *specificatio* apply to incorporeal rights; and I would be surprised if there were any. In any event, I do not see how common law rules regarding the passing of ownership (even if applicable on the facts) could displace the specific provisions of the statute

governing the law of copyright. And finally the reasoning of the court *a quo*, as I understand it, relies upon the principles of *accessio* and/or *specificatio* in order to establish not that the copyright in the wrappers was transferred to someone else when the cassettes were encased in them, but that it, somehow, ceased to exist. This, in my view, is wholly contrary to the provisions of the Act, which, as I have stressed, regulates how and when copyright terminates. It seems to be an inescapable consequence of the decision of the court *a quo* that wherever the physical reproduction of a work in which A has the copyright becomes part of a 'principal thing' (which itself is either not the subject-matter of copyright or over which A has no copyright) A loses his copyright and can have no claim for its infringement; and that this principle would apply to both direct and indirect infringement. If this were so, the protection afforded to an author by the copyright law would be nullified in a number of important instances. Thus, for example, an artist who painted an original artistic work would, presumably, not be entitled to sue under either part of section 23 if a reproduction of that painting were used without permission as a dust-cover for, or an illustration in, a book of which someone else was the author. Similarly, a writer or poet would have no claim who unauthorizedly included his short story in a collection of short stories or his poem in an anthology of poetry. Many other examples spring to mind.

That this is not the law is well illustrated by two English cases and an Australian one. The first is *Tavener Rutledge Ltd v Specters Ltd*, *supra*. In that case plaintiff and defendant both sold sweets (particularly fruit drops) in tins. In each case the top of the tin was decorated by a coloured drawing depicting fruitdrops and a central panel which featured the producer's name, the name of the product, viz 'fruit flavoured drops', and certain other information. In an action in which the plaintiff claimed, *inter alia*, infringement of copyright, the court held that defendant's label so closely resembled plaintiff's that it constituted a copy thereof and the copyright claim succeeded. The essential facts of that case are very similar to those in the present case. In the second case, *Moffat and Paige Ltd v George Gill and Sons Ltd and Francis Marshall* (1902) 86 L.T. 465 (CA), the plaintiff was the publisher of an annotated edition of Shakespeare's 'As You Like It'. The defendant published an annotated edition of the same work. Plaintiff sued successfully for infringement of copyright, the court finding that defendant's publication was substantially a copy of plaintiff's. It was also held that the plaintiff's work was subject-matter of copyright. Clearly this copyright applied only to the author's annotations, since as Collins MR pointed out (at 470) it was open to anybody to compile an edition of 'As You Like It'. The annotations were obviously accessory to the main work, but that did not prevent there having been an infringement of copyright.

In the Australian case, *R A & A Bailey & Co Ltd v Boccaccio Pty Ltd and others*; *R A & A Bailey & Co Ltd v Pacific Wine Co Pty Ltd* (1986) 6 IPR 279, an instance of parallel importation, the product in question was a liqueur manufactured in the Republic of Ireland, called 'Bailey's Original Irish Cream'. It was marketed in a distinctive bottle and part of the get-up was a label which contained various inscriptions and a picture of a country scene. In an action in the supreme court of New South Wales it was not disputed that there was copyright in the label as being an artistic work and it was so found. The defendant raised other defences (which failed), but nowhere was it suggested that because the label was accessory to the bottle of liqueur no copyright in the label existed.

The example of the motor car and its shock absorbers used by the judge *a quo* to reinforce his reasoning is, in my view, unhelpful. From a practical point of view I find it very unlikely (i) that printing on a shock absorber would constitute artistic work; and (ii) that, if he did, the owner of the copyright would not have licensed its use; and (iii) even assuming he had not, that the importer would have knowledge of all this. If, contrary to the probabilities, these circumstances all co-existed, then, subject to the *de minimis* principle, the importer might have a problem. In other words, the example does not state the correctness of the approach adopted by the judge *a quo*.

It remains to deal briefly with the questions of licence and estoppel raised by respondent and, as I have indicated, argued but faintly before us. Reduced to its essentials, respondent's argument is that TDK Electronics labelled and packaged the tapes without any restriction on resale and the subsequent lack of restriction on resale to, *inter alia*, a South African importer by the person first purchasing them, occurred to the knowledge of and without action by appellant against TDK Electronics; that this constituted an unconditional consent by conduct on the part of the appellant to (and thereby an implied licence for the sale of the goods in that form, so packaged and labelled; and that this consent extended to resales. There is no substance in this argument. When asked what action appellant could have taken against TDK Electronics, respondent's counsel was unable to give an adequate reply. Moreover, after the assignment of the copyright and by means of its letters of 16 July 1987 and 6 October 1988 appellant made it abundantly clear to respondent that the continued importation and sale of the tapes in issue would infringe its copyright. This would have dispelled any notion of an implied licence. And, of course, after the assignment only appellant could grant a licence in regard to South Africa.

Respondent's counsel conceded that if implied licence argument failed, the one based on estoppel could not succeed.

For these reasons, I hold that appellant did establish infringement of its copyright in the get-up (comprising the wrapper and the first insert) of the tapes in issue and that its appeal must be allowed. Appellant is entitled to an interdict and delivery up of the wrappers and inserts which came into its possession after it received the letter of 6 October 1988. Appellant also claimed relief by way of an account of profits but during the hearing of the appeal this was wisely abandoned.

In appellant's notice of motion the prayers for an interdict and for an order for delivery up are directed against 'respondent, its servants and agents'. Orders of this nature are sometimes, but not always, sought and granted by the court in copyright and other intellectual property cases (see, for example, *Tie Rack plc v Tie Rack Stores (Pty) Ltd and another* 1989 (4) SA 427 (T), at 451 F; but cf *Paramount Pictures Corporation v Video Parktown North (Pty) Ltd, supra*, at 263 D and G). In so far as an order in this form refers to 'servants' it seems to me to be redundant, particularly in the case of a limited liability company which perforce acts to a great extent through its servants. The unqualified reference to 'agents' is anomalous in that such agents are not before the court and consequently the order would not be binding on them. These points were discussed in the speech of Lord Uthwatt in *Marengo v Daily Sketch and Sunday Graphic Ltd* [1948] 1 All ER 406 (HL), at 407 (a passing off case) with reference to the English practice of granting an injunction against 'the defendants, their staff servants and agents'. He pointed out that the reference in an order to staff, servants and agents could not bind such persons, but was merely a warning to them against possibly committing contempt of court by knowingly assisting the defendant in a breach of the injunction. The learned Law Lord considered that this form of order was open to objection and concluded (at 407 H):

'I suggest (my suggestion is, perhaps, a one-sided compromise with tradition) that the judges might well consider whether injunctions should not assume the form of restraining "the defendants by themselves their servants workmen and agents or otherwise" from committing the prohibited acts. In the present case the defendants are a limited company and can act only through others. I invite your Lordships, therefore, to consider whether the injunction here should not take the form of restraining the "defendants by their servants workmen agents or otherwise" from commission of the acts to be enjoined.' (See also Copinger, *op cit*, par 11-63, p 341.)

My researches indicate that in this country there is no established tradition regarding the form of such orders and, in my view, it is appropriate to discard what is in truth a misleading and ineffectual formula and simply to grant the order, whether it be for an interdict or delivery up, as against the defendant

or respondent, as the case may be.

Respondent's counsel contended that the failure of the argument on an account of profits merited a special order in regard to costs should the appeal succeed. I cannot agree. The appellant has achieved substantial, indeed almost overwhelming, success and it is entitled to its costs of appeal in full.

The following order is made:

(1) The appeal is allowed with costs, including those occasioned by the employment of two counsel.

(2) The order of the court *a quo* is set aside and the following order is substituted:

'It is ordered:

(a) That respondent is interdicted from infringing the applicant's copyright in the get-up (consisting of the cellophane wrapper and the first insert) of TDK D60 audio cassette tapes (hereafter referred to as the "subject works") by:

(i) importing into the Republic of South Africa audio tapes in the get-up of which copies of the subject works appear; and/or

(ii) selling, exposing for sale or distributing for trade audio-tapes in the get-up of copies of the subject works appear;

(b) that respondent deliver up to the applicant for destruction all of the subject works their possession or control; and

(c) that respondent pay the costs of suit, including the costs of two counsel.'

BOTHA JA, GOLDSTONE JA, NICHOLAS AJA AND HARMS AJA
concurred

PAYEN COMPONENTS SOUTH AFRICA LTD v BOVIC GASKETS CC AND OTHERS

WITWATERSRAND LOCAL DIVISION

VAN ZYL J

18 JUNE 1993

A tabulation of mathematical principles used for the allocation by computer of numbers to products is not a literary work within the meaning of the term in the Copyright Act (no 98 of 1978). A computer print-out of cross-reference lists created by means of a computer program is also not a work capable of copyright protection, because the computer program does not function merely as a tool in the creation of such lists.

The applicant was the exclusive licensee of a 'Table of Significance' (a tabulation of mathematical principles of a computer-based coding system), a cross-reference list, and certain catalogues. Each of these related to the products sold by the applicant, the cross-reference list being a record of old and new reference numbers of each product, and the catalogues being documentary records containing those numbers, descriptions of the products and their prices. The cross-reference list had been created using a computer program which had been devised for the purpose of allocating new reference numbers to old. The applicant had become the exclusive licensee in 1989, but had been preparing its own catalogues and price lists since then.

The applicant's coding system became the standard method of identifying the products (which were gaskets and gasket sets).

The applicant alleged that the first respondent was reproducing its numbering system in a price list published by it and on its gasket sets. It alleged that the code number the first respondent had assigned to its products was the same as that listed for its products, save that each had been prefaced with a 'D'.

The applicant sought an interdict restraining the respondents from infringing its copyright in the price list and identifying code system, and an interdict preventing the respondents from competing unlawfully with the applicant.

The applicant alleged that the Table of Significance and the computer printout of the cross-reference list were literary works as defined in section 1(1) of the Copyright Act (no 98 of 1978), and did not rely on any allegation that the computer program was the work in respect of which it sought protection. The question was whether or not these things were literary works as defined.

The Table of Significance could not constitute a 'work' since it was merely the outline of a new system; it had in fact been used as such for devising a computer program directed at allocating new numbers to the applicant's products. As far as the computer printout of the cross-reference list was concerned, it was the computer program which created it rather than the computer itself, and as such could not be considered to have been created using the computer program as a mere tool.

The applicant had therefore failed to identify the 'work' in respect of which it sought copyright protection.

As far as the claim based on unlawful competition was concerned, the alleged

wrongful act may be constituted by conduct which is regarded by the community as being in conflict with fairness and honesty. This is established by having regard to the *boni mores* of the community, determined in part by an assessment of the meritoriousness of competitive performance. General considerations of justice, equity, reasonableness, good faith and public policy underlie the judgment that there has or has not been unlawful competition. Whereas this approach may lead to uncertainty, where the application of clear legal rules does not provide an answer, it must be followed in order to ensure the application of justice.

Applying these considerations to the facts, it had to be accepted that the applicant had spent much time, effort and expenditure in devising the coding system. However, it would be absurd to expect that the first respondent should devise its own system when that of the applicant had become the standard method of identifying the products in question. There was nothing objectionable about a competitor using the applicant's idea relating to the identifying codes.

The application was dismissed.

Van Zyl J: The applicant, which is a member of the Payen Group of Companies based in the United Kingdom, is the manufacturer and supplier of a variety of gaskets for use in motor vehicle engines. It also imports gaskets which are packaged locally. Its products are distributed throughout South Africa both through its own distributor outlets and through wholesalers. The applicant avers that it is the largest gasket manufacturer in South Africa, having captured more than sixty percent of the automated replacement market for gaskets.

The first respondent likewise supplies and sells gaskets, some of its products being imported and packaged locally while others are manufactured locally. The applicant and first respondent are in competition with each other.

The remaining respondents are cited in their capacity as members of the first respondent and are alleged to be 'jointly responsible for the acts and infringements committed by the first respondent', an allegation which is denied by the respondents.

The relief sought by the applicant is, firstly, for an order interdicting the respondents from infringing the applicant's copyright vesting in its catalogue, price list and identifying code system as used by it in the sale of its gaskets. During the course of argument on behalf of the applicant, Mr Puckrin indicated that the applicant was relying principally on the alleged infringement of its identifying code system by virtue of the respondents' having reproduced or published its identifying codes on first respondent's gaskets and gasket sets.

Secondly, an interdict is sought preventing the respondents from competing unlawfully with the applicant by making wrongful use of the applicant's numbering system in the first respondent's price list dated 4 March

1991 and in the identifying codes on the first respondent's gaskets and gasket sets.

Further relief claimed on the basis of alleged infringements in terms of the Trade Practices Act (no 76 of 1976), and the Merchandise Marks Act (no 17 of 1941), was not proceeded with.

The basis of the applicant's case is that it is the co-author and publisher of a catalogue and price list which includes a unique computer based coding system of which it is the exclusive licensee. This system was devised during 1971 by the applicant's associated company in the United Kingdom, Payen International Limited, through one of its subsidiary companies, Engineering Components Ltd, with a view to identifying each individual gasket. It was the brainchild of one J L Machin, whose proposals were set forth in a so-called 'Table of Significance' which, in essence, tabulated the mathematical principles of the system. One B H Butler thereafter devised a computer program, based on the 'Table of Significance', for the purpose of allocating new reference numbers on gaskets previously identified by other numbers. All the relevant data, including the description, category and old reference number of each individual gasket, were then captured on computer whereafter Butler produced a cross-reference list which recorded both the old and the new reference numbers. This was published in catalogue form during October 1972.

The system makes use of five characters, the first two being letters of the alphabet and the last three being numbers. The advantage of the system has been its functionalism and efficiency. Existing stock of any particular gasket could be identified instantly by computer, price changes could be introduced and the rate of sales of particular items could be monitored with great facility.

In 1988 copyright in the 'numbering system' was assigned to Payen International Ltd. The 'works' assigned are described as the 'Table of Significance' the cross-reference list, as manifested in computer printout, and the said catalogues as updated from time to time. The applicant became exclusive licensee thereof in 1989. It has, however, been preparing its own catalogues and price lists on the basis of the 1972 catalogue and its updates.

The events giving rise to the present proceedings commenced in 1988, when the applicant became aware that the first respondent was publishing a price list containing a portion of the applicant's price list and catalogue. Furthermore the applicant's reference numbers were being reproduced on the first respondent's gasket sets. Correspondence passed between the parties and, in a letter dated 1 June 1989, the first respondent's attorneys informed the attorneys of the applicant that the first respondent had complied with the

various demands made, but without admitting liability or undertaking to pay damages.

During August 1991 the applicant discovered that, despite the said undertaking, the first respondent was reproducing the applicant's numbering system in a price list published by it and was once again 'reproducing and publishing' the applicant's numbering system on its gasket sets. Further correspondence passed, culminating in a letter dated 18 November 1991 in which the first respondent's attorneys denied this allegation. The applicant was apparently not satisfied with this denial and hence instituted the present application. In this regard reference is made to the first respondent's price list which contains the applicant's code number for each item, subject to the insertion of the letter 'D' as a prefix to each such number. This also appears from an invoice attached to the founding affidavit and on a label appended to one of the first respondent's gasket sets.

The applicant now avers that the respondents have applied 'its identifying marks, in the form of its unique and distinctive code number', to the products of the first respondent, which products are of an inferior quality to those of the applicant. This, the applicant submits, will cause it to suffer damage to its reputation and goodwill. At the same time it is regarded as unfair and unlawful competition, in that the respondents have acquired an 'unlawful advantage over the applicant in the marketplace' by simply copying the items in the catalogue and price list of the applicant, thereby saving themselves the considerable time and expense which would be required should they wish to devise their own numbering system.

The respondents contend that the applicant has not established the subsistence of copyright in any work constituting an identifying code or numbering system. The only relevant work which may be protected by copyright is the computer program devised for creating such code or system and the applicant has not claimed copyright 'in any computer program.

As for the allegation of unfair competition on the basis of the first respondent's price list of 4 March 1991, it is pointed out that such list is no longer being used and the first respondent has undertaken not to do so in the future. The first respondent presently communicates its prices to its customers by inscribing them on price lists supplied by the customers.

It is furthermore denied that the respondents have indulged in unfair or unlawful competition in that the first respondent has produced and distributed its own catalogue at considerable expense. In addition the applicant's identifying numbers are no longer distinctive since they are used widely as 'a generic identification of automotive gaskets'. They are hence in the public domain while the applicant's catalogues are freely available in the

trade. In this regard the second respondent observes that the 'Payen Coding System', as he calls it, has become 'the standard way of identifying automotive gaskets' here and elsewhere. He refers to it as 'a type of standardised language which virtually had to be used if any business was to be conducted in the field of automotive gaskets'. It is in fact impossible not to work with it.

It would appear that, if the first respondent could have avoided using the applicant's system, it would have done so. Its attempt to devise its own numbering system during 1989, however, was unsuccessful and it was compelled to resort once again to the applicant's established code, albeit by making use of the identifying system of a British company, Clough and Wood (Gaskets) Ltd, which employed the applicant's code but appended a prefix 'D' before each number. It is in fact this number which appears on the labels attached to the first respondent's products.

In the replying affidavit on behalf of the applicant, W D Galloway denies that the computer program devised by Butler created the new coding system and he hence denies that the protected work is such program. According to him the relevant literary work which is protected is the 'written compilation' and the published price lists and catalogues. The program as such was merely 'a tool to facilitate the generation of the new numbers', something which could have been done manually but which would have been very time-consuming.

I now turn to the alleged infringement of copyright, on the one hand, and the unfair or unlawful competition, on the other.

Infringement of Copyright

The applicant relies on the existence of a literary work which enjoys protection under the Copyright Act (no 98 of 1978). A 'literary work' is defined in section 1 (1) of the Act. It includes 'tables and compilations' and qualifies as such 'irrespective of literary quality and in whatever mode or form expressed'. It does not, however, include a computer program, which is specifically excluded from the definition in terms of the Copyright Amendment Act (no 125 of 1992), which came into operation on 10 July 1992. Nevertheless provision is made for copyright protection of a computer program in terms of section 2(1)(i) of Act 98 of 1978 as amended by Act 125 of 1992. Section 1(1) as amended defines a 'computer program' as 'a set of instructions fixed or stored in any manner and which, when used directly or indirectly in a computer, directs its operation to bring about a result'. Under the definition of 'author' in section 1(1) (h) and (i) respectively a distinction is drawn between the author of a 'computer program which is computer-generated' and the author of a 'computer program' as such. The former means 'the

person by whom the arrangements necessary for the creation of the work were undertaken' while the latter is 'the person who exercised control over the making of the computer program'. This must be read with section 1(4) of the Act relating to ownership of copyright subsisting in a computer program prior to the date of commencement of Act 125 of 1992. The nature of copyright in computer programs is described in section 11B and general exceptions regarding their protection are dealt with in section 19B of the Act.

The amending legislation was, to a certain extent, pre-empted by the judgment in *Northern Office Micro Computers (Pty) Ltd and others v Rosenstein* 1981 (4) SA 123 (C), in which Marais AJ held that a computer program did qualify as a 'literary work', provided it had been 'written down, recorded or otherwise reduced to material form' within the meaning of section 2(2) of the Act. See further O H Dean *Handbook of South African Copyright Law* (1991) 1-3 to 1-4.

In his argument on behalf of the applicant, Mr Puckrin rejected the contention of the respondents that the computer program in the present case was the subject of the copyright. He suggested that the original work was the computer printout resulting from the input of Machin, Butler and others. The program, he argued, was merely 'an operating program' or a 'tool'. In this regard he referred to *Express Newspapers Plc v Liverpool Daily Post & Echo Plc and others* Fleet Street Reports 1985 306, a case in which a computer program similar to that in the present matter was held to be worthy of copyright protection. Whitford J, however, observed (at 310) that the computer as such 'was no more than a tool' which produced certain sequences on the instructions and via the computer programs in question. The learned judge added, in response to a submission that the person who had devised the program was not the author thereof:

'It is as unrealistic as it would be to suggest that, if you write your work with a pen, it is the pen which is the author of the work rather than the person who drives the pen.'

See also the discussion of C Reed (ed) *Computer Law* (199 n) 82-85, where the author queries the meaning of 'computer program', which is nowhere defined in the *Copyright, Designs and Patents Act* of 1988, applying in the United Kingdom. In this regard he distinguishes between 'computer-generated' and 'computer-assisted' (or 'computer-aided') works. Similar commentary may be found in Copinger and Skone James on *Copyright* (13th ed 1991) 2-9 (at 22) and T Prime *The Law of Copyright* (1992) 66-68. Compare the earlier work of H Laddie, P Prescott, M Vitoria *The Modern Law of Copyright* (1980) par 2.139-2.141 (at 94-95)

Mr Ginsburg, for the respondents, stressed in his argument that the

applicant is bound by what appears from the deed of assignment and exclusive licence from which it has derived its rights. As mentioned above, the 'works' stipulated therein are Machin's 'Table of Significance', Butler's cross-reference list relating to the old and new numbers and the catalogues as compiled and updated from time to time. In the applicant's replying affidavit, Galloway attempted to categorise the relevant literary work as a 'written compilation' and published price lists and catalogues. This does not accord with the description of the assigned works but, as Mr Ginsburg suggested, it is probably irrelevant, since the protected work can only be the computer program, which the applicant has expressly disavowed.

It was submitted by Mr Ginsburg that, in so far as the 'Payen code' or numbering system was devised by 1972, the literary work relied upon by the applicant falls to be considered in terms of the Copyright Act (no 63 of 1965), the provisions of which are applicable to works created between 11 September 1965 and 1 January 1965. See Dean *Handbook of South African Copyright Law* 3-44. 'Literary work' in section 1(1) of this Act is defined as including 'any written table or compilation'. Section 47(4) of the Act, however, provides that such work is regarded as having come into existence only when 'it was first reduced to writing or some other material form'. This is consonant with section 2(2) of the Copyright Act (no 98 of 1978), which provides that a work will not be eligible for copyright unless it 'has been written down, recorded or otherwise reduced to material form'. See Dean *op cit* 3-22 and 3-23 (par 3.4-3.5) and note 23 at 4-130, where the learned author discusses the relevant amendments effected by the Copyright Amendment Act (no 56 of 1980). See also the *Northern Office* case (*supra*) at 129 A-B.

The importance of having a copyright work reduced to some 'material form' relates to the well known *dictum* that there can be no copyright in ideas, since it is the material form in which the idea is expressed which forms the subject of copyright. This *dictum* has, however, been justifiably queried and criticised. See *Galago Publishers (Pty) Ltd and another v Erasmus* 1989 (1) SA 276 (A) at 283J-285B, where Corbett JA refers, with approval, to the criticism of Laddie, Prescott and Vitoria *The Modern Law of Copyright* (1980) 31-33 (as enunciated in particular in paragraphs 2.52 and 2.55). The learned judge (at 284 G) also refers to other English authorities as having 'cogent persuasive force' by virtue of 'the correspondence between the English law of copyright and our own in this sphere'. See also Reed (ed) *Computer Law* (1990) 98-101 (par 4.5.6); A J C Copeling 'Copyright in Ideas?' in *THRHR* 28 (1965) 3-14; Dean (*op cit*) 1-9.

It is not always a simple matter to establish exactly what the 'work' is for which copyright protection is being sought. Useful guidelines in this regard

are suggested by Dean op cit 1-11 to 1-12:

'The moment of birth of a work can, depending upon the circumstances, be a difficult moment to pinpoint. Many types of work go through several stages of development before being cast in their final form, whereafter they are exploited or reproduced in derivative forms. For instance, an artistic work used as the design printed on a textile may be conceived and embodied by the artist in a rough drawing; thereafter he may develop it into a fully fledged painting, which painting is transformed into a textile design. Which version is 'the work'? At what stage is 'the work' born? Each case will be determined by its own facts but, generally, we submit that 'the work' is the final complete version which is ready for utilization or commercial exploitation. It is this version which must form the basis of any copyright infringement proceedings when the author's finished product or derivative articles are copied or are otherwise misappropriated. In the example we have quoted 'the work' would be the fully fledged painting; the rough drawing is simply a stage in the development of the work and is not a complete work in the sense that it is ready for utilization or commercial exploitation, while the textile design represents the manner of commercial exploitation of the painting and is a derivative work of the painting.'

When these guidelines and the principles enunciated above are applied to the facts of the present case, a number of difficulties arise. Inasmuch as the applicant has described the work which has allegedly been infringed as its 'identifying code system' which has been manifested as a 'written compilation', it would appear that it regards the work as the product of the contributions made by Machin and Butler. This must needs relate only to Machin's 'Table of Significance' and the computer printout of Butler's cross-reference list, such being the relevant 'works' assigned to the applicant. The catalogues are no longer being relied upon to support the copyright infringement claim, so that they may be ignored.

The 'Table of Significance' as such cannot constitute the 'work' since it was merely the outline of a new system, based on certain mathematical principles, which was used by Butler for devising a computer program directed at allocating new numbers to the applicant's products.

The computer program is not being relied upon by the applicant as the subject of its copyright, as has been made clear on numerous occasions. In any event the computer program was meaningless without the introduction of meticulously prepared data, including description, category and original reference number, which were entered into the computer in order to generate new numbers. This gave rise to the computer printout of Butler's

cross-reference list or schedule, which was later published as a catalogue.

Can the computer printout be regarded as the 'work' which requires copyright protection? Mr Puckrin's suggestion that the printout should be accepted as being the result of the input of Machin, Butler and others is based on the incorrect premise that the computer program was merely an 'operating program' or a 'tool'. The *Express Newspapers* case (*supra*) on which he relies describes the computer, and not the computer program, as a 'tool'.

Another problem with Mr Puckrin's submission is that the only assigned work which can be subject to copyright is the computer printout of Butler's cross-reference lists. This printout no longer exists and must be gleaned from catalogues published later. The applicant is not relying on any copyright infringement of the catalogues, so that they are irrelevant for present purposes. There is also no reference to any other printouts in the deed of assignment.

What then is the 'written compilation' which the applicant alleges is the 'work' which is protected by copyright? Quite clearly the applicant has failed to identify such compilation and has hence failed to establish copyright in any literary work. The first leg of the application must thus fail.

Unlawful Competition

The law relating to unlawful or unfair competition is directed principally at regulating the relationships between business competitors (J Neethling 'Unlawful Competition and Schools' in *SALJ* 110 (1993) 9-15 at 9). Such competition is a characteristic, and indeed the natural outflow, of the capitalist free market economy which pertains in South Africa and in other Western countries. The nature of the competition is that the competitors have the same or similar goals, chief among which, at least in the field of trade and industry, is to attract the custom of the same clients or groups of clients (H J O van Heerden, J Neethling *Die Reg aangaande Onregmatige Mededinging* (1983) 1. In *Lorimar Productions Inc and others v Sterling Clothing Manufacturers (Pty) Ltd; Lorimar Productions Inc and others v O K Hyperama Ltd and others; Lorimar Productions Inc and others v Dallas Restaurant* 1981 (3) SA 1129 (T) at 1141 G it is stated (per Van Dijkhorst J):

'In general terms competition involves the idea of a struggle between rivals endeavouring to obtain the same end. It may be said to exist wherever there is a potential diversion of trade from one to another. For competition to exist the articles or services of the competitors should be related to the same purpose or must satisfy the same need.'

The general principles relating to unfair competition have been set forth with great clarity in *Schultz v Butt* 1986 (3) SA 667 (A) at 678F-679E, where Nicholas AJA observed that the right to indulge in free competition in trade

or business is restrained by the competitors having to remain within lawful bounds. Unlawful competition may give rise to an Aquilian action provided all the requirements for Aquilian liability have been complied with. The wrongful act may take the form of clearly recognisable delictual or illegal activity, or it may be constituted by conduct which is regarded by the community as being in conflict with fairness and honesty. This is established by having regard to the *boni mores* and 'the general sense of justice of the community' (679 C), which may be regarded as being the basis of what is usually referred to as 'public policy'. In *Bress Designs (Pty) Ltd v G Y Lounge Suite Manufacturers (Pty) Ltd and another* 1991 (2) SA 455 (W) at 473 H Van Dijkhorst J in fact makes the interesting observation that 'the delict of unfair competition occurs where the competition is *contra bonos mores*'.

Neethling suggests (in *SALJ* 110 (1993) 10) that the *boni mores* criterion is 'so vague and wide' that it does not provide 'a rational yardstick for the delimitation of the conflicting interests of competitors'. A yardstick which has found favour with Van Heerden and Neethling (op cit 71-77) is the so-called 'competition principle' ('mededingingsprinsiep') which is described as follows (op cit 74):

'Die wesentlike mededingingsprinsiep is dus dat die mededinger wat die beste en/of billikste prestasie lewer, die oorwinning moet betaal; die een wat die swakste prestasie bied, die neerlaag moet ly.'

The emphasis is placed, in this principle, on competitive performance: the most meritorious performance should meet with success and the least meritorious with failure. The authors see this (op cit 77) as a concretising of reasonableness or *boni mores* as general criteria for establishing wrongfulness. This does not mean, however, that the *boni mores* standard no longer has any role to play in determining the line of demarcation between lawful and unlawful competition. On the contrary, they submit, it may supplement the competition principle in appropriate cases.

There is undoubted merit in this approach, although it may not always be easy to draw the line between sufficiently good and unacceptably poor performances. I am inclined to the view, however, that the competition principle should be regarded as a policy consideration *per se* rather than as a yardstick for establishing wrongfulness in the sphere of competition.

However esoteric it may sound, it is, in my view, the general considerations of justice, equity, reasonableness, good faith and public policy which underlie the value judgment required of a court when it is called upon to establish whether or not a competitor has indulged in unfair or unlawful competition. These considerations are all relevant to what Chief Justice

Corbett refers to as 'policy decisions' (M M Corbett 'Aspects of the Role of Policy in the Evolution of our Common Law' in *SALJ* 104 (1987) 52-69 at 67-68). Such policy decisions must be made when circumstances demand it, since they are essential for maintaining the vibrant dynamism of any growing, living legal system. Professor van Aswegen puts it succinctly (A van Aswegen 'Policy Considerations in the Law of Delict' in *THRHR* 56 (1993) 171-195 at 172):

'If one accepts the basic fact that law is a social institution, it follows that the law must remain in step with changed circumstances, values and perceptions in the society which it serves in order to retain its validity, legitimacy and effectiveness. Recognition of this truism determines the importance of developing and adapting the law in accordance with these dictates.'

The learned author refers in this regard to the well-known *dictum* of Innes CJ in *Blower v Van Noorden* 1909 TS 890 at 905:

'There come times in the growth of every living system of law when old practice and ancient formulae must be modified in order to keep in touch with the expansion of legal ideas, and to keep pace with the requirements of changing conditions.'

She then suggests the following 'working definition' of 'policy considerations' (at 174):

'Policy considerations are substantive reasons for judgments reflecting values accepted by society. They consist in moral or ethical values, valuable in themselves, or in desirable goals of collective societal welfare, but there is no reason why these two types of policy consideration cannot overlap. A decision determined by such considerations—a policy decision—comprises a balancing of the various values, and is thus a value judgment by the decision-maker.'

Professor van Aswegen (at 180-188) distinguishes between four types of cases in which reliance is placed on policy considerations, namely those 'where the applicable legal rule is so formulated that it expressly or by implication incorporates considerations of policy in its application' (she describes these as examples of 'open-ended standards', those in which the area of application of existing legal rules is extended, those in which existing legal rules are altered and those which relate to conflicting rules or consequences. Of some significance for present purposes are the observations of the learned author in respect of the first category of cases (at 180):

'The currently accepted criteria for the determination of wrongfulness and of legal causation or remoteness of damage (both general requirements for delictual liability) are examples of such open-ended standards. The legal

criterion for determining whether a particular infringement of individual interests is wrongful or contrary to law, is the objective reasonableness of the conduct in the light of the *boni mores*, which are consistently defined as the legal convictions prevailing in the community. Policy considerations play a decisive role in determining the legal convictions of the community. The application of this criterion consists in a weighing up and balancing of the conflicting interests of the parties concerned in the light of the interests of the community. The determination of wrongfulness thus entails a policy decision. Nevertheless, policy does not play an active role in every decision in which delictual wrongfulness is in issue. The reason is that in practice, in the most prevalent factual instances of wrongful conduct, specific guidelines or doctrines which operate as subrules have crystallised, determining conclusively that wrongfulness is either present or absent. Examples are the doctrine that wrongfulness consists in the infringement of a "subjective" right, and the established categories of grounds of justification. In cases falling under these crystallised categories, there is no need to utilise the general criterion, and thus policy, to determine the presence or absence of wrongfulness. However, cases not precisely subsumed under such categories, have to be dealt with by actually applying the open-ended *boni mores* norm, which necessarily involves a policy decision.'

This leads the learned author (at 188) to say of the nature of the policy considerations that they are regarded as 'peripheral materials, to be utilised in the interstices where settled legal rules and standards do not provide a clear answer'.

On the question whether the regular application of policy considerations by judges, who are called upon to dispense justice in a radically changing South Africa, will not create a morass of legal uncertainty, Professor van Aswegen responds as follows (at 194-195):

'To my mind, a balance between the two competing ideals of legal certainty on the one hand and flexibility and justice in the individual case on the other, can best be achieved in the following way. Policy considerations should be seen as an inherent part of legal materials, often reflecting fundamental principles immanent in the legal system. Judicial law-making via the utilisation of policy considerations in the decisions is necessary and desirable, but is basically interstitial. It occurs where a plain and clear valid legal rule cannot, by means of the conscious, rational use of ordinary logical and deductive reasoning, furnish an answer. Policy considerations are then used, implying inductive and intuitive reasoning. The judge is then performing his or her most openly acknowledged

law-making function. However, because the judge is not the supreme legislator, and to minimise the most important objections to judicial law-making, he or she must perform this function with constraint and in a principled way. Apart from the restraint inherent in the rule of law and the overriding legislative powers of parliament, judges themselves can and do contribute to the ideal of judicial restraint in the following ways. Policy decisions should fit in with existing legal rules, standards and underlying principles of law and justice. Judges should explicitly identify and discuss the policy considerations underlying their decisions and they should consciously strive not to succumb to personal, partisan or idiosyncratic preferences. Judges should apply the generally accepted legal views of the community unless such views conflict with immanent principles of justice. However, the reference to the generally accepted views of the community, does not simply imply a type of majority view based on a simple opinion poll. It presupposes a reflection of inherent values accepted in the community and apparent *inter alia* from the accepted legal standards and institutions of the community. In the determination of such values the judge will, however, have to rely on his or her intuition and legal feeling ('regsgevoel').'

I must respectfully associate myself with these remarks. Potential legal uncertainty and the traditional judicial reluctance to indulge in any form of law-making must bow before the community's desire, and right, to see justice being done. If policy considerations are applied with the necessary insight and restraint, they must have an eminently salutary effect on legal development, on the one hand, and on the dispensing of justice, on the other.

I return to the facts in the present case.

The applicant contends that it has a well-established reputation as a manufacturer and distributor of gaskets in South Africa. The cornerstone of its reputation is its catalogue, which contains the coding system which it is seeking to protect. It would appear that the substance of the complaint is that the first respondent has made use of the applicant's coding system in its price list dated 4 March 1991 and on its gaskets and gasket sets. Thereby the first respondent has saved itself the time and expense of devising its own coding system and is hence unfairly competing with the applicant.

In this regard Mr Puckrin argued that the applicant's coding system has become distinctive and its identifying numbers are performing the functions of a trade mark which has not become generic, as suggested by the respondents. The attachment of a disclaimer, as proposed by the first respondent, would not improve matters since disclaimers tend to confuse and deceive the public.

In his argument Mr Ginsburg cited a passage from *Taylor & Horne (Pty) Ltd v Dentall (Pty) Ltd* 1991 (1) SA 412 (A) at 422 C, where it is said by Van Heerden JA that, 'in the absence of statutory protection, the published idea or concept of a trader on which his product is based, may be freely taken over by a competitor even if the trader has already through his efforts built up a demand for his product'. Similarly, in *Bress Designs (Pty) Ltd v G Y Lounge Suite Manufacturers (Pty) Ltd and another* 1991 (2) SA 455 (W) at 474 F-G, Van Dijkhorst J observes that 'one is entitled to copy that which is in the public domain'.

In regard to the price list of 4 March 1991 the first respondent has given the assurance that it is no longer using it and will not do so in the future. There is no indication up to the present time that it has gone back on this assurance and certainly no case is made out for an interdict relating to threatened or envisaged conduct.

The evidence is overwhelming that the applicant's coding system has indeed become the standard method of identifying gaskets and gasket sets in the trade so that it may rightly be regarded as being in the public domain. It must be accepted that much time, effort and expenditure were required to devise the system, but it would be absurd to expect that the first respondent, or anyone else in the gasket trade, should devise its own system when that of the applicant is used widely, if not exclusively, in such trade. Although the applicant would be entitled to protection should a competitor be using or reproducing its price lists or catalogues, the use of the idea or concept relating to the identifying code cannot be similarly protected.

I do not agree with Mr Puckrin that the coding system has become analogous to a trade mark. There is not the slightest resemblance between a trade mark and a system based on a particular idea or principle.

As for the averred likelihood of confusion between the respective products of the applicant and the first respondent, I am satisfied that there is not the remotest possibility of this happening. As appears from the exhibits made available to the court, the products are clearly distinguishable from one another by their names, which are prominently displayed on the packaging and also by their 'get-up' and general appearance. The label bearing the applicant's code number (with Clough and Wood's prefix 'D') is not at all prominent and would probably be meaningless to anyone but the well-informed purchaser who may be aware of the meaning of the handwritten identifying code appearing on the label. Even should a purchaser or potential purchaser realise the significance of the code, there is not the slightest probability that he would be deceived into believing that the product in question is in fact that of the applicant. For these reasons I do not believe

that a disclaimer relating to the origin of the product is strictly necessary.

With reference to the legal principles set forth above, I am not of the view that this is a case which warrants protection on the basis of policy considerations. On the contrary, there is no question of any unfair or unlawful competition having taken place.

It follows that the second leg of the application must likewise fail.

In the event the application is dismissed with costs, including the costs of two counsel.

NINTENDO CO LTD v GOLDEN CHINA TV-GAME CENTRE AND OTHERS

TRANSVAAL PROVINCIAL DIVISION

HARTZENBERG J

28 OCTOBER 1993

Video games are cinematograph films within the definition thereof in terms of the Copyright Act (no 98 of 1978).

The applicant made video games. It did so by employing people to create and design the components making up each game, ie game characters, items, backgrounds, screen texts, sounds, and the game play sequence. Each component work, except the game play sequence, was first written on paper, and then fixed on magnetic disk. Sometimes however, computer programs were used to create drawings, in which case the work was not first written on paper.

The game play sequence was made up of such things as specifications, notes, maps and story boards. In unencoded form, it defined the contents and story of each game, and the game play sequence itself.

After the creation of the component work, a computer program was written. It controlled the visual display of the component works and allowed the player of the game to manipulate the character and items.

The whole was then stored on two ROM chips which were inserted in a game cartridge for use by the player.

Persons in Taiwan made copies of the video games and then exported them to the first three and the fifth respondent who were resident in South Africa. The other two respondents sold or hired out the video games in the retail market.

The applicant contended that the video games were cinematograph films within the definition thereof in terms of the Copyright Act (no 98 of 1978) and claimed that its copyright in them had been infringed by the respondents. It sought an interdict preventing the respondents from importing, selling, letting, hiring or offering or exposing for sale or hire or distributing the video games.

The first question for determination was whether or not the video games could be said to be cinematograph films. The Copyright Act defined a cinematograph film as the first fixation by any means whatsoever on film or any other material, of a sequence of images capable, when used in conjunction with any mechanical, electronic or other device, of being seen as a moving picture, and of reproduction.

The images reproduced in a video game were reproduced only because they were first fixed in the ROM chip. It appeared therefore, that the video games did fall within the definition of cinematograph film as given in the Act. The definition did not require the images to be fixed on any one specific medium; the definition was stated widely enough to include the medium of a ROM chip.

The requirement that the film be used in conjunction with a mechanical, electronic or other device was fulfilled in the case of the video game, because games cartridges and equipment had to be used to see the sequence of images.

For the purposes of the definition, the final question was whether or not the fixation of the images on the ROM chip was their 'first' fixation. Because the purpose

of the creation of the video games was financial gain, and that a 'first' fixation of the images at a stage earlier than their fixation on the ROM chip would not have achieved this purpose, the first fixation of the images did take place at that point.

The video games were therefore cinematograph films within the definition thereof in terms of the Copyright Act (no 98 of 1978), and the applicant was entitled to copyright protection in respect of them.

Hartzenberg J: The applicant, one of the largest manufacturers and distributors of video games in the world, if not the largest, seek to interdict the respondents from dealing in some forty video games which it contends are copies of games created, developed and manufactured by itself under the name 'Nintendo'. The word 'dealing' is used to encompass all of the following conduct by the respondents: importing, selling, letting, hiring, offering or exposing for sale or hire or distributing the aforesaid video games. The first three and the fifth respondents are importers and distributors of video games and the fourth and sixth to the sixteenth respondents are in the retail market where the selling and/or hiring out of video games constitute one line of their respective businesses.

The applicant is a Japanese company and it is the developer of many video games. These games are sold under licence by its subsidiary companies in various countries of the world *inter alia* in Europe, the United States of America and Canada. The turn-over of the American subsidiary is alleged to have been over \$4 billion during 1991. The applicant has appointed Josse Feldman (Pty) Ltd ('Feldman') as its sole distributor in this country. Feldman has failed to make any significant impact on the South African market for video games. The reason for such failure is the fact that the applicant's games machines sell for ± R400,00 each whereas other machines in the market can be bought for as little as R99,00. The applicant's games themselves cost of the order of R200,00 whereas competing games cost no more than R15,00 or R20,00 per game and even less when so-called multiple games are sold in one cartridge, as for example a 'four in one' or 'eighteen in one', a 'sixty four in one' and even a 'two hundred and twelve in one'. The smaller ones of them sell according to the respondents for between R50,00 and R150,00. The applicant feels aggrieved that it cannot compete in the market as it claims to have created the forty video games which form the subject-matter of this application and alleges that the competing games are copies, and not necessarily good copies, of its games, made in Taiwan, without its authorization.

The first basis for the application is a claim of copyright infringement either of the games as 'cinematograph films' or alternatively of the artistic,

literary and musical work which allegedly form some of the component works of the video games in question. In the alternative the applicant maintains that the respondents' conduct constitutes unfair competition. There is a third basis which is somewhat narrower based on the registered trade marks of the applicant in the names 'Donkey Kong' and 'Mario Bros Device' both in classes 9 and 28. There is also a prayer for delivery-up of the so-called infringing games in terms of section 24(1) of Act 98 of 1978, the Copyright Act (as amended finally, for the purposes of this case by Act 61 of 1989) ('the act'). The video games in question are the following:

Balloon Fight, Baseball Clu-Clu land, Devil World, Doki Doki Panic, Donkey Kong Donkey Kong Jr, Donkey Kong Jr Math, Donkey Kong 3, Dr Mario, Duck Hunt, Excitebike, Golf, Gumshoe, Gyromite, Hogan's Alley, Ice Climber, Ice Hockey, Kid Icarus, Mach Rider, Mario Bros, Mike Tyson's punch-Out!!, Nes Open Tournament Golf, Pinball, PopPeye, Pro wrestling, Soccer, Stack-up, Startropics, Super Mario Bros, Super Mario Bros 2, Super Mario Bros 3, Tennis, Tetris, The Adventure of Link (Zelda II), The Legend of Zelda, Urban champion, Volley-ball, Wild Gunman, Wrecking crew.

To understand what the issues are it is necessary to explain the way in which a video game is played, how such a game is created and how copies thereof are made.

It is played by means of a machine, or console known as a games machine which, in turn, is connected to a domestic television set. The games are stored in silicon micro-chips known as READ ONLY MEMORY chips ('ROMs'). The ROMs are capable of causing images to appear on a television screen and sounds to emanate from a speaker when an electric current is passed through them, which give the appearance of a moving picture. The video game cartridges containing ROM chips can be interchangeably inserted into the games machine so that different games can be played on the equipment. The console is also electronically connected to hand operated controls which are used to control, to an extent, the playing of the game which is displayed on the television screen. The standard controls have a four-directional cross-shaped switch with which the player regulates the direction of characters or objects such as balls or cars, etc. The standard controls may be substituted by alternative controls such as joy sticks or joy pads which serve the same function as the standard controls. The standard control also has two round buttons marked A and B that are also used to control some of the game play. For instance in action games these games can be operated to cause a game character to make a specific type of movement, like jumping, ducking or flying or other movements. In sports games the

buttons can be used to cause the swinging of a bat or the throwing of a punch or ball or to increase or decrease the speed of for instance a racing car. The standard control also contains 'select' and 'start' buttons that are used to select certain options in the game like teams and team members in sports games and options available in adventure games. They are used to initiate the game play. During the play there is interaction between the player(s), the equipment and the game displayed on the screen.

The applicant maintains that there are three basic phases in the creation, design and development of its video games. The first phase is the creation phase which includes an initial determination of the basic concept of the game, the primary game characters and their interactions, the theme, overall 'story' and sequence of the game, the basic lay-out of the background and the primary items. After this phase, an analysis is conducted to evaluate whether the game will be fun and interesting and sufficiently challenging. Also, a determination is made by the applicant as to whether the game is technically feasible, ie can be successfully programmed. Thereafter the development of the game begins.

The design and development phase is conducted under the direction and supervision of the team leader. It involves various different stages including the creation and designing of the numerous component works that make up and are ultimately integrated into the composite game. The composite works are alleged to include game characters, items, backgrounds or environments, screen texts and/or wording, sounds (music and sound effects) and the game play sequence. The game characters are drawn on paper or fixed on magnetic disc including the characters shown in all their different positions, poses, configurations and forms. It is the applicant's case that these works are in the nature of artistic works in terms of the Copyright Act and constitute part of the visual components of the games.

The 'items' are things such as weapons, tools, sporting equipment and the like which are drawn on paper or fixed on magnetic disc (including their different positions, poses, configurations and forms). It is also alleged that these works are in the nature of artistic works and are part of the visual components of the game.

The backgrounds or environments of the games are things such as scenery, 'worlds' and playing fields. They are also drawn on paper or fixed on magnetic disc. That includes all the different configurations, forms and positions of the background. It is also maintained that they are in the nature of artistic works and are part of the visual components of the game.

In the case of some of the games screen texts and/or wording appear on the screen when the game is played. They are also written or fixed on paper

or on magnetic disc and it is also alleged that they are in the nature of literary or artistic works. The allegation is likewise that they comprise part of the visual components of the game.

The sounds comprising of the music and the sound effects are written or fixed on paper or on magnetic tapes or disc. It is alleged that they are in the nature of musical works or sound recordings and that they constitute the audio components of the games.

The game play sequences are made up of specifications, notes, 'maps', 'story boards' and the like. They, in unencoded form, define the contents and story of each game and the game play sequences by indicating how the various component works are to be integrated together in a sequential progression to constitute each game. It is alleged that these game play sequences are in fact the video games in unencoded form.

During the design and development phase new items and characters may be developed. The story is evolved and expanded. Detailed game play sequences are designed using specifications, notes and story boards. The manner in which the characters and items move and interact with each other and their background is choreographed. As part of this process the music and sound effects are also designed and integrated into the game.

The programming phase involves the writing of a computer program for the video game. The purpose of the computer program is to enable a video game which incorporates the component works to be played and operated. The computer program controls the visual display of the component works and allows the player to manipulate the character and items. During the development of the game the degree of difficulty of the game is continuously balanced with the level of fun achieved in playing it. A successful video game has to be not only entertaining but also of the requisite difficulty in challenge so that the game cannot be instantly mastered by the player and become boring.

The component works, as has been said, are drawn on paper or fixed on magnetic disc. The fixing thereof on magnetic disc occurs after the drawing thereof when they are converted into computer data so that each character, item or background can be electronically displayed on a television screen. Sometimes sophisticated computer programs known as 'paint programs' are utilised by the designers so that drawings of whatever nature can take place directly on a computer screen. The applicant alleges that the paint programs have been developed by itself and that the data generated during the drawing of a paint program can be retained on disc revised, copied and otherwise used directly.

When a video game character is shown on screen to be running, his legs,

feet and arms appear to move. To create this effect, many individual drawings of the character must be made in a manner similar to drawing the many individual frames required for the making of an animated cartoon. Many drawings of game characters are therefore produced in the design and development of a game.

In an adventure or action game the characters commonly travel through a number of different background 'worlds' each with many different sections. All games have backgrounds of one form or another, whilst each section may have a unique setting such as mountains, desert, outer space, underground or inside a castle. Creating the background of a game usually involves a number of designers who work under the direction and supervision of the game director. The background is initially and usually drawn on paper. Different forms, configurations or positions of the background may exist and each must be separately drawn and recorded.

Adventure and action video games include numerous items such as weapons, sprites, aids, physical enhancement devices and the like that are used, collected or encountered by the game character. Video games also include traps and obstacles that must be overcome or avoided by the main character during movement, using the articles that I have referred to as 'items'. The game designers determine the nature, location, manner, using and other aspects of the items. They are also drawn on paper or may be created by the use of computer programs. They are also drawn and recorded in different configurations, poses, forms, etc.

In the video game cartridge the visual components of the game including the characters, items, background and text are stored in a CH ROM chip. It is an integrated circuit. It is one of two ROMs contained in the game cartridge. The music and other sound effects are also important aspects of a successful video game. It is therefore necessary that the music or sound effects composer has to liaise with the game designer to create appropriate music and sound effects and to incorporate those effects into the game. The second ROM chip (the P-ROM) contains those elements. It also contains the program which operates the functioning and display of the game. Also stored in the CH ROM chips are the so-called character charts. It is necessary to plan and indicate where and at what 'addresses' all the different component, artistic and literary works (including the works in their various configurations, poses and the like) are to be stored in the CH ROMs. That is done on the character charts.

Just before the final completion of the video game the efforts of the designer, artists and sound effects composer will be on magnetic discs. They are then debugged and transposed to the two ROM chips. The game is then

ready to be reproduced.

Scott on behalf of the third respondent describes the manufacture of a ROM roughly as follows. It involves the production of what is known as custom masks. The masks can be designed by mask designers either manually, like engineering drawings, on paper or by an automatic process involving the use of a computer aided design program. The result is a drawing of a mask on a sheet of paper or some other material. It illustrates the mask on what is a very large scale relative to the actual mask which is needed for the factory process. The drawing is then photographically reduced by several orders of magnitude and the mask is made from the final photographic negative. A set of such masks is used, one at a time, to lay out on several successive layers of silicon the pattern of electronically activated zones or areas which the ROM designer wants to demarcate and use for the various types of components which are to be incorporated in the ROM, such as resistors, capacitors, transistors, etc. The masks also determine the area in which material is to be altered or removed when the layer to which the mask is applied is later exposed to a processing material such as etching fluid. Every layer takes the form of a wafer or strip of silicon semi-conductor material. The super-imposed layers constitute the body of the chip. The final layering step is not one of electronic activation but involves the deposit of a thin body or layer of metal on top of the electronic activated silicon layers. Where the underlying layer has been provided with an etched aperture corresponding to an aperture in the mask applied to that layer the metal deposited in the apertures forms an electrical connection between layers. In this way the numerous diodes, transistors, resistors, capacitors and other components which the chip incorporates are interconnected or 'wired up' into a complex circuit through which electrical impulses can flow when the circuit is used.

He describes the copying of a ROM more or less as follows: by making certain electrical measurements of a ROM and applying certain computer engineering and programming skills it is possible to construct a computer program stored magnetically on a computer disc or equivalent storage medium which corresponds either exactly or approximately to a computer program according to which the ROM was in the first place designed. The process of taking the electrical measurements is sometimes called, in the anthropomorphic language of electronics, reading the ROM. With that as basis the copier can set up a manufacturing operation to produce copies of the original ROM. It can also be done by 'peeling' the ROM. The ROM is stripped into its component layers. Each layer is then observed and measured and identical or similar layers to those used for the manufacture of the

original ROM are then made. They are again super imposed. The result will also be a copy of the original ROM.

Before the advent of video games there were games known as 'arcade' games. These games were played in public places like arcades and cafes. They were played on large games machines or 'consoles'. To play a game a coin had to be inserted into a slot in the machine. The applicant developed some arcade games and some of the games in issue in this case are based on the earlier arcade versions of the applicant's games.

Some of the component works which form part of the applicant's video games were based on earlier works not of the applicant's origination. Examples are the characters in the Popeye video game (Popeye, Olive Oyl, Wimpy and Brutus), the general concept of the game Tetris and the soccer field background in the game Soccer. The applicant alleges, and it is not contradicted, that the other works have been used by the applicant with the authority of the owners of the copyright therein. The applicant maintains that the specific forms or versions of the component works as authorised and created by the applicant are original.

The applicant's main contention is that a video game, thus created, is a cinematograph film within the definition thereof in terms of the act. The definition reads:

''Cinematograph film" means the first fixation by any means whatsoever on film or any other material of a sequence of images capable, when used in conjunction with any mechanical, electronic or other device, of being seen as a moving picture and of reproduction, and includes the sounds embodied in a sound track associated with the film.'

The 'author' of a cinematograph film is defined in the act as follows:

''Author", in relation to

- a cinematograph film, means the person by whom the arrangements for the making of the film were made;'

The only copyright protection which an author enjoys in this country is that afforded to him by the act. Section 2(1) of the act is emphatic that in order to be eligible for copyright cinematograph films are to be original.

In order to prove that each one of the games is 'original', as the word is interpreted in the act, affidavits by the team leaders of every game have been filed. The team leader of each game states that he supervised over the creation of that particular game. He states who the designer or designers were, who the programmer or programmers were and who the composer or composers of the music or sound effects were. He states the time which it took to create that game. He states that all the people involved were Japanese citizens and most of them employed by the applicant. There were Japanese

citizens employed by other Japanese companies which companies did specific things in respect of some games on commission. The team leaders state that each one of the games was created in Japan. They state that there are literally thousands of original drawings in respect of each game. Examples were annexed to the papers but because they are being stored on magnetic disc which can be reproduced only on equipment common in Japan, but which are not compatible with the equipment used in this country and because of the great volume thereof it is stated that it will be impracticable to annex each drawing to the papers. In each case it is stated that a considerable amount of original work was done by the team. The team leader personally observed that being done. That allegation is also made in respect of the games Popeye, Tetris and Soccer. There is in any event not the slightest suggestion that anyone of the games is a copy of a similar game except in the cases where the applicant's video games are based on its earlier arcade games.

It is the applicant's contention that in order to enjoy the protection of the act it is necessary for the applicant to establish that each one of the games which it seeks to protect constitute:

1. the first fixation by any means whatsoever on film or any other material;
2. of a sequence of images;
3. capable, when used in conjunction with any mechanical, electronic or other device of being seen as a moving picture and of reproduction.

The applicant summarises its submission in respect of a cinematograph film as follows: it has a sequence of images, it is fixed on material and it is capable of being shown as a moving picture. It is the applicant's contention that each one of the video games in question has those characteristics. I have been referred to many reported cases in a number of different countries *inter alia* to the judgment in *Spelling Goldberg Productions Inc v B P C Publishing Ltd* 1981 RPC 283. At p 287 the learned judge said:

'Thus a cinematograph film has three characteristics. It has a sequence of images, it is recorded on material, and it is capable of being shown as a moving picture.'

(The definition of 'cinematograph film' under discussion in that case reads as follows:

'Any sequence of visual images recorded on material of any description (whether translucent or not) so as to be capable, by the use of that material, (a) of being shown as a moving picture, or (b) of being recorded on other material (whether translucent or not), by the use of which it can be so shown.'

Although the two definitions are not identical those three characteristics are also the three characteristics of a cinematograph film in terms of the South African definition.

There is such a fundamental difference in approach between the parties that in effect two different cases were argued. The respondents deny that a video game is or can be a cinematograph film. They went into the minutest detail to explain how integrated circuits are created, what a computer is, and what in their view in a video game is eligible for copyright protection. They criticised the applicant for submitting evidence of team leaders and designers explaining what artistic work is contained in each one of the video games accusing it of clouding the issue with irrelevant material. They contended that the only component of the video game which is eligible for copyright protection is the program contained in the P-ROM which enables the player to manipulate the game. They accused the applicant of deliberately failing to place any evidence before the court as to how such a program is created and in particular by whom and where each one of the programs was created. It is their contention that as it is clear from the applicant's affidavits, that in the case of thirty three of the forty games, the programmers were not employed by the applicant but employed by other Japanese companies, commissioned by the applicant to manufacture the programs, the applicant cannot have any copyright in the programs. It is their contention further that as the only aspect of the video game eligible for copyright protection is the program, the true investigation is if the computer programs really fall within the definition of a 'literary work' in terms of the act or not. They maintain that a video game is a *sui generis* form of intellectual property which, unfortunately for the applicant, the legislature has thus far failed to protect.

To develop this argument Mr Bowman dissected everything said on behalf of the applicant since October 1991. He says that there was a complete change in the applicant's approach as to what exactly qualifies for protection in terms of the act and what not. One thing is clear. In the very first letters written on behalf of the applicant to the various respondents it was stated emphatically that the applicant claims copyright in the games because they are cinematograph films. In the alternative it was the applicant's contention that the component works are also protected in terms of the act. It is so that the applicant claimed protection of the computer programs as such. At present the applicant does not claim any protection in respect of these programs. To that extent its approach changed. Apart from that its case is still as it was in the very first instance, ie that it is entitled to protection because the video games are cinematograph films. It is also still the applicant's case that the component works are also infringed.

The respondents argue that in the first place the video games are contained in the ROM chips. It is alleged that those chips are three-dimensional and a form of computer hardware, or at least what is known as 'firmware', ie some program which is first written as software but has to be repeated so often that it is encoded into a ROM chip and really forms part of the hardware. It is alleged that there is nothing in such a chip which makes it eligible to protection in terms of the act. A second leg of the respondents' defence is that the program in the P-ROM chip is actually the only thing which could possibly claim protection in terms of the act. The respondents contend, however, that it is not eligible for protection as it is the basis of a video game and the legislature has so far not extended the provisions of the act to video games. My attention was drawn to the Draft Designs Bill which was published in Government Gazette 13328 of 28 June 1991 as Notice 588 of 1991—wherein 'functional design' is defined to include 'an integrated circuit topography, as mask work and a series of mask works'. It is argued that only if that draft bill is enacted will the owner of a video game be entitled to protection. In my view the investigation at this stage is if a video game is a cinematograph film in terms of the act and not if the proposed Designs Act may afford protection to the owner of a video game if and when enacted.

The respondents further say that even if it is eligible for protection in terms of the act the applicant is not entitled to such protection as the programmers were not directly employed by the applicant (in the case of thirty three of the forty games in question). The respondents' case further is that if those defences are without substance then on a common sense analysis of what a conventional cinematograph film is a video game cannot possibly be a cinematograph film. It is argued that the length of a cinematograph film is constantly the same. As was graphically illustrated during the hearing of the matter by the son of Mr Bowman for the respondents the length of a video game is absolutely variable. If the player possesses no skills and fails to take any positive or avoiding action the game lasts an extremely short time and ends abruptly whereas when the game player is experienced he can manipulate the game to last for hours. On the other hand in the 'tract' mode and even if it lasts only a short time (at a guess between half a minute and a minute) the same sequence is always repeated.

Another argument is that in the case of a conventional cinematograph film there is not the slightest suggestion of manipulation of the game by a player. It is further argued that the definition of cinematograph film requires a 'first fixation' of images and that in this case the fixation in the ROM chip cannot possibly be a 'first' fixation. It is also said that the sequence of images cannot

be reproduced. There is merely a transient sequence of images which will vary on each occasion. Furthermore attention is drawn to the deliberate change by the legislature of the words 'any sequence of images' in the 1965 act to 'a sequence of images' in the 1978 act. The argument is therefore that a cinematograph film is one only sequence of images and not one of a myriad of possible sequences of images.

The logical way to approach the matter in my view is to look at the definition of cinematograph film and to see if a video game falls within the definition or not. It is wrong to look for similarities and differences between video games and conventional cinematograph films. It is then to be ascertained if in the case of a video game there is a first fixation of a sequence of images. In my view there can be little doubt that that is so. The applicant was at pains to explain that literally thousands of images are stored in the CH ROM. By causing them to appear in quick succession they give the impression of movement as in the case of an animated cartoon. The word 'fixation' according to the Oxford Dictionary is the 'process of being fixated'. There is no dispute that a video game can be played over and over again and that some of the images are caused to be seen every time when the game is played as a moving picture. It is of course so that the picture is not every time the same. I fail to see how those images can be reproduced unless they have first been fixated in the CH ROM.

The act is not very particular whereon the images are to be fixated. It can be a film or 'any other material'. The concept is extremely wide and in my view wide enough to include a CH ROM chip. In my view it is also clear that what has been fixated in each case is 'a sequence of images'. In the case of each one of these games there are many possibilities. If the game player chooses to do so he enters one plane or another plane in some cases or he rides on one motorbike or another motorbike and so on. Once he has made an election of that kind there are various things which will happen to the character depending upon what the player does. Everyone of those things which happen is shown on the screen for one reason only and that is that there is a large sequence of images stored from which smaller sequences are selected which are then shown on the screen. For example when in the game Excitebike the speed is too high the motor cycle will every time overheat and exactly the same sequence of the stored images is shown on the screen. That indicates to me that there is a sequence of images and that a particular portion thereof is selected when that scene is depicted on the screen. I do not read the definition to be as narrow as to require that the whole stored sequence is to be capable of being seen every time. In *Stern Electronics Inc v Harold Kaufman and Omni Video Games Inc* 669 Federal Reporter 2nd series 852

the second circuit of the United States court of appeals held that the repetitive sequence of substantial portions of sights and sounds of video games qualify for copyright protection. (In that case it was necessary for the court to interpret the definition of 'audio visual works' which reads as follows:

'Works that consist of a series of related images which are extrinsically intended to be shown by the use of machines or devices such as projectors, viewers or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films, or tapes, in which the works are embodied.')

That definition refers to 'a series of ... images' and not to 'any series'. Although it is of course not binding on me, I agree with the reasoning of the court on this aspect.

The next question to be asked is if the sequence of images is capable of being seen as a moving picture and of reproduction when used in conjunction with any mechanical, electronic or other device. Here again the phrase 'when used in conjunction with any mechanical, electronic or other device' is extremely wide. Mr Wilkins, the engineer who made an affidavit on behalf of the respondents, describes what happens as follows:

'It is not accurate to say, as Mr Taho (one of the deponents for the applicant) does, that the sequence of images seen on the screen and the sound effects that accompany them are determined by the equipment. They are determined by the player's interaction with the equipment. The equipment (of which the games cartridge is a part) determines what components of the images will be seen. The player, by his actions in manipulating the controls of the machine, enters data into the machine and so determines the way in which play will proceed. This intervention of the player correspondingly determines the way in which the components of the images are combined and the sequence taken by the images. Some very brief sequences are fixed, in the sense that if, for instance, a bullet hits a duck in the game Duck Hunt, the duck always falls to the ground, but the frequency and position of such events in the sequence is determined by the actions of the player. The position of the falling duck on the screen is also determined by this interaction of the player with the equipment.'

The more experienced the player is the more of the images will be caused to be seen on the screen. During the playing of one game an experienced player can conceivably cause all the stored images to be shown as moving pictures on the screen. In most instances that will not happen. The definition does not require the images to be seen as a whole. It requires it to be seen as a moving picture. When a video game is played that happens every time. The

images are capable of reproduction. After all, the games can be played over and over again. The applicant made equipment and games cartridges available to me. I know that the games Donkey Kong, Tetris and Golf can be played over and over and that the images remain the same. I must confess that the skill of the player does not necessarily improve dramatically when a game is played for a second or subsequent time. Thereto must be added that the picture shown in the 'tract' mode is always the same.

But was the fixation of images, the sound and the computer program the 'first' fixation for the purposes of the definition of cinematograph film? In many instances the images were first drawn by hand and thereafter transposed to a computer and stored on magnetic tape before they were fixated in the ROM chips. By the same token many images were created by means of a paint program and stored on magnetic tape. It is understandable that the respondents argue that in the case of hand-drawn images on paper the first fixation was on paper and in the case of the drawing thereof on a computer screen the first fixation was on that screen. When exactly a work is created is not always easy to ascertain. In the work *Handbook of South African Copyright Law* the author, O H Dean, has this to say on 1-15 to 16:

'The moment of birth of a work can depending on the circumstances be a difficult moment to pinpoint. Many types of works go through several stages of development before being cast in their final form, whereafter they are exploited or reproduced in derivative forms: For instance an artistic work used as the design printed on a textile may be conceived and embodied by the artist in a rough drawing; thereafter he may develop it into a fully fledged painting, which painting is transformed into a textile design. Which version is the work? At what stage is the work born?

Each case will be determined by its own facts but generally, we submit that "the work" is the final complete version which is ready for utilisation or commercial exploitation. It is this version which forms the basis of any copyright infringement proceedings when the author's finished product or derivative articles are copied or are otherwise misappropriated. In the example we have quoted "the work" would be the fully fledged painting; the rough drawing is simply a stage in the development of the work and is not a complete work in the sense that it is ready for utilisation or commercial exploitation while the textile design represents the manner of exploitation of the painting and is a derivative work of the painting. It may be that the textile design could constitute a separate and independent work the originality of which lies not in the conception of the design applied to the textile but rather in the transformation of the painting into a textile design.'

In this particular case the whole object of the applicant's exercise was to create video games which can be commercially exploited. If it was not for that aim the applicant would certainly not have paid designers to create thousands of cartoon like images nor would it have paid composers to compose music. It would also not have paid programmers to write programs which will cause the images and sound to be visible and audible. Until such time as the whole video game with all its component works have been fixated in the CH ROM and the P-ROM it is not commercially exploitable. In my view this is a case where the birth of the game is easily ascertainable as when the game was fixated in the ROMs. I am therefore satisfied that the fixation was a 'first' fixation for the purposes of the definition of cinematograph film.

At this stage it is necessary to deal with the respondents' defence based on section 15(3A) of the act. If that defence is good the applicant cannot possibly succeed. The section was inserted by section 2 of Act 66 of 1983. It reads as follows:

'(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 authorised 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 authorised reproductions, provided:-

(i) ...

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

Mr Ginsberg at first argued that the section cannot be applicable because the ROMs do not serve a utilitarian purpose. On the applicant's own evidence the whole sequence of images is stored in the CH ROM and the P-ROM contains not only the sound track but also the computer program which enables the player to manipulate the game and to cause certain series of images to be shown on the screen. Mr Ginsberg's argument was actually based on the narrow premise that a video game does not serve a useful purpose and that consequently the ROMs which cause the game to be played also cannot serve a utilitarian purpose. That in my view is too narrow an interpretation of 'utilitarian purpose'. 'Utilitarian purpose' means no more than that the article must be able, when used, to achieve a result which could not have been achieved as easily without it. In other words it is not necessary for the interpretation of the subsection to have a moral or economic debate, to ascertain if the article is used, if it will morally be to the benefit of society or possibly economically to its benefit (think of the deadlock when

economically society will benefit but morally it will be to its detriment) before it can serve a utilitarian purpose. The word 'utilitarian' is used in contradistinction with the word 'aesthetic' according to Rattray to whose affidavit I shall refer immediately.

He is a retired patent attorney who claims that he played an active part in the debates which led to the introduction into the act of section 15(3A). He gives his views on considerations which have a bearing on the question of public policy in respect of the legitimacy of the copying of industrial products. He points out that section 11 of the Copyright Act (no 63 of 1965) ('the 1965 Copyright Act') eliminated the possibility of enforcing copyright in works or articles with a design which was capable of protection as a registered design. The present act does not contain a similar provision. After its promulgation, foreign companies started to claim copyright protection in the case of the manufacture of parts of machines which they had developed but failed to patent or even after the expiry of the patent. Protection under the banner of copyright (a minimum of 50 years) is of course of a much longer duration than any protection under the Patents Act or Designs Act. Foreigners enjoyed in many cases better protection in this country than in their country of domicile. During the 1980's there were sanctions in operation against the Republic. In those circumstances section 15(3A) was enacted. Mr Rattray points out specifically that before the omission of section 11 of the 1965 Act from the 1978 Act lawyers specialising in intellectual property rights regarded the domain of copyright as the arts and not industrially made articles. I have serious doubts about the admissibility of much of Mr Rattray's evidence for purposes of interpretation but I think that it is clear that section 15(3A) takes industrially made articles out of the cadre of things which may be eligible for copyright protection. It legalises what is known as 'reverse engineering'. It is now permissible for example to make a mould of the genuine article and to manufacture replicas thereof with the mould as basis. If the competitor does not make use of the engineering drawings of the original manufacturer he enjoys the protection of section 15(3A). It is the respondents' case that that is exactly what happened here.

There can be no doubt that the Taiwanese copiers did not make use of the applicant's drawings or other computer data. Does that necessarily mean that what was done falls within the ambit of section 15(3A)? In my view not. If by copying an industrially made article the copier also copies something for which the manufacturer can in any event claim protection such as for example a trade mark, section 15(3A) could not possibly have been meant to legalise the copying thereof. If for example a motor manufacturer's trade mark or registered design appears on its hub-caps the copying of the hub-caps

without that mark or design, by reverse engineering is allowed by section 15(3A). Obviously if that is also copied the manufacturer will be able to claim protection.

But how does one jump from a trade mark to copyright in a cinematograph film? As I see it the film or other material can be equated to the hub-cap but the images fixated therein, which can be seen as a moving picture, are like the trade mark. They form the basis of an independent copyright. To illustrate: to manufacture a blank film, engineering drawings may be required. If such a film is reproduced by a process of reverse engineering there is no copyright infringement but as soon as the images on the film are also copied by whatever clever process there is copyright infringement. It is consequently my view that the respondents' defence based on section 15(3A) ought not to succeed.

The author of a cinematograph film is 'the person by whom the arrangements for the making of the film were made' according to the definition of 'author' in the act. In the case of each one of the forty games the evidence of the applicant is that it was created by a team of employees of the applicant consisting of a team leader, a director and designers or a designer and a producer and programmers or a programmer. In some cases some of the members of the team were employees of other Japanese companies commissioned to do that particular work.

Section 3 of the act provides that copyright shall be conferred on every work eligible for copyright of which the author is a qualified person. In terms of section 21(1)(a) the ownership of copyright conferred by section 3 shall vest in the author and in terms of section 21(1)(d) it is provided that where a work is made in the course of the author's employment by another person under a contract of service or apprenticeship that other person shall be the owner of any copyright subsisting in the work. In these circumstances it is beyond doubt that the arrangements for the making of each film were made by employees of the applicant in terms of contracts of service. In the process other firms were commissioned to do some of the work, such as in some cases programming, but all the work was done for the applicant, and the applicant received the final product in the end. It follows in my view that the applicant is the author of each one of the video games in terms of the definition of 'author'.

But is the applicant 'a qualified person'? In terms of section 3(1)(b) a juristic person incorporated under the laws of this country is a qualified person. The applicant is a Japanese company. Section 37(1)(a) says that the Minister of Economic Affairs and Technology may by notice in the Gazette extend some of the provisions of the act to other specified countries. The

reason for that provision is that the republic is since 1928 a signatory to the Berne convention. The object of the convention is that each member country must afford protection to the works of other member countries on exactly the same basis and to the same extent of protection as afforded to that country's own works. In General Notice 136 of 1989 (published in Government Gazette 11718 of 3 March 1989) the minister extended the provisions of the act in respect of *inter alia* literary, musical or artistic works, computer programs, *cinematograph films* and bodies incorporated to amongst others, Japan. It follows that the applicant is a qualified person for the purposes of section 3(1)(b).

There are, however, two more matters which have to be considered in order to ascertain if the applicant enjoys protection in terms of the act. They are firstly if the applicant did not possibly assign its ownership of copyright for this country to someone else and secondly if the video games based on arcade games can be said to be original in terms of section 2 of the act.

In its founding affidavit the applicant alleges that it is the owner of the copyright in the different games. There is no allegation by the respondent that anyone else than the applicant is the owner of whatever copyright there may be in the games. The respondents have, however, requested the applicant to make cartridges of the games available to it for inspection. They have also bought a number of the applicant's games cartridges. Some of the cartridges were broken and the contents studied. The respondents allege that the ROMs bear the trade marks of well-known Japanese electrical companies other than the applicant. They argue that that is an indication that those companies own the copyright of whatever is contained in the ROMs. Without breaking the cartridges nobody, of course, will know of it. Furthermore they point out that there is no uniformity as what is given as the origin of a particular game. In some cases there are three different descriptions thereof on respectively the box, the cartridge and the screen display. In a number of instances the year on the box or cartridge may differ or may differ from the year shown on the screen display. Different descriptions to which the court's attention have been drawn are:

19 .. Nintendo of America

19 .. Nintendo

Nintendo

19 .. Nintendo Co Ltd

In the case of the game 'Popeye' the description on the box is '1985 Nintendo of America Incorporated'. The description on the screen display reads:

(c) 1982 King Feature Syndicate

(c) 1982 Nintendo Co Ltd made in Japan

The description on the cartridge reads: (c)(m) Nintendo 1985.

In a letter dated 13 November 1991 by the applicant's attorneys to the respondents' attorneys a history of the creation and development of thirteen of the relevant games is given. Dealing with the game 'Popeye' the following is said:

'The original of this video game was fixed in semi-conductor circuitry in 1982. Its creator was a Japanese citizen and a resident, G Takeda, who was, at the time, an employee of Nintendo Co Ltd and acting in the course and scope of his employment within the meaning of section 21(1)(d) of the Copyright Act.

The game is based on and includes pre-existing characters which have been licensed for use in such work by the owners of the rights therein, King Features Syndicate, a division of the Hearst Corporation of New York. Save in so far as such licensed rights as were used are concerned, Mr Takeda was responsible for the creation of the underlying derivative works and was also responsible for redirecting the exercise whereby the underlying works were co-ordinated as the video game as fixed aforesaid. The game was first published in Seattle, Washington, United States of America on 18 November 1982. By assignment of rights from Nintendo Co Ltd, Nintendo of America Inc, (whom we also represent) *is the owner of the copyright in the works comprising this game.*'

The argument that the other company, the trade mark whereof appears on the ROM, is the owner of the copyright of whatever is contained in the ROM cannot prevail in the light of my finding that the applicant is the 'author' of the cinematograph film. If it comes, however, to the question if ownership in the copyright still vests in the applicant it must be borne in mind that the applicant claims final relief in motion proceedings. I must therefore approach the factual issues on the basis laid down in *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 (3) SA 623 (A) at 634E-635C. I have approached all factual issues on the following basis:

1. Reliance can be placed on everything said by or on behalf of the applicant not disputed by the respondents.
2. Reliance can be placed on allegations made by the respondents favouring the applicant.
3. In the process the court is not to accept that a bald denial by the respondents not in harmony with the probabilities creates a genuine dispute, just as the court is not obliged to accept
4. that mere speculation without apparent foundation can be the basis of a genuine reason not to accept otherwise cogent evidence by the

applicant.

Mr Ginsberg points out that section 22(2) of the act provides as follows:

'An assignment or testamentary disposition of copyright may be limited so as to apply to some only of the acts which the owner of the copyright has the exclusive right to control, or to a part only of the term of the copyright, or to a specified country or other geographical area.'

He says that that clearly contemplates the divisibility of copyright as to territory. An example of where there was such a territorial assignment of copyright is to be found in the facts of the case between *Frank and Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd* wherein the appeal court delivered a judgment dealing with 'parallel importation' on 2 June 1993. He further refers to section 22(3) which provides as follows:

'No assignment of copyright and no exclusive licence to do an act which is subject to copyright shall have effect unless it is in writing signed by or on behalf of the assignor, the licensor or, in the case of an exclusive sub-licence, the exclusive sublicensor, as the case may be.'

He argues that it is for the respondents to produce a written document in which the applicant's copyright for this country has been assigned to some other person. I do not think that a respondent need to go as far as actually producing a document to prove an assignment by an applicant but the court must nevertheless weigh up all the available evidence and decide if it is probable that there was such an assignment of rights or not. If one bears in mind that the applicant has subsidiary companies in the United States of America and Europe, with the name Nintendo a prominent part of their names, then it is understandable that there may have been territorial assignment of copyright to those countries and that the subsidiary companies use their own names in those countries. That explains why one sometimes gets a Japanese cartridge in an American box. It does not even create a suspicion that there was an assignment of the ownership in the copyright for South Africa to some other concern. In the result there is nothing of substance to gainsay the applicant's positive averment that it is the owner of the copyright.

In the case of the game Popeye the situation in my view is different. The applicant's attorney in a letter of 13 November 1991 made a positive averment of an out and out assignment. Although I have a suspicion that he may have overstated the position, there is no explanation why the statement was made. In those circumstances the court cannot on the facts of this case find that the applicant is the owner of the copyright in that game for this country.

Before dealing with the games based on earlier arcade games it is

necessary to establish if the games in general are original in terms of the act. The only copyright protection which an author enjoys in this country is that afforded to him by the act. Section 2(1) of the act is emphatic that cinematograph films shall be eligible for copyright if they are original. Grosskopf JA in *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* 1987 (2) SA 1 (A) 22H-23A, dealt with the question of originality as follows:

'The principles relating to originality in this context were not in dispute between the parties and are conveniently set out by Prof A J C Copeling in the following passage (*Copyright and the Act of 1978* at 15):

''To be original a work need not be the vehicle for new or inventive thought. Nor is it necessary that such thoughts as the work may contain be expressed in a form which is novel or without precedent. 'Originality', for the purposes of copyright, refers not to originality of either thought or the expression of thought, but to original skill or labour in execution. All that is required is that the work should emanate from the author himself and not be copied ... The requirement that the work should emanate from the author himself and not be copied must not be interpreted as meaning that a work will be regarded as original only where it is made without reference to existing subject matter. Indeed, were this so the great majority of works would be denied the benefit of copyright protection. It is perfectly possible for an author to make use of existing material and still achieve originality in respect of the work which he produces. In that event, the work must be more than simply a slavish copy; it must in some measure be due to the application of the author's own skill or labour. Precisely how much skill or labour he need contribute is difficult to say for much will depend upon the facts of each particular case.'''

The applicant in each case relies on the evidence of the team leader under whose supervision the game was created. The team leader in each instance alleges that the creation of the game required substantial original effort, expenditure of considerable time, skill and creativity. The time spent to create the game is given in each instance as is also done in the case of all other games and it is in each case a substantial period of usually well in excess of six months. There is, however, one game, 'Tetris', which is alleged to have been completed in three months and a few other games which are alleged to have been completed in between five and seven months. That in my view and the examples of drawings and charts annexed to the papers in the case of each game establish that there was sufficient originality for purposes of the act that the applicant can claim copyright in the games as cinematograph films. That is also so in the case of the games 'Tetris',

'Popeye' and 'Soccer' where the applicant under licence made use of, in the case of 'Tetris', a game created by two Russians, in the case of 'Popeye', of the well-known characters mentioned above and in the case of 'Soccer', of a soccer field created by someone else. The team leader Saturo Okada states about Tetris, that it is based on a game by the same name, authored by another company and that major detail changes were made by the applicant in relation to the visual aspects and the program. In its application for American copyright the American subsidiary of the applicant stated that the following material have been added to the existing game: 'new music and background sounds; some new visual display; computer program'. (The application form was annexed by the respondents to cast doubt on the applicant's allegations of originality.) It substantiates in my view the applicant's contention that sufficient original skill and labour were used in the creation of the game. Kenji Miki, the team leader of the video game 'Soccer', states that although the background field is the standard design of another company he personally designed the players and the game play. Again I see no reason not to find that sufficient skill and labour was employed that the applicant's game can be said to be original for purposes of the act. I shall not deal with the game 'Popeye' as I am not satisfied that ownership of copyright, if it existed, vests in the applicant.

As far as the respondents' argument that the games based on earlier arcade games are not original is concerned, the fact of the matter is that the applicant is also the creator of the arcade games. It was entitled to authorise itself to recreate the arcade games as video games just as an author of a book may decide to make a few minor changes in the text and have a new edition printed. I do not believe that the author can be denied copyright in the new edition on the basis that it lacks originality.

Apart then from the game 'Popeye' I am satisfied that the applicant is the owner of the copyright in the other games. If there is an infringement of its copyright it is entitled to protection. This approach makes it unnecessary to discuss the question if some or more of the component works are also eligible for copyright and if the applicant has produced sufficient evidence to substantiate ownership of copyright. (It became common cause during argument that the applicant cannot claim copyright in the 'sound recordings' as the 1978 Proclamation which extends copyright protection to Berne convention signatories, expressly limits protection in respect of 'sound recordings' to the extent to which it is protected in the country of origin, and as no evidence of reciprocity was adduced by the applicant. See Dean *supra* 4-174.) It is also not necessary to deal any further with the fact that the applicant holds valid trade marks in two classes each of the games Donkey

Kong and Mario Bros. It is also unnecessary to investigate the applicant's claim based on unfair competition, although as far as that leg of the argument is concerned I have difficulty to see anything reprehensible in the conduct of a *bona fide* importer who openly and legitimately and for a fraction of the price buys from someone whom he knows has copied the merchandise of another. If the applicant cannot directly stop the Taiwanese manufacturers of copied video games from exporting to this country I do not think that it can do so indirectly by interdicting importers and other dealers in this country to buy those games, on the basis that they do so unfairly.

Section 23(1) of the act sets out what direct infringement of copyright consist of. Section 23(2) provides as follows:

'Without derogating from the generality of subsection (1), copyright shall be infringed by any person who, without a licence of the owner of 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 traffic offers or exposes for sale or hire in the republic any article; or

(c) distributes in the republic any article for the purposes of trade, or for any other purpose, to such an extent that the owner of the copyright in question is prejudicially affected, 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.*'

The first, second, third and fifth respondents are importers and distributors of video games. The other respondents are retailers of video games. Some of them emphatically state that they hire out video games but the impression created by the evidence is that the majority of the respondents only buy and sell video games. In the light of the wide relief which is claimed by the applicant I regard it as unnecessary to deal with the argument that the applicant has proved direct infringement by making use of the provisions of section 8(d) read with section 26(10) of the act.

The respondents concede that the games sold by them and imported from Taiwan are indeed copies of the original games created by the applicant. They deny that the copies are slavish copies but that is a bald denial and cannot be sustained. It was not seriously argued on behalf of the respondents that the games sold by them, if copyright existed, infringed the copyright of the applicant. The case of the first, second, third and fifth respondents is that they did not have any knowledge of the applicant's copyright and that they traded honestly and openly and *bona fide* until when, in October 1991, they

received letters from the applicant informing them of its allegations of copyright. They say that from then onwards they started concentrating less on the games in question and when in about April 1992 it came to their notice that the games Mario Bros and Donkey Kong are subject to a trade mark registration they stopped trading in games with those names or confusingly similar to those names. They then also gave an undertaking not to deal in those games. The other respondents apart from the fourth respondent who claims not to be doing business at all, were only apprised of the applicant's claims during June 1992. They are all small retailers or owners of video shops of whom dealing in video games form but a fraction of their turnover. They all referred to the first respondent and act on advice of their attorney who is also the attorney for the first, second and third respondents. They say that they do not know what the applicant's rights are and that they do not wish to infringe those rights. Shortly before the applicant launched the application there was an undertaking on behalf of all of the respondents that they would not deal in anyone of the forty games in question until they have finally ascertained what their rights were. The undertaking was qualified in the sense that it made provision for notification of a change in stance once the respondents found out what the true position was. One Scott on behalf of the third respondent made an affidavit on behalf of all the other respondents which they endorsed. Paragraph 274.9 thereof reads as follows:

'The technical intricacies referred to above in this paragraph have now been clarified and on a consideration of the case made out by the applicant and on consideration of this answering evidence which has been carefully researched and debated, the respondents have concluded that the undertakings should now be withdrawn. In accordance with the letter and spirit of the undertakings, the applicant is now given notice on behalf of the respondents that fourteen days after the service on the applicant's attorneys of this affidavit, the importer respondents will recommence the importation and sale of ``copies" of the *forty games in question*, and the remaining respondents will, if they so choose, resume dealing in these products.'

That was fighting talk. That does not even allow for recognition of the applicant's trade marks in the names Donkey Kong and Mario Bros. That clearly creates a reasonable fear by the applicant that its copyright will indeed be infringed. In the circumstances there can be no question that there is no 'guilty knowledge' on the part of each one of the respondents or that the applicant is entitled to the interdicts claimed. The approach in *Sillitoe and others v McGraw-Hill Book Co (UK) Ltd* 1983 FSR 545 at 557 is equally applicable to this case:

'Once a plaintiff fixes a defendant with notice of the facts relied on as constituting an infringement, the defendant cannot contend that he is without "knowledge" within section 5(2) because he has in good faith a belief that in law no infringement is being committed. There is here no ignorance of the facts on which the defendants can rely. On the contrary they well knew the facts, that is as to subsistence, ownership and the claim that there was a section 5(2) infringement. The defendants are in effect saying that if they are right in law, then there is no infringement and if they are wrong in law, there is no infringement either because they believed the law to be otherwise. What the defendants have done here, and knowing of the plaintiff's complaints and the facts on which the complaints were based, was to take the risk of finding their legal advice wrong. If a person takes a deliberate risk as to whether what he is doing is wrong in law, I do not see that he can say later that he did not, at the time, know that what he was doing was wrong, if, in the event, his action is held to be wrong.'

There were two applications, one by each side to strike out certain matter. In my judgment I have not relied on any of the averments which I am asked to strike out. It is therefore also not necessary to deal with those applications.

The respondent points out that leave was granted to a Japanese English interpreter of Seattle USA to interpret from Japanese to English. The affidavits were in fact drafted in English and then discussed with the Japanese deponents, corrected and changed, and in that form translated to Japanese. In my view that is substantially in accordance with the court order authorising the interpreter to translate. Most affidavits in court applications are drafted by legal practitioners in consultation with the deponents. In this case the language gap necessitated the use of an interpreter. What in fact happened is, barring the translation, not really different from what happens in many cases.

As there were many issues involved and as it was not clear to anyone what the decision of the court would be, counsel decided not to argue costs but invited me to give an indication as to what order of costs I intend to make, as was done in *Selero (Pty) Ltd and another v Chauvier and another* 1984 (1) SA 128 (A) 145 E. Mr Ginsberg argued that the respondents in their affidavits accused the applicant of having been reticent, lacking in candour, less than frank, vague, intentionally misleading, deliberately concealing, myopic, deliberately withholding and evasive, hypocritical, selective and secretive and high-handed in giving evidence to the court. Unfortunately, Mr Ginsberg is absolutely correct. In my view the allegations were made because the respondents at all times firmly believed that the video games cannot

possibly be cinematograph films but that the only thing which could possibly be eligible for protection is the computer program. It was therefore the respondents' view that the applicant put a wrong picture before the court and in a zealous endeavour to persuade the court of its course it used those expressions. I must immediately say that I found it, to say the least, surprising after having read six volumes of the applicant's founding affidavits, to see the respondents complain about the applicant not supplying sufficient information for the court to come to a fair conclusion. It became apparent, however, what the real attack was as I have indicated that in the respondents' contention the process of the making of the computer program was critical for the decision of the case. In those circumstances and although I find it unfortunate that such caustic language was used, one must remember that court cases are not without emotion and that in this case the respondents are small operators, in relation to the gigantic applicant, who are trying their best to safeguard their livelihood. In the circumstances I do not regard this case a proper case for an award of costs on the attorney and client scale. Apart from that, the applicant in my view was substantially successful. I cannot think of any reason why the applicant is to be deprived of any of its costs. As far as the employment of two counsel is concerned the court got tremendous assistance from the very thorough and well-written heads of argument submitted by both sides. I have no doubt that if two counsel were not employed on both sides, it would have been difficult for one counsel only, to file such comprehensive heads. It is with regret that I admit that this judgment does not in the least do justice to the arguments presented to me. I do not apologise, however, because of my firm belief that it is to the advantage of litigants to get a judgment from a court of first instance, rather than to wait for an inordinately long time for a judgment, with the same result, but with academic distinction. At this stage and without having heard argument on the issue my indication is that the applicant is to get its costs on the party and party scale which costs are to include the costs of two counsel.

The orders sought against the respondents are to the effect that they are to be interdicted by themselves or through their servants or agents. That practice was discussed and criticised in the matter of *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd*, *supra*, and in the circumstances I shall not make the order as wide as sought by the applicant. In the light of the withdrawal of the undertaking and the specific threat by each one of the respondents to deal in all forty of the games I think that it is not necessary to restrict the order in respect of anyone of the respondents. I shall just delete from annexure 'A' to the notice of motion the name of the game 'Popeye' so that thirty nine games remain and I shall then make an order in respect of all

those games.

In the result I make the following order.

1. The first, second, third, fourth, fifth, sixth, seventh, eighth, ninth, tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth and sixteenth respondents are interdicted from infringing the copyright of the applicant in any of its video games set out in annexure 'A', as amended, hereto by importing and/or selling and/or letting and/or hiring and/or offering or exposing for sale or hire and/or distributing for the purposes of trade any video game the name whereof appears on annexure 'A', as amended, hereto and/or any other video games which are or incorporate unauthorised reproductions of, or substantial parts of any of the applicant's aforesaid video games.
2. I direct each one of the first, second, third, fourth, fifth, sixth, seventh, eighth, ninth, tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth and sixteenth respondents to deliver up to the applicant all video games which infringe the applicant's aforesaid copyright, which are in their possession or under their control.
3. The defendants are ordered, jointly and severally, to pay the applicant's costs inclusive of the costs caused by the employment of two counsel.
4. The order as to costs is provisional and leave is granted to each party, if so advised, to apply by written application, lodged with the registrar within 30 days of this order, for a variation of the order as to costs.

APPLETON AND ANOTHER v HARNISCHFEGER CORPORATION AND ANOTHER

APPELLATE DIVISION

CORBETT CJ, VAN HEERDEN JA, NESTADT JA, HARMS JA AND NICHOLAS AJA
30 SEPTEMBER 1994

The copyright in drawings made by a person domiciled in the United States of America is protected by the Copyright Act (no 98 of 1978) by virtue of the provisions of proclamation 125 of 1990, as applied by section 43(a) of the Act, even where the drawings are made before the commencement of the Act.

From March 1976 to May 1989, Appleton was employed by Harnischfeger (SA) (Pty) Ltd, the second respondent, as a sales manager. While thus employed, Appleton had control of various engineering drawings relating to machines manufactured by the second respondent and its holding company, the first respondent.

After Appleton left the employ of Harnischfeger, Appleton retained in his possession two of the engineering drawings. In 1990, he reproduced the drawings by telefaxing them to two individuals.

The two drawings had been made in 1967 and 1969 and in the United States of America, by persons domiciled in the United States and in the employ of the first respondent, while acting in the course and scope of their employment with the first respondent.

The respondents brought proceedings interdicting Appleton and the second appellant from infringing the first respondent's copyright in the drawings, and seeking other relief. They obtained an order in those terms. The appellants appealed on the grounds that the subsistence of the copyright in the drawings was to be determined according to the provisions of Proclamation 118 of 1924, that in terms of that proclamation, (i) the term of copyright within South Africa could not exceed that conferred by the law of the United States, and (ii) the enjoyment of that copyright was subject to compliance with the formalities prescribed by the law of that country, and that the respondents had not proved that there had been compliance with those two provisos.

Held—

The starting point in the investigation of the position was the Copyright Act (no 98 of 1978) which defined copyright protection by reference to the two criteria of (i) nationality, domicile or residence of the author of a work at the time of the making of the work, and (ii) the country of origin of the work, in the case of an artistic work where it is first published.

Section 37(1) of the Act empowers the Minister to decree that the provisions of the Act shall apply to specified countries according to the same criteria which afford copyright protection within South Africa. In 1978, and acting in terms of this section, the Minister did extend copyright protection to Berne Convention countries, thus incorporating the two criteria for copyright protection. A later notice, Notice R566 of 1981, extended such copyright protection to the United States of America, and in 1990, notice 125 simply decreed that the provisions of the Copyright Act (no 98 of 1978) should apply to the United States.

At the time of the making of the works, no proclamation applicable to copyright

protection extending to the United States had been made under the Copyright Act then in force, ie the Copyright Act (no 63 of 1965) and it was only in 1973 when the proclamation which did so extend copyright protection under the earlier Act of 1916 (proclamation 118 of 1924) was repealed and replaced by proclamation R231 of 1973.

In 1990, section 43(a) of the Copyright Act (no 98 of 1978) provided that the Act would apply in relation to works made before the commencement of the Act as it applied in relation to works made thereafter. These provisions made it abundantly clear that the provisions of that Act applied to works made both before and after the commencement of the Act. It followed from that, that notice 125 of 1990 made the Act applicable to works made both before and after the date of its commencement, ie 1 January 1979. Prima facie therefore, the Act would apply to the engineering drawings made in 1967 and 1969 by the first respondent's employees. To apply proclamation 118 of 1924, on the other hand, would be to give present legal effect to legislation which was repealed in 1973. The result of this would be to have different proclamations extending copyright protection to works made at different times, so that there would be a patchwork of recognition. This was a result which could not have been intended. Furthermore, the result would be that South Africa would be breaching its obligations under the Berne Convention.

The first proviso to section 43(a) was that nothing in the Act would affect the ownership, duration or validity of copyright subsisting under the Copyright Act of 1965. This meant only that the new Act preserved rights and the validity or invalidity of copyright under the earlier Act was therefore not an enquiry relevant to the present matter. The subsistence of copyright in the engineering drawings had therefore to be determined by reference to the 1978 Act and Notice 125 of 1990. Applying this notice, it was not incumbent on Harnischfeger to prove any aspect of the law of the United States of America.

The appeal therefore failed.

Corbett CJ: The first respondent, Harnischfeger Corporation ('Harnischfeger'), a company incorporated in accordance with the laws of Delaware, United States of America, and having its principal place of business in Milwaukee, Wisconsin, USA, carries on business as a manufacturer and supplier of heavy machinery, including electric mining shovels. An electric mining shovel is a large machine used for digging and moving earth in open-cast mining operations. One such machine, the P & H 2300 Electric Mining Shovel, has been manufactured by Harnischfeger since the late 1960's and has proved a very successful product in many parts of the world, including South Africa. This machine and other similar products are sold to mining companies. A major part of Harnischfeger's business is the manufacture and sale to customers of spare parts for these machines.

The second respondent, Harnischfeger (SA) Proprietary Limited ('Harnisa') is a company incorporated under the laws of South Africa and having its principal place of business in Alrode, Transvaal. It is a wholly-owned subsidiary of Harnischfeger International SA, a company

incorporated under the laws of Panama and an associate company of Harnischfeger. From the late 1970's and until about 1988, Harnisa's business related solely to the manufacture and distribution of spare parts for the various Harnischfeger machines, including the 2300 Electric Mining Shovel. In about 1988, Harnisa began manufacturing and selling complete machines as well.

The first appellant, Mr John Appleton ('Appleton') entered the employ of Harnisa in March 1976 as a sales manager. He remained with the company until May 1989, by which time he had risen to the position of the parts and service director and his only superior in the company was the managing director. Various disagreements between Appleton and the managing director, Mr R L Drollinger, resulted in Appleton then resigning. On 25 May 1989 he signed a letter of resignation, in which he agreed, *inter alia*, not to take any company property with him; that all documents or other records containing company information belonged to the company and had to be returned to the company before he left; and that he was not permitted to retain copies thereof or extracts therefrom. The letter also recorded that Appleton was not entitled to divulge any of the company's confidential information or trade secrets to any other person or company or to use any of them directly or indirectly. This letter is hereafter referred to as 'Annexure E'.

After leaving Harnisa and in October 1989, Appleton took up employment with second appellant, Bedford Mechanical and Pump Spares CC ('Bedford') a close corporation incorporated under the laws of South Africa and having its principal place of business in Germiston, Transvaal. There is some dispute as to the nature of the business carried on by Bedford. According to the respondents, Bedford manufactures and sells engineering parts; according to the appellants, Bedford does not manufacture, but merely buys and sells such parts. As matters have turned out nothing turns on this dispute.

In October 1991 the respondents instituted proceedings by notice of motion in the Witwatersrand Local Division in terms of which they claimed, *inter alia*, orders interdicting the appellants from infringing the first respondent's copyright in certain engineering drawings; interdicting the appellants from committing acts of unlawful competition against the respondents and from breaching the terms of the agreement contained in Annexure E by using drawings emanating from the respondents or information contained therein for the manufacture of parts and/or by disclosing to any person such drawings or information contained therein.

In the founding affidavit Mr J C Grisdale, the financial director of Harnisa, explained that Harnischfeger had a library of many thousands of

engineering drawings relating to parts for the various machines manufactured by it. These drawings had been created over the years by employees of Harnischfeger. To enable Harnisa to manufacture spare parts in South Africa, Harnischfeger had provided Harnisa with a substantial number of such drawings, which were used in many instances to manufacture parts required by a customer.

Mr Grisdale further alleged that respondents had discovered that Appleton had copies of various drawings of Harnischfeger in his possession and that he and Bedford were using these drawings to copy parts for Harnischfeger electric mining shovels and were selling the parts so made to customers of Harnisa at reduced prices; hence the claims of infringement of copyright and unlawful competition.

As regards the alleged infringement of copyright, the respondents limited their claim to three particular drawings relating to parts of the 2300 Electric Mining Shovel, viz (i) the intermediate hoist gear as reflected in drawing no 1N1110; (ii) the drive tumbler as reflected in drawing no 4J139; and (iii) the lever-propel steering as reflected in drawing no 6N525. During the hearing in the court a quo the respondents abandoned any reliance on drawing no 6N525, thus limiting their claim to the other two drawings.

In the court a quo the matter was heard by Flemming DJP. Having heard argument, he made an order in the following terms:

- '1. Respondents are interdicted from causing or permitting the reproduction of drawings 1N1110 and 4J139 which were identified in the papers.
 2. Respondents are interdicted from reproducing any drawing for any part of a Harnischfeger machine otherwise than by reverse engineering in respect of such a part (for as long as reverse engineering is lawful according to statute) unless the drawing has been obtained from somebody who discloses his source of acquisition of the drawing, and the disclosure in itself or together with accompanying facts which explain the circumstances of such acquisition, bring fair satisfaction to respondents that such drawing is in itself probably not a reproduction of a drawing of which copyright vests in first or second applicant.
 3. Respondents are ordered to pay 70% of the costs of applicants.'
- ('Respondents' are the present appellants and 'applicants' are the present respondents.) The case has been reported: see *Harnischfeger Corporation*

and another v Appleton and another 1993 (4) SA 479 (W) **.

It is clear from the judgment of Flemming DJP that he granted no relief in respect of the causes of action based on unlawful competition and the agreement (Annexure E). The reason for this was that there were critical disputes of fact which could not be resolved on affidavit. The learned judge refused a request for the hearing of oral evidence and held further that the 'balance of fairness' was against the grant of an interim interdict pending action.

On appeal (leave having been granted by the judge a quo) the first point taken on behalf of the appellants was that there was no basis for the grant of para 2 of the order of the court a quo and that in this respect, at least, the appeal should be allowed.

It seems clear that para 2 of the order is designed to restrain copyright infringement. The language of the order itself demonstrates this; and in view of the court's findings in regard to the allegations of unlawful competition the order could not be based upon this cause of action. Yet respondents limited their claim of copyright infringement to (eventually) the two drawings referred to above, viz no 1N1110 and no 4J139, and para 1 of the order grants relief in respect thereof. Para 2 of the order, which seeks to impose a restraint on the reproduction of 'any drawing for any part of a Harnischfeger machine', thus goes far beyond what was claimed by the respondents and on the papers has no foundation in fact or law. Respondents' counsel disavowed it. Accordingly, in so far as the appeal seeks the elimination of para 2 from the order of the court a quo, it must succeed.

Appellants' counsel further submitted, on various grounds, that the respondents had failed to make out a case for infringement of copyright in respect of drawings nos 1N1110 and 4J139. In order to appreciate the first of these grounds, it is necessary to review historically our national copyright legislation, with particular reference to works produced or published in foreign countries.

After Union the first legislation dealing with copyright was contained in Chapter IV of the Patents, Designs, Trade Marks and Copyright Act (no 9 of 1916). The effect of Chapter IV was to introduce, with certain minor changes and adaptations, the whole of the British Copyright Act of 1911 ('the British Act'), which was set out in the third schedule to Act 9 of 1916. This was done by section 13 which declared the British Act to be in force in the Union as from the commencement of Chapter IV of Act 9 of 1916 'subject to the

** See page 443 - Ed.

modifications and additions provided by' Chapter IV. The British Act was divided into two main parts, Part I dealing with 'Imperial Copyright' and Part II with 'International Copyright'. Section 1 (in Part I) provided that copyright should subsist 'throughout the parts of His Majesty's dominions' to which the Act extended in every original literary, dramatic, musical and artistic work if—

- (a) in the case of a published work, the work was first published within such dominions, and
- (b) in the case of an unpublished work, the author was at the date of the making of the work a British subject or resident within such dominions.

Section 1 further stipulated that copyright should subsist in no other works except so far as the protection conferred by the Act was extended by an Order in Council thereunder relating to a self-governing dominion (to which the Act did not otherwise extend) and to a foreign country. This must be read with section 25(1) of the British Act which made it clear that the Act did not apply to a self-governing dominion (of which the Union of South Africa was one: section 35(1) of the British Act) unless declared by the legislature of the dominion to be in force therein, with or without—

'such modifications and additions ... as may be enacted by such legislature.'

The introduction of the British Act by Chapter IV of Act 9 of 1916 was done in pursuance of section 25 of the British Act: see section 143 of Act 9 of 1916.

As regards international copyright, section 29(1) contained in part II of the British Act provided that His Majesty might by Order in Council direct that the Act should apply—

- (a) to works first published in a foreign country to which the Order related in like manner as if they were first published within the parts of His Majesty's dominions to which the Act extended;
- (b) to literary, dramatic, musical and artistic works the authors whereof were at the time of the making of the work subjects or citizens of the aforementioned foreign country in like manner as if the authors were British subjects;
- (c) in respect of residence in such a foreign country in like manner as if such residence were residence in the parts of His Majesty's dominions to which the Act extended.

These provisions in section 29(1) were made subject to a number of provisos, including the following:

- (i) that before making such an Order in Council His Majesty had to be

satisfied that the foreign country (being one other than a country with which there was a convention relating to copyright) had made or had undertaken to make provisions for the reciprocal protection of works entitled to copyright under part I of the British Act;

- (ii) that the Order in Council might provide that the term of copyright so accorded within His Majesty's dominions should not exceed that conferred by the law of the foreign country; and
- (iii) that the Order in Council might provide that the enjoyment of the rights conferred by the Act should be subject to the accomplishment of such conditions and formalities (if any) as might be prescribed by the Order.

Section 30(2) (in Part II) of the British Act further provided that the Governor-in-Council of a self-governing dominion to which the Act extended might, with respect to that dominion, make like orders under this part of the Act. And in section 144(g) of Act 9 of 1916 it was enacted that the powers which under the British Act the Governor-in-Council of a self-governing dominion might by order exercise should in the Union be exercised by proclamation of the Governor-General in the Gazette.

On 9 June 1924 the Governor-General of the Union of South Africa, acting in terms of this legislation, issued a proclamation (no 118 of 1924) entitled 'Copyright Agreement with United States of America'. The preamble to this proclamation made reference to the powers granted under section 144(g) of Act 9 of 1916, to Part II of the British Act and to the powers granted under section 30(2) of that Act. It further recorded the intention of the Government of the United States of America to make reciprocal arrangements affording South African citizens the benefits of the United States Copyright Act of 1909; and also that it was desirable to provide protection within the Union for the unpublished works of citizens of the United States of America and for their works published simultaneously in the United States of America and in the Union. The substantive portion of the proclamation enacted that the British Act, subject to the modification and additions provided by Chapter IV of Act 9 of 1916, should apply (I quote only the relevant parts)—

- '(a) to literary, dramatic, musical and artistic works the authors whereof were, at the time of the making of the works, citizens of the United States of America, in like manner as if the authors had been subjects of the Union of South Africa;
- (b) in respect of residence in the United States of America, in like manner as if such residence had been residence in the Union of South Africa, provided that—

- (i) the term of copyright within the Union of South Africa shall not exceed that conferred by the law of the United States of America;
- (ii) the enjoyment of the rights conferred by this Proclamation shall be subject to the accomplishment of the conditions and formalities prescribed by the law of the United States of America;...

Proclamation 118 of 1924 continued to govern the recognition in South Africa of copyright in what for the sake of brevity I shall call 'American works' until its repeal by Proclamation 231 of 1973 which was promulgated on 5 October 1973. In the meanwhile Act 9 of 1916 had been repealed and replaced by the Copyright Act 63 of 1965, which came into force on 11 September 1965. It followed closely the terms of the British Copyright Act of 1956 which had repealed and replaced the British Act of 1911.

In defining the ambit of copyright protection, Act 63 of 1965 dealt separately with literary, dramatic and musical works on the one hand (section 3) and artistic works on the other hand (section 4). As the copyright claimed in the present case is that pertaining to artistic works I shall refer only to section 4. This provided that copyright should subsist in every original artistic work which was unpublished and of which the author was a 'qualified person' when the work was made. 'Qualified person' was defined to mean, in the case of an individual, a person who was a South African citizen or was domiciled or resident in the Republic and, in the case of a body corporate, a body incorporated under the laws of the Republic. In the case of a published artistic work copyright subsisted, or continued to subsist, therein if (i) the first publication of the work took place in the Republic, or (ii) the author of the work was a qualified person at the time when the work was first published, or (iii) the author died before that time but was a qualified person immediately before his death.

Section 32(1) empowered the State President to provide by proclamation that the Act should apply to, *inter alia*, artistic works of foreign origin in similar manner to that previously provided by section 29(1) of the British Act, incorporated by Act 9 of 1916. And in pursuance of these powers Proclamation no R73 of 1966 was promulgated on 18 March 1966. This extended the relevant provisions of Act 63 of 1965 to, *inter alia*, artistic works emanating from certain foreign countries, namely those who were then members of the Berne Copyright Union. The United States of America was not included among these countries. But in 1973, acting in terms of the same section, the State President did extend the provisions of Act 63 of 1965 to works emanating from the United States of America (see Proclamation no R231 of 1973, promulgated on 5 October 1973). The proclamation did so by

applying the provisions of Proclamation R73 of 1966 to the United States of America subject to certain provisos, one of which was to the effect that the term of copyright within South Africa should not exceed that conferred by the law of the United States of America. As I have indicated, the proclamation also repealed Proclamation 118 of 1924.

The next piece of Parliamentary legislation was the Copyright Act (no 98 of 1978) which repealed and replaced Act 63 of 1965. Act 98 of 1978 deviated more from British precedents than its predecessors. It came into force on 1 January 1979. Section 37 of the Act made provision in terms virtually identical to its predecessor (viz section 32 of Act 63 of 1965) for the extension of the application of the Act to foreign works. One difference was that the extension could be done by a notice in the Gazette by the responsible Minister instead of by presidential proclamation. Shortly before Act 98 of 1978 came into operation such a notice was published (no R2565 of 22 December 1978) extending the provisions of the Act to countries of the Berne Copyright Union (which still did not include the United States of America) and repealing Proclamation 73 of 1966. This was followed on 13 March 1981 by a further such notice (no R566 of 1981) which applied the provisions of notice R2565 of 1978 to the United States of America in the same way as it applied to the countries referred to in notice R2565, but again subject to the proviso that the term of copyright which subsisted in South Africa in a work should not exceed the term of copyright enjoyed by that type of work under the laws of the United States of America. Notice R566 of 1981 also repealed Proclamation 231 of 1973.

Notice R2565 of 1978 was itself repealed and replaced by notice 704 of 1987 which also applied Act 98 of 1978 to countries of the Berne Copyright Union, but introduced some minor amendments and added some new countries to the Union list. Notice 704 of 1987 was thereafter repealed and replaced by notice 136 of 1989 which again effected a minor amendment. The lists of members of the Berne Copyright Union as reflected in notices 704 of 1987 and 136 of 1989 still did not include the United States of America.

In February 1990, and again acting in terms of section 37(1) of Act 98 of 1978, the Minister issued notice 125 of 1990 which simply provided, without qualification or proviso, that the provisions of that Act, as amended, should apply in the case of certain countries specified in the notice. These included the United States of America. And in June 1991 and by notice 484 of 1991, dated 7 June 1991, the Minister withdrew notice R566 of 1981.

That was the state of the law when the respondents initiated legal proceedings and when judgment was given in the court a quo. As appears

from this legislative history, the recognition of what I have termed 'American works' for copyright protection under South African law has been governed by four pieces of subordinate legislation:

- (1) Proclamation 118 of 1924, which contained the provisos
 - (i) that the term of copyright within South Africa in respect of an American work should not exceed that conferred by the law of the United States of America and
 - (ii) that the enjoyment of such copyright protection should be 'subject to the accomplishment of the conditions and formalities prescribed by the law of the United States of America'.
- (2) Proclamation R231 of 1973, which repealed Proclamation 118 of 1924 and applied the provisions of Proclamation R73 of 1966 (relating to members of the Berne Copyright Union) to the United States of America subject to a proviso similar in terms to proviso (i) to Proclamation 118 of 1924, but not subject to any proviso corresponding to proviso (ii) of the 1924 Proclamation.
- (3) Notice R566 of 1981, which repealed Proclamation R231 of 1973 and applied the provisions of notice R2565 of 1978 to the United States of America, but again subject to the proviso relating to the term of the copyright appearing in Proclamation 118 of 1924 and Proclamation R231 of 1973.
- (4) Notice 125 of 1990 which omitted to repeal or withdraw notice R566 of 1981 (subsequently done by notice 484 of 1991) and applied the provisions of Act 98 of 1978 in the case of, amongst other countries, the United States of America without any qualifications or provisos.

I must now revert to the facts. According to respondents, drawing no 1N1110, relating to the intermediate hoist gear for the model 2300 Electric Mining Shovel, was created in 1967 by a Mr Zimmerman, a product designer in the employ of Harnischfeger, acting on instructions given to him by Mr L A Price, then the chief engineer for electric mining shovels at Harnischfeger. Zimmerman created this drawing in the course of his employment with Harnischfeger under a contract of service and at the time he was a citizen of the United States of America and was domiciled in Milwaukee, Wisconsin, USA. At this stage none of these statements of fact is in dispute. A further averment in the founding affidavit that drawing no 1N1110 is an original artistic work is, however, challenged on the score of originality. I shall deal later with this point.

The position in regard to drawing no 4J139 is not quite so straightforward. This relates to a driving tumbler which engages the crawlers for the propulsion of the model 2300 Electric Mining Shovel. In 1969 Price

instructed a Miss C Dennison, who was at the time employed by Harnischfeger to draft engineering drawings, to create a drawing for such a driving tumbler. She created a drawing, no 4J84, under Price's supervision and in the course of her employment under a contract of service with Harnischfeger. She was at the time a citizen of the United States of America and was domiciled in Milwaukee, Wisconsin, U.S.A. During 1977, Mr J W Hansen, then a draftsman in the employ of Harnischfeger, was instructed to reproduce and effect certain minor modifications to drawing no 4J84. For this purpose he was given a marked, blue-print copy of the original drawing no 4J84. He redrafted the original drawing incorporating the amendments in accordance with his instructions. The resultant drawing was numbered 4J139. Although respondents originally (and more particularly in their notice of motion) claimed copyright in drawing no 4J139, they now concede that the original artistic work to which copyright attaches is drawing no 4J84 and they apply for an amendment to the notice of motion substituting the latter for the former. The application for amendment was opposed by appellants, but their counsel were unable to advance any ground of prejudice which could not, if necessary, be cured by an appropriate order as to costs. In my view, the amendment should be allowed and an appropriate order to that end will be made. Again the facts stated above in regard to these two drawings are not now in dispute, the only issue being that of originality.

Further, it is now common cause that towards the end of 1990 Appleton had in his possession copies of drawings nos 1N1110 and 4J139; that he reproduced these drawings by telefaxing drawing no 1N1110 to a Mr R Pierce of the firm Mitre Engineering, which, according to respondents, was in the process of manufacturing an intermediate hoist gear from that drawing; and by telefaxing drawing no 4J139 to a Mr J Bruce of the firm Eclipse Foundry. At this stage appellants do not dispute the telefaxing of the drawings and that this in itself constitutes evidence of infringement of the copyright (should such be found to exist) in drawing nos 1N1110 and 4J84 (drawing no 4J139 itself being a reproduction of drawing no 4J84). It is, in essence, these infringements upon which the respondents rely.

I come now to appellants' first ground of attack upon respondents' case of infringement of copyright in the drawings in question. It is submitted on appellants' behalf that having regard to the dates upon which these drawings were made (1967 and 1969) and the fact that they were made in the United States of America, the subsistence in South Africa of copyright in such drawings has to be determined in the light of the provisions of Proclamation 118 of 1924; that in terms of this proclamation (more particularly provisos (i) and (ii) to section 1) the term of the copyright within South Africa cannot

exceed that conferred by the law of the United States of America and the enjoyment of such copyright is subject to compliance with the formalities prescribed by the law of the United States of America; that in order to ascertain whether there is compliance with these two provisos it is necessary to establish the relevant provisions of the law of the United States of America; that the onus was on the respondents to do so; and that, inasmuch as they had omitted to do so, the infringement claim should fail.

The foundation of this argument is the proposition that the recognition in South Africa of Harnischfeger's copyright in the drawings in question is governed by Proclamation 118 of 1924, which it will be recalled was repealed by Proclamation R231 of 1973. The correctness of this proposition must now be investigated.

The starting point in this investigation is the current Copyright Act (no 98 of 1978). The normal ambit of the Act in regard to works eligible for copyright is defined with reference to two basic criteria: (i) the nationality, domicile or residence of the author of the work at the time of the making of the work (section 3(1) of the Act); and (ii) the country of origin of the work, in the case of an artistic work where it was first published (section 4(1)). Category (ii) applies where category (i) does not. In terms of section 3(1) the nationality, domicile or residence must, in the case of an individual, be South African; while in the case of a juristic person the criterion is incorporation under the laws of South Africa (such persons being called 'qualified persons'). And in terms of section 4(1) the country of origin must be South Africa.

As I have indicated, section 37(1) empowers the Minister by notice in the Gazette to decree that the provisions of the Act shall in the case of any specified country apply (a) in relation to, *inter alia*, artistic works first published in that country as they apply in relation to artistic works first published in South Africa; (b) in relation to persons who at a material time are citizens or subjects of that country as it applies in relation to persons who at such time are South African citizens; (c) in relation to persons who at a material time are domiciled or resident in that country as it applies in relation to persons who at such time are domiciled or resident in South Africa; and (d) in relation to bodies incorporated under the laws of that country as it applies in relation to bodies incorporated under the laws of South Africa. In other words, the criteria defining the ambit of copyright recognition, such as South African nationality, domicile and residence in the case of the author and a South African origin for the work itself, may by a notice under section 37(1) be extended to the case where corresponding criteria relate to a foreign country. The foreign country is treated in effect as being a territorial

extension of South Africa. Section 37(1) states that such a notice may provide, *inter alia*, that any provisions referred to therein shall apply subject to such 'exceptions or modifications' as may be specified therein.

Notices R2565 of 1978, 704 of 1978 and 136 of 1989 followed the formula set forth in section 37(i) in applying the Act to the Berne Convention Countries. Notice R566 of 1981 applied the provisions of notice R2565 to the United States of America and thereby incorporated this formula. But notice 125 of 1990 simply decreed that the provisions of Act 98 of 1978 should apply in the case of, among other countries, the United States of America.

The argument advanced by appellant's counsel hinged mainly on a particular interpretation of section 43(a) of the Copyright Act (no 98 of 1978) as amended by section 14(a) of Act 52 of 1984, but prior to its amendment by section 33(a) of Act 125 of 1992. The relevant portion of section 43(a) then provided as follows:

'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 contained shall—

- (i) affect the ownership, duration or validity of any copyright which subsists under the Copyright Act, 1965 ...; or
- (ii) be construed as creating any copyright which did not subsist prior to 11 September 1965; ...'

The opening words of section 43(a) make it abundantly clear that its provisions apply to works made both before and after the commencement of the Act (1 January 1979). It follows that notice 125 of 1990 makes the Act applicable to American works made both before and after 1 January 1979. *Prima facie*, at least, the Act would in all respects apply to drawing nos 1N1110 and 4J84. Appellants argue, however, that the recognition of these drawings is governed by Proclamation 118 of 1924—on the ground that that was the legislation recognising American works current when these drawings were made—and that notice 125 of 1990 does not apply. Jurisprudentially, I find this a curious contention. It would seem to rescue from the grave and give present legal effect to a piece of legislation which was totally and unconditionally repealed in 1973. It is true that in section 46 of the Copyright Act (no 98 of 1978) there is a provision which would preserve and give extended legal life to a proclamation having effect under the Copyright Act of 1965 (and amendments thereof) after the repeal of the 1965 Act. This section, however, states that such proclamation 'shall continue in force ... and may be repealed, amended or altered as if made under the 1978 Act. That means that the then existing proclamations derived their force from the 1978 Act and are to be deemed to be proclamations under it. And the 1965 Act (in

section 48(2)) contained a similar provision in regard to a proclamation made in terms of the 1916 Act. Sections 46 of Act 98 of 1978 and 48(2) of the 1965 Act serve to emphasize the need for preservatory measures in such circumstances and contemplate the repeal of such a preserved proclamation. I cannot think that it was intended that a proclamation so repealed should thereafter have any legal effect.

It is a part of, or a logical corollary to, appellants' argument that the recognition of American works made between 5 October 1973 (the date of promulgation of Proclamation no R231 of 1973) and 13 March 1981 (the date of promulgation of notice no R566 of 1981) would today be governed by the repealed Proclamation no R231 of 1973; and that the recognition of such works made between 13 March 1981 and 23 February 1990 (when notice no 125 of 1990 was promulgated) or perhaps 7 June 1991 (when notice no R566 of 1981 was formally withdrawn) would today be covered by notice no R566 of 1981. It seems very unlikely that such a patchwork of recognition was intended.

Moreover, as Dr Dean, it would seem correctly, points out (see Dean *Handbook of South African Copyright Law* 3-41, para 4.14 and also his doctoral thesis entitled *The Application of the Copyright Act, 1978, to Works made prior to 1979*, pp 426-7) the interpretation contended for by the appellants would result in South Africa breaching its obligations under article 4(1) of the Berne Convention which requires South Africa, as a signatory, to protect the works of authors of foreign countries in the same way as we protect the works of South African authors. (The reference to article 4(1) is to the Brussels text of 1948. In the case of the Paris text of 1971 the corresponding provision is to be found in article 5(1). Dr Dean cites the example of an Egyptian literary work made in 1930. Copyright protection in South Africa to Egyptian works was first extended by notice no 2565 of 1978. A literary work made by a South African author in 1930 would, so Dr Dean argues, enjoy copyright in South Africa; and likewise South Africa was required, as from the coming into effect of notice no 2565 of 1978, to protect a literary work by an Egyptian author in 1930. Non-recognition on the ground that an Egyptian work was not recognized in 1930 when it was made would thus run counter to our obligations under the Convention. (See also the comments by Dr Dean on the judgment a quo in the present case at 3-42/3, paras 4.16 and 17.)

Similar anomalies could arise with reference to countries that have joined the Berne Convention since the promulgation of the 1978 Act and which were not covered by a proclamation similar to the 1924 Proclamation. One such country is Peru. The first recognition of Peru for copyright purposes is

to be found in Notice 125 of 1990. Although the notice took effect on date of publication, it extends, by virtue of the substantive part of section 43, copyright protection to works that not only predate the notice, but also to works that predate the 1978 Act. That means that the subsistence of copyright of say a work made by a qualified Peruvian in 1971, is to be adjudged with reference to the 1978 Act, whereas, on the argument of the appellants, works of Chilean origin are assessed in the light of the 1965 Act, simply because Chile had joined the Convention before 1979.

I return to the provisos. In interpreting them it must be reiterated that they qualify a general provision making the Act applicable to works made both before and after the commencement of the Act and appear to be aimed at works which came into existence prior to the commencement of the Act. Moreover, section 43 is general in its application: it is not directed specifically at local or at foreign works. The general provision is also in accordance with the general scheme of the 1965 Act. In terms of section 48(1) and (2), the 1916 Act was repealed subject to the transitional provisions contained in the Sixth Schedule. Para 1 of the Schedule makes it quite clear that subsistence of copyright in old works had to be determined with reference to the 1965 Act. But, insofar as the 1965 Act introduced additional requirements, those were declared not to apply to old works. As far as duration was concerned, para 2 preserved the 1916 term only in respect of old photographs since that was shorter than the 1965 term. The same underlying idea is to be found in the balance of the provisions of the Schedule.

The effect of proviso (i) to section 43(a) is no different. All it states is that nothing in the 1978 Act can affect the ownership, duration or validity of copyright which subsists under the 1965 Act. For it to apply, there must have been, at the date of commencement of the 1978 Act, subsisting copyright under the 1965 Act. If copyright did not subsist under the 1965 Act, proviso (i) has no application at all. On the other hand, and assuming that copyright did subsist under the 1965 Act, the question arises whether something in the 1978 Act affects the duration or validity of that copyright. (It was not suggested that ownership was affected.) The argument, as I understand it, was that since the duration and validity provisions of the 1924 and 1973 Proclamations on the one hand and the 1990 notice on the other differed, duration and validity were affected. But, that was not as a result of anything contained in the Act but rather a consequence of the repeal of the earlier Proclamations and a differently worded ministerial notice.

The meaning of section 43(a) and its provisos have been considered in the following reported cases: *Scaw Metals Ltd v Apex Foundry (Pty) Ltd* and

another 1982 (2) SA 377 (D); *Tolima (Pty) Ltd v Cugacius Motor Accessories (Pty) Ltd* 1983 (3) SA 504 (W); *Saunders Valve Co Ltd v Klep Valves (Pty) Ltd* 1985 (1) SA 646 (T); *Schultz v Butt* 1986 (3) SA 667 (A); and *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* 1987 (2) SA 1 (A).

In the *Tolima* case Goldstone J stated, with reference to drawings made in 1977 and 1978 (at 506 in fin—507 A):

'The drawings of the plaintiff which form the basis of this action were made prior to 1 January 1979. The 1965 Act would thus apply to questions relating to the "ownership, duration or validity" in the copyright which it is common cause, subsists in the drawings. Those questions, however, are not relevant to the issue in this case. The present dispute relates only to the question of infringement and that must, therefore be determined by the provisions of the 1978 Act.'

No reasons for the statement, which was clearly *obiter*, were given. However, a similar statement appears in *Saunders Valve Co Ltd v Klep Valves (Pty) Ltd* (supra) where, applying section 43(a), it was held that the subsistence of copyright in drawings made in the United Kingdom between the years 1938 and 1958 had to be determined in accordance with Act 9 of 1916, whereas the remedies available to the owner of the copyright was governed by the 1978 Act. On appeal (*Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* supra) E M Grosskopf JA, having quoted section 43(a), said (at 18I-19A):

'11 September was the date of commencement of the 1965 Act. The effect of section 43 of the 1978 Act accordingly is to render earlier legislation applicable to the question whether copyright subsists in works made prior to the commencement of the 1978 Act, whereas the 1978 Act governs the remedies for infringement of copyright and the procedures thereto. It was common cause in argument before us (otherwise than in the written heads of argument) that the 1916 Act governs the subsistence of copyright in the respondent's engineering drawings, which, as I have indicated, were made before the Act was in force. I assume, without deciding, that the parties' attitude in this regard is correct, particularly since I do not consider that the outcome of the case would be any different if, as had been urged by the appellant in its heads of argument, the transitional provisions of section 48 of the 1965 Act were to be applied.'

This dictum in the *Klep Valves* case is somewhat widely worded but it must be read in its context. The issue was whether the 1916 Act gave protection to engineering drawings as artistic works and it was in that respect necessary in the light of proviso (ii) to consider the subsistence of copyright under the repealed Act. (For the sake of clarity I should mention that this

proviso is of no application to the present case.) The true scope of section 43 of the 1978 Act was also not argued and the dictum was based on an acceptance by counsel on both sides that the subsistence of copyright had to be determined with reference to one or other of the repealed Acts. It did not form part of the *ratio* of the court, and, on reconsideration, I have come to the conclusion that it is too wide insofar as it stated that the subsistence of copyright is determined with reference to the legislation in force when the work was made. The same applies to the unreported decision of this court in *Topka v Ehrenberg Engineering (Pty) Ltd* * (8 March 1983) referred to by the court *a quo* (at 487 I-J of the reported judgment) and its finding at 487 F to 188 G.

To sum up, the general, or substantive, provision in the opening words of section 43 means that the 1978 Act applies to all works, whenever made. As far as proviso (i) is concerned, the position is as follows: If copyright subsisted under the 1965 Act, it must mean that it was, at least at the date of the promulgation of the 1978 Act, valid copyright. In this situation the proviso can only mean that the new Act preserves rights. The validity or invalidity of copyright under the 1965 Act is thus not an enquiry which one need pursue. As regards ownership of copyright, there was initially a material difference between the two Acts. (See in this regard 5 LAWSA (first reissue) para 3, p 5.) It was accordingly necessary to preserve rights of ownership. But the question of ownership does not arise in the present case and in any event as a result of an amendment in 1980 this difference no longer exists (see section 9 of Act 56 of 1980). There are some differences between the two Acts relating to term or duration of copyright, but these do not apply to artistic works and consequently in the present case the question of the application of the proviso does not arise.

It follows that the subsistence of copyright in the works in question in the present case must be determined by reference to the 1978 Act and Notice 125 of 1990. Applying this notice, it was not incumbent upon Harnischfeger to prove any aspect of the law of the United States of America. Appellants' first attack upon the case for infringement must accordingly fail.

The second attack was based upon the contention that the drawings in question were not shown to be original works. In my view, there is no substance in this contention. As was held in the *Klep Valves* case, *supra*, at 22H-23B, originality in this context does not require that the work should embody a new or inventive thought or should express a thought in a new or

* See page 71 - Ed.

inventive form. Originality refers to original skill or labour in execution: it demands that the work should emanate from the author himself and not be copied. This does not mean that a work will be regarded as original only where it is made without reference to existing subject-matter. An author may make use of existing material and yet achieve originality in respect of the work which he produces. In that event the produced work must be more than a slavish copy: it must in some measure be due to the application of the author's own skill or labour. Precisely how much skill or labour he need contribute will depend upon the facts of each particular case.

Appellants' contention as to lack of originality was based mainly on the fact that in the legend appearing on each of the drawings in question there is a small block in which are printed the words 'Similar to' and in which another drawing number has been inserted: in the case of drawing no 4J84 the insertion is '4J71', and in the case of drawing no 1N1110 it is '1J87'.

The question of originality is dealt with by respondents in the affidavits of Price and Zimmerman. As regards 4J84, Price stated that Miss Dennison created this drawing under his supervision and instructions and in accordance with parameters and other relevant information supplied by him. In his replying affidavit Price dealt with the 'similar to' point. He attached drawing no 4J71 and advanced reasons for averring that drawing number 4J84 was not a copy of drawing no 4J71. It is not necessary to go into details but I am satisfied that the denial of copying is well-founded. As regards 1N1110, similar evidence was given on affidavit by Price and the author of the drawing, Zimmerman. Again drawing no 1J87 was produced and convincing grounds given for contending that there are material differences between the two drawings and that 1N1110 is not a copy of 1J87. Nothing in Appleton's supplementary answering affidavit persuades me to the contrary.

The final point argued on appeal by appellants related to an undertaking contained in Appleton's answering affidavit and given on behalf of both appellants. It is to the effect that appellants will not use any of respondents' drawings or the information contained therein to procure the manufacture of or to make parts for Harnischfeger machines. Appleton states however:

'This does not mean that the second respondent will discontinue procuring the manufacture of and selling parts for Harnischfeger machines. It will continue procuring the lawful manufacture of parts on behalf of customers such as ISCOR (who supply their own drawings which, as will appear below, are drawn by employees of ISCOR from samples of Harnischfeger parts) and by copying the applicants' parts themselves without recourse to the applicants' drawings and the information contained therein.'

As I have held, and as is conceded in this court, Harnischfeger established that appellants, despite their denials, infringed its copyright in the two drawings in question. The undertaking given in Appleton's answering affidavit is not an unequivocal one. It is coupled with the statement that Bedford will continue to procure the manufacture of and sell parts for Harnischfeger machines, using drawings emanating from other sources. Attached to Grisdale's founding affidavit is a transcript of certain telephone conversations between Appleton and certain customers of Bedford. These were made by a Mr O J Fourie, a private detective engaged by respondents to investigate possible copyright infringement and unlawful competition on the part of the appellants. The correctness of the transcript and the fact that these conversations took place is not denied by the appellants. Passages in certain of these recorded conversations suggest, *prima facie* at any rate, that drawings were to be made for Bedford surreptitiously and in a manner to suggest that they were Bedford's original drawings. It is also possible to infer that the drawings to be used to make these faked drawings related to Harnischfeger machinery and originally emanated from one or other of the respondents. Another inference to be drawn, *prima facie*, from the transcripts is that Appleton felt vengeful towards the respondents and aimed 'to get them back'.

In all the circumstances, I consider that the respondents were entitled not to be satisfied with the undertaking and to press for an order of court imposing an interdict in the terms set forth in para 1 of the order of the court *a quo*. This ground of appeal must accordingly be rejected.

In their heads of argument respondents' counsel advanced contentions as to why the court *a quo* should have granted interim relief in respect of the cause of action based on unlawful competition. Before us counsel conceded that in the absence of a cross-appeal (and there was none) it was not open to the respondents to make these contentions. This, therefore, fell away.

I come now to the question of costs. Flemming DJP ordered the respondents (present appellants) to pay 70% of the costs of the applicants (presents respondents). As I have held, para 2 of the order of the court *a quo* cannot stand. Moreover, the respondents failed altogether on the issue of unlawful competition which figured largely in the papers. Harnischfeger, the owner of the copyright, nevertheless achieved a substantial measure of success in obtaining relief in terms of para 1 of the order of court. Harnisa, on the other hand, failed to obtain any relief, though it may benefit indirectly from the relief granted under para 1. Both respondents made common cause and were represented by the same attorneys and counsel. It would be very difficult to separate the costs incurred by them as individual litigants. In the

light of all this, I consider that justice would be served by an order that the present appellants pay 70% of the costs of the respondents in the court below. In other words, the order of the court a quo should stand.

As regards the position on appeal, the appellants succeeded in eliminating para 2 of the order of the court a quo. In argument this was not contested by the respondents and the main battle was fought over para 1 of the order. This battle the appellants lost. This did not result in any direct success for Harnisa, but again a separation of costs is very difficult. Taking all these factors into account. I am of the view that appellants ought to pay two-thirds of respondents' costs of appeal.

The following order is made:

- (1) The application by respondents for the amendment of the notice of motion by the substitution of the number '4J84' for the number '4J139' is granted.
- (2) The appeal against paragraph 2 of the order of the court a quo is allowed and the order is amended by the deletion of this paragraph. In addition, para 1 of the order is amended by the substitution of the number '4J84' for the number '4J139'. Subject thereto and para 3 being renumbered 2, the order of the court a quo stands.
- (3) The appellants are ordered to pay two-thirds of the costs of the respondents on appeal to this court.

NESTADT JA, HARMS JA AND NICHOLAS AJA concurred

Van Heerden JA: I agree with the order set out in the judgment of the Chief Justice, and in the main also with his reasoning. Save as indicated below, I prefer, however, not to express a view on the meaning of section 43(1)(i) of the Copyright Act (no 98 of 1978).

In terms of the proviso contained in that paragraph, nothing in the Act contained shall affect the ownership, duration or validity of copyright subsisting under the 1965 Copyright Act. At the commencement of the 1978 Act copyright in American works could have subsisted by virtue of the provisions of the 1965 Act as Proclamation R231 of 1973. However, when that proclamation was repealed and replaced by notice R566 of 1981 there was no longer any question of copyright in such works continuing to subsist under the 1965 Act. Hence, whatever its true ambit may be, the proviso could, in relation to American works, no longer qualify the general provision of section 43(1). (Since, subject to a number of immaterial exceptions, the 1965 Act also pertained to works made before and after its commencement, the 1924 Proclamation too became of no effect after its repeal and

replacement by the 1973 Proclamation.)

I am not unmindful of the fact that in terms of section 12(2)(c) of the Interpretation Act (no 33 of 1957) the repeal of a law—which includes subordinate legislation—does not affect *inter alia* any right acquired under the repealed law. This is so, however, only if a contrary intention does not appear, and it seems clear to me that the 1981 notice was intended to replace the 1973 Proclamation in all respects. Copyright subsisting under that proclamation was thus not notionally kept alive. In other words, the question whether copyright subsisted in American works had thenceforth to be determined solely with reference to the terms of the 1981 notice and the provisions of the 1978 Act applied by it. (The same obtained after the 1981 notice had been replaced and repealed by notices 125 of 1990 and 484 of 1991.)

In view of what has been said above, it is unnecessary to determine the meaning of the word 'affect' in section 12(2)(c) of the Interpretation Act.

VAN HEERDEN JA, NESTADT JA, HARMS JA and NICHOLAS AJA
concurred

WAYLITE DIARY CC v FIRST NATIONAL BANK LTD

APPELLATE DIVISION

HARMS JA, CORBETT CJ, SMALBERGER JA, KUMLEBEN JA AND NIENABER JA

27 SEPTEMBER 1994

The question whether a work is eligible for copyright is determined on the basis of whether the work falls within the definition of a work in the Copyright Act (no 98 of 1978) and whether the work is original. Both tests are objective in nature and they are intertwined with each other. The format or layout of a work such as a diary is not a drawing or chart rendering the work an artistic work as defined in the Act, nor is it a compilation rendering it a literary work as therein defined.

The appellant designed diaries for the respondent, and supplied them to it for the use of its bank managers. In 1991, the respondent awarded the tender of the diary for 1992 to another party. The format of the diaries then produced was identical to those which had been printed by the appellant. The appellant alleged that it held the copyright in the diaries and applied for an order interdicting the respondent from infringing its copyright in respect of the appointment pages in the diaries.

The appointment pages consisted of pairs of facing pages, each pair covering a particular week. The days of the week were listed on the pages, and also on the pages were horizontal lines for making notes, and a calendar of the current and two succeeding months. A member of the appellant had spent some twelve hours designing the final layout and format of the appointment pages.

In the court a quo, the appellant had failed in its application because it failed to show that the work was original. It challenged the finding that the work was not original.

Held—

Section 2(1) of the Copyright Act (no 98 of 1978) provides that literary or artistic works are eligible for copyright, if they are original. With regard to the originality of the appointment pages, the determination of this question depended on a value judgment whether the time and effort spent by the author produced something original. The test in respect of originality was an objective one, and it was intertwined with the question whether the work was in fact a 'work' as defined in the Act.

The appointment pages could not be considered a 'drawing' as referred to in the definition of an artistic work in the Act: the layout used on the pages was not a drawing. The appointment pages could also not be considered to be a 'chart': to consider them so would be to cause a blurring of the distinction between an artistic and a literary work, the latter being defined to include 'tables and compilations'.

The appointment pages could also not be considered a 'literary work'. They were not such a work because they did not fall within the definition of a literary work as given in the Copyright Act (no 98 of 1978). They were not a compilation as referred to in that definition.

The works had also not been shown to original literary works, in that there was nothing original in grouping together the information contained on the pages. The compilation in question was clearly commonplace.

It followed that it had not been shown that the appointment pages were either artistic or literary works. The appeal was dismissed.

Harms JA: This appeal relates to the subsistence of copyright in the appointment pages of a diary.

The appellant (the applicant in the court below) is a close corporation carrying on business as a designer and producer of diaries. During the course of 1987 it approached the respondent bank ('FNB') with a view to providing the latter with diaries for the following year. In the event an agreement was reached in terms of which the appellant was to supply FNB with, inter alia, so-called 'field diaries' for its managers. A field diary is a pocket diary intended for the use of FNB's bank managers when not at the office. A field diary was then designed (by whom is in dispute) and about 3 000 for 1988 were in due course supplied by the appellant to FNB. FNB's managing director was very pleased with the work and the appellant was commissioned to produce similar field diaries for 1989, 1990 and 1991. During the course of 1991, it seems, FNB invited tenders for the supply of field diaries for 1992. The appellant submitted a tender, at the same time pointing out that the diaries had been designed by the appellant and claiming that copyright in the diaries vested in it. FNB ignored the implied warning and awarded the tender to another printing concern. The format of these field diaries was, to all intents and purposes, identical to that printed by the appellant.

Relying on its alleged copyright, the appellant applied during March 1992 to the Witwatersrand Local Division for an order interdicting FNB from infringing its copyright, not in the diary as such, but in respect of the appointment pages only. (The prayer for the delivery for destruction of all the field diaries in FNB's (or their managers' possession was abandoned.) The application was dismissed by Stegmann J in a judgment reported at 1993 (2) SA 128 (W). It was in his view not necessary to consider the conflicting allegations relating to authorship; he assumed that the appointment pages were either artistic or literary works; but he concluded that the work in designing, drawing and composing the pages in which copyright is claimed was not original (within the meaning of that word as used in section 2(1) of the Copyright Act (no 98 of 1978) ('the Act')) since it did not have the 'quality of meritorious distinctiveness' (at 136 C). He refused leave to appeal but leave was granted in consequence of a petition to the Chief Justice.

The field diary in issue is vertical in layout. On the title page FNB's logo is printed in so-called corporate colours, with the year and the words 'field diary' and 'velddagboek'. On its reverse side appears a claim that it had been 'designed and produced by the WAYLITE Diary Co', the latter's telephone number is given and there is a copyright claim. The next page is entitled 'Identification/Identifikasie' and has space for the insertion of personal

information. Subsequent pages provide lists of public holidays and school terms, some conversion and distance tables, calendars for the current and following year, the year 'at a glance' and space for important dates and notes. The last few pages make provision for the following year 'at a glance' and leave space for telephone numbers. As indicated, the appellant (for no given reason) did not claim copyright in any or all of this.

The format of the appointment pages in which copyright is claimed consists of pairs of facing pages, each pair dealing with a particular week, beginning on a Monday. The left hand page furnishes on the first line the name of the month in English and Afrikaans and also the number of the week. The days of the week are then listed (also in both languages) and dated on the same page, with four horizontal lines of writing space for weekdays and two horizontal lines each for Saturday and Sunday. The right hand page has a number of lines for the making of notes and at the foot a calendar consisting of the current and the two succeeding months. The colours and typeface used were standard in terms of FNB's corporate identity specifications.

Mr Cianfanelli, a member of the appellant and the alleged author of the appointment pages, stated in the founding affidavit that, as far as he could recall, he had spent about twelve hours before arriving at the 'preferred layout and format'. This involved preparing a sketch on tracing paper and erasing and adding indicia to try out numerous different formats and layouts. He did not, he said, base his design on any existing diary and had only utilised his own skill, knowledge and expertise.

The types of works listed in section 2(1) of the Act are 'eligible for copyright' provided they are 'original'. The categories relevant to this case are artistic and literary works. The subsection presupposes, as a general rule, two different inquiries: first, whether the work relied upon falls within one of the categories and, if so, whether it was original. But, as pointed out by Blakeney and McKeough, *Intellectual Property, Commentary and Materials*, 1987, at p 27:

'To some extent the concept of what constitutes a "work" within the Act and the concept of originality are intertwined. It is difficult to discuss what amounts to a "work" without discussing originality, since without a sufficient degree of "originality" a "work" will not come into existence.'

Counsel for the appellant submitted that this statement is incorrect because it does not take account of the fact that the question of whether a work is, say, an artistic work is an objective question, whereas originality involves a subjective inquiry. I am not convinced that the latter part of the submission is correct. While it is true that the actual time and effort expended

by the author is a material factor to consider in determining originality, it remains a value judgment whether that time and effort produces something original.

To illustrate the point reference may be made to *Francis Day and Hunter Limited v Twentieth Century Fox Corporation Limited and others* [1940] AC 112 (PC) (also reported at [1939] 4 All ER 192). The copyright in the title of a song (written and composed by Fred Gilbert) called 'The Man Who Broke the Bank at Monte Carlo' was an issue in the case. The title was subsequently used by the defendants for the name of a film. Lord Wright stated in this regard (at 123):

'As a rule a title does not involve literary composition, and is not sufficiently substantial to justify a claim to protection. That statement does not mean that in particular cases a title may not be on so extensive a scale, and of so important a character, as to be a proper subject of protection against being copied. But this could not be said of the facts of the present case. There may have been a certain amount, though not a high degree, of originality in thinking of the theme of the song, and even in choosing the title, though it is of the most obvious. To "break a bank" is a hackneyed expression, and Monte Carlo is, or was, the most obvious place at which that achievement or accident might take place. The theme of the film is different from that of the song, and their Lordships see no ground in copyright law to justify the appellants' claim to prevent the use by the respondents of these few obvious words, which are too unsubstantial to constitute an infringement, especially when used in so different a connection.'

It is implicit in this statement that whether an alleged work is proper subject-matter for copyright protection involves an objective test, both in respect of originality and 'work'; also that the two inquiries can become entwined. And the last sentence quoted indicates that in assessing whether a work is entitled to protection, it is permissible to have regard to the consequences of the recognition of copyright in a work of doubtful substance.

It was submitted on behalf of the appellant that the sketch prepared by Mr Cianfanelli of the appointment pages is an 'artistic work' as defined by section 1(1) of the Act, because it is either a 'drawing' or a 'chart'. The subsection, as far as is relevant, provides that an artistic work 'means, irrespective of the aesthetic quality thereof—... drawings' and the term 'drawing' is defined to include any diagram or chart. Reliance was in this connection placed on certain dictionary meanings of the words 'drawing' and 'chart'. In regard to the use of dictionaries generally, and more particularly

counsel's reliance on them, it may be useful to refer to a dictum of Margo J in *Transvaal Consolidated Land and Exploration Co Ltd v Johannesburg City Council* 1972 (1) SA 88 (W) at 94 G that '(d)ictionary definitions serve to mark out the scope of the meanings available for a word, but the task remains of ascertaining the particular meaning and sense of the language intended in the context of the statute under consideration'.

The Oxford English Dictionary ('OED') gives as one meaning for 'drawing', '(t)hat which is drawn; a delineation by pen, pencil, or crayon; a representation in black and white, or in monochrome; a sketch'. Applying this definition, counsel submitted that the lines and the layout of the appointment pages form a drawing which is, on the facts of this case, an 'artistic work'. Under 'layout' counsel meant the positioning of the words and numbers on the pages, the spacing of the lines, their colours and the font selected. It was also argued that a single line or the lines on an exercise book's pages could similarly be artistic works. I am of the view that this submission is not correct. The court in *Page v Wisden* (1869) 20 LTR 435 at 436 was more forthright when it stated that 'to say that a particular mode of ruling a book constituted an object for a copyright is absurd'. The OED's definition must be read in context. It is followed by a number of examples of the use of the word in the defined sense, all dealing with drawings in the nature of paintings or sketches.

This does not mean that a drawing must, for the purposes of the Act, be similar to a painting or sketch. A simple drawing may, obviously, be the subject of copyright, provided it can 'fairly be called ... a drawing of any kind' (per Megarry J in *British Northrop Limited and others v Texteam Blackburn Limited and another* [1974] RPC 57 (Ch D)). The learned judge was there dealing with engineering drawings or parts of weave looms. Some he said, were simple, but they were, carefully drawn to scale with precise dimensions. He was of the prima facie view that they were therefore artistic works because, fairly speaking, they were drawings. Can it fairly be said that these appointment pages are drawings? On any common-sense approach to the matter and having regard to the ordinary accepted meaning of the term, I think not. (Cf the approach adopted by Whitford J in *J & S Davis (Holdings) Limited v Wright Health Group Limited* [1988] RPC 403 (ChD) 410 with regard to the meaning of 'sculpture' and at 412 1 30-35 in relation to 'simple' drawings.)

The submission that these pages constitute a 'chart', was solely based on the OED's definition no 3a namely '(a) sheet bearing information of any kind arranged in a tabular form'. Once again, the examples given by the OED do not support the submission. They all relate to titles of works such as the

'Historical Chart of the Sovereigns of England'. The effect of the argument would be to blur the distinction between artistic and literary works in the light of the definition of the latter (also in section 1(1) of the Act) which encompasses 'tables and compilations'. I do not accept that, fairly speaking, it could be said that the works in issue are charts (cf *Hollinrake v Truswell* [1894] 3 Ch 420 (CA)).

In relation to literary works reference was made, once again, to the OED, this time for the proposition that 'literary' means, among others, '(p)ertaining to the letters of the alphabet'. There is an annotation against this entry to the effect that the meaning was obsolete. On the other hand, it must immediately be conceded that the word is not used in its ordinary meaning in the Act, a fact amply borne out by what the Act includes under this term. In *University of London Press Limited v University Tutorial Press Limited* [1916] 2 Ch 601, Peterson J had to consider whether papers set by examiners were literary works. He said (at 608):

'In my view the words "literary work" cover work which is expressed in print or writing, irrespective of the question whether the quality or style is high. The word "literary" seems to be used in a sense somewhat similar to the use of the word "literature" in political or electioneering literature and refers to written or printed matter.'

This dictum, read in its context, does not say that anything written or printed is a literary work. Had the position been otherwise, there would not have been any need for the Legislature to list anything from novels to compilations. It is not necessary for the purposes of this case to define a 'literary work' any closer since I have not been persuaded that these pages are covered by that term. A similar conclusion was reached by the Court of Appeal in *Frank Smythson Ltd v GA Cramp & Sons Ltd and The Surrey Manufacturing Co* [1943] 1 All ER 322 (also reported at [1943] 1 Ch 133). The court was there also concerned with the layout of the body of a dairy and found that that part of it was not in any sense a literary work to which copyright could be attributed.

It was argued, seemingly in the alternative, that these pages are a literary work because they consist of a 'compilation'. What was compiled, according to the submission, was the selection of the days of the week represented on the one page and the decision to place an abbreviated calendar of three months at the foot of the next page. It seems to me implicit in the argument that a layout and a compilation are the same, a point of view rejected rather laconically by Lord Denning in *William Hill (Football) Limited v Ladbroke (Football) Limited* [1980] RPC 539 (CA) at 545 1 5. In any event, the information 'compiled' for the 1988 diary could not be the same as that

'compiled' for the 1992 diary. The dates had all to be compiled afresh. The effect of the argument would be that, having regard to the fact that copying can be indirect and that an adaptation of a work is an infringing act, anyone who sees the field diary and who wishes to produce a diary having the basic layout of two facing pages, the one for daily entries and the other for notes, will infringe copyright—a result so far-fetched that the Legislature could not have contemplated it.

The *Frank Smythson* case went on appeal to the House of Lords (*GA Cramp & Sons Limited v Frank Smythson Limited* 1944 AC 329; [1944] 2 All ER 192). At that stage the author had abandoned any further reliance on the appointment pages of the diary in issue. What remained in contention was the claim to copyright in a collection of tables at the beginning of the diary. The author was unsuccessful. Viscount Simon LC came to the conclusion (at 335) that 'there seems to be nothing that can properly be described as an "original literary work" in grouping together this information' and Lord Macmillan (at 337) pointed out that not every compilation can claim to be an original literary work 'even in the pedestrian sense attributed to these words by the law'.

These dicta appear to me to be germane to the facts of this case. Counsel was unable to distinguish them, nor was it submitted that the case had been decided incorrectly. It also appears to be in consonance with other English case law which, in the absence of local authority, is of considerable persuasive force. For instance, in *Leslie v J Young and Sons* [1894] AC 335 (HL), Lord Herschell said (at 340):

'The mere publication in any particular order of the timetables which are to be found in railway guides and the publications of the different railway companies could not be claimed as a subject-matter of copyright. Proceedings could not be taken against a person who merely published that information which it was open to all the world to publish and to obtain from the same source.'

And at 341-342 he drew this contrast:

'But there is another part of the case which strikes me as of a very different character... It appears to me the only part of the work which can be said to indicate any considerable amount of independent labour. I refer to the part ... containing the information with regard to excursions. It seems to me that this was a compilation containing an abridgement of information of a very useful character...'

In other words, and relying once again on Lord Denning, for a compilation to be the subject of copyright, it must not be a commonplace selection (*William Hill* case, *supra* at 546 17-8). (This case was decided in

1962 but was first reported in 1980. His decision that copyright subsisted in the football coupon reproduced at 542 of the report was upheld in *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465 (HL).) In my judgment the so-called compilation was clearly commonplace.

To sum up, I am of the view that the appellant has failed to establish that the appointment pages are either artistic or literary works for purposes of the Act. It is accordingly unnecessary to consider separately whether they were original. The other issues raised during argument also fall away. In consequence the appeal must be dismissed and the order is:

'The appeal is dismissed with costs, such costs to include the costs consequent upon the employment of two counsel.'

CORBETT CJ, SMALBERGER JA, KUMLEBEN JA and NIENABER JA concurred

PAYEN COMPONENTS SOUTH AFRICA LTD v BOVIC GASKETS CC AND OTHERS

APPELLATE DIVISION

SCHUTZ JA, CORBETT CJ, HEFER JA, STEYN JA AND FH GROSSKOPF JA

25 MAY 1995

When a computer programme is used to create a work, it is not necessarily the computer which is the author. It will be the author if the computer generates the work, but if the computer is merely used as an aid in the creation of the work, then the person using the computer will be the author of the work.

Bovic Gaskets CC sold gaskets for use in motor vehicles. On the wrapping of each of its products, it had printed a number identifying the particular gasket, and a second number described as alternative to its own number, and also given for identification purposes. This second number was a number chosen by Payen Components South Africa Ltd for the purposes of identifying its own gasket products which were sold in competition with those of Bovic. Bovic also used the Payen number in its price lists and catalogues.

Payen used the identifying numbers on its own products under an exclusive licence agreement obtained from its holding company, which itself had obtained an assignment of the copyright in the numbering system from two companies whose employees had devised the numbering system.

The numbering system had been devised from a compilation of numbers, known as a table of significance, which had been originally created as a referencing system for gasket products. Payen claimed no copyright in this table of significance. A computer programme had been created by one of the employees to allocate new reference numbers in place of those listed in the table of significance. The computer programme then generated the new reference numbers, although some of them were also formulated manually and additions made from time to time. The new numbers were printed out in lists by means of the computer and a catalogue cum price list was also printed.

Payen claimed that Bovic's use of its numbers on the Bovic products constituted a breach of its copyright and sought an interdict preventing Bovic from continuing the infringement.

Held—

Bovic argued that the evidence showed that the author of the alleged copyright work was not a person but a computer operating under the programme created by the employee. This argument could not be upheld because the evidence in fact showed that the printout produced by means of the computer was not generated by the computer. The computer fulfilled merely an arithmetic function. The printout might have been produced with the aid of the computer, and therefore qualify as a computer-aided work, but it had not been generated by the computer. This meant that the computer was not the author of the work, but the employees of the companies who had devised the numbering reference system.

Bovic's alternative argument was that Payen had not proved what the original work was. This argument too, could not be upheld, although it was true that there was

ambiguity as to when the work came into existence. The first printout of the numbering system could be considered to be the original work. Whatever additions and amendments were made thereafter did not affect its identity sufficiently to say that the original work was something other than this printout.

When Bovic's use of Payen's numbers was viewed as a whole, that use constituted copying of a substantial part of Payen's work. Payen was therefore entitled to the interdict it sought.

The appeal was upheld.

Schutz J: The appellant ('Payen'—applicant below) and the first respondent ('Bovic'—first respondent below) are competitors in the market for gaskets used in assembling and repairing motor vehicles. The customary aspersions are cast. Payen complains that Bovic's products are of inferior quality and that it does not keep a full range of gaskets, which allows it to concentrate on the more lucrative part of the market. The result is that it undercuts Payen. Bovic counters by ascribing Payen's higher prices to inefficiency, and charges that Payen is trying to establish a monopoly. However all that may be, the legal grounds on which Payen relies to curb Bovic's activities are copyright, unlawful competition, and, lastly and faintly, contract. There is no reliance on trade mark or passing off, although many expressions associated with these disciplines are used. Resort to the Merchandise Marks Act and the Trade Practices Act was abandoned in this court.

The second respondent ('Bodell' - second respondent below) is a 50% member and the controlling force in Bovic. Three further persons were cited as respondents below but the claims against them were abandoned in this court, so that their participation in these proceedings is now confined to their claim for costs.

The activity of which Payen complains is the use by Bovic in its price lists and catalogues and on the wrappers containing its gaskets of the Payen code for identifying the huge range of gaskets in use in South Africa. Each code consists of five digits, the first two being letters and the other three numbers. The first letter indicates the type of gasket, so that, for instance, all cylinder head gaskets commence with an A or a B. To give examples of complete codes, AF 240 denotes a cylinder head gasket for an Alfa Romeo 1300, and CJ 494 a head set for a Nissan L 185. There is nothing novel about such a system, but its utility is such that Bovic contends that it has become the language of the trade when identifying gaskets, so much so that it is necessary for any trader to use it (so it is contended).

Copyright Work?

First, the facts. Payen's essentially uncontested case is based on the evidence of five witnesses, Ellis, Thomas and Butler who depose to the

code's English origins, and Parker-Nance and Galloway who describe its South African adaptations and accretions.

Companies not only enjoy perpetual succession but some also undergo changes of name and parentage. The 'Payen Group' in the United Kingdom is a good example, which tends to render the exposition following rather tortuous.

Coopers Mechanical Joints Limited ('CMJ') was a subsidiary of another Payen Group company, namely Engineering Components Limited ('EC'). The coding system for gaskets in use in 1970, although partly computer based, was unsatisfactory in several respects. One Machin, the management services manager of EC, tackled the problem first. What he did was to work out the mathematical basis for what was to become the new Payen coding system. He prepared a table of significance ('the table') which contains an outline of the later system, although there were some departures from the outline. The table is skeletal in form and is in no sense the final embodiment of the work. No copyright was claimed in it. It is neither a catalogue nor a price list.

The next step was taken by one Butler, the chief systems analyst working at EC under Machin. Using the table he 'devised a computer program for allocating new reference numbers in place of the old' ('the program'). That is all that we are told about this important step.

Thomas took over the co-ordination of the project in October 1971. The old numbers were grouped in accordance with the classes of gasket, which were described. This data which was to be fed into the computer was then meticulously checked and re-arranged. Then, to quote the words of Thomas, also echoed by Butler, 'the data was entered into the computer to generate new numbers in accordance with (the) program devised by Mr Butler'. That is all we are told about this other important step. Although the bulk of the new numbers was generated in this way, a significant part was formulated manually. This was done 'by the staff of the Payen technical department' where the old number was not in the standard format. This technical department appears to have been that of EC.

The next important step is not expressly stated at all, namely the printing out by the computer of the list of new numbers. However, I suppose that it is implicit in the narration. What followed next, after many months, was two lists giving cross references from the old numbers to the new, and the new to the old ('the lists'). They were first used internally and were then published in February and April 1972. Although there is confusion and contradiction in the affidavits it seems that it is the originals that no longer survive, not the printed ones. Five named persons prepared these lists. They were all British subjects employed by EC or CMJ. The lists were necessary for the

transitional period.

They were used for the preparation of the first master catalogue, which was published in October 1972. The format was that of the old catalogue but the numbers were new. Four other named persons prepared it. They too were British subjects and employees of EC or CMJ. All the later catalogues were based on the 1972 master.

After a master list had been entered into the computer it was thereafter kept up to date. This work was done by Butler and employees of EC, CMJ and Coopers Payen Limited ('CP'—the new name for CMJ after 1980, and thus still a subsidiary of EC).

As both South Africa and the United Kingdom give effect to the Berne Convention the various Payen companies and their employees are to be treated as if they were here.

Although there is a challenge on this point by Bovic, I think that it is obvious from the recitation of the facts so far that the preparation of the new English catalogue involved much labour and at least some skill.

On 11 March 1988 EC and CP (formerly CMJ) assigned copyright and rights of a like nature in the numbering system to Payen International Limited ('PI'). EC is the wholly owned subsidiary of PI. What was not ceded was Butler's program. What was ceded was the 'original works' consisting of the table, the 1972 and later catalogues, the computer printout of the summer of 1971 (here mentioned with Butler as the author), and the 'New Reference/Old Reference'. This last pair and the printout are shown as having been authored by Butler and being no longer in existence. Their best available reference is given as the 'Interchange Lists February and April 1972'. This last no doubt refers to the published cross-reference lists, whereas the 'New Reference/Old Reference' presumably refers to the original manuscript or part manuscript form.

Although Payen (the applicant—Payen Components South Africa Limited—a subsidiary of PI's holding company Turner and Newall Limited) has been the exclusive licensee of the numbering system for a long time, a written licensing agreement was concluded with PI (by now the copyright holder) only in 1989. *Nemo dat quod non habet*. Payen's rights can be no better than PI's rights.

Parker-Nance has been involved in the production of the South African version of the catalogues and price lists using the new system since the first local edition in 1973. It had to be adapted to the South African market and has had to be kept up to date. Doing this has entailed 'a vast amount of work'. Among other things he has to keep abreast of new models as also modifications. New gaskets are referred either to CP in the United Kingdom

or Components Eastern Limited ('our Far East Associate') depending on the country of origin of the new engine. Numbers are allocated by the one or other of those companies. The new numbers are then included in the catalogue. Nothing more is said about the nature of the association with the Far East associate. One additional task has had to be undertaken in South Africa, namely the translation of the material into Afrikaans.

The catalogue cum price list is of a kind as may qualify as a 'literary work' in the generous sense that that phrase is used in copyright law. Moreover it has been 'written down' in a material form. Further, there has been enough labour and skill expended both in England and South Africa for the same to be 'original', in the sense of copyright law.

Mr Ginsburg, for Bovic, raises two contentions, both related to authorship. The first goes along these lines. Except in those cases where the law provides otherwise, for copyright to subsist it must be possible to identify a human author. Here there was no human author, as the author was a computer. Even though a computer program may qualify as a literary work, Butler's program cannot be relied upon because it has not been infringed. It is a completely different work from the printout or its successors. That, no doubt, is why it has not been relied upon by Payen. Nor has it even been assigned to PI. The program, so the argument proceeds, was the thing that mattered. It was what made or allowed the computer to do what it did. It was the 'author' of the printout. Butler was merely the author of the program not the printout. This argument is not dependent upon its being only in 1992 that separate provision was made in our statutes for copyright protection for computer programs, which before qualified, if they qualified at all, as 'literary works' in the ordinary way—*Northern Office Micro Computers (Pty) Ltd and others v Rosenstein* 1981 (4) SA 123 (C).

Mr Ginsburg relies on one English case *Express Newspapers PLC v Liverpool Daily Post & Echo PLC and others* [1985] 1 WLR 1089 (Ch): [1985] FSR 306 and two foreign textbooks Laddie, Prescott and Vitoria *The Modern Law of Copyright* 94 and Dworkin *Blackstone's Guide to the Copyright Designs and Patents Act 1988* 47. A distinction is drawn between 'computer aided' and 'computer generated' works. In the former case the computer is a mere tool like a pen or word processor. In the latter the work of creation is performed by the computer itself with relatively little human input. Perhaps it should be noted that the computer which Butler used was used in 1971 when computers had not yet been taught to do all the remarkable things they now do.

Dworkin describes a computer generated work in these terms (op cit 47):
'The computer-generated category is really aimed at more sophisticated

devices such as those now beginning to be marketed whereby a computer can produce to order an original piece of music in the style of a known composer.'

And again at 185-6:

'There is now a crucial distinction between a *computer-aided* work, as in the above case (the *Express Newspapers* case), and a *computer-generated* work. The latter work is one which is created without expenditure of significant human skill and effort in the completed work. For example, the compilation of new crossword puzzles, moves generated by computer chess programs or computer-generated original pieces of music in the style of a known composer. The steps to be taken by the operator of the machine may be so trivial that it is difficult on normal principles to say that he or she is the author. The real creative work is done by the person who devises the original computer program, but it would be inconvenient and misleading to treat that programmer in all cases as the owner of the copyright in the new works which his program produces, for example, in all the new music produced by the various programs which are sold to the public.'

Laddie (op cit) says at 94:

'There may be cases where the real work has been done by the computer, the human contribution being too trivial or not sufficiently related to the work that has emerged. Suppose a computer linked directly to a large number of meteorological instruments and programmed automatically to print out a weather chart on demand. It seems factually wrong to contend that the deviser of the program is the "author" of the chart. He may have died many years ago, the program may have been bought in from an independent software house, yet every day quite different charts are printed out. (It is true that the programmer's labour and ingenuity are in a sense responsible for the chart; but in that sense so are the efforts of the designers of the computer itself; for that matter, so are those of the inventor of the barometer.) It is perhaps even more artificial to argue that the operator of the computer is the author: the only skill and labour he had employed is ensuring that the flow of programs and data to the machine is maintained. It might be said that the real author is the owner or hirer of the computer who has expended the capital in setting up and operating the system; but such person is probably a body corporate, and if considered to be the "author", would enjoy a potentially perpetual copyright.'

The *Express* case was concerned with a competition entitled 'Millionaire of the Month' published in three newspapers with a view to increasing circulation. Numerous cards, each carrying a five-letter code, were

distributed free and at random to members of the public. In order to see whether or not they had won a prize those taking part in the competition could check the cards against grids containing 25 letters and two separate rows of five letters which were published daily. Various prizes were offered to lucky winners. Another newspaper copied the scheme as it was, and an infringement action was brought. The manner in which the scheme had been prepared for the plaintiff was fully explained in the affidavits. What had to be done was to produce a large number of combinations which would suffice for a year or so, whilst at the same time ensuring that there would not be too many winners. The description proceeds (at 1093 C):

'What Mr. Ertel says is that he started off by seeing whether he could work out these grids by just writing down appropriate sequences of letters. It soon became apparent to him that, although this could be done, and done without too much difficulty when just producing a small number of grids, if you are going to produce sufficient for a year's supply or something of that order, it becomes a very different matter indeed. It was immediately apparent to him that the labour involved in doing this could be immensely reduced by writing out an appropriate computer programme and getting the computer to run up an appropriate number of varying grids and letter sequences.

Mr. Ertel did all this. He programmed his computer; he ran out the results; he checked the results; and the steps which he had to take in this regard show that indeed the preparation of these grids and sequences of five letters involved a great deal of skill and labour.'

The point taken before Whitford J and the manner in which he disposed of it are contained in these words (at 1093):

'A point was taken by Mr. Jeffs on the question of the employment of a computer, the suggestion of Mr. Jeffs being that, whatever might be the position of anything that was done before the computer was employed, although he was prepared to accept that computer programmes might well be copyright works, the result produced as a consequence of running those programmes, was not a work of which it could truly be said that Mr. Ertel was the author.

I reject this submission. The computer was no more than the tool by which the varying grids of five-letter sequences were produced to the instructions, via the computer programmes, of Mr. Ertel. It is as unrealistic as it would be to suggest that, if you write your work with a pen, it is the pen which is the author of the work rather than the person who drives the pen.'

The distinction between computer generated and computer aided works

drawn in these writings seems to me to be valid and such as should be recognized here. It may be of importance in cases where ownership and duration of copyright are in issue, and bears upon this case because the question whether copyright did or did not vest in 1971 or 1972 must be decided with reference to the Copyright Act (no 63 of 1965)—see section 43 of the Copyright Act (no 98 of 1978) as interpreted in *Appleton and another v Harnischfeger Corporation and another* 1995 (2) SA 247 (A)* at 260 E and 261 G-H.

This brings me back to the facts. Has Payen proved that there was a human author, in other words that the printout was not computer generated? In answering this question it is necessary first to observe that the facts set out by Payen are extremely sparse at some critical points. Also that computer literacy is not to be assumed in persons over 50, as most judges are. Copyright is a technical subject and it is essential that a party trying to prove it establishes the technical points necessary for his claim: *Vagar (t/a Rajshree Release) v Transavalon (Pty) Ltd (t/a Avalon Cinema)* 1977 (3) SA 766 (W) at 775 C.

However, I consider that enough evidence has been produced. After the computer had received the data what remained was essentially an arithmetic function including the requirement that there should be no duplication.

Mr Ginsburg's second point was that Payen has not proved what the original 'work' was, a matter sometimes interwoven with the paramount question of identifying the author, as is pointed out in Dean *Handbook of South African Copyright Law* 1-15. It is true that Mr Puckrin, for the appellant, had difficulty in pinpointing at what point the original work came into existence, and there were even contradictions in his argument. This is not surprising given the sketchiness of the affidavits at some places. But there is, I think enough, just enough, to get him home. The first printout was the basis of all that followed. What was added or changed thereafter was done by employees of the assignors or of Payen. Problems that might have arisen if this had not been so do not arise. Nor do I think that the fact that later numbers are supplied by CP or Components Eastern Limited affects the result. There is clearly a need for international uniformity in numbers. The process seems to be no more or no less than adding or removing items in a railway timetable on the basis of information supplied. What Payen is doing is maintaining an up-to-date compilation.

For these reasons I consider that Payen has proved copyright in its

* See p 515 of this work - Ed.

catalogue cum price list.

Copyright Infringement

In terms of section 43 of the Copyright Act (no 98 of 1978) questions of infringement are to be decided in accordance with that Act even although copyright vested before it came into force.

Infringement in this case under section 23 would consist in reproducing (meaning copying) the work in any manner or form (section 6(a)). Reproduction of any substantial part would suffice (section 1(2A)). By that standard there clearly were repeated infringements by Bovic's use of the Payen code in its catalogues cum price lists. Indeed Bovic has sought to justify such use in relation to unlawful competition. But it has desisted and now uses its own numbering system for purposes of identification. The Payen code does not appear in the current catalogue. As this retraction occurred after the bringing of the application, Payen is entitled to its costs at least until Bovic stopped using Payen's numbering system. But Payen still seeks an interdict. Bovic's response is that apart from changing its catalogue cum price list it has undertaken not to repeat its use of the Payen system in them in the future and that Payen has no need of an interdict, as there is no reasonable ground for apprehending further harm. An issue has been sought to be raised as to whether an undertaking has in fact been given. Mr Ginsburg has formally said in his heads and in his argument that it has. That binds his client. An interdict is not a remedy for a past invasion of rights: *Philip Morris Inc v Marlboro Shirt Co SA Ltd* 1991 (2) SA 720 (A) at 735 B. However, the infringement complained of is not confined to the catalogues and price lists.

Although the wrappings in which Bovic's gaskets are sold bear Bovic numbers, they to this day also bear a disclaimer that includes Payen's numbers, in this form, 'This product is supplied by Bovic Gaskets. The number mentioned below is for identification purposes only and in no way suggests that this gasket set is anything other than a Bovic product.

Alternative To: (and then follows the Payen number).'

Bovic justifies this conduct by saying that it is done in order to identify the products to the purchaser in terms of a Payen number with which he is invariably more familiar.

This is copying in fact. The question is whether it is copying of a substantial part. In this connection Copinger and Skone James (op cit) say at 8-26 to 8-27:

'Quality not quantity taken the test. It has repeatedly been held that "substantial" in this connection relates much more to the quality of what has been taken than to the quantity. The quality, or importance,

of the part taken is frequently more significant than the proportion which the borrowed part bears to the whole work. Thus if so much is taken that the value of the original is sensibly diminished, or that the labours of the original author are substantially, and to an injurious extent, appropriated by another, that is sufficient, in law, to constitute a piracy *pro tanto*.

In deciding questions of this sort, regard must be had to the nature and objects of the selection made, the quantity and value of the materials used, and the degree to which the use may prejudice the sale, or diminish the profits, direct or indirect, or supersede the objects of the original work. It may be relevant to consider whether there has been an *animus furandi* on the part of the defendant in the sense of an intention on the part of the defendant to take for the purpose of saving himself labour. Many mixed ingredients enter into the consideration of such questions. In short, the question of substantiality is a matter of degree in each case and will be considered having regard to all the circumstances. Generally, it is not useful to refer to particular decisions as to the quantity taken.'

See also *Galago Publishers (Pty) Ltd v Erasmus* 1989 (1) 276 (A) at 285 B-F, *Fax Directories (Pty) Ltd v SA Fax Listings CC* 1990 (2) SA 164 (D) at 177D-178F and also the remark of Petersen J in *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 601 at 610, 'what is worth copying is prima facie worth protecting'. In the passage cited above in *Galago* there is a quotation from *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465 (HL) at 469, in which Lord Reid says that a convenient short cut in deciding whether the part copied is a substantial part is sometimes to ask whether that part on its own would have qualified for copyright. But, he adds, that is a short cut only and:

'A wrong result can easily be reached if one begins by dissecting the plaintiff's work and asking, could section A be the subject of copyright if it stood by itself, could section B be protected if it stood by itself, and so on. To my mind, it does not follow that because the fragments taken separately would not be copyright, therefore the whole cannot be.'

I consider that that passage fits this case. It would be wrong to take one wrapper and say that the code on it is not a substantial copying, then to take the next and say the same, and so on. That would be to ignore that a large part of the whole has been copied. But the matter goes further. Even ignoring warehouses, I can readily imagine that in shops a large collection of gaskets will be displayed on racks, shelves and the like, or otherwise readily accessible to members of the public, so that a substantial part of the Payen

numbers will indeed be displayed together, on any meaning of the word substantial. The fact that the mode of presentation differs from what is presented in the Payen catalogue does not, to my mind, make a difference.

I would therefore grant an interdict in respect of wrappers. That means that Bovic is still infringing to this day. That being so I would grant an interdict in respect of the catalogues cum price lists as well, despite Bovic's undertaking. What also influences me in this connection is that I think that Bovic has been less than frank in its affidavits in suggesting that the numbers copied were not Payen's numbers, but the numbers of an English firm Clough and Wood. Mr Ginsburg has rightly not sought to press this suggestion and I do not think that I need expand upon it further.

Unlawful Competition

Having reached the conclusion which I have in connection with copyright it is strictly unnecessary to deal with unlawful competition, but I shall nonetheless indicate briefly why I do not consider that such competition has been proved.

The broad and flexible principles relating to this branch of the law have been stated in this Division in *Schultz v Butt* 1986 (3) 667 (A) at 678F-679E and *Taylor and Horne (Pty) Ltd v Dentall (Pty) Ltd* 1991 (1) SA 412 (A). It is unnecessary for me to restate them. But I would repeat that in judging questions of unlawfulness, not only in this field, questions of policy may play an important part, and that in the field of unlawful competition an important one is the need for free competition.

Mr Puckrin, who urged this part of his case not too strongly, had some difficulty in defining exactly what constituted the unlawfulness. In the first place he said that Bovic was competing and had appropriated part of the market built up by Payen without itself having expended skill, time and effort. This is not in itself unlawful—see *Taylor and Horne* (above) at 422 B-D. But there were added elements he said. They were that there had been not only an appropriation but a slavish misappropriation. It is not clear to me what the use of the pejoratives adds. Then it was said that Bovic had been spared building up its own system. Finally, what Bovic had done 'facilitated substitution'. All in all not an impressive list, when reliance on all the recognized heads

of unlawful competition is excluded.

The main reasons why I consider that unlawfulness has not been proved are these:

First, much of Payen's evidence is to be found in the interstices between copyright and passing off. In the case of copyright section 41(4) of the Act expressly provides that no copyright or right in the nature of copyright shall

subsist otherwise than by virtue of the Act or some other law. Turning to passing off, it has not been relied upon at all as such. In my opinion a court should be wary of allowing the sharp outlines of these two established branches of the law of unlawful competition, evolved through long experience, to be fudged by allowing a vague penumbra around the outline. Unlawful competition should not be added as a ragbag and often forlorn final alternative to every trade mark, copyright, design or passing off action. In most such cases it is one of the established categories or nothing.

Secondly, what we are concerned with is a numbering system. The case is like *Taylor and Horne* (at 422 G-E) in that it is not concerned with the appropriation of another's product or performance as such. There is a question of degree involved, but I think that the complaint stands beyond the periphery.

Thirdly, there is a considerable body of evidence, including that of traders from Delarey to Soshanguve to the effect that the Payen code system is in general use in the gasket market in South Africa, is indeed within the public domain. It would be unrealistic, indeed futile for the court to try and alter this situation. So why, absent copyright of course, restrain Bovic? This evidence comes from Bovic's side. But Payen has sought a final interdict on paper. The problem that a judge faces when reading first the founding papers and then the answer is nowhere better stated than by Jane Austen in ch 36 of *Pride and Prejudice*:

'... it was impossible not to feel that there was great duplicity on one side or the other ... She put down the letter, weighed every circumstance with what she meant to be impartiality—deliberated on the probability of each statement—but with little success. On both sides it was only assertion. Again she read on. But every line proved more clearly that the affair, which she had believed it was impossible that any contrivance could so represent as to render Mr Darcy's conduct in it less than infamous, was capable of a turn which must make him entirely blameless throughout the whole.'

Payen not having proceeded by way of action and not having even asked for oral evidence, must bear the consequence that it is not feasible nor just to expect a judge to decide this issue in Payen's favour on the papers.

I have spoken of the Payen code as being in general use. In fact Bovic tried to pitch its case much higher, contending that it was driven to its plagiarism by necessity. There was no other way. Necessity is a strong word. That the compulsion was not as great as claimed is proved by the fact that Bovic has now largely desisted from its former practices and is still in the market. Temptation yes, convenience yes, advantage yes, but necessity no.

Thirdly, on the evidence there is no likelihood of deception. There is no direct evidence that anyone has been deceived and a considerable body of testimony that customers and dealers will not be confused. Again Bovic's version must be accepted. Indeed I understood Mr Puckrin to abandon reliance on confusion at the start of his argument.

Fourthly, it has also to be accepted that Bovic's products are not inferior, whatever Payen says and whatever substance there may or may not be in its contentions in this regard.

All in all I do not consider that unlawfulness has been established. In this respect I agree with the decision of the court a quo (whilst disagreeing on copyright infringement). That court's decision is reported as *Payen Components SA Ltd v Bovic Gaskets CC and others* 1994 (2) SA 464 (W)*.

Contract

It is suggested that an exchange of correspondence in 1988 and 1989 led to a contractual undertaking by Bovic not to use the Payen system. There was a demand for such an undertaking by Payen's attorneys and a threat to take action when it was not given. On 1 June 1989 Bovic's attorneys wrote, 'We have been instructed that our client has in fact complied with the various demands made by you, without admitting that it was liable to do so, but our client is not prepared to undertake to pay your client damages'. Payen's attorneys wrote back noting the statement that Bovic had complied with Payen's demands and repeating its demand for a written undertaking. The matter rested there for some two years until the exchanges leading to this litigation commenced. Nowhere in this correspondence do I find an acceptance of Payen's offer couched in the form of a demand. Payen may have been entitled to feel that it had been deluded. But in my opinion there was no contract.

Condonation

Payen has applied for condonation of the late filing of a short volume five of the record. There was no opposition other than on the prospects of success and the non-compliance was explained, with the result that the application was granted subject to wasted costs being paid by Payen, such costs to include the costs consequent upon the employment of two counsel.

Costs

By reason of the withdrawal of the claims against the third to fifth respondents in this court they are entitled to their costs in both courts.

This is a case warranting the employment of two counsel.

* See also p 473 of this work - Ed.

Order

In the result I order that:

1. The appeal is allowed, the first and second respondents are ordered to pay the appellant's costs jointly and severally, and the appellant is ordered to pay the costs of the third, fourth and fifth respondents, all costs to include the costs consequent upon the employment of two counsel.
2. The order made by the court a quo is set aside and replaced by the following:

'An order is granted:

1. Interdicting the first and second respondents, their agents and employees, from infringing the applicant's copyright vesting in the applicant's identifying code system set out in its catalogues and price lists by:
 - (a) (i) reproducing, or
 - (ii) publishing, or
 - (iii) making an adaptation thereof, or any part thereof, in any material form;
 - (b) reproducing or publishing or distributing whether in the course of trade or otherwise the first respondent's price list dated 4 March 1991 (or any infringing version thereof);
 - (c) reproducing or publishing the said identifying code system (or adaptations thereof) which appear in the applicant's catalogues and price lists on the first respondent's gaskets or gasket sets or the wrappers in which they are contained.
2. Ordering the first and second respondents jointly and severally to pay the applicant's costs, such costs to include those consequent upon the employment of two counsel.
3. Ordering the applicant to pay the costs of the third, fourth and fifth respondents, such costs to include the costs consequent upon the employment of two counsel.'

CORBETT CJ, HEFER JA, STEYN JA and FH GROSSKOPF JA concurred

METRO GOLDWYN-MAYER INC AND OTHERS v ACKERMAN AND OTHERS

SOUTH-EASTERN CAPE LOCAL DIVISION

KROON J

15 FEBRUARY 1996

In the assessment of damages for infringement of copyright, sub-sections (1A) and (1B) of section 24 of the Copyright Act (no 98 of 1978) are to be read together. An adjustment of damages in terms of these sub-sections, calculated on the basis of a reasonable royalty is to be effected by a court exercising its own value judgment. Additional damages may be awarded where the plaintiff has a cause of action outside of the section and is unable to obtain effective relief based on that cause of action. In assessing the quantum of the additional damages, a court exercises a value judgment and takes into account the flagrancy of the infringement and the benefit to the defendant of the infringement.

The plaintiffs were the copyright holders or exclusive licensees of cinematograph films in which the copyright subsisted under the Copyright Act (no 98 of 1978). The films were registered in terms of the Registration of Copyright in Cinematograph Films Act (no 62 of 1977). The plaintiffs charged a minimum royalty of R50 000,00 in respect of each film in respect of which they held the copyright. The defendants were aware that copyright subsisted in the films.

The plaintiffs were also the holders of trade marks which had been registered in respect of the cinematograph films and video tapes.

In August 1993, the first defendant, the sole member and manager of the second defendant, Albany Road Enterprises CC, attended the premises of the second defendant and there pointed out video cassettes containing copies of films in respect of which the plaintiffs held copyright. The films included trailers of films which were substantial parts of the films. The copying of the films had been done without the authority of the plaintiffs.

The defendants purchased the video cassettes for R1 500,00 from another party, and then hired them out to the public. The defendants were dealers in video recorded films and their business was equipped to make copies of the video films.

The plaintiffs alleged that the defendants had infringed their copyright in the films by making reproductions of them, letting or offering or exposing them for hire, and by importing them into the Republic for a purpose other than their own private and domestic use. They also alleged that the defendants had infringed their trade marks. They sought an interdict restraining the defendants from infringing their copyright and trade marks, an order for the payment of damages for infringement of copyright and additional damages as envisaged in section 24(3) of the Copyright Act.

Held—

The plaintiffs had proved that infringement of their copyright in the cinematograph films took place. They were therefore entitled to an interdict restraining the defendants from so infringing their copyright.

As far as damages were concerned, section 24(1) of the Copyright Act was applicable. It provides that infringements of copyright shall be actionable at the suit of the owner of the copyright for such relief in the form of damages as would be

available in any corresponding proceedings for infringement of other proprietary rights. Section 24(1A) provides that such damages may be calculated on the basis of a reasonable royalty which would have been payable under the circumstances by a licensee or sub-licensee. Section 24(1B) provides that in the determination of the amount of damages referred to in subsection (1A) the court shall take into account (a) the extent and nature of the infringement of copyright, and (b) the amount which could be payable to the owner in respect of the exercise of copyright by some other person.

Reading subsection (1A) and (1B) together, it was not possible to simply assess damages in the present case as a reasonable royalty of R50 000,00 per film. The words 'calculated on the basis of' in subsection (1A) are used in contradistinction to words such as 'fixed in a sum equal to'. By reason of the provisions of subsection (1B), an adjustment of damages calculated on the basis of a reasonable royalty had to be effected by a court exercising a value judgment. The difficulty in exercising such a value judgment lay in the fact that on the basis of subsection (1B)(b) the amount payable would be approximately R225,00, whereas the reasonable royalty would amount to R50 000,00. Given the limited scope of the extent and nature of the infringement of copyright, a figure of R1 500,00 in respect of each film was fair and reasonable.

As far as the additional damages were concerned, section 24(3) of the Act did not empower a court to award any form of damages unrecognised by South African common law. The scope for an award of additional damages of a kind which have actually been suffered but cannot be proved must be small, bearing in mind that damages for breach of copyright are at large and may be proved as ordinary damages. Additional damages are damages of a kind which would not, but for the provisions of section 24(3) be recoverable, either because they are unprovable or because no cause of action for their recovery exists. In applying section 24(3) therefore, a court should seek to do what is fair having regard to the provisions of the section.

The principles applicable to an application of the section are: (1) additional damages may only be awarded when the plaintiff already has a cause of action for relief outside of the section, and such relief cannot be effectively obtained by the plaintiff; (2) in determining whether effective relief would not otherwise be available to the plaintiff, the court will have regard to the flagrancy of the infringement and any benefit shown to have accrued to the defendant; (3) not relevant to the latter enquiry is the enquiry whether there is a need to deter the defendant and other potential infringers; (4) the court is required to exercise a value judgment in the assessment of additional damages.

In the present case, in applying section 24(3) a distinction had to be drawn between the films and the trailers of them. In respect of the former, the plaintiffs had been awarded damages, and there was no need for any further award of damages. In respect of the latter, it was impossible to establish the damages suffered by the plaintiffs since the evidence did not disclose what amount would be paid for authorisation to use the trailer. Proof of the damages in respect of the trailers would therefore have been an extremely problematical exercise. Given the flagrancy of the infringement, though the absence of any benefit accruing to the defendants by reason of the use of the trailers, additional damages had to be set in the sum of R200,00 for each trailer.

Kroon J: Each of the nine plaintiffs is a legal persona, either a corporation

or a limited partnership, duly incorporated under the laws of the State of Delaware, United States of America and each conducts business as a producer and distributor of cinematograph films.

The first defendant is a businessman and the sole member and manager of the second defendant. The second defendant is a close corporation which conducts business in Port Elizabeth, under the style of Film World, as a distributor by way of sale or hire, to members of the public, of video tape copies of cinematograph films.

The nine plaintiffs each instituted a separate action against the defendants for certain relief the cause of action relied upon in each case being an alleged infringement of copyright and, where applicable, an alleged unauthorised use of a trade mark. The allegations related to an alleged illegal use by the defendants of certain cinematograph films. After the close of pleadings an order consolidating the nine actions was granted by this court.

When the hearing commenced I was advised by Mr Cullabine, who appeared for the plaintiffs, that the sixth plaintiff, Buena Vista Pictures Distribution Incorporated, was not proceeding with its claims against the defendants. A collective reference hereinafter to the plaintiffs will accordingly be a reference to the remaining eight plaintiffs. I was further advised that the latter plaintiffs were not proceeding with their claims insofar as same related to a large number of the cinematograph films/trailers referred to in the pleadings and were restricting their claims to allegations in respect of certain specified films/trailers details of which will appear below.

The following is common cause or not in dispute:

- (1) At all material times
 - (a) valid copyright subsisted in the Republic of South Africa in terms of the provisions of the Copyright Act (no 98 of 1978) in the cinematograph films the titles of which appear under the headings of 'Films' and 'Trailers' in the schedule set out below;
 - (b) the plaintiffs were respectively the copyright owners or exclusive licensees, within the meaning of the Copyright Act, of those films the titles of which appear below the name of each plaintiff in the schedule;
 - (c) the films were duly registered in terms of the provisions of the Registration of Copyright in Cinematograph Films Act (no 62 of 1977) in the name of the plaintiff in question either as copyright owner or exclusive licensee;
 - (d) each of the plaintiffs was accordingly vested with the exclusive right in respect of the applicable films and trailers to do or to authorise in the Republic of South Africa the acts envisaged in section 8 of the Copyright Act.
 - (e) the trailers reflected in the schedule were substantial parts of the films

in question.

(f) the defendants were aware that copyright subsisted in the said films.

SCHEDULE

(i) FIRST PLAINTIFF: FILMS:

Nil.

TRAILERS:

The Cutting Edge

Harley Davidson and The Marlboro Man

(ii) SECOND PLAINTIFF: FILMS:

Edward Scissorhands

Die Hard

Working Girl

TRAILERS:

Die Hard

Bad Medicine

Enemy Mine

The Jewel Of The Nile

Project X

Bachelor Party

Licence to Drive

Worth Winning

The Fly II

(iii) THIRD PLAINTIFF: FILMS:

Problem Child

Play Misty For Me

A Kiss Before Dying

TRAILERS:

The Hard Way

Kindergarten Cop

(iv) FOURTH PLAINTIFF: FILMS:

Awakenings

Who Finds A Friend Finds A Treasure

Karate Kid III

Fourth Protocol

Thieves And Robbers

Odds And Evens

Return To The Blue Lagoon

TRAILERS:

Casualties Of War

Karate Kid

Papillon

The Mountain Men
Bloodhounds Of Broadway (x2)
Stand By Me
Postcards From The Edge
Sahara
The China Syndrome
Ghostbuster
Buster and Billie
Flatliners
Vibes

(v) FIFTH PLAINTIFF: FILMS:

Full Metal Jacket
Lethal Weapon III
Good Fellas
Above The Law
The Rookie
Lethal Weapon II
Other People's Money
Bonfire Of The Vanities

TRAILERS:

Good Fellas
The Mambo Kings
The Rookie
Batman Returns
Lethal Weapon III
Young Einstein
Batman
Runaways
Full Metal Jacket (x2)

(vi) SEVENTH PLAINTIFF: FILMS:

The Kiss
Look Who's Talking Too
Avalon
TRAILERS:
Look Who's Talking
Look Who's Talking Too
The Kiss
Another You
Steel Magnolias
Blind Fury
I Love You To Death

(vii) EIGHTH PLAINTIFF: FILMS:

Run
Arachnophobia
True Identity
That Darn Cat
Dick Tracey
Filofax
Fantasia
Turner And Hooch
One Good Cop
Oscar
TRAILERS:
Billy Bathgate
V.I. Warshawski (x2)
Pretty Woman
The Little Mermaid
An Innocent Man
What About Bob (x2)

(ix) NINTH PLAINTIFF: FILMS:

Nil.
TRAILERS:
Funny About Love
Frankie And Johnny
Body Parts

(2) At all material times

- (a) the respective plaintiffs reflected in the schedule set out below were the proprietors in the Republic of South Africa of the registered trade marks listed below the name of the applicable plaintiff;
- (b) the said trade marks were valid, subsisting and of full force and effect in the Republic of South Africa and the provisions of section 60 of the Trade Marks Act (no 62 of 1963) were applicable thereto;
- (c) the respective trade marks were registered in respect of, inter alia, cinematograph films and recorded video tapes;
- (d) The respective trade marks appeared on the applicable films/trailers reflected in the said schedule and the video cassettes in which they were contained (all such films/trailers being included in the schedule set out earlier in this judgment).

SCHEDULE(i) First Plaintiff:

TRADE MARKS:

B 69/4718 MGM

686/27 Metro Goldwyn-Mayer & Lion Device
FILMS/TRAILERS AND TRADE MARK INVOLVED:
Play Misty For Me - B69/4718
The Cutting Edge - 686/27
Harley Davidson And The Marlboro Man - 686/27

(ii) Second Plaintiff:

TRADE MARKS:
81/7755 Twentieth Century Fox
85/0811 Twentieth Century Fox Device
85/8611 Twentieth Century Fox Device
FILMS/TRAILERS AND TRADE MARK INVOLVED:
Edward Scissorhands - 81/7755 and 85/0811
Die Hard - 85/8611
Bad Medicine - 81/7755 and 85/0811
The Jewel Of The Nile - 81/7755 and 85/0811
Licence To Drive - 85/0811
Worth Winning - 85/0811
Working Girl - 85/8611

(iii) Third Plaintiff:

TRADE MARK:
72/5190 Universal
FILMS/TRAILERS AND TRADE MARK INVOLVED:
Problem Child - 72/5190
The Hard Way - 72/5190
A Kiss Before Dying - 72/5190

(iv) Fourth Plaintiff:

TRADE MARKS:
85/4631 Columbia Pictures and Statue of Liberty Device
86/1898 Columbia Pictures
86/1900 Lady & Torch Device
FILMS/TRAILERS AND TRADE MARK INVOLVED:
Awakenings - 85/4631
Karate Kid - 86/1898 and 86/1900
Bloodhounds of Broadway - 86/1898 and 86/1900
Stand By Me - 86/1898
Postcards From The Edge - 86/1898 and 86/1900
Sahara - 86/1898 - 86/1900
The China Syndrome - 86/1898
Bloodhounds Of Broadway - 86/1898 and 86/1900
Odds And Evens - 86/1898 and 86/1900
Ghostbusters - 86/1898 and 85/4631

Buster And Billie - 86/1898

Flatliners - 86/1898 and 86/1900

Vibes - 86/1898 and 86/1900

(v) Fifth Plaintiff:

TRADE MARKS:

B81/5840 Warner Home Video (Label)

89/7375 WB & Shield Device

37/369 Warner Brothers Pictures Inc. & Shield Device

FILMS/TRAILERS AND TRADE MARK INVOLVED:

Full Metal Jacket - B81/5840, 89/7375 and 37/369

Good Fellas - B81/5840, 89/7375 and 37/369

Lethal Weapon II - B81/5840, 89/7375 and 37/369

The Rookie - B81/5840, 89/7375 and 37/369

Batman Returns - 89/7375

Lethal Weapon III - B81/5840, 89/7375 and 37/369

Young Einstein - 89/7375

Batman - 37/369 and 89/7375

Other People's Money - B81/5840, 89/7375 and 37/369

Bonfire Of The Vanities - B81/5840, 89/7375 and 37/369

(vi) Seventh Plaintiff:

TRADE MARK: 88/10379

Tri-Star (s.f.) & Winged Horse Device

FILMS/TRAILERS AND TRADE MARK INVOLVED:

The Kiss - 88/10379

Look Who's Talking - 88/10379

Avalon - 88/10379

Look Who's Talking Too - 88/10379

Another You - 88/10379

Blind Fury - 88/10379

I Love You To Death - 88/10379

(vii) Eighth Plaintiff:

TRADE MARKS:

83/8922 Mickey Mouse Device

90/0156 Touchstone

90/0157 Walt Disney

90/0158 Hollywood

FILMS/TRAILERS AND TRADE MARK INVOLVED:

Run - 83/8922, 90/0156, 90/0157 and 90/0158

True Identity - 90/0156

That Darn Cat - 90/0157 and 90/0158

Billy Bathgate - 90/01 56

V.I. Warshawski - 90/0156, 90/0157, 90/0158 and 83/8922

Pretty Woman - 90/0156

Dick Tracey - 83/8922, 90/0156 and 90/0157

Filofax - 90/0158

Fantasia - 83/8922, 90/0156 and 90/0157

Turner And Hooch - 90/0156

One Good Cop - 83/8922, 90/0157 and 90/0158

The Little Mermaid - 83/8922 and 90/0157

An Innocent Man - 90/0156

What About Bob - 90/01 56

Oscar - 90/0157 and 90/0158

(viii) Ninth Plaintiff:

TRADE MARK:

85/5245. Paramount Pictures and Device

FILMS/TRAILERS AND TRADE MARK INVOLVED:

Funny About Love - 85/5245

Frankie And Johnny - 85/5245

Body Parts - 85/5245

- (3) (a) During the course of a search, referred to in the evidence as a raid, conducted at the premises of the second defendant in the presence of the first defendant on 11 August 1993 by one Van As, an inspector in the South African Police Services, one Potgieter, a senior field inspector in the employ of the Motion Picture Association of America, and another member of the South African Police Services, video cassettes containing recorded video copies of the films and trailers referred to above together with a number of other video cassettes containing copies of films were found in a locked walk-in safe. Possession of all the said video cassettes was thereupon taken. They were exhibit '1' at the trial.
- (b) The labels on the cassettes, which depicted the names of the films contained therein, were handwritten and some bore the word 'Master'.
- (c) All of the copies of the films/trailers referred to earlier had been made without the authority of the relevant copyright owner or exclusive licensee for the Republic of South Africa or any other party who could grant any relevant rights in respect of films subject to copyright and were accordingly copies which infringed the copyright therein.
- (d) Any use by the defendants thereof in the course of business of the second defendant would have constituted unauthorised use, as envisaged in section 44(1)(a) and (b) of the Trade Marks Act, of such trade marks as appeared thereon or on the cassettes and accordingly an infringement of the rights held in such trade marks.

- (4) (a) Certain companies were at all material times the duly appointed exclusive licensees of the respective plaintiffs in the Republic of South Africa in respect of the said films and trailers, viz., CIC Video (Pty) Ltd for the third and ninth plaintiffs; Nu-Metro Video (Pty) Ltd for the first, second, fifth and eighth plaintiffs; Ster-Kinekor Films (Pty) Ltd for the fourth and seventh plaintiffs.
- (b) Formal notice of the institution of these proceedings was given on behalf of the plaintiffs to the said companies as envisaged in section 24(1C) of the Copyright Act and the companies responded by intimating that they had no objection to the proceedings and did not intend to intervene therein.
- (5) A minimum royalty of R50 000,00 would have been payable by a licensee in the Republic of South Africa to the respective copyright holders in respect of any of the films referred to earlier. The average of such royalties would have been the sum of R70 000,00. By way of explanation it should be recorded that during the course of the trial Mr Cullabine advised me from the Bar that the parties had agreed on the figure of R70 000,00 as being the minimum royalty which would have been payable in respect of any of the films. It appeared during argument, however, that there had been a misunderstanding in this regard and an agreement between the parties in the terms set out above was recorded at that stage.
- (6) On a previous occasion the defendants had, in response to a complaint and demand made on behalf of the owner of the copyright in a film titled 'One Flew Over The Cuckoo's Nest' founded on the defendants' possession of a copy thereof, paid the sum of R5 000,00 to the local representatives of the Motion Picture Association of America. In respect of a still earlier incident, the details of which were not canvassed during the evidence, the defendants had paid the sum of R1 500,00.

In respect of the first leg of its claim, ie that founded on alleged infringement of copyright, it is the allegation of each plaintiff that, without the requisite authority and in breach of the plaintiff's rights as copyright owner or exclusive licensee in respect of the relevant films, the defendants engaged in:

- (a) making reproductions and/or adaptations of the films or substantial parts thereof,
- (b) letting or offering or exposing for hire by way of trade, directly or indirectly, reproductions or adaptations of the films or substantial parts thereof,
- (c) importing into the Republic of South Africa for a purpose other than their own private and domestic use and/or selling, letting or by way of trade offering or exposing for sale or hire and/or distributing for the purpose of

trade or for some other purpose to an extent where the plaintiff or, where the plaintiff was the exclusive licensee, the copyright owner was prejudicially affected, reproductions of the films or substantial parts thereof, the making of which, to the knowledge of the defendants, constituted infringement of the copyright in the films, or would have constituted such infringement if such manufacture had taken place in South Africa.

In respect of the second leg of its claim, ie that founded on alleged infringement of trade mark(s), each plaintiff alleges that, without the requisite authority and, as envisaged in section 44(1)(a) and (b) of the Trade Marks Act, in breach of the plaintiff's rights in the relevant trade mark(s), the defendants used the plaintiff's trade mark(s) in relation to the relevant films/trailers by

- (a) selling, letting or, by way of trade, offering or exposing for sale or hire the films/trailers;
- (b) distributing the films/trailers for the purposes of trade.

The further allegation of each plaintiff is that it apprehends on reasonable grounds that the defendants will continue their unlawful activities referred to above unless restrained from doing so by an order of this court and that it has no other remedy available.

The relief sought by each of the plaintiffs as set out during the argument of Mr Cullabine, is:

- (1) an order interdicting the defendants from infringing its rights to copyright in the relevant films;
- (2) an order interdicting the defendants from infringing its rights to its trade mark(s);
- (3) the payment of damages for infringement of copyright;
- (4) the payment of additional damages for infringement of copyright as envisaged in section 24(3) of the Copyright Act;
- (5) costs of suit.

Each summons also contained prayers for relief in the form of delivery up of all copies of the films/trailers, but in that the plaintiffs had already secured possession of same the plaintiffs did not persist in seeking such relief.

The allegations made in the respective particulars of claim in support of the claim for additional damages referred to above were couched thus:

'Having regard to the flagrancy of the First and Second Defendant's copyright infringement, and the benefit which has accrued to the First and Second Defendants by reason of the infringement as a consequence of unauthorised copying having taken place without payment of any consideration or royalties and as effective relief would not otherwise be available to the Plaintiff, the Plaintiff has suffered additional damages

within the meaning of section 24(3) of the Copyright Act ...'

The evidence on behalf of the plaintiffs concerning or bearing on the search conducted at the premises of the second defendant on 11 August 1993 was as follows:

One Askew, the Director of the Film Security Office of the Motion Picture Association of America in South Africa, testified that the Association which is comprised of the nine plaintiffs, all major American film studios, which finance it, was formed to combat what was referred to as piracy, ie acts done by persons in infringement of the copyright and trade mark rights of members.

Potgieter testified that in his capacity as a senior field inspector in the employ of the Association he received certain information from one Holtzhausen, who was then in the employ of the second defendant. Holtzhausen further furnished him with a video tape recording (exhibit '2') of certain portions of the interior of the premises of the second defendant. The recording was played during the trial in a television set brought into the courtroom for that purpose. It depicted, inter alia, someone opening the walk-in safe with a key, various film cassettes—including amongst which were the cassettes containing copies of the films which are the subject matter of these proceedings—in the safe, a workshop area in which were, inter alia, two video machines, one on top of the other and a cassette holder bearing the name of a film, 'Robin Hood, Prince of Thieves' on top of the video machines. Arrangements were made for a meeting in Port Elizabeth between Potgieter, Holtzhausen and members of the Sanab branch of the South African Police Services. Inspector van As interviewed Holtzhausen and on the strength of information so received obtained a search warrant authorising a search of the second defendant's premises. Potgieter, van As and another policeman repaired to the premises of the second defendant where van As identified himself to the first defendant and gave him a copy of the warrant. He, Potgieter, also identified himself to the first defendant. According to Potgieter the warrant authorised a search for material which infringed copyright in films and the first defendant was so advised. The latter had no objection to the search being carried out and in fact co-operated fully. Although Potgieter knew, because of what Holtzhausen had told him, that the tapes that he was looking for were in the safe, in order to protect the identity of his informant, the search was commenced behind the counter, thereafter through the stalls and eventually in the safe, which the first defendant unlocked at their request. In the safe, amongst other items, the video cassettes comprising exhibit '1', which included the cassettes containing copies of the films that are the subject matter of these proceedings, were found and possession thereof was taken. The tapes were on the face of it illegal ones

and Potgieter sought an explanation from the first defendant for them whereupon the first defendant stated that he had made the tapes to use as his 'masters' because the tapes that were his stock-in-trade suffered a 'lot of damages in the market place' and instead of buying new tapes he would make copies from the 'masters' to replace the damaged tapes. At no stage did the first defendant proffer the explanation that he had acquired the tapes from someone in George and a proposition to that effect by Mr Vlok, who appeared for the defendants, was rejected. The handwritten labels on the tapes were different from the labels on tapes marketed to the public. The scenes of the work area shown on exhibit '2' indicated to him that copying of tapes was undertaken there. He denied the proposition put to him under cross-examination that while the first defendant did refer to 'masters' the reference was to his own collection of classical films and was not a reference to the subject tapes.

Inspector van As confirmed the correctness of a statement which he had made on 30 August 1993 concerning the incident (exhibit 'H'). The essence thereof was that on 11 August 1993 his informant—ie Holtzhausen—advised him that the first defendant was in possession of pornographic material stored at the premises of the second defendant. On the strength of that information he secured a search warrant and he, Potgieter and another policeman proceeded to the premises in question. The purpose of his visit was explained to the first defendant who was also favoured with a copy of the warrant. In what he referred to as the storeroom—the reference clearly being to the walk-in safe—a large number of video cassettes was found. Inspection thereof revealed no pornographic material. Potgieter made the observation that the cassettes had been 'oorgetape' and that an infraction of the Copyright Act had taken place and he enquired from the first defendant if he hired the cassettes out to the public to which the first defendant replied in the affirmative. The cassettes were seized and the first defendant was advised that a case docket relating to a charge under the Copyright Act would be opened against him. Subsequently the first defendant's attorneys submitted to him a statement by the first defendant (exhibit 'I'). Under cross-examination van As affirmed that he had gone to the defendants' premises to search for pornographic material, but that Potgieter had also identified himself to the first defendant and stated that he, too, wished to carry out an inspection. Van As also rejected the proposition that when the first defendant used the word 'masters' the reference was not to exhibit '1' but to other tapes in the safe. He similarly rejected the proposition that the first defendant had proffered the explanation that he had obtained exhibit '1' from one Sonnen of George. He was unable to recall whether the first defendant had made mention of tapes in his stock-in-trade being damaged, but he added

that he was not throughout in the immediate company of Potgieter and the first defendant.

The first defendant's version of what occurred on the occasion in question and his explanation in respect of the subject cassettes will be set out and discussed presently. At this stage it may be recorded that, as already indicated earlier, he did not dispute that the cassettes containing copies of the films which are the subject of these proceedings were found in the possession of himself and the second defendant and were amongst those found in the safe in the premises.

Accordingly, section 26(10) of the Copyright Act came into play. It provides as follows:

'In any proceedings by virtue of this Chapter with regard to the alleged infringement of the copyright in a cinematograph film, a sound recording or a computer program, it shall be presumed, until the contrary is proved, that any person trading in the selling, letting or distribution of copies of any of the said works, and who was found in possession of a copy of such works, sold or let for hire or by way of trade offered or exposed for sale or hire such copy.'

The evidence offered by the defendants in rebuttal of the presumption provided for in the section was the following:

The first defendant stated that he was advised by a Mrs van den Berg, also a video shop owner in Port Elizabeth, that the owners of a video shop in George, Mr and Mrs Sonnen, were desirous of disposing of a quantity of video tape cassettes. Initially the asking price was R5 000,00 which was too high for the first defendant. The price was subsequently reduced to R1 500,00. Being under the impression that the items constituted legal stock-in-trade of the Sonnens albeit he did not ascertain the titles of the films, he contacted Mrs Sonnen telephonically and agreement was reached that he would purchase the tapes, 300 in number, for R1 500,00 representing a price of R5,00 per tape. At her request he deposited the sum of R1 500,00 into her bank account at Trust Bank. The boxes containing the tapes were delivered in his absence and his staff, as was their custom, opened same and commenced putting the firm's labels on the tapes. He arrived while this exercise was in progress, but, on observing straightaway that the tapes were illegal copies of films, locked them away in the safe. What moved him to that conclusion was the very unusual circumstance that a number of the tapes comprised copies of two films and the handwritten labels on the cassettes. He explained that he would have put the tapes, which were in good physical condition to a legitimate use, ie by wiping them clean and then using them for the purpose of making copies of home or other private video films for customers. Wiping the tapes clean would entail running them through a video

machine with the 'play' and 'record' buttons depressed, a process taking three hours for each tape. He received the tapes during June/July 1993 and by the time he deposited the purchase price in the relevant account the Sonnens had left for overseas. It was therefore impossible for him to cancel the contract and he had in any event acquired them for a cheap price even for blank tapes. The films on the tapes were not of the kind favoured by his clientele who came predominantly from the Black section of the community and who preferred 'action' or 'karate' films. He was the only one who had a key to the safe and had been shocked to observe on the video film, exhibit '2', someone using another key to open the safe. After the events in question he had come across another key to the safe behind a television set in the premises which key had clearly been acquired by nefarious means. His explanation for the two video machines which were shown in the film was that the business engaged extensively in what he referred to as 'dubbing', ie legitimately making copies of home or private video films for customers who requested same. He dealt at some length with his relationship with Holtzhausen and the character of the latter who had since disappeared—but it is unnecessary for purposes of this judgment to refer thereto. As to the events on 11 August 1993 he confirmed that when van As, Potgieter and the other policeman arrived van As introduced himself and explained that the purpose of their visit was to search for pornographic material. He registered no objection. At their request he unlocked the safe. It was after the films comprising exhibit '1' were discovered that Potgieter introduced himself as a representative of the Motion Picture Association of America and advised him that the cassettes in question were being confiscated. He, the first defendant, furnished the boxes into which the films were packed. He did state to Potgieter that the tapes in the safe were his 'masters', but, so he explained, the reference was not to the tapes which had been confiscated but to his private collection of old classical films which were also in the safe and which he thought were also going to be confiscated. He stamped the evidence of Potgieter and van As as to the explanations he allegedly gave as blatant lies. He did not explain the origin of the confiscated tapes to Potgieter, a statement he confirmed when his attorney repeated the relevant question. He later added that he did not have to volunteer that information—meaning presumably that no explanation was sought from him—and intimated that in any event he would not have been believed. Moreover, his attorneys had advised him not to make any statements. He knew that Potgieter wished to check if the tapes were 'pirate' copies. He added that he already had legitimate copies of approximately 90% of the confiscated tapes amongst his stock-in-trade and, with reference to his earlier evidence that his clientele was largely uninterested in such merchandise, explained the presence of such stock by

pointing to the fact that when purchasing new stock video shop owners are obliged to accept a package which includes such unwanted material, referred to as 'fillers'. The tapes were not available for hire out to the public or loan to his friends. Hiring out thereof would have been difficult as the tapes had not been numbered or catalogued and would, by reason of the condition of the tapes, have damaged his reputation. He confirmed that exhibit 'I' was a statement made by him in consultation with his attorneys and submitted by them to the police. It contained the details of his defence. He conceded that some of the tapes confiscated had been retrieved from the work area in his premises in regard to which he said that Holtzhausen must have duplicated the safe key and removed some of the tapes to the work area and then video-taped the scene so as to create the impression that duplicating of the tapes was being undertaken.

Mrs van den Berg confirmed that the Sonnens, who were friends of hers, had contacted her sometime after May 1993 offering video tapes for sale. Their initial asking price was R5 000,00 and the number of tapes involved was 150, a figure of which she was sure. She herself was not interested in acquiring the tapes, but told the Sonnens that she would make enquiries from other video shop owners. One of those approached by her was the first defendant. He balked at the price of R5 000,00. She heard subsequently from the first defendant that he had in fact purchased the tapes from the Sonnens for R1 500,00. The conversation between them on that occasion also canvassed the fact that the tapes had only cost R5,00 each and that the defendant could put them to good use as blank tapes. She had given his telephone number to the Sonnens. She expressed some disbelief at the suggestion that the defendants would have wanted to trade in 'fillers', the reference being to the confiscated tapes.

One Pienaar testified that while he was studying at the University of Port Elizabeth he engaged in part-time shift employment with the defendants during the period 1988 to about May 1994. Since approximately 1990 he had gone out of town once a week to sell videos on behalf of the business. He had never seen exhibit 'I' on the premises and as far as he was aware the defendants had never traded therein or in any other illegal material. Part of his duties consisted of making copies of private films for customers. He confirmed that the practice in the business was for staff to open consignments of stock, label the cassettes and list them alphabetically and numerically. He conceded that in the nature of things there had been many times when the first defendant was in the shop and he was absent. The safe did contain spare copies of films purchased second hand to replace copies in stock which became damaged. Such replacements would be done on the instructions of the first defendant who was the only one who had a key to the safe.

It was the submission of Mr Cullabine that on a proper assessment of the evidence in its entirety the defendant had failed to discharge the onus imposed on them in terms of section 26(10) of the Copyright Act. Indeed, he argued that even if the plaintiffs were not assisted by any presumption they had nevertheless succeeded in establishing that the defendants had, in breach of the copyright of the plaintiffs, traded illegally in the films in question.

On a conspectus of all the evidence I hold that these submissions must be upheld. My reasons for that conclusion are the following:

The evidence of Pienaar did not take the case any further and specifically it did not and could not exclude that the defendants dealt illegally with the films in question. Apart therefrom that it need hardly be said that good reasons existed why such activities would not have been undertaken in his presence, on his own showing he was frequently absent from the premises and he could naturally not comment on what occurred during such absences.

Mrs van den Berg was a witness who proved to be voluble in the extreme. That appeared to be no more than a personality trait, however, and I do not consider that her credibility was affected thereby. Her evidence did offer support for the defendants on the issue of the origin of the offending tapes, viz to the extent that she testified that she was approached by the Sonnens, that she corroborated the first defendant's testimony that she passed on to him the information concerning the tapes which were for sale and stated that she gave the defendants' telephone number to the Sonnens and that she subsequently heard from the first defendant that he had in fact acquired the Sonnen tapes. She was, however, unable of her own knowledge to confirm same. It is true that she stated that she was sure that the Sonnens wished to dispose of 150 tapes whereas the first defendant said that he purchased 300 tapes from them. It cannot be excluded, however, that the extent of the merx could have been changed in the negotiations which the first defendant alleges he had with the Sonnens.

One other aspect of Mrs van den Berg's testimony requires consideration. Her expressed disbelief in regard to the likelihood of the defendants trading in copies of the offending films on the grounds of the latter being in the nature of 'fillers' did not stand up to scrutiny and may have been an indication of a partiality on her part in favour of the defendants. She herself was constrained under cross-examination to concede that some ten of the films, the titles of which were put to her, were in fact not 'fillers', but 'top' films. On the other hand she indicated that three of these films were old and that another had not been a success in South Africa and she questioned why anyone would want to trade in pirate copies thereof. The comment may be made that the mere fact that a 'top' film was somewhat dated would not mean that there would not be a sufficient market for it.

The first aspect of the first defendant's evidence to be considered is his claim as to the origin of the offending tapes.

Much was said by Mr Cullabine in criticism of the first defendant in this regard. The criticism was not misplaced. As set out earlier, it was the first defendant's case in this court that he took delivery of the tapes during June/July 1993, ie approximately one to two months prior to the visit of van As and Potgieter to his premises. However, in exhibit 'I', the statement made by the first defendant for submission to the police, he said that he had acquired the tapes approximately one year prior to the incident. That, he said, was a mistake. The difference between one or two months and approximately one year is not without importance—because a much longer period would have elapsed without his attending to wiping any of the tapes clean—and it is difficult to understand how the mistake could have occurred even if the statement was signed sometime in 1994. He conceded that his attorney had told him that it was a serious matter and that he should be careful in what he said. When asked if he had properly checked the statement before signing it he said that if he was at the time 'in a state' and did not trust the attorney and was about to 'leave' him he may not have checked the statement thoroughly. At best the statement was a non sequitur. If he did entertain doubts as to the attorney's integrity or competence all the more reason existed to check the contents of the statement with care before he allowed it to be submitted to the police. It may be noted further that a handwritten correction in the statement was initialled by the first defendant. In his various pleas the following statement appeared:

'Gemelde bande was teen R5,00 per band aangekoop en was Verweerders bona fide en redelik onder die indruk ten tye van die aankope, welke transaksie telefonies geskied het, dat gemelde bande blanko bande daar sou stel. Verweerders se bedoeling was om gemelde bande as blanko bande te verkoop. By aflewering het Verweerderes vasgestel dat gemelde bande egter bestaan uit bande wat inhoudmateriaal bestaande uit 'n verskeidenheid van films bevat het.'

This statement is at variance with his evidence in a material respect, viz in regard to the content of the tapes which he was purchasing. The first defendant sought to rely on the possibility of a mistake on the part of the typist who typed the pleas or of a misunderstanding during the relevant consultation between him and counsel, the latter having been Afrikaans speaking and the consultation having been conducted in English. Neither of those possibilities commend themselves for acceptance. One cannot envisage how a typist could have made a mistake of this nature leaving aside the question that the plea was presumably checked by both counsel and the

attorney, who was present at the consultation, prior to its being filed. By virtue of the detail contained in the plea one similarly has difficulty in envisaging how both counsel and attorney could have laboured under the same mistaken impression. Moreover, the plea was filed during March 1995 and there was no attempt made at any stage to seek an amendment thereof. The third criticism relates to the inability of the first defendant to produce any documentary proof of the transaction with the Sonnens and specifically proof of the deposit of cash into their account which the first defendant alleged he made. He claimed he was unable to trace the deposit slip and he said that without his furnishing the account number the local branch of the Trust Bank was not able to assist him. Even if this were so, which may be doubted, a similar problem should not have been encountered at the George branch of the bank. The fourth criticism arises out of the discrepancies between what was put on behalf of the defendants to the plaintiffs' witnesses and the first defendant's own evidence on the question of whether the first defendant had on the occasion when the premises were searched proffered the explanation that he had obtained the tapes from the Sonnens—as to which see the resumé of the evidence set out earlier. The fact that, on his own later showing, he did not proffer that explanation in circumstances when the explanation, if true, would have been immediately forthcoming—as to which circumstances, see below—is a serious derogation of the acceptability of his evidence. It should finally be noted that it was Potgieter's evidence that the first defendant admitted that he had 'made' the tapes.

Had the first defendant's evidence stood alone the above criticisms would probably have been sufficient to found a rejection of the evidence. However, there is the additional feature that Mrs van den Berg testified that she subsequently heard from the first defendant that he had purchased the tapes that the Sonnens had offered for sale. In the context of her evidence that discussion would have taken place prior to the date on which van As and Potgieter visited the premises of the second defendant. If that evidence is true it constitutes cognisable support for the case of the defendants as to how they came by the tapes. There is a suspicion that Mrs van den Berg was not an impartial witness, and the criticisms of the first defendant's evidence referred to above also bear on the acceptability of her evidence. However, I intend to proceed on the basis, without making a positive finding to that effect, that no sufficient basis exists for holding that the evidence of Mrs van den Berg was mendacious and that, whatever shortcomings there were in the first defendant's evidence, the support constituted by Mrs van den Berg's evidence is sufficient to carry the day for the defendants in the matter of the acceptability of their explanation as to the origin of the tapes in question.

Such a finding would, however, not mean that the case must be disposed of in the defendants' favour. The statements which the defendant made concerning the offending tapes, the findings in regard to which are set out below, after their discovery by van As and Potgieter, seen in the light of certain surrounding circumstances, establish that the defendants were dealing in the tapes in breach of the plaintiffs' copyright therein. As intimated earlier that conclusion would follow whether on the basis that the defendants failed to rebut the presumption imposed on them in terms of section 26(10) of the Copyright Act or whether on the basis that the onus rested on the plaintiffs to positively prove such dealing.

The surrounding circumstances to which I refer are the facts that the defendants are dealers in video recorded films by way of hire or sale and that on the first defendant's own showing the business was equipped and well able to make copies of video films.

In my judgment the evidence of van As and Potgieter as to the statements made by the first defendant as to what he was doing with the tapes must be accepted and that of the first defendant rejected as false.

As far as the narrow issue of demeanour in the witness box is concerned, an aspect which is not to be overstated, I do not consider that either van As or Potgieter were subject to valid criticism. The first defendant was possibly a little excitable, but that is not a criticism of any moment. It is with regard to the content of their respective testimonies that the acceptability of the former two and the non-acceptability of the latter appears clearly. I would, however, preface my discussion of the content of the evidence with the observation that van As was clearly an independent and unbiased witness and the same applies to Potgieter notwithstanding that Mr Vlok sought to suggest that in the light of the nature of his work he would have an interest in, as it were, 'securing a conviction'.

I have not lost sight of the fact that Potgieter testified that the search warrant authorised a search for material that infringed copyright and that the first defendant was so advised which, in accordance with the evidence of van As, was in fact not the case. This is not a feature which should be overstated and it may have found its origin in Potgieter's own interest being restricted to the possible presence on the premises of material which infringed copyright. I also bear in mind that there was not an exact coincidence in the statements which van As and Potgieter, respectively, ascribed to the first defendant. Common to both, however, was an admission by the first defendant that he was dealing in the tapes.

On two material issues the probabilities are overwhelmingly in favour of the plaintiffs, viz whether Potgieter sought an explanation for the offending

tapes and whether the first defendant responded thereto. The sole reason why Potgieter was present on the occasion in question was to ascertain whether the defendants were in possession of material which fell foul of the copyright of the plaintiffs. Such material was in fact found and it was manifest that it was offending material. The most natural thing for him to do was to require an explanation thereof or to enquire whether the defendants were dealing in the material. Such an enquiry would not have been ignored by the first defendant who would either have responded directly thereto or responded in the form of declining to furnish an explanation. The first defendant's claim that no such explanation was sought and therefore that he did not offer any explanation simply does not wash and must be rejected as false. The falsity of this claim is further demonstrated by the fact that in cross-examination of the plaintiffs' two witnesses Mr Vlok did not place in issue that Potgieter required the first defendant to explain the presence of the tapes and what he was doing therewith and on the contrary put it to the witnesses that the first defendant had offered an explanation which embraced the acquisition of the tapes from the Sonnens and, presumably, his intention to use the tapes by way of wiping them clean and selling them as blank tapes. An allied aspect relates to the first defendant's claim that the statement he did make referred to his collection of old classical films. He said that the statement, ie that he hoped that they—van As and Potgieter—would not remove his 'masters', was born of an apprehension that those films, too, were to be removed. There was, firstly, no indication that van As and Potgieter would remove those films or indeed showed any interest therein. Secondly, the first defendant's alleged use of the word 'masters' with reference to old classical films would, to put it at its lowest, have been inappropriate. When questioned on the meaning of the word 'master' in the context of the video film industry the first defendant did not proffer the claim that it could refer to old classical films; instead, in common with a number of the other witnesses who testified in the trial, he stated that one of the meanings of the word connotes a reference to a master copy of a tape from which other copies are made. Such a meaning would have been quite appropriate within the context of the statements attributed to the first defendant by Potgieter and van As, to which should be added the defendants' ready ability to engage in the activities referred to in the statements ascribed to him.

I am not impressed with the reasons that the first defendant proffered why he would not have traded in the films in question. His first alleged reason was that his reputation would have been harmed if he hired out tapes in the bad condition in which these particular tapes were. He could not have been referring to the quality of the recordings because, firstly, he never said so and

on the contrary stated that he had not viewed any of the films and that he immediately locked the tapes away because they were manifestly contraband and his sole intention was to trade in them as blank tapes; he would therefore have had no reason to view the quality of the recordings. If the reference was to the physical condition of the tapes he was then hoist on his own petard in that his other evidence was that the tapes were in good condition, hence his intention to sell them as blank tapes. In any event, what was attributed to him, on the strength of his statements, was not that he traded in the tapes themselves, but in copies which he made therefrom. His second reason was that the nature of the films were not of the type sought after by his clientele. But on his own showing he had 90% of the titles on his shelves already and was therefore trading in them, at least to an extent, and such titles were available to those members of the public who did not fall within the alleged main source of his custom. In this regard it bears repetition that, as mentioned earlier, certain of the films were 'top' films and they were also of the 'action' (or 'hard') variety which he had earlier said fell within the type of film that the majority of his clients wanted, a statement from which he subsequently sought to resile when questioned on the fact that some of the films were of this variety by saying that what he had mentioned was the 'karate' type of the film.

Two final examples of unacceptable evidence given by the first defendant should be mentioned. His claim that, contrary to what was said by van As and Potgieter, the search warrant was not shown to him and he was not given a copy thereof, is so against the probabilities that it must be rejected as false. Why the first defendant resorted to this evidence is a matter for speculation. The second aspect is his questioning, at a very late stage in his evidence and despite the relevant admissions which had been made on his behalf, whether certain films canvassed with him were in fact included amongst exhibit 'I'.

It was not argued, and correctly so, that the statements which I have found the first defendant did make, did not justify the inference that the defendants dealt in the films in breach of the plaintiffs' copyright therein. The conduct in question falls squarely within the ambit of the acts which in terms of section 23, read with section 8, of the Copyright Act, constitute infringement of copyright.

In regard to the second leg of the plaintiffs' claim—relating to infringement of trademark, Mr Cullabine argued that a finding that the defendants had dealt in the films in breach of the copyright therein, albeit such finding was reached on the basis of the defendants having failed to rebut the presumption provided for in section 26(10) of the Copyright Act, was a finding of fact that could and should operate in respect of the plaintiffs' claim

that the defendants had breached the trade marks in the relevant films. He conceded that if the claim had only related to an infringement of trade mark as envisaged in the Trade Mark Act, he would not have been entitled, as far as a finding concerning the relevant facts was in issue, to invoke a presumption contained in a different Act, the Copyright Act. He submitted, however, that it would be illogical and impermissible to act on a particular finding of fact for the purposes of one leg of the claim but to hold that that fact had not been established for the purposes of the other leg of the claim; in other words, because the alleged acts relied upon for both legs of the claim were the same and not severable, a finding thereon for the purposes of the first leg was necessarily also applicable to the second leg. Counsel did not cite any authority for his argument. Mr Vlok very properly referred me to a decision which could be invoked to support Mr Cullabine's proposition, viz the judgment of Steenkamp J in *S v Bruhns* 1983 (4) SA 580 (NC). In that judgment it was held that a conviction of an accused person on a charge of failing to stop his vehicle after having been signalled by a traffic officer to do so in contravention of a provision of the then Road Traffic Ordinance of 1966, which conviction flowed solely from the invoking of a presumption provided for in the Ordinance that the registered owner of a vehicle was the driver thereof at the relevant time, was to be taken into account by the court as a relevant fact in considering whether the accused was guilty on a second charge of driving his vehicle, at the same time and place, at a speed in excess of the limit prescribed in other legislation, viz the Petroleum Products Act of 1977. However, the report referred to by counsel wrongly reflects that the judgment was that of a full bench concurred in by Erasmus AJP and Basson J. In fact the reported judgment was a minority one. The majority judgment of the other two members of the court (per Basson J) which was to the contrary effect, is reported in 1984 (1) SA 481 (NC). Both judgments referred to the earlier decision of the Appellate Division in *S v Khanyapa* 1979 (1) SA 824 (A) Steenkamp J holding that it was applicable to the matter before him and Basson J, holding that it was distinguishable. In *Khanyapa's* case it was held that the conviction of the accused of an assault on his wife, based on her evidence she having been a competent witness against the accused in respect of that charge, was a relevant factor to be taken into account in considering whether the accused was guilty on a second charge of murdering his father-in-law, allegedly committed on the same occasion, notwithstanding that the accused's wife was not a competent witness against the accused in respect of this charge. The essence of the basis on which Basson, J, distinguished *Khanyapa's* case was that, in his view, it referred to convictions based on actual evidence and not to convictions founded on a

presumption which may in the result be fictional convictions.

Insofar as it may be necessary for present purposes I would record that in my respectful view the approach of Basson J in *Bruhns'* case is to be endorsed. However, as shown earlier, the finding that the defendants had not rebutted the presumption and the consequential finding that they had dealt in the films in question was based on evidence and the latter finding would have been reached even in the absence of any presumption against the defendants. Such a finding is, on the evidence, positively made on the second leg of the claim.

I turn now to the relief which the plaintiffs are seeking in these proceedings. It was correctly not disputed that both defendants are liable in respect of whatever relief the plaintiffs are entitled to. *Harnischfeger Corporation and another v Appleton and another* 1993 (4) SA 479 (W)*.

In my judgment the plaintiffs are entitled to both of the interdicts sought. The defendants infringed the copyright and trade mark rights in question; their denial thereof has been rejected as false; no undertaking that the conduct in question will not be repeated has been forthcoming. In such circumstances, provided that it cannot be said there is no likelihood of a future infringement occurring, an interdict against future infringing conduct is the normal and proper remedy and it is not necessary to invoke the further fact that the defendants on two previous occasions met the demand of the Motion Picture Association of America—based in each case on their possession of a copy of a film—for the payment of a sum of money, which the first defendant in any event sought to explain away. The fact that the first interdict sought in terms refers to infringements of the copyright of the plaintiffs in the specific films which are the subject of this judgment and that all of the offending copies of the films or their trailers have been removed from the possession of the defendants—hence the abandonment of the relief in the form of a delivering up to the plaintiffs of all infringing copies or reproductions thereof—does not preclude the plaintiffs being granted the relief they seek. In the light of the circumstances referred to above I consider that a reasonable apprehension exists that the defendants will again utilise unauthorised copies of the films or their trailers in breach of the plaintiffs' copyright and trade mark rights. My conclusion that the plaintiffs are entitled to the interdicts sought is in accordance with the dicta in *Performing Right Society Ltd v Berman and another* 1966 (2) SA 355 (R) at 357 and the *CCP Record Co* case, referred to below, at 448 G.

The plaintiffs are further entitled to damages. The first category of

* See also page 515 of this work.

damages in respect of which Mr Cullabine sought an order is that referred to in section 24(1) of the Copyright Act which provides that infringements of copyright shall be actionable at the suit of the owner of the copyright for such relief in the form of, inter alia, damages as would be available in any corresponding proceedings for the infringement of other proprietary rights. Section 24(1A) provides as follows:

'Damages contemplated in subsection (1) may, at the option of the plaintiff, be calculated on the basis of a reasonable royalty which would have been payable under the circumstances by a licensee or sub-licensee in respect of the copyright concerned.'

The option referred to in the subsection was exercised by the plaintiffs. It was the initial simple submission of Mr Cullabine that the section meant no more and no less than that in casu the respective plaintiffs were entitled to damages in the sum of R50 000,00 in respect of each copy of a film the copyright in which formed the subject of the claim of the respective plaintiffs, the said sum having been agreed upon between the parties as representing the minimum figure of the royalty which would have been payable as contemplated in the section. Counsel did not contend that the damages should be fixed with reference to the figure of R70 000,00 being the agreed average royalty which would have been so payable. The argument, however, overlooked the provisions of subsection (1B) which reads as follows:

'In the determination of the amount of damages referred to in subsection (1A) the court shall, in addition to all other material considerations, take the following factors into account:

- (a) the extent and nature of the infringement of copyright;
- (b) the amount which could be payable to the owner in respect of the exercise of copyright by some other person.'

In his work, *Handbook of South African Copyright Law*, at 1-47/48, the learned author, Dr Dean, states the following in regard to subsections (1A) and (1B) which were introduced into the Act in 1992:

'In lieu of the erstwhile remedy of an account of profits, the Copyright Amendment Act, 1992, introduced specific reference to a reasonable royalty as a form of compensation to a copyright owner for the misuse of his work, apparently as an alternative to conventional damages which would usually take the form of loss of profits through diminished exploitation of the work by the copyright holder. The payment by an infringer of a reasonable royalty to the copyright owner for the unauthorised use made of his work as a form of compensation arising from copyright infringement is not new in our law. Damages in this form

have been awarded by the court in the past in several cases. However, the compensation by way of a reasonable royalty provided for in the amendment has something of a notional character to it. More specifically the amendment provides for a reasonable royalty which *would have been payable under the circumstances* by a licensee or sub-licensee, and that the court, in determining the amount, must take into account the extent and nature of the infringement of copyright and the amount which would be payable in respect of the exercise of copyright by some other person. In other words, the reasonable royalty is not necessarily the actual amount which the infringer would have been required by the copyright owner to pay in respect of the exercise of the right in question but rather an amount that a notional licensee could have been required to pay. ...'

After further debate at the Bar Mr Cullabine conceded that his initial submission was incorrect and that the proper approach was to read the two subsections together and to adjust whatever figure was arrived at on an application of subsection (1A) in the light of the considerations referred to in subsection (1B). The concession was rightly made. This approach not only accords recognition to the words 'calculated on the basis of' in subsection (1B)—which are used in contradistinction to words such as 'fixed in a sum equal to'—but also accords a meaning to the provisions of subsection (1B) in the context of both sections read together. A different approach would have the effect of rendering the provisions of the latter subsection *pro non scripto*.

The figure arrived at on an application of the provisions of subsection (1A) is, in terms of the agreement between the parties, the sum of R50 000,00 per film. What adjustment thereof must be effected by reason of the considerations referred to in subsection (1B)? It seems to me that what is required of the court is essentially the exercise of a value judgment.

In regard to the provisions of paragraph (a) of subsection (1B) the evidence discloses that the conduct of the defendants consisted of their retaining in their possession the infringing copies for the purpose of utilising same to make unauthorised copies to replace copies in their stock-in-trade as and when the latter became damaged and utilising same for that purpose. That was the nature of the infringement. As to the extent thereof the evidence only discloses the extent to which the defendants engaged in the activity of retaining the infringing copies in their possession for the purposes mentioned, viz the retention of each infringing copy for a period of a month or two. The evidence does not reveal the extent to which the defendants actually implemented that purpose. In my judgment, on an overall conspectus of all the relevant evidence, the extent and nature of the infringement of

copyright are not to be overstated.

As to the consideration referred to subparagraph (b) of subsection (1B) the only evidence before me is that contained in a paragraph in exhibit 'I', the statement of the first defendant submitted to the police. Subject to what has been said earlier in this judgment the first defendant confirmed the correctness of the contents of the statement. Paragraph 11 of the statement records that at the relevant time new and properly authorised copies of films cost approximately R200,00 to R250,00 per copy. That was therefore the amount which could be payable to the owner in respect of the exercise of copyright by the 'other person' referred to in subparagraph (b).

Subsection (1B) further enjoins the court, in assessing the quantum of damages, to take into account, in addition to the matters referred to in sub-paragraphs (a) and (b) 'all other material considerations'. Subject to what is said later in this judgment it is not necessary for me to discuss what factors would or could fall within the ambit of this phrase; counsel presented no argument thereanent.

In the exercise of the value judgment which I am enjoined to do in this matter I am faced with the difficulty of where to draw the line between the figures of R200,00/R250,00 (being the figure in casu envisaged in subparagraph (b) of subsection (1B)) and the figure of R50 000,00 (being the figure in casu envisaged in subsection (1A)). On a conspectus of all the relevant circumstances and in particular the somewhat limited scope of the extent and nature of the infringement of copyright in respect of each relevant film and of the inroad into the licensee's rights in respect of the marketing of the film, I have come to the conclusion that a figure of R1 500,00 in respect of each film would be fair and reasonable. I place on record the confession that the fixing of the award in this figure is characterised by a measure of arbitrariness; it is a matter of assessment rather than computation.

The other damages claimed are those envisaged in section 24(3) of the Copyright Act. The section reads as follows:

'Where in an action under this section an infringement of copyright is proved or admitted, and the court having regard, in addition to all other material considerations, to —

(a) the flagrancy of the infringement; and

(b) any benefit shown to have accrued to the defendant by reason of the infringement, is satisfied that effective relief would not otherwise be available to the plaintiff, the court shall in assessing damages for the infringement have power to award such additional damages as the court may deem fit.'

Mr Cullabine, advertng to the fact that in terms of section 27(6)(a) of the

Act a person convicted of infringing copyright in an article is, in the case of a first conviction, liable to a fine not exceeding R5 000,00 or to imprisonment for a period not exceeding three years, or to both such fine and imprisonment, for each article to which the offence relates, adopted the stance that an appropriate award in respect of each offending film or trailer would be in the sum of R5 000,00. It was his submission that such an award was justified by reason of the following considerations which he contended were present:

- (a) the conduct in question of the defendants in infringing the copyright of the plaintiffs had indeed been flagrant;
- (b) a benefit, albeit unquantified, must have accrued to the defendants in consequence of their infringing conduct;
- (c) by reason of the evil done in the video cassette industry by large scale piracy (testimony concerning which was given by a number of witnesses including testimony that an estimated 15% of the total annual countrywide turnover in the industry constituted pirate turnover involving many millions of rands—evidence which was not disputed by the first defendant who himself spoke of the evil of piracy and registered his strong objection thereto) there was a need to effect a deterrence thereof by way of such an award;
- (d) effective relief would not otherwise be available to the plaintiffs.

The approach of the courts to an application for an award of damages in terms of section 24(3) has not been harmonious. In *South African Music Rights Organisation Ltd v Trust Butchers (Pty) Ltd* 1978 (1) SA 1052 (E), which concerned an infringement of copyright in certain musical works by way of playing a radio in a butchery shop, Addleson J had to consider an application for an award of 'exemplary' or 'penal' damages under section 18(3) of the Copyright Act of 1965 (the precursor of section 24(3) of the present Act). He held as follows (see 1057 H et seq):

Such damages could not be awarded under section 18(3)(b) since it had not been 'shown' that any benefit had accrued to the defendant, by reason of the infringement, on which such damages could be calculated. Difficulties in the way of making such an award under section 18(3)(a) by reason of the alleged flagrancy of the infringement were the following: Firstly, such additional damages were only permissible if the court were satisfied 'that effective relief would not otherwise be available to the plaintiff'. The award to the plaintiff of the actual pecuniary loss it had suffered together with the grant of an interdict did in fact accord effective relief. Secondly, no yardstick was available by which such damages could be assessed and although it was suggested by Copeling (*Copyright Law*) that the amount to be awarded was

entirely in the court's discretion he could not simply pluck a figure out of the air without some basis on which to assess it. Thirdly, although the defendant's conduct was open to criticism it did not seem to be comparable to the type of conduct referred to in English cases or by the English writers or a 'flagrancy' deserving of a special award of exemplary damages. The case was accordingly not an appropriate one for an award of damages beyond the normal ambit of compensation for pecuniary loss.

In *Priority Records (Pty) Ltd v Ban-Nab Radio and TV; Gramophone Record (Pty) Ltd v Ban-Nab Radio and TV* 1988 (2) SA 281 (D) it was found that the defendant had breached the copyright of the respective plaintiffs by unlawfully selling two audio cassettes. On the interpretation of section 24(3), Page J held as follows: The section appears to have been intended to provide a substitute for the aggravated or exemplary damages available under the English common law. It does not, however, empower the court to award any form of damages unrecognised by South African common law. What is empowered is the award of additional damages when the court is of the view that the remedies afforded by section 24(1)—now to include sections 24(1A) and (1B)—or any other provision of the law are insufficient to recompense him adequately for all the damage, into whatsoever legal category it may fall (ie whether under the *actio iniuriarum* or any other remedy recognised by our law) occasioned by the infringement. This approach is in accordance with the English law as appears from the following passage in Copinger and Skone James, *Copyright*, 12th ed, para 644 at 272-3:

'The section is directed to providing effective relief for the plaintiff. If, for example, effective relief is available to the plaintiff in respect of another cause of action, such as libel or breach of confidence, relief may not be given by an award of additional damages for infringement of copyright. It is thought that damages under this section might be appropriate where a defendant adopts a policy of continual infringement, but an injunction is not an appropriate remedy because the defendant reproduces different material on each occasion. Additional damages may also be awarded where the conduct of the defendant has been deceitful or treacherous, thereby obtaining benefits for himself and inflicting on the plaintiff humiliation for which it is difficult to compensate. Flagrancy implies scandalous conduct, deceit including deliberate and calculated infringement where a defendant reaps a pecuniary advantage in excess of the damages which he would otherwise have to pay. Other relevant considerations are the defendant's general conduct with regard to the infringement and his motives for it, the plaintiff's corresponding behaviour, the injury to the plaintiff's feelings and the indignities and

distress he has suffered and the defendant's lack of regret for the hurt and humiliation he has inflicted on the plaintiff. ... The subsection is a comprehensive code for additional damages in that there is no place for the award of aggravated, exemplary or punitive damages outside that subsection.'

The judgment continues as follows at 294 A to I:

'In support of his invocation of the section, counsel for the plaintiffs has submitted that the Court should infer from the readiness with which the infringing copies were produced that they were part of a larger stock and indicated that the defendant was pursuing a deliberate and calculated course of infringement for monetary gain. It was further submitted that although the paucity of evidence prevented the plaintiffs from proving the extent of such gain, it could be inferred that it was considerable. It should also be found, in the light of the evidence of Mr Ellis, that the harm resulting to the plaintiffs as members of the trade from the defendant's conduct was considerable and far transcended that flowing from the sale of exhs 1 and 2. The Court should accordingly find (so the argument ran) that effective relief would not be available to the plaintiffs in the absence of an order under s 24(3). I have difficulty in accepting the factual basis of this argument. There is nothing in the evidence to justify the conclusion that the particular infringements complained of were extensive or of long duration or that the defendant derived great financial benefit from those infringements. The making of the copies of the particular musical recordings in issue could well have been an isolated incident and the probability that the defendant was also infringing other copyright material does not alter the position, since it is the effectiveness of the relief for the particular infringement to which the action relates which the section has in mind. I am unpersuaded that an order for an interdict, the actual damages and costs would not constitute effective relief in respect of that infringement. There is, furthermore, no evidence to justify the conclusion that the infringements proved were "flagrant" within the meaning of the section or that the defendant derived any great financial benefit from them. It was submitted by counsel for the plaintiffs that the prevalence of this type of infringement, the ease with which it can be committed, the difficulty experienced in detecting it, the enormous cumulative damage which it inflicts upon the industry and the virtual impossibility of proving and recovering the damages suffered, all constituted circumstances which justified the Court in making an exemplary or punitive award of damages so as to deter not only the defendant but also other potential infringers from such conduct. I do not,

however, consider it justifiable to visit the sins of other infringers upon the head of this defendant because he has been unfortunate enough to be caught whilst others have not. Furthermore, the Act makes 47 provision for criminal sanctions which could have been invoked against the defendant and which make provision for substantial penalties which should in themselves prove an adequate deterrent.'

CCP Record CO (Pty) Ltd v Avalon Record Centre 1989 (1) SA 445 (C) was also a case which concerned the unlawful sale, in breach of the plaintiff's copyright, of an audio cassette. At 449 C et seq Conradie J gave consideration to the effect of section 24(3). The views which he expressed are as follows: While it is to be acknowledged that the reference in the section to an absence of 'effective relief' could forcefully found the argument that, for the provisions of the section to operate, another cause of action (but an 'ineffective' one) must be shown to exist (even if it is not pursued) in which event the award of 'additional damages' would be supplementary to ordinary damages (as indeed the expression itself suggests), it is to be doubted whether one should conclude from that alone that where relief by way of the *actio legis Aquiliae* and the *actio iniuriarum* is not competent, the plaintiff may not be awarded 'additional damages'. Actions for damages are seldom ineffective where the plaintiff is able to show that he has suffered some (patrimonial or non-patrimonial) damage, the court being obliged to do the best it can in the assessment of damages on the material placed before it provided that the plaintiff has adduced all the evidence that could reasonably be expected of him.

Accordingly, the scope for an award of additional damages of a kind which have actually been suffered but cannot be proved must, if it exists at all, be small bearing in mind that damages for breach of copyright are said to be 'at large'. Accordingly, the words 'effective' and 'additional' in the section must not cause the court to lose sight of the fact that, by making benefit to a defendant and flagrancy criteria for an award of damages, the section not merely augments existing delictual remedies by widening the power of the court to award damages, but introduces relief where no cause of action for relief had existed before. Additional damages are therefore damages of a kind which would not, but for the provisions of section 24(3), be recoverable at all, either because they are unprovable (and the scope for finding damages unprovable in our law is small) or because, other than in section 24(3) no cause of action for their recovery exists. Section 24(3) accords the court a wide discretion in awarding such damages, limited only by the consideration that the money which the defendant is made to pay must go to providing relief for the plaintiff and the defendant may not simply be

fined. Because of imported confusion and controversy surrounding the terms 'punitive' and 'exemplary' it is not helpful to apply those terms to the 'additional damages' envisaged in section 24(3). In English law the Copyright Act (which is the same as ours) envisages purely compensatory damages, including aggravated compensatory damages (which the plaintiff is fairly entitled to receive) which should be contradistinguished from punitive or exemplary damages (which the defendant ought to be made to pay as punishment for outrageous conduct). In cases where it is appropriate for section 24(3) to be invoked the court should seek, by an award of damages, to do what is fair having regard thereto sustained. In this regard the judgment proceeds as follows at 451 I to 453 A:

'In *Nichols Advanced Vehicle Systems Incorporated and others v Rees Oliver and others* (1979) RPC 127 elements of deceit and treachery, and the infliction of humiliation on the plaintiff linked with the obtaining of an unconscionable advantage by the infringer were held to make the infringement flagrant.

Deceit, including deliberate and calculated infringement linked with a peculiar advantage in excess of the damages which the infringer would have had to pay had it not been for the additional damages provision, was, in *Ravenscroft v Herbert and another* (1980) RPC 193 at 208 held to constitute flagrant conduct.

Both the *Nichols Advanced Vehicle Systems* and *Ravenscroft* cases supra described an invasion of another's copyright as flagrant if it is scandalously dishonest.

In casu, I consider that the invasion of copyright was scandalously dishonest. The defendant was a trader in records, including the plaintiff's records. The scope for infringement by such a trader is huge, and the harm, not only to the plaintiff, but to the artists with whom it contracts, and ultimately to the recording industry, may be great. I think that there is a strong moral duty on a retailer of any product which is vulnerable to piracy to avoid exploiting a supplier of copyright material who has entrusted such material to him in the expectation that it will be sold for the benefit for both of them. A copyright infringement of this kind is easy to perpetrate and difficult to detect. A single work may be reproduced almost endlessly and at insignificant cost to the reproducer. The profits of the unlawful conduct are enormous.

My impression from the evidence of what occurred in the shop when the recording was made is that the defendant treated the plaintiff's rights contemptuously. The impression is fortified by the defendant's subsequent conduct in denying the infringement when it must have known that it

would not dare put the person alleged to be responsible for the infringement on the witness stand. The defendant, moreover, until the morning of the second day of the trial, refused to even acknowledge the existence of the copyright or the plaintiff's ownership, although it must have been manifest to the defendant from the facts deposed to in the interim application that the plaintiff had made out a clear case of subsisting copyright of which the ownership vested in it.

In the defendant's favour I think I should stress that the purchase was a so-called trap-purchase. This means that the defendant was, if not instigated, then prompted to make the copy. He was given to understand that the customer could not afford to buy the records; he may, in a weak moment, have succumbed to the temptation of not losing a sale.

In deciding whether to award additional damages on the ground of flagrancy alone, I have had regard to the fact that the infringement, although flagrant, was not shown to have been repeated. Although it probably caused the plaintiff annoyance, it could hardly have caused any of its officers distress. The plaintiff was, of course, put to considerable trouble and expense. It complained to the Association of the South African Phonographic Industry. Its work schedule was disrupted when its officers had to consult, consider papers and attend Court. It incurred costs which it will not recover under the tariff. I am sure that the plaintiff would not have bothered about the infringement if it had not been so flagrant, if it had not been an infringement by a dealer under circumstances where the potential harm was significant. The flagrancy of the infringement was the direct result of the actions taken to stop it.

I accordingly consider that an award of additional damages ought to be made. I think that an amount of R3 000 is in the circumstances neither too small nor too large.

It is to be noted that it is clear from the report that Conradie J was not made aware of the judgment in the *Ban-Nab* case before he delivered his judgment.

In an article titled 'Additional Damages and Section 24(3) Of The Copyright Act', appearing in the 1989 *South African Law Journal* (Volume 106) at 467, V.V.W. Duba, a senior lecturer law at the University of Fort Hare, subjects the judgment in the *CCP Record* case to criticism. The criticism is in essence of a two-fold nature. He suggests, firstly, that it is unfortunate that Conradie J declined to call the additional damages envisaged in section 24(3) 'exemplary' or 'punitive' damages. These terms, he points out, are not unknown in South African law and awards for eg defamation, often include an element of exemplary damages where the defendant's

conduct warrants such censure. Secondly, he joins issue with the approach of Conradie J, in granting additional damages in a case where actual damage (even if it not be susceptible of precise quantification) has in fact not been proved. He argues that a prerequisite for an award of damages is proof of damage, in respect of which the plaintiff bears the onus. His views are summed up in the following passage:

'One can only advise that, in future the award of additional damages made in terms of s 24(3) of the Copyright Act should be treated as a South African form of what the English courts refer to as exemplary or punitive damages; before such an award may be made, however, there must be adequate proof of the existence of a cause of action and also of harm sustained by the defendant—thereby preventing the courts from making awards under s 24(3) in cases where the plaintiff has failed altogether to establish damage.'

In my judgment the principles applicable to the interpretation of section 24(3) are the following:

- (1) Additional damages as envisaged in the section may only be awarded by the court when, firstly, the plaintiff already has a cause of action for relief dehors the provisions of the section and, secondly, such relief cannot effectively be obtained by the plaintiff.

I consider that such an approach was implicit in the judgment in the *Trust Butchers* case where Addleson J recorded that one of the reasons why he could not award additional damages was that the award to the plaintiff of his actual pecuniary loss and the grant of an interdict had in fact accorded the plaintiff effective relief. (The circumstance that Addleson J was in the context dealing only with a claim for additional damages based on the alleged flagrancy of the infringing conduct does not qualify the ambit of his approach). Mr Cullabine submitted that the decision in this case was wrong and that the approach in the *CCP Record* case was preferable. I am, however, bound by the decision in the *Trust Butchers* case unless I am convinced that it is wrong. I am not so convinced; on the contrary I am persuaded that it is correct. The phrase 'effective relief would not otherwise be available to the plaintiff' refers in my view, to relief to which the plaintiff is entitled—ie he has a valid cause of action in respect thereof—but cannot effectively avail himself of such relief. I further therefore agree, with respect, with the approach of Page J in the *Ban-Nab Radio* case that the court is not empowered to award any form of damages not otherwise recognised in our law, but is empowered to supplement the remedies provided for in subsections (1), (1A) and (1B) where those remedies are insufficient to recompense the plaintiff adequately for all the damage, whatever the legal

categorisation thereof, occasioned to him by the infringement and that the manner in which it would do so is by awarding exemplary damages. This approach is in accordance with what is advocated by Duba in the article referred to above the reasoning behind which commends itself for acceptance. I would comment that the factors referred to in the section to which the court must have regard in determining whether effective relief would not otherwise be available to the plaintiff are all factors which could found an award of exemplary damages. Insofar as the reasoning of Conradie J in the *CCP Record Co* case is contrary to the above approach I am, with respect, unable to align myself therewith. In particular, for the reasons stated above, I do not agree that the intention of the legislature, in enacting section 24(3), was to create a new cause of action in addition to, and as opposed to augmenting, any remedies which are already available to the plaintiff.

- (2) In determining whether it may be satisfied that effective relief would not otherwise be available to the plaintiff the court will have regard not only to the flagrancy of the infringement and any benefit shown to have accrued to the defendant, but also to all other relevant considerations.

The wording of the section makes it clear, in my view, that the legislature drew a distinction between the first two considerations referred to above and 'all other relevant considerations'. I accordingly, again with respect, am unable to agree with the approach of Conradie J that the phrase 'other material considerations' in the section is to be taken into account only insofar as such other considerations bear on the concepts of flagrancy and benefit to the defendant. That approach would require the unattractive, indeed unwarranted, finding that the words 'all other material considerations' are to be interpreted *eiusdem generis* with the words that follow or even *pro non scripto*. Nor do I agree that it is not possible to conceive of any other considerations apart from the two concepts referred to above which could justify an award of exemplary damages. See in this regard the passage from Copinger and Skone James quoted earlier when the judgment in the *Ban-Nab Radio* case was being analysed. A further consideration which springs to mind is extreme difficulty in quantifying the damage sustained, notwithstanding, as Conradie J pointed out, that a court is enjoined, when faced with a damages claim, to do the best it can on the material placed before it provided that no blame attaches to the claimant in respect

- (3) A consideration which is not relevant in the enquiry whether 'effective relief which would not otherwise be available to the plaintiff' is the need to deter not only the particular defendant from infringing conduct but also other potential infringers.

That there is such a need arises from the prevalence of instances of

infringement, the ease with which it can be committed, the difficulty experienced in detecting it, the enormous cumulative effect which it inflicts upon the industry and the difficulty in proving and recovering damages. However, I am in respectful agreement with the views expressed in this regard by Page J in the *Ban-Nab Radio* case, viz that it is not justifiable to visit on the defendant the sins of other infringers who have not been caught and that, moreover, the Act makes provision for substantial criminal sanctions which should serve the purpose of adequate deterrence. Punishment of a particular defendant by way of an award of exemplary damages is not the vehicle whereby that purpose is to be achieved. The contrary dicta by Conradie J in the *CCP Radio Co* case are, respectfully, not endorsed.

(4) The fact that there is no yardstick by which additional damages are to be assessed on the grounds of the flagrancy of the infringement of copyright is no bar to the award of damages.

The court is required to exercise a value judgment in the matter. The perception of Addleson J in the *Trust Butchers* case that this was a difficulty in the way of making an award on the ground of flagrancy was expressed obiter, did not receive endorsement in the two later cases referred to above and, with respect, evinced a wrong approach.

The question to be answered in the present matter is whether the plaintiffs have in fact been accorded effective relief or whether, by reason of the factors referred to in section 24(3), such effective relief is not available to them. A distinction must be drawn between the copies of the films and the copies of the trailers. In the case of the former the plaintiffs have not only been granted an interdict but have also been awarded damages. It was not suggested during argument that any expenses which the plaintiffs may have incurred in respect of investigations undertaken to ascertain whether the defendants had in fact infringed the copyright in question should found an award of additional damages. The grant of the interdict and the award of damages in my view adequately meet all the exigencies of the matter, including recognition of the considerations referred to in section 24(3), and the plaintiffs have therefore received the full relief to which they are entitled. The plaintiffs have accordingly not made out a case for the award of additional damages in respect of the defendant's infringement of their copyright in the respective films.

The trailers stand on a different footing. The defendants infringed the respective plaintiffs' copyright in the films of which the trailers are substantial parts. The establishment of the damage occasioned thereby as envisaged in section 24(1) would be an extremely difficult, if not impossible, task. The already difficult task of applying the provisions of subsection (1A)

and (1B) would be further bedeviled by the circumstances that it is not copies of the films themselves but copies of trailers thereof that are involved and that the evidence does not disclose what amount, if any, would be paid for authorisation to use the trailer. Proof of the plaintiffs' damage would accordingly at best have been an extremely problematical exercise. Effective relief in respect of the infringement of the copyright in the films has, on that ground alone, been shown to be not available to the plaintiffs and the plaintiffs are therefore entitled to an award of additional damages. Can the plaintiffs rely in addition on the two features referred to in subparagraphs (a) and (b) of subsection 24(3)? The answer in respect of the second subparagraph must be in the negative. There is no evidence as to what benefit accrued to the defendants by reason of their nefarious use of the offending trailers. The question must, however, be answered affirmatively in relation to the consideration referred to in subparagraph (a), ie that of the flagrancy of the infringement and it may fairly be said that this consideration increased the damages to which the plaintiffs otherwise were entitled. As to what constitutes flagrancy reference may be had to the relevant dicta in the authorities analysed earlier. An application of those dicta to the present matter results in a finding that flagrancy must be attributed to the defendants. The conduct of the defendants fairly attracts the epithets of deceitful and scandalously dishonest. The defendants were from the outset fully aware that the cassette tapes in question contained unlawful material including such trailers as there may have been on the tapes. They were aware of the odiousness of piracy in the video film industry. Their conduct was deliberate and calculated and was motivated by monetary gain. The defendants have given no indication of regret or remorse for their conduct. On the other hand there can be no talk of their actions having occasioned the plaintiffs distress or humiliation, as opposed to annoyance, and the conduct in question related, after all, only to trailers which were manifestly not the main item traded in, ie the films, and had, as it were, merely been tacked onto the films and they would not have served to enhance the viewing attractiveness of the tapes to any marked degree. Furthermore, it may be repeated, the conduct was persisted in only for a relatively short period. These last features, in my view, dictate that the additional damages awarded be circumscribed in extent. The amount I fix in respect of each trailer is the sum of R200,00.

The remaining issue is that of costs. It was agreed that the sixth plaintiff, which did not proceed with its claims, should be ordered to pay the defendants' costs incurred in the action instituted by it up and until the date on which the actions were consolidated. Mr Vlok realistically did not seek any further order in respect of the costs of the sixth plaintiff's action as from

the date of consolidation. Mr Vlok did, however, raise a further contention. He submitted that the costs had been unnecessarily inflated by reason of the plaintiffs having initially instituted separate actions. Pointing to the circumstance that to a substantial extent the factual evidence on which the respective plaintiffs' cases were founded was identical and that the same issues of law arose in each case he argued that no sufficient reason existed why a single composite action should not have been instituted in the first place, a course which would have circumscribed the costs by avoiding unnecessary duplication of pleadings. Adverting thereto that the factors relied upon by Mr Vlok were in fact the basis on which consolidation of the actions was subsequently sought and granted Mr Cullabine was constrained to concede the validity of the point taken by Mr Vlok.

In the result the following orders will issue:

- (1) The defendants are interdicted and restrained from infringing the respective plaintiffs' copyright in the films which are the subject of this judgment by doing or causing or authorising in relation thereto any of the relevant acts referred to in section 23 read with section 8 of the Copyright Act (no 98 of 1978).
- (2) The defendants are interdicted and restrained from doing any act infringing the trade mark(s) of the respective plaintiffs which are the subject of this judgment.
- (3) Judgment is granted as set out below in favour of, respectively, the first, second, third, fourth, fifth, seventh, eighth and ninth plaintiffs against the defendants jointly and severally, the one paying the other to be absolved.
 - (a) First plaintiff: payment of the sum of R400,00 as and for additional damages;
 - (b) Second plaintiff: payment of the sum of R4 500,00 as and for damages and the sum of R1 800,00 as and for additional damages;
 - (c) Third plaintiff: payment of the sum of R4 500,00 as and for damages and the sum of R400,00 as and for additional damages;
 - (d) Fourth plaintiff: payment of the sum of R10 500,00 as and for damages and the sum of R2 800,00 as and for additional damages;
 - (e) Fifth plaintiff: payment of the sum of R12 000,00 as and for damages and the sum of R2 000,00 as and for additional damages;
 - (f) Seventh plaintiff: payment of the sum of R4 500,00 as and for damages and the sum of R1 400,00 as and for additional damages;
 - (g) Eighth plaintiff: payment of the sum of R15 000,00 as and for damages and the sum of R1 600,00 as and for additional damages;
 - (h) Ninth plaintiff: payment of the sum of R600,00 as and for additional damages;

- (i) Payment of interest in each case on the sums set out above calculated as from today's date to the date of payment.
 - (j) (i) Payment of the costs of suit; provided that the costs of suit shall be restricted to such costs as would have been incurred had the plaintiffs initially instituted a single composite action in respect of the relief claimed in their separate actions;
(ii) Payment of interest on the taxed costs calculated as from the date of taxation to the date of payment.
- (4) The costs of the action instituted by the sixth plaintiff up and until the date of consolidation of the actions, together with interest thereon calculated from the date of taxation to the date of payment, shall be paid by the sixth plaintiff.

RAPID PHASE ENTERTAINMENT CC v SOUTH AFRICAN BROADCASTING CORPORATION

WITWATERSRAND LOCAL DIVISION

WUNSH J

27 JUNE 1996

The presentation in dramatic form and with live characters of an incident using characters of an artistic work in which copyright subsists, does not amount to a broadcast of the work or a transformation thereof. For there to be infringement, the artistic features or attributes of the work must be transformed or adapted, not the concept which the artistic work conveys.

In the course of their employment by Rapid Phase Entertainment CC, the second, third and fourth applicants devised and created a cartoon strip entitled 'Madam & Eve'. The cartoon strip featured three characters, recognisable by their physical features and they were reflected in a residence as a domestic servant, Eve, her employer, Madam, and the employer's mother, Mother Anderson. A fourth character was introduced to the cartoon on some occasions, a woman with mealies on her head calling 'Mealies, Mealies'.

Over 2 000 cartoon strips were published in seven daily newspapers with a combined estimated readership of in excess of 2½ million, and in four periodicals and other publications. The exploitation of the cartoon strip was to be taken further by its use in books, T-shirts and desk calendars and stationery.

The South African Broadcasting Corporation broadcast a television advertisement depicting three women with similar appearance to the cartoon strip characters and sitting on a sofa in a living room. They watch the television together, and then see an advertisement showing a woman with mealies on her head calling 'Mealies, Mealies'. They then meet outside the house where they purchase mealies from the mealie hawker.

Rapid Phase Entertainment CC alleged that the SABC's broadcast of its advertisement constituted an infringement of its copyright in the cartoon strip, and sought an interdict restraining the SABC from broadcasting the advertisement. Rapid also alleged that the broadcast of the advertisement constituted an infringement of its common law rights.

Held—

Rapid argued that the cartoon strip was a literary work, and that the SABC had copied the work by reproducing and adapting it or broadcasting it.

The only possible category under which a cartoon strip could be considered to be a literary work was the category 'stories' as given in the definition of 'literary work' in the Copyright Act (no 98 of 1978). Even if this was a proper category under which a cartoon strip could be subsumed, there was no evidence that any of the stories in the cartoon strip had been reproduced or adapted.

The television advertisement was not a dramatisation of any story in a cartoon produced by Rapid. Dramatisation of incidents and events of a literary work could amount to an infringement of copyright, but in the present case, this had not taken place.

Rapid further argued that the cartoon strip was an artistic work, and that copying had taken place by virtue of the SABC's broadcast of the television advertisement.

The cartoon strip was clearly an artistic work, but the question was whether or not there had been an adaptation of the work in the sense that it had been transformed in such a manner that the original or substantive features of it remained recognisable, or the SABC had included the work in a television broadcast.

The presentation in dramatic form and with live characters, of an incident using characters of a cartoon strip in which copyright subsists, does not amount to a broadcast of the work or a transformation thereof. For there to be infringement, the artistic features or attributes of the work must be transformed or adapted, not the concept which the artistic work conveys. In broadcasting the advertisement, the SABC had not done this, and had not reproduced a substantial part of the sketches of the cartoons in three-dimensional form.

As far as the allegations of the infringement of common law rights was concerned, Rapid argued that the SABC had wrongfully and unlawfully exploited the characters of the cartoons, as well as the reputation, goodwill and marketing power of its cartoon.

Even assuming that its rights in relation to its cartoon were essentially the same as those of a trade mark holder, the reputation and unique identity comprising Rapid's goodwill in the cartoon could not be said to have been appropriated in order to enhance the value of the SABC's advertising services. The most that could be said was that the SABC had taken advantage of the concept or idea of a domestic scene involving three persons and a regular vendor of mealies, and their interaction together. The SABC had not however, used the characters in the Madam and Eve cartoon. The characters in the advertisement were personifications of the same prototypes, but they were not the characters portrayed in the cartoons.

The application was dismissed.

Wunsh J:

INTRODUCTION

The second, third and fourth applicants are the members of the close corporation which is the first applicant ('the close corporation') and are all employed by it. In the course of their employment by the close corporation they devised and created a cartoon strip called 'Madam & Eve', the copyright of which is, in terms of section 21(1)(d) of the Copyright Act (no 98 of 1978) ('the Act') owned by the close corporation. The applicants apply, as a matter of urgency, for an order interdicting the respondent, which was established by section 2 of the Broadcasting Act (no 73 of 1976), from action which they allege to be a breach of the corporation's copyright constituted by the screening of an advertisement of its own services on its television channels.

In limine the respondent contended that the application was defective because 'there is no affidavit purporting to have been filed on behalf of the first applicant', continuing:

'There is consequently no telling whether the first applicant is before the court.'

The founding affidavit, sworn to by the second applicant, describes and cites the first applicant as such, alleges on the ground I have already mentioned

that it is the owner of the copyright and annexes supporting and verifying affidavits by the other two members of the close corporation. Anomalously, despite the close corporation's proprietorship of the copyright and, presumably, of the common law rights on which reliance is placed in the alternative, the relief is claimed by all the applicants and all material references to entitlement to the rights and the exploitation thereof in the affidavit are in the first person plural. There is no need for a party to motion proceedings to make an affidavit or for an affidavit to be made 'on its behalf'. Affidavits are annexed from witnesses who can depose to the facts required to establish the cause of action or defence. While there is no statement in the founding affidavit that the deponent is acting on behalf of the close corporation or that he is authorised to do so, it is obvious that he has brought the application on its behalf and on behalf of all its members. The members of the close corporation who, it must be assumed by reason of section 46(a) of the Close Corporations Act (no 69 of 1984) and the general picture portrayed in the affidavit, are its managers, are all parties to the proceedings as applicants. There is, therefore, no substance in the preliminary point.

As I have indicated, the applicants assert their rights collectively but their case is that the first applicant ie the close corporation owns the rights which they seek to protect and enforce. I shall therefore confine myself to it when referring to the aggrieved claimant.

THE CARTOON STRIP MADAM & EVE

The cartoon strip features as its main character Madam, a white housewife, Eve, her black maid, and her mother, Mother Anderson. Each is obviously recognisable by her constant physical features and general appearance. They are reflected in a residence, participating in domestic activities, such as preparing food, eating, relaxing, cleaning the house and watching television. Apart from a description of its characters, affidavit or for affidavit's allegations as to the special and distinctive quality of the cartoon strip is that it 'seeks to reflect contemporary South African reality. It satirizes the relationship between South Africans who are separated by race, ethnicity and class and it looks at how those South Africans are attempting to come to terms, together, with the new South Africa.'

Earlier the following had been said:

'The cartoon strip depicts relationships between a "madam" and a maid which is unusual in its closeness and in the muted nature of the antagonism between them. The cartoon strip takes as its subject matter the intimate, but difficult and often tension-ridden, relationship between employer and domestic employee and turns this into a warm interaction which is popular with both black and white readership. The fictionalised

relationship between ``madam" and maid is closer and more intimate, and possibly more humane, than the reality in South Africa.'

According to the replying affidavit over 2 000 cartoon strips have been published. Twelve pages annexed to the founding affidavit contain some of them and blown-up versions of the main characters each of which is taken from a frame of a cartoon strip. The heads of argument submitted by Mr Campbell, who appeared for the applicants, suggest the following as being the `distinctive and original features of Madam & Eve', saying that they `are set out in the founding affidavit and annexures thereto, and adumbrated slightly in reply', but they are to an appreciable extent the observations which he must have inferred, and which he asks the court to infer, from the specimen cartoon strips annexed to the papers:

- 24.1 The peculiarly South African relationship between employer and employee in the domestic environment. In no other employment environment is the employer known as ``Madam" and the employee by her first name. Both the employer and employee are almost always women and this is the relationship captured in the cartoon strip.
- 24.2 It is not a typical relationship of this type. Eve has an unusual latitude in the relationship; she is often shown coming out on top and much of the humour derives from this inversion of the norm. The same may be said for the ``mielie lady".
- 24.3 It is also untypical in the warmth and relative equality between ``Madam" and ``Eve". This is something not accepted by ``Mother Anderson". The equality is shown by ``Eve" sharing the sofa when the three watch television. In this, she always sits next to ``Madam", but never next to ``Mother Anderson". This represents the satirisation of the values of different generations of white people, not just South Africans (``Mother Anderson" is from England, not South Africa).
- 24.4 The main characters are all women. ... There are no male characters of any significance.
- 24.5 ``Madam and Eve" is a satirical concept. Each cartoon strip, as its primary object, seeks to make its audience laugh. Herein lies the seed of its popularity and attraction. In this genre, it is the only mainstream cartoon strip that is South African in conception and execution.
- 24.6 The characters are all given very distinctive, immutable features and characteristics. This is a feature of cartoons:
 - 24.6.1 Some of ``Madam's" are her odd cartoon hairstyle, earrings and

large round eyes.

24.6.2 Some of ``Eve's" are her unusual hairstyle, earrings, maid's uniforms, duster and slimness in comparison with ``Madam".

24.6.3 Some of ``Mother Anderson's" are her diminutive size, receding white hair, pearls (or beads) around her neck and a variety of facial grimaces.

24.6.4 Physical characteristics apart:

24.6.4.1 the relationship between ``Madam" and ``Eve" is far more equal than the traditional norm;

24.6.4.2 ``Eve" is obviously aware, and approving, of the new rights and equalities in South Africa;

24.6.4.3 ``Mother Anderson" embodies many old colonial values. She has a rather more traditional and authoritarian attitude to ``Eve's" role in the household.

24.6.5 The ``mielie lady" is largely a catalyst for interaction between the main characters. However she is normally depicted selling her mielies by crying, ``mielies, mielies". Sometimes she is seen trudging up a road.

24.6.6 The setting, situation and arrangement of the cartoons is unique:

24.6.6.1 it is that of a domestic home;

24.6.6.2 it shows the interaction of a ``madam", a maid and the ``madam's" mother;

24.6.6.3 it often takes place around a television set.'

There are minor additional characters but the only one mentioned, who has appeared on some twenty occasions, is the `mielie lady', a `relatively robust' black woman, typically depicted with mealies on her head. As she features in the close corporation's claim, I quote that what the founding affidavit says of her:

`She is generally crying ``Mielies, Mielies" or ``Mealies, Mealies", particularly to the annoyance and chagrin of Mother Anderson. She is an incidental but popular character who has made approximately 20 appearances in the cartoon strip. She acts as a signpost to, and a catalyst for, the interaction of Madam, Eve and Mother Anderson.'

The strip appears in seven daily newspapers with a combined estimated readership in excess of 2½ million, and in four periodicals. Three books of the cartoons have been published in paperback format. The cartoon appears in school textbooks and is used as illustrative material in other publications. Considerable publicity has been achieved in domestic and international media. The cartoon strip is syndicated in the second largest daily newspaper in Denmark.

The actual and intended exploitation of the cartoon characters is not confined to the strips. Developments include collections in books, a book and a T-shirt, a book, T-shirt and desk calendar and stationery. Negotiations have been commenced for the creation of a 'Madam & Eve' stage musical. Endorsements of enterprises and commercial products are also planned.

The applicants contend that a 'very substantial goodwill and reputation thus vests in the "Madam & Eve" characters and the cartoon strip'.

THE ALLEGED INFRINGEMENT

The respondent flights an advertisement entitled 'AD Mission' which runs for 60 seconds. It is an advertisement for small business enterprises to advertise on the respondent's television programmes at a discounted price. The advertisement has one set of sequences and is described as follows by the applicants:

- '39.1 A robust black lady bearing mielies on her head trudges up a hill calling "mielies, mielies".
- 39.2 Three women are sitting on a sofa in a living room. A large white woman with a blond bouffant wig wearing gold earrings is sitting in the centre of the sofa with her feet up. She is obviously the "madam". On her right is a black woman dressed in a maid's uniform carrying a feather duster and whose hair is held back in a ponytail with a ribbon and she is wearing earrings. On the left of the "madam" is an elderly white woman with receding white hair, wearing pearls and with a scrunched up face.
- 39.3 They watch the closing frames of a popular soap opera and then they see the mielie lady advertising her wares on television. The response of the maid is amazement, of the "madam" firstly surprise then irritation and finally warmth. The aged mother appears furious.
- 39.4 The scene turns to the exterior of the house where the "madam" and her maid are purchasing mielies from the mielie lady which the maid carries away.
- 39.5 The mielie lady departs the scene in one of three vans indicating that they are the mielie lady's commercial transport.'

THE GROUNDS ON WHICH RELIEF IS SOUGHT

The close corporation claims that the cartoon strip is a literary work, which the respondent disputes, and an artistic work, which the respondent admits, and that the respondent has copied it by reproducing and adapting it or has broadcast it. The relevant passages in the definitions of the cognate expressions of those activities in section 1 of the Act are:

- ' "adaptation", in relation to—
- (a) a literary work, includes—

- (i) in the case of a non-dramatic work, a version of the work which is converted into a dramatic work;
- (ii)...
- (iii) ...
- (iv) a version of the work in which the story or action is conveyed wholly or mainly by means of pictures in a form suitable for reproduction in a book or in a newspaper, magazine or similar periodical;
- (b)...
- (c) an artistic work, includes a transformation of the work in such a manner that the original or substantial features thereof remain recognizable;
- (d) ...'
- '`reproduction" in relation to—
- (a) a literary or musical work or a broadcast, includes a reproduction in the form of a record or a cinematograph film;'

While referring to provisions of the Act, I mention the material parts of four others that require consideration at this stage. The relevant component of the definition of 'artistic work', which is exhaustive, is drawings. The definition of 'literary work' includes as the only item which can have relevance in this case, stories. In terms of section 6 copyright in a literary work vests the exclusive right to the following inter alia

- '(a) Reproducing the work in any manner or form;
- ...
- (c) performing the work in public;
- (d) broadcasting the work;
- ...
- (f) making an adaption of the work;
- (g) doing in relation to an adaptation of the work, any of the acts specified in relation to the work in ((a), (c) or (d)).'

In terms of section 7 copyright in an artistic work vests the exclusive right to the following inter alia

- '(a) Reproducing the work in any manner or form;
- ...
- (c) including the work in a cinematograph film or a television broadcast;
- (d)...
- (e) making an adaptation of the work;
- (f) doing, in relation to an adaptation of the work, any of the acts specified in relation to the work in ((a) or (c)).'

In terms of section 23(1) of the Act, insofar as material, a person infringes the copyright of the owner if, without his or her license, he or she does any act

which the owner has the exclusive rights to do or to authorize.

In the alternative the close corporation contends that the respondent's action constitutes a common law delict of appropriating or diluting its incorporeal property.

THE ACT

Literary work

Mr Campbell drew my attention to the non-exhaustive nature of the definitions in the Act (this does not apply to the definition of 'artistic work'), flowing from the word 'includes'—see *Bosal Afrika (Pty) Ltd v Grapnel (Pty) Ltd* 1985 (4) SA 882 (C) at 892 D-H regarding adaptation. I have indicated that the only possible relevant subject included in the definition of 'literary work' is 'stories'. The cartoon strips may be regarded as 'stories' in a broad sense but, even if they are, there is no evidence that any of the stories told in them have been reproduced (including broadcast) or adapted. In this sense each cartoon strip is itself a story and the close corporation has not identified any one of which the television advertisement is an adaptation or reproduction. The television film is not a dramatisation of any story in a cartoon to which the close corporation has drawn attention. Even if one looks for a more extended meaning of literary work, the answer is the same.

Where the language of a novel is sufficiently copied for a screenplay or a film, there may be a reproduction. Citing *Corelli v Gray* (1913) 30 TLR 116, to which counsel referred me, Copinger and Skone-James on *Copyright* 13th ed say:

'However, even where there is no language copying but, for example, the defendant has to a substantial extent taken *the incidents and plot* from the plaintiff's novel and turned them into a dramatic work, this will amount to an infringement. The question is whether the *situations or plots* have been copied from the novel and then represented in dramatic form (*Kelly v Cinema Houses Ltd* (1928-35) Mac CC 362). *This is not to say that mere ideas or a character can be protected in this way*, certainly if the characters or ideas are not novel (*Kelly v Cinema Houses Ltd* supra; *Dagnall v British & Dominion Film Corporation Ltd* (1928-35) Mac CC 91 ... *Harman Pictures NV v Osborne* (1967) 1 WLR 723), but if the *combination of events which has been taken* is not merely trivial, but amounts to a substantial part, there will be an infringement (*Kelly v Cinema Houses Ltd*, supra and other cases cited by the authors)' (at 216-7). (I emphasize.)

In *Corelli v Gray*, for example, the defendant was held by the Court of Appeal to have infringed the plaintiff's copyright in a novel by producing a dramatic sketch which used a combination of six stock incidents, each one of

which was taken from the novel, and the Court of Appeal approached the case on the footing that the defendant had the book either under his eyes or in his memory when he wrote his sketches. The cartoon strips in the present case do not constitute one story; each is a self-contained series of incidents and, at the risk of repetition, I have to say that in the sense conveyed by the words of Copinger & Skone-James that I have underlined and of the ratio in *Corelli v Gray*, it has not been established that any of the stories has been dramatised by the respondent in the video film. I accept that it is only partially correct to say that ideas are not the subject of copyright. In *Galago Publishers (Pty) Ltd v Erasmus* 1989 (1) SA 276 (A) at 284 C-D Corbett JA quoted, with apparent approval a passage from Laddie, Prescott and Vitoria *The Modern Law of Copyright* at 33:

'... Given that there exists a good copyright in a work, the law does not protect a general idea or concept which underlies the work, nor any one fact or piece of information contained therein. However, a more detailed collection of ideas, or pattern of incidents, or compilation of information may amount to such a substantial part of the work that to take it would be an infringement of the copyright, although expressed in different language or other form, it being a matter of fact and degree whether the dividing line has been impermissibly crossed.'

Situations and incidents which have been presented may be a subject of copyright. In *Harman Pictures v Osborne* (1967) 1 WLR 723 (Ch D) at 728 C-D Goff J quoted a passage from the judgment of Swinfen Eady LJ in *Rees v Melville* (1914) MacG Cop. Cas 168:

'In order to constitute an infringement it was not necessary that the words of the dialogue should be the same, the situations and incidents, the mode in which the ideas were worked out and presented might constitute a material portion of the whole play, and the court must have regard to the dramatic value and importance of what if anything was taken, even although the portion might in fact be small and the actual language not copied. On the other hand, the fundamental idea of two plays might be the same, but if worked out separately and on independent lines they might be so different as to bear no real resemblance to one another.'

There is no recognisable copying to which my attention has been drawn of any situation or incident in the close corporation's cartoons in the television advertisement.

Artistic work

As I have said, the respondent does not dispute the characterisation of the cartoons as artistic works; they are indeed drawings. According to section 1 of the Act 'reproduction' in relation to

'(b) an artistic work, includes a version produced by converting the work into a three-dimensional form or, if it is in three dimensions, by converting it into two-dimensional form.'

Neither in this sense nor on the ordinary meaning of reproduction has the respondent reproduced the cartoon on its television screens. The question is, therefore, whether there has been an 'adaptation' of the work, defined to include a transformation of the work in such a manner that the original or substantial features thereof remain recognisable or whether the respondent has exercised a right which is in the exclusive domain of the close corporation by 'including the work in ... a television broadcast.'

A cartoon strip is a medium of expression by which a story is told or an incident conveyed and it could be used to present pictorially the story or action of a novel or a short story or a play and thus, even without words, constitute an infringement by adaptation (Copinger & Skone-James op cit at 217). As I have indicated under 'literary work', the converse could also be true. But on the basis of the artistic character or attributes of the cartoon strip in the present case, the presentation of an incident in dramatic form with live characters who do not bear the names of those portrayed in the artistic work, even if they do have broadly similar physical characteristics or expressions, cannot amount to a broadcast of 'the work' or a transformation thereof in which the original or substantial features of the *artistic* work remain recognisable. In this regard the function of an artistic work is crucial. To constitute an infringement it is the artistic features or attributes of the work which have to be transformed or adapted, not some concept which it conveys.

Mr Bowman, who appeared for the respondent with the assistance of Mr Brahm du Plessis, relied on *Hanfstaengl v Empire Place* (1895) AC 20 (HL) where it was held on the facts that *tableaux vivants* (groups of people on stage forming a silent motionless scene from history, literature etc—Chambers Encyclopedic English Dictionary) were not infringements of copyright in pictures, although the House of Lords considered that this was possible as a matter of law. However, that case was decided under different legislation and the current position is more reliably established in *Bradbury, Agney & Company v Day* (1916) 32 TLR 349 (KB). The plaintiffs complained that the defendant reproduced five *Punch* cartoons as *tableaux vivants* in a *revue*. According to the report Coleridge J said:

'A cartoon was a work of art ... (which to merit protection) must consist of two essentials—an idea and a design, or an embodiment of that idea. ... it was the embodiment which was the subject of copyright, for though the idea was not original, if the embodiment of this idea or any substantial part of it was copied, copyright was infringed; *whereas the idea might be*

adapted, even if it was original, but if the embodiment of such idea or a substantial part thereof was not copied, no copyright was infringed. The question of fact which he had to decide was *whether the living pictures or any of them were reproductions in a material form of the whole or a substantial part of the original cartoons.*' (I emphasize.)

It appears that the court compared the cartoons and the corresponding living pictures. Again, the words I have underlined indicate that the close corporation has no legitimate case of infringement of its artistic works because there has, in the moving picture produced by the respondent, not been an embodiment of the close corporation's artistic works.

Mr Campbell referred to *Natal Picture Framing Co Ltd v Levine* 1920 WLD 35, but that was a case where a picture contained a combination of ideas which formed part of a picture produced by the defendant which, despite differences in details, was a colourable imitation of the original. The facts on which the case was decided against the defendant appear from what Bristowe J said at 39:

'Here the plaintiff's picture is a fancy combination. It shows the deputation sailing from Cape Town, a cheering crowd at the docks, medallions containing portraits of the members of the deputation and a title "Vrijheids Deputatie". All that is in the respondent's picture with slight variations. For instance, in his picture the ship has just put out to sea, instead of being still alongside the quay as in the applicant's. The cheering crowd is on the left of the picture instead of the right and the figures are larger. The medallions containing the portraits are identical but arranged in a somewhat different order. And the title is "Republiek Deputatie" instead of "Vrijheids Deputatie". There are also other minor differences of detail. As I have said, the respondent's artist had the plaintiff's picture in his possession, whether it was actually applicant's combination of ideas, reproducing them in their main particulars with merely slight differences of detail. This makes the second picture, in my opinion, a colourable imitation, calculated to deceive any person who had a general recollection of the plaintiff's picture.'

The case is quite distinguishable from the case with which I am dealing. The defendant's picture, in the same medium, was clearly a copy of the plaintiff's picture. Nothing similar has happened here.

In *Joy Music Ltd v Sunday Pictorial Ltd* (1960) 1 All ER 703 (QB) the plaintiffs owned the copyright in the words and music of a song called 'Rock-a-Billy', which was played in rock-'n-roll rhythm. The defendants published an article concerning the sporting activities of Prince Philip, headed 'Rock-a-Philip Rock! Rock!' and containing a parody of the plaintiff's song—including a chorus with several repetition's of 'Rock-a-Philip' and printed in the same

metre as the verses in the plaintiff's song. The plaintiffs had no copyright in the idea of the song. Their claim of an infringement was rejected. McNair J referred to the observation of Lindley LJ in *Hanftstaengl v Empire Palace*, in the Court of Appeal (1894) 3 ChD 109 at 125 that:

'in doubtful cases the extent to which the copying has been carried and the object sought to be attained ... are matters which can be considered' and to a further passage in his speech (at 130):

'The amusing sketches in "Punch" of the pictures in the Royal Academy are not, in my opinion, infringements of the copyright in those pictures, although probably made from the pictures themselves' and said:

'There it seems to me the learned judge is saying: "These are not infringements judged by the purpose and intention with which they had been produced" '(at 703 B-F)

A parody or burlesque of a song or other literary work would not be considered to be a reproduction thereof. The same applies, bearing in mind the words of Lindley LJ, to a parody of a drawing or cartoon or other work of art.

In *King Features Inc v Kleeman Ltd* (1941) 2 All ER 403 (HL) the appellants claimed relief on the ground that the respondents had sold brooches which were a reproduction in material form of Popeye the Sailor as depicted in strips of drawings published by the appellant.

Lord Wright said:

'The issue must thus be determined simply on the basis of a comparison between the brooches (which may be treated as all of the same design, notwithstanding some minor variations in the actual examples) and the selected sketch, which was No. 3 of the sketches published in the *New York Evening Journal* on Jan 17, 1929. The test to be applied is purely visual, the sketch and the brooch being compared *oculis subjecta fidelibus*. It is not material that the respondents were stealing the idea of Popeye the Sailor, or availing themselves for commercial profit of the popularity acquired by that figure. The appellants' copyright is in the actual sketch, and not in the idea. There would be no infringement if the respondents had independently produced a similar figure without copying the sketch directly or indirectly. The question is whether there was copying of the actual sketch.' (at 414A-B)

These words demonstrate that for there to be a breach of the appellant's copyright, there had to be a copying, in the sense of a reproduction of a substantial part of the sketches or any of them in three-dimensional form.

The reason why the appellants succeeded emerges from the speech of Lord Russell of Killowen:

'For my purpose, it is sufficient to refer to sketch No. 3, of which I think a substantial part is reproduced in the brooches. The question of colour is immaterial, but I find reproduced in the figure of which the brooches consist the following salient features of Popeye in sketch No. 3—namely, the sailor's cap, the nose, the chin, the mouth, the swollen forearms, the baggy trousers, and the enlarged feet. This, I consider, constitutes a reproduction of a substantial part of sketch No. 3. Further, I am of opinion that a comparison of the brooch with the sketch in question raises a strong presumption (not displaced by any evidence) that the figure of the brooch was copied directly or indirectly from that sketch.' (at 411 F-H)

The relationship between the close corporation's cartoon strips and the respondent's television advertisement is completely different.

To sum up the close corporation has not made out a case of any breach of its copyright in the artistic work comprising the cartoon strips.

The Common Law

The close corporation's case is that the respondent has wrongfully and unlawfully used and exploited the characters in and the cartoon strip itself and the reputation, goodwill and marketing power of 'Madam and Eve' to advance its advertising campaign. In particular, the respondent is alleged to have misappropriated and utilised the advertising value that attaches to Madam and Eve. The close corporation's right which it says has been infringed is that to the sole exploitation 'in every conceivable manner' of the Madam and Eve characters and cartoon strip. These, it is said, are the product of the applicants' inspiration, skill and labour. The close corporation disavowed any complaint of unlawful competition on the basis that it does not sell advertising slots on television.

The right of which the close corporation claims protection is the commercial exploitability of the cartoon strip and its characters. Mr Campbell's argument was that the respondent's use of this property diluted its value and misrepresented the source or origin or business connection of the advertisement. Van Heerden and Neethling point out that even outside the competitive context and in the absence of deception or confusion the

'misappropriation of the advertising value of an entrepreneur's trade marks, trade names and service marks creates a real danger of dilution (the gradual "whittling away or dispersion", blurring, erosion or watering down) of the magnetism or drawing power and consequently of the effectiveness of the name or mark' (*Unlawful Competition* 214)

This approach is generally confined to trade marks or names which identify a person's goods or services. It is premised on the reputation of a mark or name and its resulting selling power. In a paper *Misappropriation of the Advertising*

Value of Trade Marks, Trade Names and Service Marks, delivered at a seminar on 3 November 1989 and published under the editorship of Neethling under the title *Onregmatige Mededinging Unlawful Competition*, Rutherford explains the position with regard to the intellectual property referred to in the title. The considerations which he mentions with regard to the dilution of a trade mark by misappropriation as being a form of unlawful competition (for example, in certain forms of comparative advertising) are relevant. Indeed, Mr Campbell referred to judgments and writers dealing with the dilution of trade marks. Rutherford says:

'The greater the advertising value of the trade mark, the greater the risk of misappropriation. Any unauthorised use of the trade mark by other traders will lead to the gradual consumer disassociation of the trade mark from the proprietor's product. The more the trade mark is used in relation to the products of others, the less likely it is to focus attention on the proprietor's product. The reputation and unique identity of the trade mark will become blurred. The selling power becomes eroded and the trade mark becomes diluted. The proprietor of the trade mark usually expends vast sums of money through advertising in order to build up the reputation and selling power or advertising value of his trade mark. The growth of his business is dependent upon the growth of the meaning and importance of his trade mark. It is therefore only fair that he should be entitled to protect this valuable asset against misappropriation. Moreover, a misappropriator should not be allowed to obtain a promotional advantage for his product at the expense of the trade mark proprietor. Misappropriation of the selling power or advertising value of a trade mark is commercially injurious to the trade mark proprietor and results in the impairment of the goodwill of his business. It is submitted that such conduct is, in principle, unlawful and constitutes an infringement of his right to goodwill.' (at 56-7) (Footnotes omitted.)

What we are dealing with is described by Rutherford as 'the protection of the advertising function of a trade mark', ie the protection of the advertising function of the cartoon characters.

I do not propose to pursue this discussion because even on the basis that what is said about trade marks or names extends to any representation, such as a cartoon character, which is identified with or identifies something of commercial value (cf *Federation Internationale De Football v Bartlett* 1994 (4) SA 722 (T) at 736D-739A) there is no case for saying that the respondent has taken advantage of the reputation of the close corporation's merchandise, services or incorporeal property for the purpose of promoting the sale of something owned by it. It has not taken the name 'Madam and Eve' or the

cartoon characters which appear in the strip for the purpose of implanting its or their reputation on its advertising services. It cannot seriously be suggested that the reputation or quality or image of Madam and Eve or its cast have been appropriated to enhance the value or the image of the respondents advertising services. The most that can be said, which will be the subject of the next enquiry, is that the respondent has taken advantage of the concept or idea devised by the close corporation of a domestic scene involving, mainly, three residents and a regular vendor of mealies and their interaction on a relationship with each other. It is not a case of a business person marketing a product to, say, black customers by associating that product with or suggesting an endorsement of it by Eve.

Apart from the copyright in the cartoon strips the close corporation must, however, have a proprietary right in the characters its employees have created. Callman in *Unfair Competition Trade Marks and Monopolies* 4th ed deals in para 4.65 with cases in which a character created by one author is used by another, saying:

'In this context, neither copyright nor trademark law is appropriate. (In a later passage in the paragraph the author says: ``Where plaintiff alleges copyright infringement with respect to several comic strips, he has the burden of proving a valid copyright for each strip in suit (*National Comics Publication Inc v Fawcett Publications Inc* 198 F2d 927 (CA 2nd 1952))' Although the appropriation of a character may or may not result in passing off, the appropriation itself should be an actionable wrong. The name of a character may be a title, but it may also be the essence of the work—its very heart and soul.'

The following interesting cases are given:

'Imitation of a well-known character is even possible without adoption of the exact name. Thus, Charlie Chaplin was awarded an injunction against one who, under the name ``Charlie Aplin'', imitated Chaplin's costume, mannerisms and method of performance. as the court properly noted, even if the defendant dropped the name ``Charlie Aplin'', the injunction would still be proper. So too, the comic strip ``The Lone Ranger'' was protected against use by an actor on the ground of unfair competition.' (Footnotes omitted.)

The urgency of this matter does not allow the time for further and adequate research which, in view of the conclusion to which I have come regarding the alleged infringement of the close corporation's rights, is not necessary. Reference has been made in cases dealing with unfair competition to the criteria of fairness, honesty, boni mores, the general sense of justice of the community (or `die regsgevoel van die gemeenskap se regsbeleidmakers, soos

Wetgewer en Regter) and, in some cases, public policy such as the importance of a free market and of competition in our economic system (see *Schultz v Butt* 1986 (3) SA 667 (A) at 679 A-E). There is no reason why the same criteria should not apply where a person creates a character or set of characters by his or her ingenuity and obviously the application of time and labour. The community would, in my opinion, condemn as unfair and unjust the appropriation by another of the product or creation of the close corporation's employees' materialised concept and there is no apparent public interest to displace that contamination (cf *Schultz v Butt*, supra at 683 H and 684 A). Moreover, the cartoon and its characters have a potential commercial value, apart from the fees earned by the publication of the cartoons as such, to be derived from indorsement and use in books. I do not see why protection of the proprietary rights to such characters should be restricted to cases where they are used for character merchandising ie 'merchandising popular names, characters and insignia in order to enhance the sale of consumer products in relation to which such names and characters are used' (*Federation International de Football v Bartlett* supra at 736 D-E). In that case Joffe J gave the following example:

'A typical merchandising product is the well-known cartoon character Mickey Mouse. As the proprietor of the merchandising property has already invested substantial time and money in developing and popularising such character, and it is the fame and desirability of the merchandising property which will promote the sale of the goods to which it is applied, the proprietor of the merchandising property charges a royalty or licence fee for the use of his merchandising property. The royalty is payable in terms of a licence agreement under which the owner of the merchandising property authorises the licensee to utilise the merchandising property in relation to his goods.

...

It appears that the consumer makes a connection and an association between the character and its creator or owner and the products featuring the character. Thus it is widely known, according to the deponent Wills, that the character Mickey Mouse was created by Walt Disney. Clothing bearing the image of Mickey Mouse is inevitably then associated with Walt Disney.' (at 736G-737A)

However, the law would not permit a person to appropriate for his or her own use eg by creating a series of stories or a film or a cartoon service the Mickey Mouse character or a colourable imitation of him without the license of the successors to Walt Disney. Having said that, I cannot find that the respondent has appropriated the characters in Madam and Eve. The cartoon

characters and those in the television advertisement are personifications of the same prototypes but they are different characters. The persons portrayed in the advertisement are not called and they are not nor do they purport to be Madam, Eve and Mother Anderson. Mr Campbell identified what he regarded as some common characteristics—physical, attitudinal and behavioural—and clothing and jewellery but they do not persuade me that the characters are the same or that they could be confused with each other or that the human personifications are colourable imitations of the cartoon characters. In my opinion the degree of appropriation of the close corporation's concept and idea is not one which the community would treat as unfair, dishonest or contrary to morality—that is on my assumption that considerations would render an appropriation wrongful even if effected by someone other than a competitor. The close corporation has not established a delictual wrong.

Order

The application is dismissed with costs, including those consequent on the engagement of two counsel.

GOLDEN CHINA TV GAME CENTRE AND OTHERS v NINTENDO CO LTD

APPELLATE DIVISION

**CORBETT CJ, EM GROSSKOPF JA, HARMS JA, SCHUTZ JA AND PLEWMAN JA
25 SEPTEMBER 1996**

A video game is a cinematograph film as defined in the Copyright Act (no 98 of 1978).

Golden China TV Game Centre and the other appellants were importers, wholesale distributors and retailers of video games. They imported video games from Taiwan which were copies of video games made and distributed by Nintendo Co Ltd. The copies had been made without the permission of Nintendo, and would amount to an infringement of its copyright in the video games, if such copyright existed.

The video games were games played on a video screen, to which an apparatus containing integrated circuits was connected. To create a video game, it was first designed and developed, involving the drawing of the visual representation of the game, and then the screen text, sound effects and game play sequence were prepared. Thereafter, the game was programmed by the creation of a computer programme to control the visual display and allow the player to manipulate characters on the screen. Integrated circuits were then manufactured. On them, the visual elements of the game were stored in encoded form, as were the audio elements of the game and the programme controlling the functioning and display of the game.

Nintendo contended that the video games were cinematograph films within the meaning of the term as defined in the Copyright Act (no 98 of 1978) and that as such they qualified for protection as works in which copyright could subsist. Golden China denied that the video games were cinematograph films.

Held—

The definition of 'cinematograph film' in the Copyright Act was amended in 1992. For the purposes of decision, the question of whether the definition before or after the amendment was to be applied could be left open, and the matter decided with reference to the law both before and after the amendment. The definition employed very wide terms. The reason for this was to cover future technical innovations. The question was whether the elements of the definition were wide enough to encompass a video game.

A cinematograph film is defined as the first fixation by any means whatsoever on film or other material of a sequence of images capable, when used in conjunction with any mechanical, electronic or other device, of being seen as a moving picture and of reproduction and includes the sounds embodied in a sound-track associated with the film, but shall not include a computer programme.

It was clear that the video games had been 'fixed'. Whether they were first fixed by means of the computer programme, or by some other means did not affect the determination of the matter since the first fixation was relevant only to the term of the copyright, an aspect which was not in issue.

The video games showed a sequence of images. Unlike a conventional cinematograph film, the sequence of images of the video game was not fixed but was to an extent, subject to the control of the player. The variability of the sequence of images did not mean however, that it was incapable of reproduction, something that

would have to take place for there to be infringement of copyright. Reproduction in the context of copyright, was a copying of the *work*. The *work* did not exclude a sequence of images created in part by the intervention of the player.

The video games had been fixed on the integrated circuits, and thus had been fixed on 'film or other material'. The fact that they were not stored in their original form did not change the fact that they had been fixed as they had on an electronic device which then made the sequence of images visible as a moving picture.

The video games therefore did fall within the definition of a cinematograph film as given in the Act. The appeal was dismissed.

Harms JA: Do video games enjoy copyright protection as 'cinematograph films'? This question was answered in the affirmative in the court below by Hartzenberg J (see *Nintendo Co Ltd v Golden China TV Game Centre* 1995 (1) SA 229 (T)*). In consequence he issued an interdict (at p 250F-251A) with costs against the appellants. The successful applicant and present respondent, Nintendo Co Ltd ('Nintendo'), is the alleged owner of the copyright in about forty video games listed in his judgment (at p 231 C-E). With Hartzenberg J's leave the appellants appeal against the order issued.

Nintendo is a Japanese company and claims to be the largest company in the world that creates, manufactures and distributes video games. The appellants are local entities and fall into two classes: four are importers and wholesale distributors of video games; the others are retailers who sell, let or expose them for hire by way of trade. Infringing video games were imported from Taiwan from undisclosed sources and unknown manufacturers. It is common cause that these video games are copies of the video games in which Nintendo claims copyright. The finding of the court a quo (at p 247F-249B) that the appellants had the necessary 'guilty' knowledge—referred to in section 23(2) of the Copyright Act (no 98 of 1978) (the 'Act')—in importing and dealing with these games is not in dispute. It follows that, provided copyright subsists in these video games, the dealings of the appellants with these video games were acts of infringement.

VIDEO GAMES AND THEIR DEVELOPMENT

A video game is, as its name implies, a game played on a video screen. An apparatus containing integrated circuits (usually two microchips) is connected to it. When the machine is in operation, a visual display appears on the screen. The display has the general appearance of an animated cartoon strip, save that the game player is able, up to a point, to control the game sequence with a control mechanism. In other words, the game sequence is not finitely fixed.

* Also reported at page 488 of this work.

Carr & Arnold *Computer Software: Legal Protection in the United Kingdom*, 2nd ed, p 124, give this useful description (underlining added):

'A computer game normally consists of an "attract" mode and "play" mode. In the attract mode, visual images appear in a preordained sequence, which explain the operation of the game to the player. In the play mode, the sequence of images on the VDU is determined, *within limits dictated by the program*, by the intervention of the player.'

According to *Stern Electronics Inc v Kaufman* [1982] 669 F.2d 852 at 853 video games 'can roughly be described as computers programmed to create on a television screen cartoons in which some of the action is controlled by the player'. And '[i]n the play mode, some of the playing symbols or images on the screen are responsive to operation of the player control panel, and others move in a predetermined sequence and interact with the player-controlled images in a preset manner' (*Midway Mfg Co v Dirkschneider* [1981] 543 F.Supp 466 at 473). (I use these quotations as a convenient way of summarizing the evidence and the demonstration of a video game presented to us during argument.)

The creation of a video game goes through several stages. After the determination of the basic concept and its evaluation, the game is designed and developed. This requires the drawing of the visual aspects of the game, namely, game characters, backgrounds and other game items. The screen text and sound effects are prepared. So, too, the game's play sequence—it defines, in an unencoded form, the content and story of each game and its play sequence by indicating how the various component works are to be integrated in a sequential progression to constitute a game.

Once this stage is reached, the video game is programmed. That involves the writing of a computer programme for the video game. The programme controls the visual display and allows the player to manipulate the characters. Integrated circuits are then manufactured. In the one (named by Nintendo a 'CH-ROM'), all the visual elements of the game are stored in an encoded form. They are the background, the characters, the text and the other items in all their different poses, positions and configurations. The other (the so-called 'P-ROM') contains the audio elements of the game and also a programme that operates the functioning and display of the game, i.e. it dictates the game's play sequence. By the very nature of a ROM, the data stored in it is fixed and cannot be altered. Data stored in the CH-ROM is, by the use of electronic equipment, converted into video signals that define a coloured and moving graphic display on the screen. The programme in the P-ROM operates on this data and retrieves the stored visual data elements in the CH-ROM and causes them to be displayed on the screen sequentially.

THE LEGISLATIVE HISTORY OF COPYRIGHT PROTECTION FOR CINEMATOGRAF FILMS

Although invented in 1896, cinematograph films did not, eo nomine, enjoy copyright protection under the Patents, Designs, Trade Marks and Copyright Act (no 9 of 1916). Films were included under the classical heading of a 'dramatic work'. It is important to note that even at that early stage in the technical history of films, the Legislature was at some pains to provide for the protection of technological innovations. A 'cinematograph' was defined to include 'any work produced by any process analogous to cinematography'. A similarly wide definition was given to a photograph (Schedule III s 35(1)). Cf also Laddie Prescott & Vitoria, *The Modern Law of Copyright and Designs*, 2nd ed, vol 1, p 367.

On the other hand, and following the line taken in the United Kingdom in its 1956 Copyright Act, the Copyright Act (no 63 of 1965) provided separately for the subsistence of copyright in cinematograph films (section 14). A cinematograph film was defined (section 1(1)(vii)) to mean:

- 'any sequence of visual images recorded on material of any description (whether translucent or not) so as to be capable, by the use of that material—
- (a) of being shown as a moving picture: or
 - (b) of being recorded on other material (whether translucent or not) by the use of which it can be so shown.'

The term 'copy', in relation to a cinematograph film, meant any print, negative, tape or other article on which the film or part of it is recorded (section 1(1)(ix)).

Again one finds the use of very general terms such as 'any sequence', 'recorded on material of any description', 'on other material' and 'or other article'. (For the sake of completeness I should add that the definition was extended by section 14(9) which provided that a cinematograph film shall be taken to include the sounds embodied in any soundtrack associated with the film.)

The dictionary or ordinary meaning of a cinematograph film is quite different. The Shorter Oxford English Dictionary, for example defines 'cinematograph' as a 'device by which a series of instantaneous photographs of moving objects is projected on a screen so as to produce the effect of a single motion scene'.

The British counterpart of the 1965 definition was the subject of the decision in *Spelling Goldberg Productions Inc v BPC Publishing Ltd* [1981] RPC 283—a judgment quoted with approval by the court a quo (at 236 E-H). Judge Mervyn Davies QC (at p 287 l 30-31 in the Chancery Division) said

with reference to that Act, that a cinematograph film has three characteristics: 'It has a sequence of images, it is recorded on material, and it is capable of being shown as a moving picture.' The Court of Appeal (per Buckley LJ) quoted this analysis without demur (at p 294 I 20-23) but went on to overrule the judgment on other grounds. In issue was whether reproducing a single frame from a cinematograph film was an infringement of the copyright in the cinematograph film, a question totally unrelated to the question before us. Nevertheless, it seems that the dictum gave a fair summary of the definition under the 1965 Act. Laddie Prescott & Vitoria (op cit at p 383) make the point that '(t)he wording [of the 1956 Act] makes it clear that the concept "cinematograph film" is not tied to any particular technology ...'.

The 1965 Act was replaced by the 1978 Act. This Act, influenced somewhat by the Continental approach to copyright, broke to some extent with the English legal tradition on copyright. There is reason to assume that, at the time of enactment, video games were, if already invented, not yet commercially important and probably not a matter the Legislature considered. The Act was amended from time to time, but of consequence to the present case is the Copyright Amendment Act (no 125 of 1992). This Act (the 'amending Act') came into operation on 10 July 1992. Proceedings in the present case were launched three days earlier, on 7 July, when the court file was opened by the Registrar of the court below. Service of the application took place *after* 10 July. In the court below, and before us, counsel accepted that the case had to be decided on the statute as it was before the amendment. This was on the assumption that once the Registrar had 'issued' an application, the case was pending and, as a rule, amending legislation does not affect pending litigation (*Bell v Voorsitter van die Rasklassifikasieraad* 1968 (2) SA 678 (A) 684 E-F; *Thom v Moulder* 1974 (4) SA 894 (A) 902 D-E). I am not, without argument, prepared to hold that the mere fact that in motion proceedings the Registrar has taken the steps set out but before service on the respondent, proceedings are, for purposes of the rule of interpretation under consideration, pending. Counsel further submitted that since the works in question were created before the commencement of the amending Act, the amending Act had no relevance to the case. Whether that submission (subject to the proviso contained in section 43(1)(c) of the Act is, in the light of *Appleton v Harnischfeger Corporation* 1995 (2) SA 247 (A)* 261F-262B, correct, also seems arguable.

In view of these uncertainties, it is advisable to dispose of the matter with

* Also reported at page 515 of this work. The reference is to page 531 of this work.

reference to the law both before and after the 1992 amendment. For the sake of convenience I shall quote the sections concerned as they appear in the amending Act—words in square brackets indicate omissions from the 1978 Act and words underlined represent insertions by the amending Act.

Section 2(1) of the Act lists the categories of works that are eligible for copyright. One such category is 'cinematograph films [to which are assimilated works expressed by a process analogous to cinematography]'. The term itself is defined in section 1:

'`cinematograph film" means the [first] fixation by any means whatsoever on film or any other material of a sequence of images capable, when used in conjunction with any mechanical, electronic or other device, of being seen as a moving picture and of reproduction and includes the sounds embodied in a sound-track associated with the film, but shall not include a computer program.'

As with many definitions in the Act and its antecedents, very wide terms have been employed. The only reason for this can be an intention to cover future technical innovations by using general words. Legislative inertia ought not to impede human ingenuity and the reasonable protection thereof. Typical is the case of computer programmes. The wide wording of the Act made it possible to grant them protection as literary works (*Northern Office Micro Computers (Pty) Ltd v Rosenstein* 1981 (4) SA 123 (C); *Payen Components SA Ltd v Bovis CC* 1995 (4) SA 441 (A)*). It was only in the amending Act that the Legislature dealt with the subject. This general scheme of the Act suggests to me that the definitions in the Act should be interpreted 'flexibly, so that it would cover new technologies as they appeared, rather than to interpret those provisions narrowly and so force [the Legislature] periodically to update the act' (*WGN Continental Broadcasting Co v United Video Inc* 693 F.2d 622 at 627). The basic approach of counsel for the appellants to the case was different. He joined issue with the approach of Hartzenberg J (at 238 F-G) that the logical way to deal with the matter is to consider the definition of 'cinematograph film' and to see whether a video game falls within the definition or not, and that it is wrong to look for similarities and differences between video games and conventional films. In my judgment, the court's approach cannot be faulted. The Legislature elected, quite prudently, to define terms that have somewhat different ordinary meanings. That means that the definitions have precedence and it would be wrong, at least in the context of this Act, to whittle down wide language to fit one's preconceived ideas of what

* Also reported at page 544 of this work.

the terms mean or should mean. The Act is intended not to stifle, but rather to promote human ingenuity and industry. With this in mind, I proceed to deal with the elements of the statutory definition in dispute in order to determine whether video games fall within its boundaries.

'FIRST FIXATION'

As a rule, a work has to be fixed or reduced to some or other material form before it can be eligible for copyright (section 2(2)). Before its amendment in 1992, this subsection imposed the requirement on literary, musical and artistic works only, but it is now applicable to all works (except, obviously, a broadcast or programme-carrying signal). As far as cinematograph films are concerned, the fixation requirement has been part of the definition since 1978. It replaced the requirement of 'recording' in the 1965 Act. Since the amending Act, the requirement is therefore to be found, not only in the definition, but also in section 2(2).

In the USA in *Dirkschneider* (at p 479) an argument that video games are not fixated but are 'merely ephemeral projections' on a screen was rejected out of hand. See also *Williams Electronics Inc v Arctic International Inc* 215 USPQ 405 at 408. As far as the present appeal is concerned, it is no longer in dispute that the video games in issue have been fixed. The concession was fairly made. Had it been otherwise, they could not have been copied and copying is admitted. What constituted the *first* fixation was, on the other hand, hotly debated. The court below (at p 240C-241A) held that the first fixation takes place when the game is fixed in the ROMs. Counsel for the appellants argued that the first fixation of the game was the computer programme used to constitute the circuitry in the ROMs. The ROMs were, on this argument, simply a product of the first fixation. It transpired during argument that, although interesting, the debate did not affect the outcome of this case. The determination of the '*first*' fixation may have affected the term of copyright if one assumes that the first fixation is the same as the 'making of' a film (section 3(2)(b)). See also section 44(1). I know of no other function the requirement performed, especially as far as the subsistence of copyright is concerned. It is no wonder that the word was deleted by the amending Act. Since the term of copyright is not in issue and since counsel could not indicate where the argument led, I find it unnecessary to say much more on the point save that it seems to me that the computer programme was but a step in the fixation of the film.

'A SEQUENCE OF IMAGES'

The obvious difference between a 'conventional' cinematograph film and a video game lies in the fact that, with the former, the sequence of images is fixed whereas in the case of the latter the sequence of images is, to an extent,

variable and under the control of the player. Emphasising this difference, counsel for the appellant submitted that the definition should be read to refer to a *fixed* sequence of images only. In support of the argument, he relied heavily on the words 'capable ... of reproduction' in the definition. The argument was this: the definition required that the sequence of images must be capable of reproduction; if the sequence can be changed, it is not capable of reproduction; thus, the section envisages an invariable sequence of images. I do not agree with this grammatical exegesis. 'Reproduction', in the context of copyright, refers to the copying of the *work* (ie the cinematograph film) in question (cf *Laubscher v Vos* 3 JOC (W) at 6) and not to ephemeral versions, renditions or applications of a work. This is clear if regard is had to the definitions of 'copy' and 'reproduction' (section 1) and, especially, section 8(1) of the Act. What seems to me, therefore, to have to be capable of reproduction is the film itself and not the sequence of images. This intention appears rather more clearly from the signed Afrikaans text of the Act.

The 1965 definition referred to '*any* sequence of visual images' whereas the definition under consideration mentions '*a* sequence of images'. The use of the indefinite article 'a' (Afr: 'n') instead of 'any' (Afr: 'enige') makes it clear, counsel submitted further, that a cinematograph film cannot be subdivided into a myriad of shorter films. I am prepared to accept for the sake of argument the proposition that subdividing a film does not produce a number of new films. That is, however, beside the point. The point is whether, within the present context, there is any discernible difference in meaning between 'a' compared with 'any' cinematograph film. The answer is no.

It is instructive to consider the approach consistently adopted to a similar phrase found in a statutory definition of 'audiovisual works' in the United States of America. Their phrase is 'a series of related images'. In *Midway Mfg Co v Arctic International Inc* [1983] 704 F.2d 1009 at 1011-1012, [1983] 218 USPQ 791 at p 792-793, the Court of Appeals, Seventh Circuit, said the following in relation to it:

'It is not immediately obvious that video games fall within this definition. The phrase "series of related images" might be construed to refer only to a set of images displayed in a fixed sequence. Construed that way, video games do not qualify as audiovisual works. Each time a video game is played, a different sequence of images appears on the screen of the video game machine—assuming the game is not played exactly the same way each time. But the phrase might also be construed more broadly to refer to any set of images displayed as some kind of unit. That is how we construed it in *WGN Continental Broadcasting Co v United Video Inc* 693 F.2d 622, 216 USPQ 97 (7th Cir. 1982), where we held that a news program and a

thematically related textual display ("teletext") transmitted on the same television signal but broadcast on different television channels constituted a single audiovisual work. We see no reason to construe it more narrowly here. ...'

'... Playing a video game is more like changing channels on a television than it is like writing a novel or painting a picture. The player of a video game does not have control over the sequence of images that appears on the video game screen. He cannot create any sequence he wants out of the images stored on the game's circuit boards. The most he can do is choose one of the limited number of sequences the game allows him to choose. He is unlike a writer or a painter because the video game in effect writes the sentences and paints the painting for him; he merely chooses one of the sentences stored in its memory, one of the paintings stored in its collection.'

Another matter that can be stressed, is that a substantial portion of the visual images are repetitive and remain constant each time the game is played (*Stern Electronics* at 856). My conclusion on this part of the argument is then that a video game's sequence of images does comply with the requirements of the definition.

'FIXATION BY ANY MEANS WHATSOEVER ON FILM OR OTHER MATERIAL OF A SEQUENCE OF IMAGES'

If I understood counsel for the appellant correctly, he submitted that since the images themselves were not put on the ROMs, but only the microelectronic circuit that represents them, the images have not been fixed on the ROMs. If this argument is taken to its logical conclusion, it will mean that video films are not covered by the definition. One can then, by way of analogy, argue that, for purposes of the definition of a 'record', sounds are not 'embodied' in compact discs but only digital notations. Apart from these practical objections to the interpretation submitted, I am of the view that the argument does not take sufficient account of the rest of the definition. Images can be fixed on 'any other material' and that is clearly not limited to film-like material. In addition, the definition contemplates the use, not only of a mechanical device, but also of an 'electronic or other device' to make the sequences of images visible as a moving picture. That suggests to me that the stored images need not be stored in their original form, ie as images. This is confirmed by the change to the wording used in the 1965 Act (which required a fixation of *visual* images) to the present definition that omits the word 'visual'.

'BUT SHALL NOT INCLUDE A COMPUTER PROGRAM'

This limitation was introduced by the amending Act. It does not affect this

case. It was common cause that the video games are not computer programmes although computer programmes were used during their creation and although they may have been fixated by way of such programmes.

CONCLUSION

That concludes the analysis of the disputed elements of the definition of a 'cinematograph film'. The remaining element of the definition, namely that with the use of 'any mechanical, electronic or other device' the film must be 'capable ... of being seen as a moving picture' is clearly present in video games. For the reasons given video games do in my judgment fall within the terms of the definition. Counsel for the appellant accepted that if that is the conclusion, the appeal had to fail. He, quite correctly, did not dispute that Nintendo had established that it was the author, as defined in section 1, of these video games insofar as they are cinematograph films; that Nintendo was a qualified person (see p 243B-E of the judgment below), and that the video games (as cinematograph films) were original.

Nintendo, on its part, did not attack the finding of the court a quo (at p 244 E; 245 F-G) that, on the papers, its copyright in the video game *Popeye* had been assigned to its US company. My conclusion that the appeal stands to be dismissed makes Nintendo's alternative causes of action based on copyright in the component (or underlying) works, unfair competition and trade mark infringement, moot. That is so because of the width of the terms of the interdict granted.

The appeal is dismissed with costs, including those of two counsel.

CORBETT CJ, EM GROSSKOPF JA, SCHUTZ JA AND PLEWMAN JA
concur

JACANA EDUCATION (PTY) LTD v FRANDSEN PUBLISHERS

TRANSCAAL PROVINCIAL DIVISION

VAN DIJKHORST J

30 MARCH 1996

A reproduction of material from which another person has derived a copyright work does not constitute infringement of that copyright work, even where mistakes in the copyright work have been repeated in the alleged infringing copy

Jacana Education (Pty) Ltd held the copyright in an artistic work being a map of the Kruger National Park, and two literary works being a composition of rules and regulations governing visits to the Kruger National Park and a table and compilation of facilities in the Kruger National Park.

Frandsen Publishers produced and published a map book of the Kruger National Park. In the course of producing this book, Frandsen had access and reference to Jacana's artistic and literary works. Frandsen's compilation of the rules and regulations governing visits to the Park contained similarities to the compilation produced by Jacana Education, but also some dissimilarities. Its map was different from Jacana's map in certain respects, such as in the outline of the Park, and in the wording of certain place names. However, certain mistakes on Jacana's map were reproduced on Frandsen's map.

Frandsen gave evidence of another map containing the same similarities between Jacana's map and that map, and indicated that it had obtained independent confirmation of the mistaken features of its map which corresponded with the mistaken features of Jacana's map.

Jacana alleged that Frandsen had infringed its copyright, and applied for an interdict to restrain the alleged copyright infringement.

Held—

The information given in Jacana's two literary works was common-place, and did not qualify for copyright protection. As far as the map was concerned, Jacana could not possibly acquire copyright in the physical features of the Kruger National Park. Jacana had not surveyed the Park independently, and did not have aerial photographs made of the Park, but had used existing maps in order to create its own map. It therefore had not shown that it had any claim to copyright in the underlying material from which it derived its own map.

As far as the repeated mistakes were concerned, there was nothing wrong in Frandsen checking its own work against the work of Jacana. There being no copyright in information or ideas, Jacana could not claim copyright infringement merely because Frandsen had repeated these mistakes.

The application was dismissed.

Van Dijkhorst J: The application is for interdicts to restrain alleged copyright infringement in terms of the Copyright Act (no 98 of 1978).

The applicant, publisher of a map of the Kruger National Park and other complementary publications, seeks interdicts to restrain infringement of copyright in:

1. an artistic work, being a map of the Kruger National Park, Annexure VAT5;
2. a literary work, being a composition of rules and regulations governing visits to the Kruger National Park, Annexure VAT4; and
3. a literary work, being a table and compilation of facilities in the Kruger National Park, which is part of Annexure VAT5. It has also been referred to as 'the grid'.

The applicant asks for final relief in respect of all three works. In the alternative and in the event of the court holding that there are disputes in relation to the copyrighted map that cannot be resolved on paper, the applicant seeks a temporary interdict in relation to the copyrighted map and final interdicts in relation to the other two works.

All of the works have been published. The applicant alleges that they were published anonymously in that the names of the true authors have never been disclosed and were published under the name 'Jacana Education', which is the name of the applicant. The applicant relies upon the presumptions in section 26(3) and 26(5), read with section 26(4) of Act. Copyright is then deemed to subsist and the applicant is deemed to be the owner, so it is argued.

The respondent has produced and published a map book of the Kruger National Park, Annexure VAT9, which includes a map, rules and regulations and a table of Park facilities, alleged to be infringing productions of the copyrighted map, rules and regulations and table.

It is admitted by the respondent that, in producing its map book, it had access and reference to, inter alia, the applicant's copyright works. In respect of each of the copyright works relied upon it is submitted by the applicant that the infringing map book is objectively substantially identical and on the evidence the inference is that the infringing map book was made by copying the copyright works.

The respondent's main defence is that copyright does not subsist in any of the works. The applicant contends that the respondent bears the onus in this regard in view of the statutory presumptions referred to. It is submitted by the applicant that the respondent has failed to lead sufficient evidence to displace the presumptions. With regard to the literary works it is submitted by the applicant that an objective comparison between the copyright works and the infringing works is decisive. The infringing works are clearly copies, the applicant says, and moves for final interdicts.

With regard to the artistic works, that is the map, there is objective similarity, it is argued. The respondent contends that this objective similarity is because of the fact that both maps depict the same geographical area. The applicant relies, however, upon errors in the copyrighted map unique to it, which errors are slavishly reproduced in the infringing map and upon an

arbitrary and erroneous reduction of scale e in the central section of the copyrighted map, it is argued. The applicant contends that on this evidence it has discharged the onus of proving infringement.

In the alternative, and in the event of the court finding that it cannot decide infringement of the copyrighted map on paper, the applicant seeks a reference to evidence on this issue and a temporary interdict.

An interesting argument was addressed to me on the applicability of section 26(3) and (5) of the Act. I find it unnecessary to decide the scope of those sub-sections. I will assume for the purpose of this judgment that the applicant is the owner of the copyright in the so-called copyrighted material with the limitation to which I will refer.

I will deal first with the literary works and then with the artistic work.

First then, the rules and regulation. In dealing with these one has to compare VAT9, page 69(a)—that is the respondent's material—with VAT4, page 64, the applicant's material. The headings: 'Camps', 'Travel', 'Environmental Conservation' are the same, but VAT9 has an additional heading, 'Warnings', with information about malaria. In VAT4 it is set out elsewhere. The contents of the rules and regulations is the same, but their wording is materially different. There may or may not have been a utilisation of the content of VAT4 for VAT9 in this respect but this is immaterial. There was no copying, no reproduction of form. The content cannot be the subject of copyright. These are the rules of the Park which are common-place. The only copyright which might exist is in the formulation and that has not been followed. There is no infringement of copyright in the rules and regulations set out on VAT4.

This brings me to the table or grid. In this respect one has to compare VAT9, the respondent's publication, page 69S, with VAT5, the applicant's publication, page 65. In VAT9 there is one grid of the whole Park; in VAT5 there are three grids of different sections.

A grid in itself is common place. It does not qualify for copyright protection. So is the information. (See *Waylite Diaries CC v First National Bank Ltd* 1995 (1) SA 645 (A).) It is the way in which the information is arranged in the grid which would attract copyright. This means that a substantially different arrangement of the same information would not infringe copyright in the grid of the applicant. That is the situation here. There is no substantial similarity. The test is not whether the information was utilised by the respondent but whether its presentation has been reproduced or copied. The applicant's case does not pass that test. There is no infringement of copyright in the grid.

This brings me to the map, the artistic work. VAT5, the work of the applicant, has to be compared with VAT9, the respondent's work. The VAT5

contains a map of the whole Park, page 65(a), and three maps of the northern, central and southern section. VAT9 contains a map of the whole Park, page 69(b), and seven maps of seven sections of the Park from south to north. The fact that the first is in three sections and the second in seven sections is immaterial.

Firstly, the map of the whole part: Both give merely the outline of the Park wherein they are not even identical, and the main road grid, which is also not identical. VAT5 gives the main rivers and geological colouring of areas. This is absent from VAT9, which in turn has the private parks outside the Kruger National Park. The wording on the two maps differs, as does other detail. If one bears in mind that certain information is basic and fixed geographically, like location of rest camps, borders and roads, there is no indication of copying—on the contrary.

The three sections of VAT5 now have to be compared with the seven sections of VAT9. Accepting, as one has to, that all maps of the same area have to be very similar, as they depict the same physical features which are static, there is visually a great difference between the work of the applicant and that of the respondent:

1. The roads and rivers of VAT9 have been stylised, that means bends have to a large extent been flattened out.
2. The wording differs materially. We find, for example, Buffeldorings on the one and Buffeldorings Water Point on the other.
3. The names of roads and rivers are not in the same place.
4. Names have been added to VAT9, like Mativuhlungu loop.
5. The signs differ totally, for example, for camps, gates, picnic spots, lookout points, historical sites, distance markers etc. For watering points VAT5 has a blue giraffe; VAT9 has a 'W' in a box. For a hill VAT5 has a sun and VAT9 a triangle.
6. The colouring of the maps is totally different. Visually one would never say that the one map has been copied from the other.

The applicant argues that the conclusion of copying has to be arrived at for three reasons:

1. Although VAT9 is not a slavish tracing of VAT5, 'there is an astonishing coincidence of size and positioning of camps, main road intersections and major rivers'.
2. For reasons of convenience in VAT5 the map of the central section was reduced in size by 4%. The relevant maps of VAT9 also have this 4% deviation from the normal.
3. There are telltale 'fingerprints' which prove copying. These are mistakes on both maps. Seven examples are given. In argument, reliance was placed only on five. They are:

- (1) incorrect positioning of waterhole, Welverdiend;
- (2) incorrect positioning of S126 road, vis-a-vis the Sweni River
- (3) incorrect positioning of the Fairfield waterhole;
- (4) incorrect positioning of a short sand road of two kilometres to the get-out point, Bobbejaankrans;
- (5) incorrect positioning of the Matukwale waterhole, and insertion of a non-existent short sand road there.

I deal with the first point first.

- 1 This need not be discussed. The coincidence of the situation of camps, roads and rivers is to be expected. In any event, this was not pressed in argument. The coincidence of size is not of any moment, as far as I am concerned. 1/250 000 is a scale used by the government printer for his maps. That is common knowledge.
2. The respondent's answer to this matter of the 4% reduction in scale is as follows. I quote from paragraph 39.1:
'The respondent accepts that the applicant's map may have an approximate 4 percentum scale difference in the centre section, but this has no bearing on the issues of this matter, as it is demonstrably clear that the respondent's map was not copied from the applicant's map. In this regard the AA map which was prepared prior to the map of the applicant, also has an approximate 4 percentum difference in the central section. Neither the size of the respondent's map, nor that of the applicant or the AA, conform with the geological survey map. When accurate tracings of the respondent's map are overlaid on a one-page consolidated map of the applicant's map the tracings do not conform from north to south in all sections uniformly with that one-page map. This will be demonstrated to this honourable court at the hearing, also with reference to the AA map. From the above it may be that the applicant copied its map from the AA map, both maps being an approximate 4 percentum smaller in the centre section than the geological survey map. Should it become necessary, the geological survey map will be made available to the above honourable court at the hearing of the above matter, when the matters referred to above are demonstrated to this honourable court. The respondent's map is closer to that of the AA map than it is to that of the applicant. This will be demonstrated to the above honourable court at the hearing of this matter.'

The applicant replies as follows—I quote from paragraphs 42.1 and 42.2:

- 42.1 It is not possible for the AA map to have a 4% difference in the central section. It is a map drawn as one map to scale. I annexe hereto V6, a copy of an affidavit deposed to by Mr Ben Matthee, the managing director of the AA Mapping and Publishing Services, a division of the AA, explaining the relevant point with respect to the AA map.

42.2 The reason that the various sections or the respondent's map do not tie up and correlate when placed together, is partly because the respondent's map was created in separate sections and not as a whole. (The applicant's map was created as a whole and divided into sections, once it had been made.) As dealt with in the affidavit of Mr Matthee of the AA, the AA's map was created as a whole.'

Mr Matthee's affidavit is annexed and he states that he is the managing director of the AA Mapping and Publishing Service (Pty) Ltd, that he has a lot of experience and that he has been advised that the respondent has stated in the answering papers that, inter alia, the AA map contains an approximate 4% difference in scale in the central section of that part of a map pertaining to the Kruger National Park. This he disputes and he says it is not possible that the AA map referred to, contains a 4% difference in the central section or, for that matter, any scale difference whatsoever.

It is clear from the above that there is an insoluble dispute of fact on this point on the papers. It was argued on behalf of the applicant that I should reject the version of the respondent as false. I am not prepared to do so merely on paper. It may sound to an extent improbable, but one must bear in mind that all the deponents to whom I have referred are experts and I am not.

There is, however, another reason why I cannot find that this point could turn the case in the applicant's favour.

There are certain matters in which the applicant cannot possibly acquire copyright. These are the physical features of the Kruger National Park, its roads, rivers, koppies, camps etc. A map, showing the location of these correctly will, unless possibly it is the first one—which VAT5 was not—have no originality, despite the time and effort expended. (Cf *Waylite Diary CC v First National Bank Ltd* 1995 (1) SA 645 (A) 649 I.)

The material from which the applicant prepared its VAT5 is set out in paragraph 14 of the application.

'The project, including the map which is also referred to below, was ultimately the product of thousands of hours of work. Research resources included actual physical surveys of the Kruger Park by employees of the applicant, topographical maps printed by the government printer, computer generated GIS geographical information systems, a computer system where layers of information which have been fed into a computer allow the user to correlate and compare data, maps of areas of the park produced by members of staff of the National Parks Board, old existing maps of the Kruger National Park, including the map referred to above, previously published by Maps Studio (Pty) Ltd, published papers on eco-zones and geology in the Kruger National Park and other information, including that obtained through liaison with the Kruger National Park personnel.'

What is clear is that the applicant (a) did not survey the Park; and (b) did not have aerial photographs made of the Park. It used existing maps as a base for its VAT5. This base or skeleton is not original, it is a copy of existing material upon which the applicant superimposed a lot of its own data. The fact that the applicant checked the data and the skeleton does not make it original. I hold that in the skeleton as such the applicant has not proved its claim to copyright. It is exactly about the copying of the skeleton that the applicant complains. This complaint cannot be sustained, as there have been no rights infringed.

I deal now with the fingerprints. The respondent's answer is that it did utilise the applicant's map when compiling its own, as it utilised a number of others; that he checked the information with officials of the Kruger National Park and was told that the information on the applicant's map was correct. I quote as example the way in which the respondent deals with the fingerprint of the Welverdiend waterhole, in paragraph 48.1:

'In considering the positioning of the said water hole and a small access hole, it became apparent that the waterhole was shown as positioned above the river in all existing maps, but for that of the applicant. Where the waterhole was positioned below the river the existence of the access road also appeared to be an issue. This is demonstrated in the copies of the AA map and that of the two editions of the Map Studio map in the aforesaid annexure. In order to first obtain clarity in this regard the respondent approached the officials of the Kruger National Park for confirmation and was informed that the positioning, as depicted on the map of the applicant, was indeed correct and that the waterhole should be shown on the respondent's map as positioned below the river. When the respondent submitted its mock-up of the map booklet to the Kruger National Park for checking, correction and approval, the positioning of the waterhole was approved.'

As far as the short sand road at Bobbejaankrans is concerned, the respondent's answer is set out in paragraph 48.5 which I quote as a further example of the way in which the respondent deals with these allegations:

'A cursory inspection of the applicant's map reveals not one, but two short sand roads running from the H7 north, both to the west of the intersection. The AA map shows one road to the west of the intersection and the Map Studio map does likewise. Respondent's map also shows one sand road to the west of the intersection. Again this clearly demonstrates how untenable the applicant's contentions are. In addition and during the compilation of the respondent's map I personally drove this road, but can recall only one sand road to the west of the intersection.'

The respondent emphasises the following facts which cannot be disputed.

I quote from paragraph 48.8:

'It again serves mentioning at this juncture that in all instances all the data obtained by the respondent through physical inspection during frequent visits to the Kruger National Park for these purposes, were extensively cross-checked with all existing maps, as well as with the records of the Kruger National Park. Wherever discrepancies appeared these were extensively discussed with the said officials and their guidance as to the correct data was accepted in instances of such discrepancies. The respondent's map and all the information contained in his booklet was also checked for factual accuracy by the Kruger National Park who approved of the final product and authorised respondent to proceed with the printing of its product. With regard to all the foregoing I respectfully refer to the supporting affidavits deposed to by the aforesaid officials of the Kruger National Park and filed evenly herewith.'

The supporting affidavits are then filed.

I see nothing wrong in a cartographer checking his own work against all available information and maps. It must be remembered that books, pamphlets and maps are published for the specific purpose that they be read, that is, that their information becomes public knowledge. That would include the knowledge of other authors of books or of pamphlets or of maps. There is no restriction on the use of knowledge legitimately obtained. There is no copyright in information and ideas. I say this with due regard to what was said in *Galago Publishers (Pty) Ltd v Erasmus* 1989 (1) SA 276 (A), 283 and 284, which seems to have smudged the border between plagiarism and infringement of copyright to a limited extent. The facts here differ *toto caelo* from those in the instant case. In any event, if this is to be described as copying in the copyright sense, it is not substantial and cannot found a case for an interdict.

The applicant has not made out a case for either permanent or interim relief. The application is dismissed with costs.

THE PRIME SOFTWARE v COMMERCIAL AND INDUSTRIAL COMPUTER SYSTEMS

WITWATERSRAND LOCAL DIVISION
CILLIERS AJ
30 AUGUST 1996

Whereas an exclusive sub-licensee deriving its rights from a non-exclusive licensee may not have locus standi to bring an action for copyright infringement, where such a licensee obtains exclusive rights subsequent to it having obtained its non-exclusive rights, the sub-licensee will derive locus standi to sue by virtue of the licensee's later assumption of its rights of exclusivity.

The Prime Software alleged that it was the exclusive sub-licensee of two computer programmes, the copyright in which had, since 1977, been owned by Escom Inc, an American company. It alleged that in 1985, Escom had entered into a 'software representative agreement' in terms of which Escom appointed a licensee, ASD, as representative to market and distribute Escom application software products including the two computer programmes, and sell them to end-users against payment of a royalty. In 1988, ASD acquired an exclusive licence in regard to the two computer programmes. ASD concluded in 1986, it alleged, a written exclusive sub-licence agreement with Prime Software.

Prime Software alleged that ASD and/or itself had made substantial modifications to the programmes and that these modifications constituted computer programmes as defined in section 1 of the Copyright Act (no 98 of 1978). It alleged that insofar as ASD was the initial owner of the copyright in the modifications to the computer programmes, it had assigned such copyright to it. The assignment recorded 'We confirm having assigned to you copyright in the aforesaid software programmes with immediate effect'.

It alleged that Commercial and Industrial Computer Systems had unauthorisedly reproduced the computer programmes and had supplied and offered them for sale to various companies. It claimed an interdict, delivery up of the infringing copies and damages. Its claim for damages included a claim for loss of revenue in respect of a period up to June 1998.

Commercial and Industrial Computer Systems raised exceptions to the claim based on various grounds. The first exception was to the effect that Prime Software had failed to allege sufficient facts to bring itself within the provisions of section 25(1) of the Copyright Act and thus show that it had locus standi to claim the interdict. The second exception was to the effect that Prime Software was claiming inconsistent remedies in claiming an interdict as well as loss of future revenue. The third exception was to the effect that the plaintiff ought to have included an allegation that it had complied with the requirement of section 24(1C) of the Copyright Act that it gave notice in writing that it intended to calculate its damages on the basis of a reasonable royalty. The fourth exception was to the effect that the supply of the computer programmes was, in the light of section 11B of the Copyright Act, not an infringing act.

Held—

The first ground of exception was based on the argument that the record of the assignment by ASD to Prime Software referred to an earlier assignment or purported

assignment which itself was not referred to in the particulars of claim. This interpretation of the document however, placed too limited a meaning on the document, which had to be interpreted as a whole. It could be interpreted as an act effecting in writing what the parties had agreed to, ie the assignment. The execution of the document was constitutive of that juristic act.

On the allegations made by Prime Software, it could at least be said that it held the copyright in the modification programmes. However, Prime Software's locus standi as exclusive sub-licensee in respect of the two computer programmes in unmodified form could be derived from the exclusivity provisions of the licence agreement concluded between Escom and ASD in 1988. These constituted Prime Software the exclusive sub-licensee of the two programmes, notwithstanding ASD's earlier status as non-exclusive licensee. This would confer on Prime Software the locus standi to bring interdict proceedings against Commercial and Industrial Computer Systems.

The second ground of exception was based on the argument that an interdict to prevent future breaches of copyright was inconsistent with a claim for damages in respect of the future up to June 1998. However, the particulars of claim alleged that the defendant had already committed infringements of the plaintiff's copyright. The loss brought about by those infringements could legitimately be calculated by reference to events which would have taken place in the future, but for the fact that they took place in the past. As far as loss of royalties was concerned, the particulars of claim made it clear that its claim was in respect of a market now lost to the plaintiff.

The third ground of exception could not be upheld, in view of the fact that the plaintiff did not seek damages based on a reasonable royalty at all, but based on actual damages suffered, including loss of royalties. This simply meant that in proving the quantum of its damages, the plaintiff would have to lead evidence other than that showing the amount of a reasonable royalty.

The fourth ground of exception could also not be upheld. The act of supply of the computer programmes was not an infringing act, but 'supply' could be understood as 'distribute' within the meaning of the term in section 23(2) of the Copyright Act which itself defined an infringing act. Even if this interpretation were wrong, the allegation regarding the supply of the computer programmes could be construed as a reference to the causal connection between the infringing acts and the damages alleged to have been suffered.

The exception was dismissed.

Cilliers AJ: The plaintiff is a South African company, whose business is described in paragraph 1 of the particulars of claim as 'creating and marketing computer software'. The defendant is also a South African company.

The action concerns two computer programmes, referred to as 'Manufacturing Management Control' ('MMC') and 'Distribution Management Control' ('DMC').

The plaintiff has in its particulars of claim made allegations aimed at establishing that ownership of the copyright in the computer programmes vested in an American company, Escom Inc, and that the plaintiff is an exclusive sub-licensee in respect of that copyright. It has further made allegations that the licensee ('ASD') 'and/or' itself, or themselves, have made substantial modifications to the computer programmes, and that these

modifications themselves constitute computer programmes as defined in section 1 of the Copyright Act (no 98 of 1978) (to which I shall refer as 'the Act').

The plaintiff has further alleged that the defendant has unauthorisedly, and with knowledge that it constituted infringement of copyright, reproduced or caused to be reproduced the said computer programmes, or substantial parts thereof, and that they have been sold, offered for sale, let for hire and supplied to various companies.

It is alleged that insofar as ASD was the initial owner of the copyright in these computer programmes it has assigned such copyright to the plaintiff. It is further alleged that a cession of all claims against the defendant has taken place by Escom to ASD and by ASD to the plaintiff. Hence the plaintiff claims that the defendant has infringed and continues to infringe the copyright in and to the modified MMC and DMC programmes. The plaintiff claims an interdict, delivery up of infringing copies and damages.

I should add that the alleged infringements are not tied to any period. On the contrary, the plaintiff alleges that the infringements took place 'since date which the plaintiff is unable to identify'. No argument was therefore directed at the alleged infringements having taken place after 10 July 1992, and no argument was directed therefore at the applicability or non-applicability of the amending provisions of Act 125 of 1992, nor are the exceptions under consideration in the present matter based on any such ground.

The particulars of claim have been amended from time to time, the last amendment having been effected by delivery of a notice of amendment dated 21 June 1996. When reference is hereinafter made merely to the particulars of claim it is to these amended particulars of claim.

On the same day the defendant gave notice in terms of rule 23(1) of the Rules of Court to remove various causes of complaint, failing which it proposed to except to the particulars of claim on the ground that they are vague and embarrassing.

On 5 July 1996 the plaintiff gave notice that it intended amending the particulars of claim in one respect only. That proposed amendment was designed particularly to remove the ground of complaint raised in the second paragraph of the defendant's notice to remove cause of complaint dated 21 June 1996, but the defendant, on 17 July 1996, objected to that proposed amendment and on the same day delivered a notice of exception, based on six different grounds, to the particulars of claim.

The plaintiff then on 25 July 1996 made application to amend its particulars of claim in accordance with the notice delivered on 5 July 1996. The defendant opposes this application.

This application for amendment to the particulars of claim, and the

exception, have been argued together and will be decided at the same time. The exception does not contain a prayer, but since the proceedings have already been much delayed by amendments and objections I consider that the substance of the issues raised in the application to amend the particulars of claim, and in the exception, both of which have been fully argued, should be decided, and to that end I will assume that depending on which grounds, if any, the exception succeeds, an appropriate order to be made would be to strike out either the whole or only the offending portion of the particulars of claims as may be appropriate to the findings made.

I propose first to deal with the application to amend paragraph 3 of the particulars of claim. The decision on this application will also dispose of the second ground of the exception.

In its original particulars of claim the plaintiff had sought to allege the vesting of copyright in an American company, referred to as Escom Inc, in the following way. It has alleged, in the unamended paragraph 3 of the particulars of claim, that—

‘...one Phil Roe, a business analyst, a computer systems designer and a computer programmer wrote or personally supervised the writing of the following series of computer programmes:

3.1 Manufacturing Management Control, and

3.2 Distribution Management Control.’

These allegations were aimed at bringing the persons mentioned within the ambit of subsection (i) of the definition of author in section 1 of the Act, which defines author of a computer programme as ‘the person who exercised control over the making of the computer programme’.

These allegations had to be read together with the allegations in paragraph 6 of the original particulars of claim to the effect that the persons referred to in paragraph 3, including Phil Roe, wrote and compiled the said computer programmes in the course of their employment under contracts of service with Escom Inc. These allegations were aimed at establishing that, by virtue of section 21(1)(d), the copyright in the computer programmes vested in Escom Inc.

The effort to bring the case within the definition of ‘author’ in section 1 of the Act appears to have been misdirected, because this definition was only imported into the Act on 10 July 1992, and the position as to the authorship of, and ownership in copyright, relating to computer programmes made prior to 10 July 1992, is governed by section 1(4) of the Act.

Paragraph 6 of the original particulars of claim has however already been deleted by amendment to the particulars of claim and has been replaced by the following:

‘6. At all relevant times the person who was the owner of the computer

programmes was Escom by virtue of the facts set out in paragraph 3.2 above'.

I assume that the reference to 'owner of the computer programmes' is meant to be a reference to the owner of the copyright in the computer programmes and I so read this reference.

With the deletion of paragraph 6 of the original particulars of claim the reference in paragraph 3 of the original particulars of claim to Roe and others having written or personally supervised the writing of the computer programmes became a mere relic of an abandoned attempt to allege ownership of the copyright via the route of authorship. That is further obvious from the new ground for ownership of such copyright relied upon in the amended paragraph 3.2 of the particulars of claim, the relevant portion whereof now reads:

'The computer programmes referred to in paragraph 3.1 above, and the modifications thereto referred to below, are all original and have been published by a qualified person as defined in section 3(1) of the Copyright Act No. 98 of 1978, namely Escom Inc.'

Further allegations in paragraph 3.2 and 8 of the particulars of claim make it clear that the computer programmes are alleged to have been made and published in 1977, and the modifications thereto since 1977. Thus the allegations in paragraph 3.2 of the particulars of claim are aimed at invoking the provisions of section 1(4) of the Act, which creates a rebuttable presumption on the facts of the allegations that Escom Inc is the owner of the copyright in the unmodified computer programmes.

This being the only ground now relied upon to establish that Escom Inc became the owners of a copyright in the unmodified computer programmes, it seems obvious that the allegations in paragraph 3.1 of the original particulars of claim, up to the commencement of paragraph 3.1.1 thereof, are no longer relevant and are appropriately deleted.

The plaintiff now seeks to do just that, and to substitute therefor the innocuous words 'this action concerns a series of computer programmes known as', yet the defendant objects to this amendment. It does so on sketchy grounds. It contends that the amendments are not to be had for the asking, and that no explanation is proffered for the plaintiff's change in stance, ie from relying on the authorship of Roe and others to relying on publication by a qualified person of the unmodified original computer programme, and the consequent presumption under section 1(4) of the Act.

The defendant further relies thereon that the plaintiff has not shown that the defendant will not be prejudiced by the amendment. In its notice of objection to the proposed amendment the defendant contends that the plaintiff has in effect pleaded that Roe had exercised control over the making of the

computer programmes, which allegation the plaintiff correctly or incorrectly contends would have rendered Roe the author and owner of the copyright.

The defendant now complains that the earlier factual averments of the plaintiff are not withdrawn by the amendment but averted thereby, and that without any proper explanation therefor. In my view there is no substance in this objection.

In the first instance the amendment to paragraph 6 of the original particulars of claim has already been effected, and that amendment renders the allegations in paragraph 3 of the original particulars of claim mere, and now irrelevant, surplusage.

Secondly, the allegations now relied on are not inconsistent with the earlier allegations, which were to the effect that Roe and others made the computer programmes in the course of their employment under a contract of service with Escom Inc. The reliance on section 1(4) is merely an alternative way of *prima facie* establishing the ownership of the copyright and that it came to vest in Escom Inc.

In the third instance, a plaintiff who wishes to amend factual allegations in a pleading does not necessarily have to explain why he first followed the route of a particular factual allegation. Amendment to factual allegations in particulars of claim cannot be equated to withdrawal of an admission of factual allegations made in a plea. The objection to the proposed amendment is in my view based on contrived grounds.

It follows that the amendment should be granted, and it is granted.

The question of costs attendant on this part of the hearing will be dealt with at the end of this judgment.

I now turn to the first ground of the exception.

This ground, in short, is that none of the annexures A, B and C to the particulars of claim vest any right to institute proceedings in the plaintiff. This ground of the exception, based as it is on an interpretation of annexures A, B and C, itself contains an overstatement. In terms of annexure S to the particulars of claim Escom Inc assigned to ASD its rights to any claims which it may have against the defendant, and in terms of annexure T, ASD effected a similar cession of its rights against the defendant to the plaintiff.

As far as concerns claim C for damages for past infringements, and claim D for interest on such damages, the effect of these cessions is that all such claims, whether they originally vested in Escom Inc or in ASD, or even in the plaintiff, have now all become vested in the plaintiff. To this extent this ground of the exception is not well-founded.

The remainder of the first ground of the exception relates to the claim for an interdict and delivery up of the alleged infringing copies used or intended to be used by the defendant. The argument was this: An interdict is a remedy

available to a plaintiff who has rights which he reasonably apprehends will be infringed.

There is no right to an interdict, and hence no such right which is capable of cession. To put it another way, the remedy of an interdict cannot be split from the right which that remedy is designed to protect. The remedy of an interdict can be invoked only by the party in which the right, which that remedy is designed to protect, vests.

The argument was limited to the claim for an interdict. But if the defendant fails on this argument in regard to an interdict it will also fail in regard to the remedy of delivery up which is claimed. The destination of the defendant's argument was this: If it can succeed in its contention that the effect of annexures A, B and C is not to render the plaintiff an exclusive licensee or an exclusive sub-licensee, then the plaintiff could not bring itself within the provisions of section 25(1) of the Act, and the plaintiff would lack locus standi to claim an interdict.

There is in my view a short answer to the defendant's contention. In paragraphs 13 to 16 of the particulars of claim it is alleged that the modifications to the computer programmes are themselves computer programmes as defined in the Act, and that they were made 'during or about 1980 to 1987' and are original, and had been published by qualified persons, namely 'ASD and/or the plaintiff'. Hence, by virtue of the provisions of section 1(4) copyright in these modifications would vest in 'ASD and/or the plaintiff'. In terms of annexure D, ASD assigned its copyright in the modification programmes to the plaintiff. I mention that I will return to this finding later in this judgment.

Hence the plaintiff has, according to the allegations in the particulars of claim, become vested with the full copyright in the modification programmes. That entitles the plaintiff to claim an interdict, at least in respect of the modification programmes. It is true that claim A in the particulars of claim is for an interdict against infringement of 'copyright in the modified works', and that on the finding made above this claim may be too wide. But that is not the objection which the first ground of the exception raises. That objection is that the plaintiff's allegations do not found any locus standi entitling it to institute proceedings or, as now conceded, to institute proceedings for an interdict.

In regard to annexure D Mr Bowman, appearing for the defendant, argued that it does not, on its own terms, purport to be written assignment of copyright. The point of this argument was that unless annexure D constitutes an assignment in writing, signed by or on behalf of the assignor, it is, by virtue of the provisions of section 22(3) of the Act, of no effect. Annexure D reads as follows:

'Assignment of copyright in modifications to DMC and MCC software

programmes.

We confirm having assigned to you copyright in the aforesaid software programmes with immediate effect.'

Mr Bowman argued that annexure D purports to be only a written confirmation of an antecedent assignment or purported assignment, which may be oral and is in any event not even referred to in the particulars of claim.

It is true that the words 'we confirm having assigned to you' provides some support for Mr Bowman's contention. But in my view Mr Bowman's argument places too limited a meaning on the document (annexure D) which should be interpreted as a whole. It can equally, and in my view preferably, be interpreted as an act effecting in writing what the parties had agreed to do, namely to assign the copyright in question to the plaintiff. After all, most written agreements are preceded by oral consensus between or among the parties. It is therefore not unusual to refer, in a document intended to be constitutive of a juristic act, to such consensus; and, there are other indications in annexure D, to the effect that it was not intended to be a mere record, created for evidential purposes only, of an antecedent assignment or purported assignment. The heading of the document refers to 'assignment' and, perhaps more importantly, it concludes with the word 'with immediate effect'.

While these concluding words could conceivably refer to an antecedent event the more realistic construction is that they refer to the moment of execution of the document. Putting the proposition at its lowest, annexure D is at least capable of the construction that it is not merely a record of a past event but is an act of assignment. Certainly the construction that it constitutes a written agreement in terms whereof ASD assigned its copyright to the plaintiff is the construction pleaded in paragraph 16.2 of the particulars of claim.

I would therefore conclude that annexure D is a written assignment, signed on behalf of the assignor as required by section 22(3) of the Act and, if I am wrong in this conclusion, it is at least capable of that construction, and thus cannot be regarded as destructive of the allegation in paragraph 16.2 of the particulars of claim that it was such.

For these reasons, judging the matter as at exception stage, Mr Bowman's argument in this regard must fail.

An interesting alternative, which may have been open to the plaintiff, could have been to rely on annexure D as constituting an exclusive licence in writing and signed by the licensor. That is, if it did not have a merely evidential effect. However that ground was not pleaded by the plaintiff and does not arise for consideration.

I may only add that the assignment in annexure D was effected on 17 December 1986, while the plaintiff pleads in paragraph 13 of the particulars

of claim that 'ASD and/or the plaintiff' made the modifications 'during or about 1980 to 1987'. However, the feature that this allegation extended to a period about 12½ months beyond the date of the assignment hardly warrants upholding an exception that the particulars of claim are vague and embarrassing, and is also not a ground relied upon specifically in the notice of exception.

I have hereinbefore indicated that the plaintiff's locus standi to seek an interdict can be based on the copyright which was acquired in the modification programmes by ASD and the plaintiff itself, or by one of them, and that the assignment under annexure D vests the whole of the copyright in the modification programmes in the plaintiff. However, that title in the copyright may entitle the plaintiff to seek an interdict only in regard to the modification programmes.

But there is another ground on which the plaintiff's locus standi to claim an interdict on the whole of the modified computer programmes may be justified. Annexure A is, in its own terms, described as a 'software representative agreement'. In terms of clause 1 thereof 'Escom appoints ASD as representative to market Escom application software products listed in exhibit A'. That list includes MMC and DMC. Although described in commercial terms as 'representative agreement' to market the programmes, the authorisation to market the software, including the programmes MMC and DMC, is detailed in the agreement and its own annexures. The annexure to that agreement described as exhibit B authorises ASD to supply a copy of a listed programme to an end user against payment of a royalty, and against an undertaking from the end user to destroy the programme upon termination of the agreement with the end user. Annexure A is thus in substance an agreement authorising ASD to let copies of the therein designated computer programmes. It is also in substance a licence to distribute the computer programmes.

Since such letting and distribution are acts of infringement, enumerated respectively in section 11B(e) and section 23(2)(c) of the Act, annexure A is a licence agreement. It was concluded in 1985. It was however not an exclusive licence agreement. In 1986 ASD, in terms of annexure C, concluded a written exclusive sub-licence agreement with the plaintiff. It may be, and it is not necessary to decide this, that a party holding an exclusive sub-licence form a non-exclusive licensee is not an 'exclusive sub-licensee' as envisaged by section 25(1) of the Act. If this is so then it is so because the licensee could not confer exclusivity, except as between itself and the sub-licensee, which it did not itself have. However, according to annexure B to the particulars of claim ASD did acquire an exclusive licence in regard to MMC and DMC in 1988. Thereafter the exclusivity provisions of annexure C would take effect

and constitute the plaintiff an exclusive sub-licensee within the meaning of section 25(1) of the Act.

On this view, which seems to me to be correct, although it was only raised by me during argument and thus not fully argued by counsel, the plaintiff would have locus standi to claim an interdict in the full width of its prayer A to the particulars of claim.

For the above reasons the first ground of the exception fails.

I now turn to the second ground of the exception.

With the allowing of the application to amend the particulars of claim, for the reasons already indicated, this ground of the exception loses its basis and must also fail. Indeed, with a notice to remove cause of complaint having been delivered on 21 June 1996, and the notice of intention to amend having been delivered on 5 July 1996, the complaint was removed.

In the circumstances no basis remains in respect of the second ground of exception.

I now turn to the third ground of the exception.

The defendant's contention is that the plaintiff claims an interdict with immediate effect, and claims damages for loss of maintenance revenue, customisation revenue and licence fees or royalties revenue, and that such losses have been calculated in respect of a period up to June 1998. These two remedies, so the defendant contends, are inconsistent and cannot both be claimed.

Before dealing with this contention I should refer to another contention, not raised in the notice of exception but raised in counsel's heads of argument. The latter contention is that a party is not entitled to an interdict if it has another remedy. The proposition is overstated, and indeed the decisions in *Transvaal Property and Investment Co Ltd and Reinhold & Co v Townships Mining & Finance Corporation Ltd and the administrator* 1938 TPD 562, and *Prinsloo v Luipaardsvlei Estates* 1933 WLD 6, belie the proposition in the absolute form in which it was put.

Whether a court will grant an interdict or relegate a plaintiff to the remedy of damages is a discretionary matter, see *Candid Electronics (Pty) Ltd v Merchandise Buying Syndicate (Pty) Ltd* 1992 (2) SA 459 (C), and thus a matter which is not appropriately decided on exception.

This is a general principle of law, and I need not consider whether the plaintiff's position is improved by the provisions of section 24(1) of the Act. This leg of the third ground of the exception therefore fails.

But the plaintiff further contends that it is inconsistent to claim an interdict which will protect the plaintiff against future breaches of copyright, and claim damages in respect of the future, up to June 1998, and this is particularly so in respect of the loss of royalties in the future.

I do not think that the particulars of claim should be read so as to yield an inconsistent result. The plaintiff in paragraph 17.2 and 17.3 of the particulars of claim alleges that the defendant 'has reproduced or has caused to be reproduced' the computer programmes in which the copyright is claimed, or substantial parts thereof, and has sold, offered for sale, let for hire, or supplied these programmes to 20 enumerated customers. It is that past conduct which the plaintiff alleges has caused it loss.

There is nothing wrong with calculating such loss by reference to events which would, but for the alleged past infringements, have taken place in the future and have yielded the plaintiff revenue in the future, which revenue, but for the alleged already committed infringements, will no longer come to the plaintiff. Indeed the so-called once and for all rule requires the plaintiff to claim all its damages arising from a wrongful act in one action, whether the damages can be demonstrated with reference to past events or also can be demonstrated with reference to future events. (See *Oslo Land Co Ltd v The Union Government* 1938 AD 584.)

As far as the specific category of loss of royalty revenue is concerned, it is apparent from the particulars of claim that the plaintiff alleges that it would have had revenue from those customers which the defendant has supplied with the material allegedly subject to copyright, and that that market is now lost to the plaintiff, and that the plaintiff does not, and certainly not in this action, seek an interdict against those customers whose business against payment of royalties is now allegedly lost to the plaintiff.

The third ground of the exception therefore also fails.

The fourth ground of the exception is based on the provisions of section 24(1A) and (C) of the Act. Section 24(1A) provides:

'Damages contemplated in section (1) may, at the option of the plaintiff, be calculated on the basis of the amount of a reasonable royalty which would have been payable under the circumstances by a licensee or sub-licensee in respect of the copyright concerned.'

Section 24(1C) provides:

'If a plaintiff intends to exercise the option contemplated in section (1A), he shall give notice in writing to the exclusive licensee or sub-licensee of the copyright concerned of such intention.'

The particulars of claim do not allege a notice in terms of section 24(1C), and the defendant contends that the plaintiff has therefore not complied with a prerequisite entitling it to institute the action. The particulars of claim set forth a claim for actual damages suffered, which damages include under one head the loss of royalties which it is alleged the plaintiff would have received. The claim is one for damages alleged actually to have been suffered, including the loss of prospective royalty income. Certainly the particulars of claim are

at least capable of the construction that such loss of income is the loss of income which the plaintiff would have received from the third parties to whom I have referred and to whom the defendant, by virtue of its alleged past infringing acts, was able to supply and did supply the computer programmes said to be subject to copyright. Such a claim would not be a claim 'calculated on the basis of the amount of a reasonable royalty which would have been payable in the circumstances by a licensee or sub-licensee in respect of the copyright concerned' as envisaged by section 24(1A) of the Act. It would be a claim for actual damages in respect whereof the plaintiff will have to prove its damages, including its loss of prospective royalties, in the ordinary way.

On this construction of the pleading the plaintiff would, in order to establish the quantum of its claim, not be able merely to rely on proof of what a reasonable royalty payable by the defendant to the plaintiff would have been. That is also the contention advanced as an interpretation of the pleadings by Mr Franklin, who appeared for the plaintiff, and, as indicated, the particulars of claim to my mind mean that and are, in any event at least, also in respect of the head of damages relating to the loss of royalties, capable of that construction. Indeed, if the plaintiff had wished to rely on section 24(1A) of the Act it would in my view have been required specifically to plead that it relied on the notional reasonable royalty which, as it is put in that section, 'would have been payable' to the plaintiff.

It follows that the particulars of claim are, also on this ground, not vague and embarrassing.

In my view of this conclusion it is not necessary to consider the other grounds advanced in argument by Mr Franklin against this ground of exception.

The fifth ground of exception is that the defendant is embarrassed by the allegation that certain adaptations and modifications to the two computer programmes in issue were made and published by 'ASD and/or the plaintiff'. It was contended that it was necessary for the plaintiff to allege precisely which of these acts were carried out by ASD and which were carried out by the plaintiff, and which were carried out by them jointly. It was, in very general terms, argued that different consequences flowed depending on whether the parties acted jointly or individually. The objection was also so phrased in the notice of exception. This averment was not further particularised in the notice of exception, and the only amplification of this proposition during argument was based on the contention that annexure D did not constitute an assignment. That argument has already been rejected.

It follows that this ground of the exception also fails.

The sixth and last ground of the exception is that the plaintiff has, in paragraph 17.2 of the particulars of claim alleged, so it is contended, as an

infringing act the supply of the altered and modified computer programmes. It was at one stage—and I think particularly with the provisions of section 11B of the Act in mind—conceded by Mr Franklin in argument that the act of supply does not per se constitute an infringing act under the Copyright Act. I am not sure that Mr Franklin at that stage adverted to the provisions of section 23(2) of the Act, and I do not think that the argument raised by the defendant is the end of the matter.

Section 23(2) of the Act characterises, as an infringing act, also the 'distribution' of 'any article for the purposes of trade, or for any other purpose' to such an extent that the owner of the copyright in question is prejudicially affected, if knowledge of the infringing nature of the acts in question is present as is alleged to be the case. Such knowledge and prejudice are indeed alleged in paragraphs 18.2 and 18.3 of the particulars of claim and, as already indicated, the plaintiff is alleged to be the owner of the copyright in the modification programmes.

I consider that the word 'supply' is sufficiently coextensive with, or at least covered by the word 'distribute' in section 23(2)(b) of the Act to bring the plaintiff's allegations within the scope of section 23(2)(c) of the Act.

Even if this conclusion were wrong, the reference in paragraph 17.2 of the particulars of claim to the supply of the programmes in issue serves the purpose of establishing the causal connection between the infringing acts and the damages alleged to have been suffered. The actual supply of these programmes to the customers referred to is an act relevant to demonstrating that there was a market for these programmes and that such market has been supplied, and hence to that extent taken up by the other alleged infringing acts of the defendant.

On this basis only the word 'or' rather than the word 'and' in paragraph 17.2 of the particulars of claim would be inapposite, and that is hardly a basis for contending that the particulars of claim are vague and embarrassing. However, for the reasons earlier given, it seems to me that the allegation as it stands is unexcipiable.

Lastly, I should mention that the particulars of claim do not expressly make allegations which render the Act applicable to copyright in foreign works, but none of the grounds of the exception is aimed at this issue, and the matter was not argued on the basis that such allegations need to have been made or that the exception deals with this aspect. I therefore say no more about it.

Mr Franklin appeared alone in this matter, and the question of the costs of counsel for the successful party therefore arises only to the extent of the costs of one counsel. Although the plaintiff would have had to bear the wasted costs occasioned by the amendment of its particulars of claim by notice, the application to court for the grant of such amendment was caused by the

opposition to a notice of intention to amend, and was caused by what I have found to be unwarranted objections thereto.

In the result the following orders are made.

1. The application dated 23 July 1996 to amend the plaintiff's particulars of claim is granted.
2. The exception to the amended particulars of claim is dismissed on all grounds.
3. The defendant is to pay the plaintiff's costs in regard to the application referred to in 1 and the exception referred to in 2.

COMCORP (PTY) LTD v QUIPMOR CC

DURBAN AND COAST LOCAL DIVISION

McCALL J

24 OCTOBER 1997

Evidence identifying the subject matter of an assignment is admissible provided such evidence does not amount to evidence of the negotiations between the parties or their consensus. Evidence of the copyright held by the assignor in a particular work would be admissible for the purposes of identification of the subject matter of the assignment.

Comcorp (Pty) Ltd brought an action against Quipmor CC alleging an infringement of copyright in a Master Sale Agreement. Comcorp alleged that copyright in the Master Sale Agreement vested in it by virtue of an assignment of the copyright to it by the author.

The assignment recorded that the author ceded and assigned all the author's right, title and interest in the copyright in the agreement and related forms, to Comcorp.

Quipmor pleaded specially to the claim by contending that the words 'in the agreement and related forms' did not sufficiently identify the work subject to copyright, and that consequently Comcorp's particulars of claim did not properly aver that Comcorp was the holder of the copyright in the agreement.

The court was asked to decide the question raised by the special plea.
Held—

In terms of section 22(3) of the Copyright Act (no 98 of 1978) for the assignment of copyright to be effective, it had to be in writing. Accordingly, the question for decision was whether or not the literary work forming the subject matter of the cession could be identified by reference to the cession.

A description of the subject matter of the assignment had to appear sufficiently on the face of the assignment. This meant that parties other than those who were parties to the assignment had to understand the assignment—it would not be sufficient if the only parties to whom the assignment was meaningful were those parties themselves. An acceptable test as to whether a proper description of the subject matter of the assignment did appear sufficiently on the face of that document was: was the description of the work sufficient to enable a third person objectively to identify the work, without having to have recourse to the oral evidence of the parties to the assignment as to their negotiations and consensus?

Evidence to identify the agreement being referred to in the assignment would be admissible, provided such evidence did not amount to evidence of the negotiations between the parties or their consensus. Evidence of the circumstances surrounding the conclusion of the assignment would also be admissible. In the present case, this meant that while evidence that a particular agreement was the one referred to in the assignment would be inadmissible as evidence of the consensus of the parties to the assignment, evidence would be admissible to show that the assignor held the copyright in an agreement and related forms. Whereas the assignor might in fact have held the copyright in more than one agreement and related forms, thus raising the possibility of ambiguity in the identification of the subject matter of the assignment, it was as yet uncertain whether or not the assignor did hold such multiple copyrights, and accordingly impossible to say with any certainty that admissible evidence identifying the subject matter of the assignment was unavailable.

Given the uncertainties of what evidence might be adduced, it was not possible to say that the special plea was correct. The question raised by the special plea could

therefore not be decided at this stage.

McCall J: The plaintiff instituted action against the defendant based upon an alleged infringement of the copyright in a document headed MASTER SALE AGREEMENT annexed to the plaintiff's particulars of claim, marked 'A'. It is alleged in the particulars of claim that 'one Daly then employed as a partner of the firm Dykes Daly' was the author of the document and that by reason of the provisions of the Copyright Act (no 98 of 1978) ('the Copyright Act'), the copyright in the document vests in Daly, alternatively Dykes Daly. It is further alleged that Daly and/or Dykes Daly, acting in terms of the provisions of section 22 of the Copyright Act in writing, assigned the whole of the copyright to the plaintiff in accordance with the provisions of the Copyright Act.

Annexed to the particulars of claim is a document purporting to be a copy of the assignment. It is headed 'CESSION', and the relevant portion of it reads as follows—

'I, the undersigned,

PATRICK FRANCIS DALY

in my personal capacity and in my capacity as a partner of Dykes Daly, for and on behalf of Dykes Daly, do hereby cede and assign all my and Dykes Daly's right, title and interest in and to the copyright which I and Dykes Daly own in the agreement and related forms as well as all rights of ownership thereof to Compcorp (Pty) Limited which shall hereof (sic) have the sole and exclusive right to the said copyright as its own property.'

The document is signed, presumably by Daly, and there is a signed acceptance of it.

The defendant, in addition to various denials and other defences, pleaded a special plea, referring to section 22(3) of the Copyright Act, and contending that the words 'In the agreement and related forms' in the aforesaid 'CESSION', do not sufficiently identify the work subject to copyright which the parties purported to assign and that—

'In the premises the averments contained in the Plaintiff's particulars of claim do not go to show that the Plaintiff is the owner of the copyright in the Agreement, Annexure ``A'', to the Plaintiff's particulars of claim, and upon which the Plaintiff sues.'

At the pre-trial conference in terms of Rule 37 of the Rules of Court, it was agreed that, on the dates reserved for the trial of the matter, the parties would seek a ruling on the special plea only and that application would be made in terms of Rule 33(4) for that issue to be decided separately from the other issues in the case. I made such a ruling.

Section 22(3) of the Copyright Act provides—

'No assignment of copyright and no exclusive licence to do an act which is subject to copyright shall have effect unless it is in writing signed by or on behalf of the assignor, the licensor or, in the case of an exclusive sublicense, the exclusive sublicensor, as the case may be.'

The crisp point which accordingly arises for decision is whether the literary work, the copyright in which is purported to be assigned in terms of the said 'CESSION' document, can be identified by reference to the provisions of the 'CESSION' document, with the aid of such evidence of background circumstances or for identification purposes as is admissible, but without reference to negotiations and consensus of the parties to the assignment.

Whilst counsel were unable to refer me to any cases dealing with the interpretation of section 22(3) of the Copyright Act, counsel for both parties were agreed that the court could be guided by the principles applied to other statutes requiring a contract, or the terms of a contract, to be recorded in writing. Thus, counsel for the plaintiff referred to cases dealing with section 6 of the General Law Amendment Act (no 50 of 1956), which requires the terms of a contract of suretyship to be embodied in a written document signed by the surety, both counsel referred to the cases dealing with the requirement of writing in respect of contracts for the alienation of land and counsel for the defendant had been able to find an English case dealing specifically with the sufficiency of the identity of the subject matter of the assignment of copyright. I agree that the principles enunciated in cases dealing with other statutes containing similar requirements are of assistance.

It seems to be that it is necessary, at the outset, to get out of the way certain submissions in counsels' Heads of Argument which appear to me to be irrelevant or incorrect.

It is trite law that when a statute requires a contract to be in writing, the essential elements of the contract must be set out in the written contract. See *Van Wyk v Rottcher's Saw Mills (Pty) Ltd* 1948 (1) SA 983 (A) at 989, per Watermeyer CJ.

Obviously, in the case of a contract of assignment required to be in writing, the subject matter of the assignment must sufficiently appear on the face of the document. Cf *Estate Du Toit v Coronation Syndicate* 1929 AD 219 at 226.

Counsel for the plaintiff referred to the case of *Magwaza v Heenan* 1979 (2) SA 1019 (A) as authority for the proposition that if the *essentialia* of the contract are in writing, it may be rectified, but, if they do not appear on the face of the document, then it does not comply with the provisions of the statute and it is void. Counsel for the defendant referred to the same case and that of *Dowdle's Estate v Dowdle and Others* 1947 (3) SA 340 (T) at 354 as authority for the same proposition. I do not know why they did refer to those authorities because there is no claim in the present case for rectification of the

assignment and I have not been asked to decide whether it is capable of rectification.

Counsel for the plaintiff also submitted, in his Heads of Argument, that—
‘The statute does not require parties to a written agreement to construct the writing in such a way so that it is meaningful to parties other than those to the document. All that is required is that the writing reflect the cession.’

He conceded, in argument, that this submission was wrong. In my opinion that submission was wrong as was his further submission, in his Heads of Argument, that—

‘.... as long as the terms are identifiable and meaningful in writing to the parties to the contract that is sufficient compliance as far as validity is concerned for the formality of writing.’

Dealing with the requirement that a contract for the sale of fixed property must be in writing, Innes J in *Wilken v Kohler* 1913 AD 135 at 142, commented that—

‘The idea, no doubt, was the same which underlay the English Statute of Frauds.’

‘(T)he Legislature’, he said, ‘in order to prevent litigation and to remove a temptation to perjury and fraud, insisted upon their being reduced to writing.’

In *Neethling v Klopper en Andere* 1967 (4) SA 459 (A) Steyn CJ said at 464, in relation to the statutory requirement for writing in the case of a contract for the sale of land, that—

‘..... die oogmerk van hierdie artikel is om, sover doenlik altans, onsekerheid en geskille omtrent die inhoud van sulke kontrakte te voorkom en moontlike wanpraktyke teen te werk.’

Counsel for the defendant drew attention to the fact that in the English case of *E. W. Savory Ltd v World of Golf Ltd* [1914] 2 Ch 566, which dealt with the requirement of the Fine Arts Copyright Act of 1862 that there be a ‘memorandum in writing’ in the case of an assignment to a purchaser of a copyright, the court relied upon the cases of *Shardlow v Cotterell* [1881] 20 ChD 90 and *Plant v Bourne* [1897] 2 Ch 281, dealing with the English Statute of Frauds, in support of the proposition that parol evidence was admissible for the purpose of identifying the subject matter described or referred to in the contract.

Whilst, clearly, one of the purposes of requiring the assignment of a copyright to be in writing is to prevent uncertainty and disputes between the assignor and the assignee, that is not the only purpose. The legislature must have contemplated that once the assignment had taken place and the assignor had, as it were, fallen out of the picture, disputes could arise between the assignee and third parties with regard to whether or not the person claiming

to be the assignee of a copyright and entitled to enforce it was, in fact, the assignee. The existence of a written assignment would, in such cases, normally prevent or minimise the possibility of such a dispute. It cannot be correct, therefore, that the subject matter described in the assignment need only be identifiable and meaningful to the parties to the written assignment. The subject of the assignment must be objectively identifiable to any person reading the contract of assignment.

Counsel for the defendant suggested the following test—

‘Is the description of the work sufficient to enable a third person objectively to identify the work without the need to have recourse to the oral evidence of the parties to the document or the assignment as to their negotiations and consensus?’

I have no quarrel with this suggested test, but it leaves unanswered the question as to how, apart from the oral evidence of the parties as to their negotiations and consensus the subject can be objectively identified.

Counsel for the defendant submitted that if it is necessary to ask the parties the question ‘To what agreement are you referring?’ then the section has not been complied with because the subject matter of the assignment has not been sufficiently identified in the assignment itself. If this submission is intended to mean that neither of the parties to the assignment may ever give evidence to identify the subject matter of the assignment, it is, in my opinion, too widely stated. Clearly, if, in the course of giving evidence in the present case, the representative of the plaintiff, when asked the suggested question, were to produce annexure ‘A’ to the particulars of claim and when asked the further question ‘Why do you say this is the agreement referred to in the assignment?’ his only answer was ‘Because this is the agreement which was assigned to us’ or ‘This is the agreement which we agreed would be assigned to us’, that evidence would be inadmissible as being evidence of the consensus or negotiations of the parties. Counsel for the defendant said that had the parties to the assignment described the agreement with reference to such criteria as its nature, eg a ‘Master Sales Agreement’ or the period during which time it was made then it would not be necessary to ask the parties to which agreement they were referring in the ‘CESSION’. That is not necessarily so, because it might still be necessary to ask the assignor, and for him to give evidence, to identify the particular ‘Master Sales Agreement’ in question or to identify the particular agreement as being the one made during the period in question. It is not necessary to decide whether that evidence would be admissible because it still raises the question as to whether the suggested additional descriptions, would, in the circumstances of the case, have been adequate.

However, it is apparent from the cases that certain evidence is admissible to identify the subject matter of a contract required by statute to be in writing.

In *Van Wyk v Rottcher's Saw Mills (Pty) Ltd* (supra) Schriener JA said at 1005-1006—

'In cases of identification by events connected with the property a distinction must be drawn between events that form part of the negotiations leading up to the sale and events that are unconnected with those negotiations. Events of the latter class will ordinarily provide a measure of objectivity and to that extent furnish some protection against the kind of dispute that the requirement of writing is designed to minimise.' In the same case Watermeyer CJ said, at 990—

'In a Court of law, of course, in every case evidence is essential in order to identify the thing which corresponds to the idea expressed in the words of the written contract. The abstract mental conception produced by the words has to be translated into the concrete reality on the ground by evidence. It has been suggested that a written contract does not satisfy the provisions of the statute unless the mere reading of the document is sufficient to identify the land sold without invoking the aid of any evidence *dehors* the document, but a moment's reflection and an appreciation of the fact that a written contract is merely an abstraction until it is related, by evidence, to the concrete things in the material world will show at once that suggestion makes sec. 30 demand performance of an impossibility.'

In *Oberholzer v Gabriel* 1946 OPD 56 at 59, Van Der Heever J said—

'But there are two notions we should not confuse, namely the sufficiency of a demonstration of the subject-matter on the one hand and its application to physical phenomena on the other. There never has been and there cannot be a rule to exclude parol evidence on the latter.'

In addition to evidence of an identificatory nature, or as part of the evidence relevant to the identification of the subject matter, evidence of 'surrounding circumstances' or 'background circumstances ... of an objective nature' may be admissible. See *Delmas Milling Co v Du Plessis* 1955 (3) SA 447 (A) at 454 F-G. *Headermans (Vryburg) (Pty) Ltd v Ping Bai* 1997 (3) SA 1004 (A) at 1009 G-H.

Other examples of cases in which extrinsic evidence was found to be admissible for the purposes of identification of the subject matter of the contract are—

Van Wyk v Rottcher's Saw Mills (Pty) Ltd (supra) in which parol evidence was admissible to establish the location of a particular 'point B where the parties have erected a beacon'.

Van Niekerk v Smit 1952 (3) SA 17 (T) at 22 G in which extrinsic evidence was held to be admissible to establish that what had been leased was the first respondent's 'gedeelte' of the farm named in the description of the leased property, ie that portion registered in her name in the Deeds Registry.

Fismer v Roux 1965 (2) SA 468 (C) at 471-472 where it was held that property described as 'my plaas' could be identified by reference to its relationship with the seller ie by referring to the Deeds Office to identify the farm in question. Van Heerden J said at 472B—

'A test of sufficiency of description had also been stated as depending on whether 'the description can apply to but one parcel of property owned by the seller'.'

Hutchings v Satz 1965 (4) SA 640 (W) at 642 in which, against the background facts, it was held that reference to 'the house' in a power of attorney given by a husband to his wife to sell 'the house' was reasonably capable of supporting the construction that he had in mind the matrimonial home of the parties and that evidence could well be led during the trial to show that the husband owned only one house and that he was not empowered to grant a power of attorney to sell any house belonging to some other person.

Grobler v Naude 1980 (3) SA 320 (T) at 333 in which it was held that evidence could be led at the trial to identify what was described in the agreement of sale as 'die aanliggende eiendom'.

In the English case of *E.W. Savory Ltd v The World of Golf Ltd* (supra) the description of the subject matter contained in a receipt which was held to be a memorandum of an assignment of copyright was 'five original card designs inclusive of all copyrights. Subjects: 4 golfing subjects. 1 Teddy Bear painting'. It was argued that the court was not entitled to admit parol evidence to identify the four golfing subjects and that if it did not do so, it could not tell what particular golfing subjects were intended and referred to in the document itself. Neville J held that he was entitled to receive evidence for the purpose of identifying the subject-matter of the contract, that is to say as to what four golfing subjects were purchased by the plaintiff from the artist who issued the receipt.

In the present case the only points of identification of the subject matter of the assignment contained in the 'CESSION' document itself are—

- (a) Patrick Francis Daly and Dykes Daly's right title and interest in and to a copyright;
- (b) owned by Patrick Francis Daly and Dykes Daly;
- (c) in the agreement and related forms.

Clearly neither Patrick Francis Daly nor the plaintiff, nor anyone else, could give oral evidence simply that the agreement intended to be referred to was annexure 'B' to the particulars of claim, because that would be evidence of the consensus of the parties to the assignment.

On the other hand, evidence would be admissible, either from the parties to the assignment or by anyone else with the requisite knowledge (see *Sapirstein v Anglo African Shipping Co (SA) Ltd* 1978 (4) SA 1 (A) at 12C-D)

to show that Patrick Francis Daly and/or Dykes Daly owned the copyright in an agreement and related forms.

In terms of section 21(1)(a) of the Copyright Act, ownership of a copyright vests in the author, or, in the case of a work of joint authorship, in the co-authors of the work. In the particulars of claim it is alleged that Daly, then employed as a partner of the firm Dykes Daly, was the author of the document which is annexure 'A' to the particulars of claim. Evidence that Daly was the author of the document in question would be admissible and, if believed, that would establish that he was the owner of the document. Counsel for the defendant submitted that if there was only one agreement in existence, the description would be sufficient, but factually there are in existence a multitude of agreements, any one of which could have been intended to be referred to. The assignment, he said, did not refer to 'my agreement' or 'the agreement I drafted for you' or 'the agreement I took assignment of'. These submissions are, in my opinion, too widely stated. The 'CESSION' document clearly contemplates an agreement the right, title and interest to the copyright of which vested in Daly or Dykes Daly. That immediately cuts down the number of possible agreements to either an agreement of which Daly was the author or an agreement the copyright in which was assigned to him or Dykes Daly. The particulars of claim makes no mention of such an assignment and it may, therefore, be assumed that the plaintiff would rely solely on its allegation that Daly was the author of the agreement. It may well be, as counsel for the defendant submitted, that Daly, being an attorney (the particulars of claim allege that Dykes Daly was a partnership that carried on business as attorneys), would not draft only one agreement, whether with related forms or otherwise. At this stage that is a matter of pure speculation. Whilst it is probable that Daly drafted more than one agreement, it does not necessarily follow that he drafted more than one agreement with 'related forms'. If he only drafted one agreement with related forms prior to the assignment, that would sufficiently identify, by evidence other than evidence of the negotiations and consensus of the parties, the agreement which was intended to be referred to in the assignment. But there are other factors which could, possibly, narrow down the number of agreements to only one agreement. In order to be eligible for copyright, a literary work must, in terms of section 2(1)(a) of the Copyright Act, be original. Whilst I do not intend to enter into a discussion of what is meant by 'original', for the purposes of the Copyright Act, (see *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* 1987 (2) 1 (A) at 22-25) it is possible, if somewhat unlikely having regard to the wide scope of the concept of originality, that this requirement of originality may further reduce, even to one, the number of agreements drafted by Daly in respect of which he owned the copyright. There is also the possibility that there may be admissible

evidence of surrounding or background circumstances of an objective nature which would serve to identify the agreement referred to. Counsel for the plaintiff did not refer to any such background evidence but then his main submission was that 'on a reading of the cession document alone there is no ambiguity'. Suffice it to say that I cannot, at this stage, make a positive finding that there was, at the time of the assignment, more than one agreement and related forms of which Daly was the author, which were original for the purposes of section 2(1)(a) of the Copyright Act, and the ownership of which vested in Daly or Dykes Daly, or both of them. It is impossible, therefore, for me to find, at this stage, that the purported assignment was, and is, invalid.

Counsel for the plaintiff submitted, in the alternative, that 'on the assumption that there was more than one agreement capable of being ceded, then there is an inherent ambiguity within the agreement in that it did not determine which one was ceded and parol evidence may be led'. It does appear that where there is a latent ambiguity in a contract, evidence may be led 'to dispel the doubt raised not by the document itself, but outside it'—per Stratford JA in *Estate Du Toit v Coronation Syndicate Ltd* (supra) at 224. However, as appears from the judgment of Nestadt J in *Rand Vir Rand (Edms) Bpk v Boswell* 1978 (4) SA 468 (W) at 470 B-D, just as evidence is admissible to resolve an ambiguity, so is it admissible to create an ambiguity. As further appears from that case, at 471 F-G, however, if the admissible evidence (which would still not include evidence of the negotiations or consensus of the parties), still does not resolve the ambiguity, the agreement is invalid. (See also *Grobler v Naude* 1980 (3) SA 320 (T) at 333 F.)

It follows that the defendant's so-called special plea relating to the insufficient identification of the subject matter of the copyright may yet prove to be correct and so it cannot simply be dismissed. At this stage, however, the plea has not succeeded and the question which arises is what order should be made. In actual fact the issue which the parties agreed should be argued and decided before the other issues in the case, ought to have been raised by way of an exception if it was capable of being decided on the pleadings without evidence. (See Herbstein and Van Winsen—*The Civil Practice of the Supreme Court of South Africa*, 4th ed, p 471.) Had it been raised by way of an exception, the exception would have failed, in view of my finding that evidence may be admissible to identify the subject matter of the assignment. However, the parties agreed that the matter should be argued at this stage. It seems to me that both parties misconceived the position. The defendant's counsel argued that there was no possibility of there being any admissible evidence to identify the subject matter of the assignment. The plaintiff's counsel argued that the assignment was valid ex facie the 'CESSION' document but that if evidence was necessary, it would be admissible. He was

not, however, able, at this stage, to rely on any such evidence and did not even suggest what admissible evidence was available for the purposes of identification. In the circumstances I consider that I should merely rule that the issue cannot be decided at this stage and reserve the question of costs for decision in the action.

It is accordingly ruled that the issue as to whether the assignment relied upon by the plaintiff is void for non-compliance with the requirement of section 22(3) of the Copyright Act, cannot be decided at this stage, as it appears that there could be admissible evidence which would enable the subject matter of the assignment to be identified without recourse to the evidence of the negotiations or consensus of the parties to the assignment. The costs of both parties incurred in arguing, by agreement, the issue in question, are reserved for decision in the action.

JACANA EDUCATION (PTY) LTD v FRANDSEN PUBLISHERS (PTY) LTD

SUPREME COURT OF APPEAL

HARMS JA, SCOTT JA, PLEWMAN JA, SCHUTZ JA, ZULMAN JA
27 NOVEMBER 1997

Proof of anonymity of authorship, as required when depending on the presumptions contained in section 26 of the Copyright Act (no 98 of 1978) requires proof that the work does not attribute authorship to a particular person, as would be done where the work is said to be created by a particular person or records the identity of the possible copyright holder by means of a © followed by the name of an author.

Jacana Education (Pty) Ltd created a map of the Kruger National Park. The map included a grid setting out the camps situated in the Park, and the services and facilities provided at each of them. It recorded that it was 'created' by 'Jacana Education and the Kruger National Park'. Jacana also created a leaflet showing gate opening and closing times, the trading hours of shops and restaurants, and the Rules of the Kruger National Park. The leaflet recorded '© Jacana Education'.

Frandsen Publishers (Pty) Ltd also created a map of the Kruger National Park. It exhibited a number of differences when compared to Jacana's map. It incorporated the details included in Jacana's leaflet. It also incorporated a grid showing the details given in Jacana's grid, but unlike Jacana's, its grid was not divided into two parts. The classification of camps given in Jacana's grid was repeated in Frandsen's grid.

Jacana claimed that it held copyright in the map as an artistic work and in the grid and Rules as literary works. It alleged that Frandsen's work infringed its copyright, and it applied for a final interdict preventing Frandsen from continuing the infringement. Frandsen defended the action on the ground that the subsistence of copyright had not been proved because Jacana's work was not original, and on the ground that it had not copied Jacana's work. For proof of its copyright, Jacana depended on the presumptions contained in section 26 of the Copyright Act (no 98 of 1978).

Held—

Section 26(3) of the Copyright Act provides that where, in relation to an anonymous or pseudonymous work, it is established that the work was first published in the Republic within fifty years of the bringing of an action for infringement of copyright in the work, and the name of the publisher appeared on copies of the work as first published, copyright shall be presumed to subsist in the work, and to vest in the publisher whose name so appeared on copies of the work. Section 26(5) of the Act provides that where a work has been published anonymously or under a name alleged to be a pseudonym, and has not been shown to have been published under the true name of the author, the work shall be presumed to be original unless the contrary is proved.

The presumptions contained in these sub-sections depend on it being shown that the author is anonymous. However, the map created by Jacana was stated to be created by 'Jacana and the Kruger National Park'. The author was named, and whether or not a company can be the author of a copyright work, the anonymity sought by Jacana did not exist. As far as the leaflet was concerned, the words '© Jacana Education' could refer to its author. This meant that in this case too, the author was not anonymous. Jacana was therefore not entitled to rely on the presumptions contained in section 26.

Even if Jacana had attempted to prove originality without depending on these presumptions, this attempt would have failed, given the fact that visually, it could never be said that the one map had been copied from the other. The overall impact of both maps, as well as the particular dissimilarities between them left the impression that the one map was not a reproduction of the other. The same could be said of the grid and the Rules.

The appeal was dismissed.

Schutz JA: Two competing maps of the Kruger National Park ('the Park'), each with supplemental matter, are the subject of a copyright dispute. The appellant ('Jacana') was the first in the field. Later it was the unsuccessful applicant for a final interdict before van Dijkshorst J in the Transvaal Provincial Division. The respondent is Frandsen Publishers (Pty) Ltd ('Frandsen').

Jacana's map is printed on both sides of a large foldable sheet. The actual map is broken into three sections, called northern, central and southern. As befits a map of the park, it depicts features such as the perimeter, roads, gates, rivers and camps. A striking feature of it is that pronounced colours are used to illustrate 16 different kinds of 'ecozone' or natural area, each having its own combination of underlying rock and soil, rainfall, elevation and slope, leading to differing patterns of vegetation and animal distribution. An illustrated cross-section of each of these areas is provided. Various commonplaces are included, such as a distance and travelling time table and a key to symbols depicting features such as waterholes, look-out points, camps and the like. The map includes a grid, plotting camps on one axis and a variety of services and facilities on the other. I shall describe it more fully later. The grid is also the subject of alleged infringement. The map contains the statements 'Created by Jacana Education and Kruger National Park' and 'Published by © Jacana Education, Johannesburg 1993'. It is common cause that the reference to Jacana is a reference to the appellant, Jacana Education (Pty) Ltd, which has traded under the name Jacana Education throughout, despite the fact that the company was formerly styled Term Holders (Pty) Ltd.

Unlike the map, which is sold at entrance gates and shops, Jacana distributes free copies of a leaflet showing gate opening and closing times, the trading hours of shops and restaurants, and the 'Rules and Regulations of the Kruger National Park' (the 'Rules'). These Rules deal with a diversity of matters such as not using roller skates in camp, adhering to the speed limits, remaining in one's car and not disturbing or feeding the animals. Jacana's version of the Rules is a further subject of alleged copyright infringement. At the foot of the last page of the leaflet appears the expression '© Jacana Education' followed by a stylised depiction of a bird, the African Jacana.

Frandsen's map is strikingly different in appearance and get-up. It comes in the form of a fold out booklet. The map is divided into seven sections, each on a separate page, preceded by a contents page showing the outline of the park and its division into seven sections. This makes the map more easy to use in a confined space than is Jacana's. The background colour is uniform and there is no attempt at all to indicate 'ecozones'. Again, boundaries, roads, gates, rivers, camps and the like are indicated. The roads are stylised compared with those of Jacana. Kinks have been ironed out. The symbols on the key are quite different, except for the general rondavel sign for camps, the statutory 'no entry' sign and the imagined blue of the lowveld rivers. Among the differences are Jacana's marking of a waterhole by a giraffe drinking, against Frandsen's more prosaic 'W'; Jacana's depiction of a swing gate against Frandsen's 'G' and the former's depiction of a picnic site with a cup and saucer symbol against the latter's 'P'. The letters W, G and P are enclosed in coloured surrounds. When the two maps are compared there are differences in the print used, the spelling of names and their positions on the maps. Frandsen's map gives the elevation of hills whilst Jacana's does not. Hills are depicted in a different way. There is not an entire identity as to the hills which are depicted. Nor are all their positions identical. Some of the details of the courses of rivers differ. A distinctive feature of Frandsen's map is that the sheets are surrounded by drawings of wild animals. A striking difference in content is the depiction of neighbouring private reserves, such as Sabi Sabi, Londolozi and Timbavati. These do not appear on Jacana's map. A table of distances and a list of gate opening and closing times are included. There is also a grid, plotting camps against services and facilities, and a version of the Rules bearing similarity to that of Jacana, at least as far as content is concerned.

Unlike its map, which is divided into three parts, Jacana's grid is divided into two, northern and southern. The camps are listed on the vertical axis, and the facilities on the horizontal. The descriptions of the latter which appear at the top and which read vertically are tilted diagonally towards the right to make reading easier. The colour is white on green with black print. The camps are divided into four groups: main, such as Satara and Skukuza, private, bushveld and camping. Nineteen facilities are listed, such as 'petrol station', 'shop', 'restaurant' and 'conference facilities'.

Frandsen uses a single grid for the whole park, with the same basic layout. The colouring is near-black and blueish-grey upon white. The camps, needless to say, are the same. Frandsen adopts a classification the same as that of Jacana, save that it does not have the separate category of 'camping'. Another difference is that Jakkalsbessie is shown as a bushveld and not as a private camp. As with Jacana's grid, the ordering of camps within each category is,

unsurprisingly, alphabetical. Seventeen facilities are shown on the grid. Another three, which appear on Jacana's grid as available only at Skukuza, 'doctor', 'bank' and 'post office', are listed as a separate item below Frandsen's grid. As can also cause no surprise, the facilities shown are largely common to the two grids, although their order differs. Items such as 'petrol', 'shop' and 'caravan site' are to be found on both grids. Examples of differences in selection for inclusion are that Jacana makes provision for 'educational display' and 'car hire' whereas Frandsen does not. The latter, on the other hand, lists 'refrigeration', 'first aid centre' and 'night drives', whereas the former does not. In some instances there is conflict as to whether a facility common to both grids is to be found at a particular camp, for instance whether there are camping and caravan facilities at Orpen camp. The visual appearance of the contrasted grids, in so far as that matters in a literary work, differs considerably.

Jacana claims copyright in the map as an 'artistic work', and the grid and Rules as 'literary works'—this in terms of section 2(1) of the Copyright Act (no 98 of 1978) ('the Act'). Under the subsection, in order to be eligible for copyright, these works must be 'original'. Although there is a dispute as to who the 'author' was, it is common cause that whoever or whatever that person was, he, she or it was a 'qualified person' for purposes of section 3 (1).

Jacana further claims that Frandsen infringes its copyright in the map, the grid and the Rules, relying on sections 6, 7 and 23(1) of the Act, in that Frandsen's booklet constitutes a reproduction of Jacana's three works.

Frandsen opposes Jacana's application on two main grounds: first, that subsistence of copyright has not been proved, because the originality requirement has not been established; and secondly that, in any event, an essential ingredient of infringement, copying, has also not been proved. Prominent in this part of the defence was stress on the common sources available to the parties, earlier maps and the like, which tended to make copying less likely and proof of it more difficult. Evidence on such matters tended to merge into that relevant to the first ground of opposition, lack of originality, because the existence of prior material tends also to limit the scope for originality and to require more exacting proof of its existence than is the case with truly original works. Although evidence of this kind may be relevant to what are two notionally distinct spheres, originality and copying, when one takes a broad look at the evidence of the preceding sources in this case, before one descends into the caverns of the law, one wonders how copyright infringement of a map of *terra cognita* is to be proved, unless reliance is to be placed upon the copying of special features ('Jock's last hunt', 'The fight with the crocodile', to take a famous example), rather than of mere cartographical commonalities.

In Jacana's founding affidavit the stand was taken that because of the operation of section 26 in relation to 'anonymous authors', it was rebuttably presumed that (a) copyright subsisted (section 26 (3)), (b) Jacana, as publisher, owned the copyright (section 26 (3)), and (c) the works were original (section 26 (4) and (5)). Consequent upon this stand, practically no evidence of originality beyond bare assertion was tendered in the founding affidavit. Consistently with this view of the onus, some evidence was tendered in reply.

The learned judge a quo accepted, for the sake of argument, that the section 26 presumptions did operate in Jacana's favour, but decided the case against it mainly on the basis that no infringement had been proved. However, notwithstanding the assumption as to the existence of copyright, the judge commented on all three works, to the effect that in some respects, at least, they could not be original. There was no harm or inconsistency in this, as it was contended there was, because there was no confusion on the judge's part, and because the presumptions, even if they do apply, are rebuttable. So much for the proceedings below. In considering the appeal I think that the applicability of the presumptions should be addressed first.

The presumptions

Section 26 is contained in the infringement chapter of the Act and is headed 'Onus of proof in proceedings'. The relevant subsections read:

- '(3) Where in any proceedings brought by virtue of this Chapter with respect to a literary, musical or artistic work or a computer program which is anonymous or pseudonymous it is established—
- (a) that the work or program was first published in the Republic and was so published within the period of fifty years ending with the beginning of the calendar year in which the proceedings were brought; and
 - (b) that a name purporting to be that of the publisher appeared on copies of the work or program as first published,
- then, unless the contrary is shown, copyright shall be presumed to subsist in the work or program and the person whose name so appeared shall be presumed to have been the owner of that copyright at the time of the publication: Provided that this subsection shall not apply if the actual name of the author of a pseudonymous work is commonly known.
- (4) Where in any proceedings brought by virtue of this Chapter with respect to a literary, musical or artistic work or a computer program it is proved or admitted that the author of the work or program is dead, the work or program shall be presumed to be an original work or program unless the contrary is proved.
- (5) Subsection (4) shall also apply where a work or program has been

published and—

- (a) the publication was anonymous or under a name alleged by the plaintiff or the State to be a pseudonym; and
- (b) it is not shown that the work or program has ever been published under the true name of the author or under a name by which he was commonly known or that it is possible for a person without previous knowledge of the facts to ascertain the identity of the author by reasonable inquiry.'

Common to the invocation of subsections (3) and (5) is Jacana's assertion that the author of the map and the Rules (they being contained in two different publications) is anonymous. Indeed, it is a fact essential for Jacana to prove in order to bring the presumptions into operation. Yet the path to anonymity, after some strange twists, seems to me to peter out. Surprisingly, the deponent to the founding affidavit (Mrs Thomas) reveals herself and two others, Lana du Croq and Greg Stewart, to be authors in the normal sense. But she refrains from attempting to describe what they originated. Of course, she was not in the position of 'stout Cortez with eagle eyes' as he 'star'd at the Pacific... Silent, upon a peak in Darien.' The Kruger Park was well explored and well mapped. To establish that a new map which is original had been created would have required exacting demonstration. The resort to the presumptions spared this arduous labour. If the course adopted is a permissible one it must open a new chapter in copyright litigation. Anonymity, real, or even better, pretended, must become the preferred mode. If this case were not capable of decision on the footing that the authorship of both publications is not anonymous, it might have been necessary to enquire whether a plaintiff, who well knows who the author is, may resort to the presumptions arising from anonymous authorship.

However that may be, Mrs Thomas in her founding affidavit justifies the absence of evidence of originality by claiming that the author was anonymous. The immediate enquiry is then whether that is in fact so.

The map (which includes the grid) states that it was 'created' by Jacana Education and the Kruger National Park. The two complementary verbs used in the definition of 'author' in section 1 are 'makes or creates.' Therefore the use of the word 'creates' is an indication of a claim to authorship. Is the authorship indicated anonymous or not? A publication is anonymous where the name of an author is wanting. That is not the case here. Two names are given, Jacana Education and Kruger National Park. The existence of anonymity appears to be a simple fact, unrelated to whether there has been a misnomer, that is where the wrong person has been named as author. On the face of it, accordingly, the author of the map is not anonymous. Jacana seeks to overcome this difficulty by contending that only a natural person can be the

author of a literary or artistic work. I do not propose entering into the elaborate debate to which this submission may lead. Even if Jacana be correct about artificial persons, I fail to see how a person is not named when he is in fact named, even though he is not in law entitled to be an author. In any event, the name Jacana Education is not on the face of it that of a corporation, but rather that of a firm. So even the elementary factual basis for this elaborate legal argument is lacking.

As far as the leaflet containing the Rules is concerned, it simply says '© Jacana Education.' Supposing that the Rules do constitute an original compilation, this name could be that of the publisher, that of a third party who has acquired the copyright, or that of the author. Once the third alternative is a clear possibility, to my mind Jacana fails to establish, also in the case of the leaflet, that the author was anonymous.

In reply there was an attempt to introduce pseudonymity (also catered for by section 26(3) and (5)). The point was not raised in the founding affidavit as a basis for the application of the presumptions. For that reason it cannot be raised now. Pseudonymity was not pressed in oral argument in this court.

My conclusion is that the presumptions contained in section 26(3), (4) and (5) do not apply to either publication. As there was no attempt to prove originality by means of evidence in the founding affidavit, such a conclusion is fatal to the appeal. Mr Franklin rightly conceded as much. However, lest Jacana should feel that it has lost on a technicality or as a result of bad advice, I will say something brief about what would have been the merits of the case if the presumptions had operated and the onus of disproving originality had rested on Frandsen, with the consequence that Jacana would have been entitled to deal with originality in reply.

The map

Even with reference to the reply there is a question whether Jacana has succeeded in meeting Frandsen's rebutting evidence upon which its denial of originality is based. I do not intend exploring that question, because I consider that Jacana has, in any event, failed to establish infringement, where it bears the onus. As Corbett JA pointed out in *Galago Publishers (Pty) Ltd v Erasmus* 1989 (1) SA 276 (A) at 280 B-D, in order to prove copyright infringement by reproduction the plaintiff must establish two distinct things, namely:

- ... (i) that there is sufficient objective similarity between the alleged infringing work and the original work, or a substantial part thereof, for the former to be properly described, not necessarily as identical with, but as a reproduction or copy of the latter; and (ii) that the original work was the source from which the alleged infringing work was derived, ie that there is a causal connection between the original work and the alleged infringing work, the question to be asked being: has the

defendant copied the plaintiff's work, or, is it an independent work of his own?'

It is upon the first element that I would focus. The existence of prior subject-matter may render proof of objective similarity more difficult for a plaintiff. Burger J said in *Bosal Afrika (Pty) Ltd v Grapnel (Pty) Ltd* 1985 (4) SA 882 (C) at 889 C-D:

'Mr Puckrin, on behalf of defendants, is correct when he argues that the ``the objective similarity" must be judged in the light of the state of the art as at the date of the making of the alleged original work. Thus, although the alleged infringement and the original work may bear a close resemblance, this resemblance may be explained by the fact that they both incorporate common prior art.'

See also the remarks of Nicholas J in *Laubscher v Vos and Others* 3 JOC (W) at 6, where the learned judge observed that in the case of truly original artistic works a mere comparison usually provides a ready answer, whereas the answer may not be so readily reached if the copyright and the alleged infringing works may have a common source.

The importance of the plaintiff's identifying *those parts of his work* which he alleges have been copied is made clear by Millett J in a case where a 'Dog-N-Boots' design was alleged to be a reproduction of a 'Puss-N-Boots' design. The case was *Spectravest Inc v Aperknit Ltd* [1988] FSR 161. The relevant passage appears at 170:

'Accordingly, where the reproduction of a substantial part of the plaintiffs' work is alleged, a sensible approach is first to identify the part of the plaintiffs' work which is alleged to have been reproduced and to decide whether it constitutes a substantial part of the plaintiffs' work. The test is qualitative and not, or not merely, quantitative. If it does not, that is an end of the case. If it does, the next question is whether that part has been reproduced by the defendant. Reproduction does not mean exact replication. A man may use another's work as an inspiration to make a new work of his own, treating the same theme in his own manner; but he is not entitled to steal its essential features and substance and retain them with minor and inconsequential alterations. The question is whether there is such a degree of similarity between the salient features of the two works that the one can be said to be a reproduction of the other. In considering whether a substantial part of the plaintiffs' work has been reproduced by the defendant, attention must primarily be directed to the part which is said to have been reproduced, and not to those parts which have not.'

Moving from the general to the particular, a decision of the High Court of Australia concerning a map is instructive. It is reported as *Sands &*

McDougall (Pty) Ltd v Robinson [1917] 23 CLR 49. The plaintiff was the author of an original work because:

'He had unquestionably prepared it by taking the common stock of information in Australia and, by applying to it personal, that is, independent, intellectual effort in the exercise of judgment and discrimination, had produced a map that was new in the sense that, in respect of its size and outlines, its contents and arrangement and its general appearance, it presented both in its totality and in specific parts distinct differences from other existing maps' (per Isaacs J at 52).

The defendants (the appellants) had infringed the plaintiff's copyright for these reasons:

'It is true that the appellants changed the colours of the political divisions, corrected the Balkan boundaries, introduced some places that had then acquired recent prominence, and cut out some places that were interfered with by some further features of arrangement of their own map. Their map was not a mere copy in the ordinary sense of the term, but it was clearly a reproduction of a substantial part of the respondent's map in a material form, which necessarily violated the respondent's copyright if his work be protected by the Act. Notwithstanding all the differences referred to, there still remained in respect of size, of draftmanship, of style, of printing type, and geographical selection and general appearance, a manifest wholesale adoption of the individual work which the respondent had bestowed upon his map, and which had given to it its distinct characteristics and individuality' (at 52-3).

How do the two maps in this case compare? Needless to say there were numerous maps of the Park in circulation long before the parties entered the field. As one must have expected, those maps, like the maps of the parties show the same boundaries, roads, rivers, camps, gates and so forth. Nor does one learn with any surprise that both parties used earlier maps, with the result that much is similar or the same. But the common features contained in the earlier maps should be put aside in considering whether there is an objective similarity between the maps in issue, such a similarity as may lead one to say that the one appears to be a reproduction of the other. Mrs Thomas made this important statement in her reply '[Jacana] at no time stated that [Frandsen's] map and [Jacana's] map look alike. They do not.' The judge below added his observation 'Visually one would never say that the one map has been copied from the other.' I agree with him entirely. Had I not read the papers in this case it would never have occurred to me that Frandsen's map is a reproduction of Jacana's. Having heard argument that impression remains. It was pressed upon us that there had been a reproduction of a selection of features included by

Jacana in its map. I have mentioned many of the similarities and dissimilarities between the two maps earlier in this judgment. Apart from overall impact, a study of details dependent on choice confirms the impression that the one map is not a reproduction of the other. This conclusion makes it unnecessary to consider the second element mentioned in *Galago*, causal connection, about which there was much evidence. The distinction between the two separate elements may be illustrated in this way. Suppose a tyro of great ineptitude attempts to paint a copy of a masterpiece, but the ensuing work is not recognisable as a copy. There would be no reproduction, however great the application of the tyro.

For these reasons I am of the opinion that Jacana has failed to prove infringement of the map.

The grid

The legal principles and problems mentioned in relation to the map are relevant also to whether the grid has been reproduced, so that there has been an infringement. Again I shall assume, without deciding, that Jacana displayed originality in making its compilation.

Jacana has rightly disavowed reliance on a grid format as such, on the division of camps into classes and on the idea of showing which facilities are available at which camps. Its complaint is that it has expended skill and effort in compiling the information set out in its grid and that Frandsen has reproduced it. In deciding whether there has been a reproduction regard must be had not only to similarities but also to dissimilarities. Many of the similarities are almost inevitable in two competent lists, for instance 'shop' or 'caravan park.' So they are of no real account. When one looks at the dissimilarities, they are quite numerous and they are not unimportant. I have set out some of them above. Jacana lists some facilities that Frandsen does not. And vice versa. In some instances there is a conflict as to the facts.

On balance I am not persuaded that there has been a reproduction of Jacana's grid. For this reason I would hold that infringement in this respect also has not been proved by the onus bearer, Jacana.

The Rules

Here again Jacana relies on a compilation. For reasons given earlier it is not entitled to rely on the presumptions. Assuming for the sake of argument that it may rely on them, Frandsen has demonstrated, in trying to rebut them, that various of the rules had been compiled previously in a variety of publications. However, it has not produced a complete version of the Rules (assuming such a thing existed) antedating Jacana's leaflet. Nor has Jacana produced such a document in reply, despite its claim that its originality lay in 'rewriting' the Rules. More generally it has not shown what prior forms of the Rules were available to it or what its input was in 'rewriting' them. This is

important because even an Ovid might have difficulty in metamorphosing such unyielding material as: do not feed the animals, stay in your car and vacate your accommodation by 9.00 h. And if Jacana's originality consisted in collecting rules from various sources and arranging them, it has failed to show exactly what it did. In short, once Frandsen disturbed the operation of the presumptions (still assuming that they operated) Jacana failed to demonstrate what exactly it did, something peculiarly within its own knowledge. So even with the presumptions operating Jacana should fail for absence of originality.

The appeal is dismissed with costs.

HARMS JA, SCOTT JA, PLEWMAN JA and ZULMAN JA concurred

MARAIS v BEZUIDENHOUT

WITWATERSRAND LOCAL DIVISION

CLOETE J (EPSTEIN AJ concurring)

16 OCTOBER 1998

An agreement requiring one party to produce a copyright work will not result in copyright vesting in the party giving the instruction where the agreement consists in a contract of work. Copyright may however vest in the employer in terms of section 21(1)(d) of the Copyright Act (no 98 of 1978) where an agreement consists in a contract of service in which one party produces a copyright work as part of a contract of service.

While engaged in private practice as an architect, Marais drew architectural plans for a house based on the specific requirements of Bezuidenhout. Marais was not then, nor had ever been, Bezuidenhout's employee.

Marais alleged that Bezuidenhout copied the drawings he had made and brought an action for infringement of copyright in them. Bezuidenhout did not deny that the copies were reproductions of Marais' drawings, but contended that the copyright in the drawings vested in himself by virtue of the fact that Marais had drawn the architectural plans in the course of Marais' employment by Bezuidenhout under a contract of service.

Bezuidenhout contended that section 21(1)(d) of the Copyright Act (no 98 of 1978) was therefore applicable and that Marais had no cause of action against him. Bezuidenhout applied for and was granted absolution from the instance. Marais appealed.

Held—

Section 21(1)(d) of the Copyright Act (no 98 of 1978) provides that where in a case not falling under paragraphs (b) or (c), a work is made in the course of the author's employment by another person under a contract of service or apprenticeship, that other person shall be the owner of any copyright subsisting in the work.

Whether or not this section was applicable to the agreement between Marais and Bezuidenhout depended on whether or not the agreement between them was properly characterised as a contract of service or a contract of work. A 'contract of service' as provided for in the section did not include a contract of work. The argument that the one form of contract would not have been excluded from the meaning of the other was not sustainable.

A recognition of the distinction between the two forms of contract has been accepted in English law, which has influenced South African law in this respect.

The usual contract between an architect in private practice and his client who requires a specific drawing to be made, such as the design of a house, would be one of work, not service. This is the kind of contract entered into between Marais and Bezuidenhout. Marais had not conducted services for Bezuidenhout but had executed a specific task as a single service for his client. The agreement therefore did not fall within the terms of section 21(1)(d) of the Copyright Act (no 98 of 1978). The appeal was dismissed.

Cloete J: The appellant sued the respondent in the Magistrate's Court for infringement of copyright alleged to consist in the unauthorised

reproduction by the respondent of certain architectural drawings.

It is not in dispute that the drawings were produced by the appellant in 1994, and that in terms of the provisions of the Copyright Act (no 98 of 1978) ('the Act'), the appellant was a 'qualified person', the drawings constitute 'artistic work' and the appellant was the 'author' thereof.

The respondent admitted in his plea that he produced certain drawings. The detailed evidence of the appellant, culminating in the opinion which he expressed as an expert that those drawings were copies of the drawings he had produced in 1994, was not in any way challenged in cross-examination.

At the close of the appellant's case, the respondent sought, and was granted, an order absolving him from the instance. The magistrate reasoned as follows:

'[The respondent's attorney] referred the Court to the Copyright Act No 98 of 1978 and more specifically to 21(d) ... [The respondent's attorney] argued that the Copyright of the plans in question rested not in the architect [the appellant], but the person for whom the plans were drawn up (who had of course paid for the plans).

... [The appellant's counsel] said that the section quoted by [the respondent's attorney] was not applicable in that the [appellant] was an independent professional architect, employed to do a specific job. It was not an ongoing contract of employment or service ...

The Court was of the opinion that given the fact that [the appellant] had not had an ongoing working relationship with the client—it nonetheless fell within the ambit of section (d) of the aforementioned Act and no restrictive interpretation of that section as suggested by [appellant] could be accepted.'

It would be convenient to quote section 21(1) of the Act in full at this stage:

'21. Ownership of copyright. - (1)(a) Subject to the provisions of this section, the ownership of any copyright conferred by section 3 or 4 on any work shall vest in the author or, in the case of a work of joint authorship, in the co-authors of the work.

(b) Where a literary or artistic work is made by an author in the course of his employment by the proprietor of a newspaper, magazine or similar periodical under a contract of service or apprenticeship, and is so made for the purpose of publication in a newspaper, magazine or similar periodical, the said proprietor shall be the owner of the copyright in the work in so far as the copyright relates to publication of the work in any newspaper, magazine or similar periodical or to reproduction of the work for the purpose of its being so published, but in all other respects the author shall be the owner of any copyright

subsisting in the work by virtue of section 3 or 4.

(c) Where a person commissions the taking of a photograph, the painting or drawing of a portrait, the making of a gravure, the making of a cinematography film or the making of a sound recording and pays or agrees to pay for it in money or money's worth, and the work is made in pursuance of that commission, such person shall subject to the provisions of paragraph (b), be the owner of any copyright subsisting therein by virtue of section 3 or 4.

(d) Where in a case not falling within either paragraph (b) or (c) a work is made in the course of the author's employment by another person under a contract of service or apprenticeship, that other person shall be the owner of any copyright subsisting in the work by virtue of section 3 or 4.

(e) Paragraphs (b), (c) and (d) shall in any particular case have effect subject to any agreement excluding the operation thereof and subject to the provisions of section 20.'

At common law, there is a distinction between a contract of service (*locatio conductio operarum*) and a contract of work (*locatio conductio operis*): *Smit v Workmen's Compensation Commissioner* 1979 (1) SA 51 (A). There can be no doubt that the phrase 'contract of service' in section 21(1)(d) does not include a contract of work. If it did, paragraph (c) would (except for the remuneration aspect) be superfluous, and so would the words 'under a contract of service or apprenticeship' in paragraph (d) itself.

The respondent submitted that to give the phrase 'contract of service' in the Act its plain meaning at common law, would lead to absurdities. But it is difficult to discern any logic in the manner in which copyright in artistic work has been dealt with in successive legislation.

When the Copyright Act (no 63 of 1965) first came into operation on 11 September 1965, section 5(1) provided that subject to the provisions of that section, the author of a work was entitled to any copyright subsisting in the work. Subsection (2) dealt with inter alia artistic work made by the author in the course of his employment by the proprietor of a newspaper, magazine or other periodical under a contract of service or apprenticeship for publication in the newspaper, magazine or similar periodical. Subsection (3) read:

'Where a person commissions the making of an artistic work and pays or agrees to pay for it in money or money's worth, and the work is made in pursuance of that commission, the person who so commissioned the work shall, subject to the provisions of subsection (2), be entitled to any copyright subsisting therein by virtue of this Chapter.'

Section 1 of Act 56 of 1967 substituted a new subsection (3) with effect from 10 May 1967. The new subsection (3) read as follows:

‘Where a person commissions the taking of a photograph, the painting or drawing of a portrait or the making of a gravure and pays or agrees to pay for it in money or money's worth, and the work is made in pursuance of that commission such person shall, subject to the provisions of subsection (2) be entitled to any copyright subsisting therein by virtue of this Chapter.’

The 1965 Act was (with the exception of section 46, which is not relevant for present purposes) repealed by the present Act which (with exceptions not relevant for present purposes) came into operation on 1 January 1979. Section 21(1) in its original form read simply:

‘The copyright conferred by sections 3 and 4 shall vest in the author or, in the case of a work of joint authorship, in the co-authors of the work.’

Section 21(1) in its present form was substituted by Act 56 of 1980 with effect from 23 May 1980.

The historical position applicable from time to time in the absence of a contract to the contrary effect, may be summarised broadly as follows: Under the original 1985 Act, the client of the architect would have been the owner of the copyright in architectural drawings produced by the architect and paid for by the client. After the 1967 amendment, the architect—but subject to exceptions—became the owner of the copyright in drawings produced by him. When the 1978 Act came into operation in 1979, there were no exceptions. By the amending Act of 1980, the exceptions in the (amended) 1965 Act were reintroduced—but, it has been held, not retrospectively: *Northern Office Microcomputers (Pty) Ltd and Others v Rosenstein* 1981 (4) SA 123 (C) at 129A-B.

Against this background, and in view of the clear changes in legislative policy relating to ownership of copyright in artistic works, it seems to me that the absurdity argument raised by the respondent is best dealt with by quoting the following passage in the judgment of De Villiers JA in *Schenker v The Master and Another* 1936 AD 136 at 143:

‘[T]he mere fact that in a statute a dissimilarity of treatment occurs where similarity might have been expected, does not prove that the dissimilarity of treatment is glaringly absurd or that the dissimilarity was not intentionally created by the Legislature. It may well be intentional and prima facie it is intentional. Moreover, as has often been remarked by eminent judges, “it is dangerous to speculate as to the intention of the Legislature, and what seems an absurdity to one man does not seem absurd to another”.’

At the end of the day, the statutory position can always be altered by

contract.

Our statute law relating to copyright has, over the years, borrowed extensively from legislation applicable in England. (Kelbrick, 1997 Col 30 CILSA 131, goes so far as to say that '[T]he English influence on this area of law is greater than any other' and goes on to point out that 'Until the most recent South African legislation was promulgated, copyright legislation in South Africa was a virtual reprint of equivalent British provisions'). It is therefore instructive to note that in the current English law, and indeed at least since the 1911 Copyright Act, there has been a distinction between a contract of service and a contract of work (called, in the English law, a 'contract for services'). Halsbury's *Laws of England* (4th ed, re-issue, 1998) states the position to be as follows (in Vol 9(2) para 119 and footnote 9, and para 121):

'The author of a work is the first owner of any copyright in it. Where, however, a ... artistic work ... made on or after 1 July 1994, is made by an employee in the course of his employment, his employer is the first owner of any copyright in the work, subject to any agreement to the contrary.

For these purposes, "employee" means an employee under a contract of service or apprenticeship: Copyright, Designs and Patents Act 1988 s 178 ...

A contract of service is not the same thing as a contract for services, the distinction being the same as that between an employee and an independent contractor, an employee is a person who is subject to the commands of his employer as to the manner in which he shall work. The existence of direct control by the employer, the degree of independence on the part of the person who renders services, and the place where the service is rendered, are all matters to be considered in determining whether there is a contract of service ...'

As authority for the proposition in the last paragraph quoted, the authors refer to *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 601. In that matter, examiners were appointed for a matriculation examination of the University of London, a condition of appointment being that any copyright in the examination papers should belong to the University. The University agreed with the plaintiff company to assign the copyright, and by deed purported to assign it, to the plaintiff company. After the examination the defendant company issued a publication containing a number of the examination papers, with criticism on the papers and answers to questions. The plaintiff sued for infringement of copyright and the court held that the copyright vested in the examiners as they were not 'in the employment' of the University 'under a contract of service' within the meaning of section 5(1)(b) of the

1911 Copyright Act. The relevant provisions of that section were the following:

‘(1) Subject to the provisions of this Act, the author of the work shall be the first owner of the copyright therein:

Provided that -

(a)...

(b)where the author as in the employment of some other person under a contract of service or apprenticeship and the work was made in the course of his employment by that person the person by whom the author was employed shall, in the absence of any agreement to the contrary, be the first owner of the copyright ...’

Peterson J held at 610-612:

‘The next question is, In whom did the copyright in the examination papers vest when they had been prepared? This problem must be solved by the determination of the effect of s. 5 of the Act of 1911. The author, by that section, is the first owner of the copyright, subject only to the exceptions contained in the Act. The only relevant exception is to be found in s.5, sub-s (1)(b) ... The examiners were no doubt employed by the University of London, and the papers were prepared by them in the course of their employment. But, in order that s.5, sub-s(1)(b), should be applicable, the examiners must have been “under a contract of service or apprenticeship” ... The meaning of the words “contract of service” has been considered on several occasions, and it has been found difficult, if not impossible, to frame a satisfactory definition for them. In *Simmonds v Heath Laundry Co.*, in which the meaning of these words in the Workmen's Compensation Act, 1906, was discussed, Fletcher Moulton L.J. pointed out that a contract of service was not the same thing as a contract for service, and that the existence of direct control by the employer, the degree of independence on the part of the person who renders services, the place where the service is rendered, are all matters to be considered in determining whether there is a contract of service. As Buckley L.J. indicated in the same case, a contract of service involves the existence of a servant, and imports that there exists in the person serving an obligation to obey the orders of the person served. A servant is a person who is subject to the commands of his master as to the manner in which he shall do his work. ... In *Byrne v Statist Co.* the meaning of the words in s.5 of the Copyright Act, 1911, was considered in the case of a person, permanently employed on the editorial staff of a newspaper, who was specially employed by the proprietors to translate and summarize a speech. He did the work in his own time and independently of his ordinary duties, and it was held that in doing so

he did not act under a contract of service. In the present case the examiner was employed to prepare the papers on the subject in respect of which he was elected or appointed examiner. He had to set papers for September, 1915, and January and June, 1916, and his duty also comprised the perusal of the students' answers, and the consideration of the marks to be awarded to the answers. For this he was to be paid a lump sum. He was free to prepare his questions at his convenience so long as they were ready by the time appointed for the examination, and it was left to his skill and judgment to decide what questions should be asked, having regard to the syllabus, the book work, and the standard of knowledge to be expected at the matriculation examination. It is true that the University issued instructions to examiners for the conduct of the examination, but these instructions are only regulations framed with a view to securing accuracy in the system of marking. Professor Lodge and Mr. Jackson were regularly employed in other educational establishments and were not part of the staff of the London University, and it was not suggested that the other examiners were on the staff of the University. In my judgment it is impossible to say that the examiner in such circumstances can be appropriately described as the servant of the University, or that he prepared these papers under a contract of service.'

The English Court of Appeal has subsequently held that while the presence or absence of a right in the employer to superintend and control is an important factor in determining whether the contract is one of service, it is not the determining test where the person employed is a professional person or a person of particular skill and experience: *Morren v Swinton and Pendlebury Borough Council* [1985] 1 WLR 577 (and cf. *Whittaker v Minister of Pensions and National Insurance* [1957] 1 QB 156).

In the *Smit* case (supra at 61) Joubert JA set out some of the important legal characteristics of the contract of service and the contract of work in South African law, and included (at 61A-C and E-G) the following:

- '1. The object of the contract of service is the rendering of personal services by the employee (*locator operarum*) to the employer (*conductor operarum*). The services or the labour as such is the object of the contract.

The object of the contract of work is the performance of a certain specified work or the production of a certain specified result. It is the product or the result of the labour which is the object of the contract.

2. According to a contract of service the employee (*locator operarum*) is at the beck and call of the employer (*conductor*

operarum) to render his personal services at the behest of the latter.

By way of contrast the conductor operis stands in a more independent position vis-à-vis the locator operis. The former is not obliged to perform the work himself or produce the result himself (unless otherwise agreed upon). He may accordingly avail himself of the labour or services of other workmen as assistants or employees to perform the work or to assist him in the performance thereof.

- ...
4. The employee is in terms of the contract of service subordinate to the will of the employer. He is obliged to obey the lawful commands, orders or instructions of the employer who has the right of supervising and controlling him by prescribing to him what work he has to do as well as the manner in which it has to be done.

The conductor operis, however, is on a footing of equality with the locator operis. The former is bound by his contract of work, not by the orders of the latter. He is not under the supervision or control of the locator operis. Nor is he under any obligation to obey any orders of the locator operis in regard to the manner in which the work is to be performed. The conductor operis is his own master being in a position of independence vis-à-vis the locator operis. The work has normally to be completed subject to the approval of a third party or the locator operis.'

Having regard to these remarks, it is apparent that the usual contract between an architect in private practice, such as the appellant, and a client who wishes a home designed within parameters set by the latter, would be one of work, not service. The evidence in the present matter suggests that the contract was of the usual type and, in the absence of any challenge by the respondent, establishes that it was. The evidence may be summarised as follows: The appellant had been exclusively in private practice since he qualified in about 1977. He specialised in doing work in shopping centres, but he was prepared to design out of the ordinary homes which he categorised as 'not the run-of-the-mill type of thing, Shachat Cullum or state developers'. The client for whom he drew the plans at issue in the present case, wanted a uniquely designed house based on specific requirements. These requirements were discussed in great detail between the appellant and his client, in the appellant's offices.

There is simply nothing to suggest that the appellant entered the service of his client, Pastor Franke, and no attempt was made by the respondent's attorney to show that he did—apart from the following piece

of cross-examination:

‘You were employed by Pastor Franke? -- Correct.

And you prepared these drawings in terms of your contract of service?

-- Correct.’

These answers cannot avail the respondent because the respondent's attorney had already, and more than once, elicited from the appellant that he was not an expert in copyright law. Furthermore, the appellant's evidence in re-examination reads as follows:

‘Mr Marais, were you employed as an employee of Pastor Franke to do this work or were you employed to do this specific job of work? -- I was employed for this specific job. I have never met him before. He walked into my office and asked me to do, provide a service.’

It appears that the appellant was oblivious of the significance which the law attaches to the distinction between a contract of service and a contract of work; but to my mind, it is obvious that he did not intend to concede in cross-examination that he became Pastor Franke's servant, as he made clear in re-examination.

The magistrate was accordingly wrong in granting absolution from the instance on the basis which he did.

The respondent's counsel was at pains to demonstrate in heads of argument filed in this court that on the evidence led by the appellant, no reasonable man could grant any of the remedies claimed in the particulars of claim. The purpose of this exercise was obviously to found a submission that if the magistrate erred in granting absolution on the issue of liability, his decision was nevertheless correct (albeit on different grounds) and that the appeal accordingly fell to be dismissed. This approach was not persisted in during argument—wisely, as the identical argument was raised in *Claude Neon Lights (SA) Ltd v Daniel* 1976 (4) SA 403 (A) at 413C, and rejected for the following reasons (at 413 D-G):

‘That a Court has the power, which it may exercise in its discretion, to allow a party who has closed his case to re-open it, is beyond doubt. Such power may be exercised in favour of a plaintiff even after the defendant has closed his case (*Oosthuizen v Stanley* 1938 AD 322 at p. 333, *Hladhla v President Insurance Co Ltd* 1965 (1) SA 614 (A) at pp. 621-2) and a fortiori it may be exercised immediately after the plaintiff has closed his case. If, in the Court below, respondent's counsel had applied for absolution from the instance on the ground that insufficient evidence as to damages had been led, it would unquestionably have been open to appellant to attempt to meet that argument by asking leave to re-open his case for the purpose of leading further evidence relative to quantum of loss. Whether such an application would have succeeded is a question which cannot now be

answered by this Court but there is certainly nothing to indicate that the application would necessarily, or even probably, have failed. The decision of the trial court that appellant had no case on the merits put an effective end to the matter and if that decision was wrong, as I consider it was, it appears to me that considerations of fairness and justice require that the decision should be set aside and the case be sent back for further hearing. It would then be open to appellant, if it were so advised, to ask for leave to lead further evidence on damages and for the trial Court to consider and decide upon that application.'

If it is not necessary to consider whether there is evidence upon which a reasonable man could grant any or all of the remedies claimed, to the appellant; and my failure to do so is not to be construed as a suggestion—much less a finding—that there is not.

The appeal succeeds, with costs. The order made by the magistrate is set aside and the following order is substituted:

'The application for absolution from the instance is dismissed, with costs.'

ACCESSO CC v ALLFORMS (PTY) LTD

TRANSVAAL PROVINCIAL DIVISION

LE ROUX J

1 OCTOBER 1998

An assignment of copyright requires an underlying consensus between both parties to the assignment that copyright is to be transferred from the one to the other. For an assignment to be valid, the recorded terms thereof must not be ambiguous. Copyright may vest in material which is commonplace, provided that the arrangement of such material attracts copyright.

Roy Herselman designed a form representing a statement of account to be used by medical practitioners in the rendering of accounts. The form was designed in conjunction with the development of a computerised patient accounting system for use by doctors and dentists. Many hours were spent in its design which involved the placement of various columns within which printing of the items required by the medical practitioner and patient was to be effected.

Upon completion of a sketch of the form, Herselman handed it to Ms Barr, an employee of Allforms (Pty) Ltd, with the instruction that it be printed. Ms Barr, an employee of Allforms, took the sketch and designed a form from it which was used in the printing required by Herselman. Herselman contended that he handed Ms Barr a completed design, but Ms Barr contended that she received only a rough sketch from which she designed the form herself. The court accepted Ms Barr's version of these events.

When the instruction was given, the order form signed by an authorised signatory of assignee of the copyright in the form, Accesso CC, stated 'Approval of order/quotation subject to the standard trading conditions displayed on the reverse.' On the reverse, condition 15 provided that copyright would vest in Allforms when it printed or designed a form. The authorised signatory, Vernon Herselman, stated that his attention was not drawn to this condition and he did not read it when signing the order form.

Allforms printed the form according to the instruction, and later repeated the print job on further forms incorporating minor amendments made to the previous forms.

The copyright in the form was originally held by Herselman and Mass CC, which had been responsible for the development of the computerised patient accounting system. It was later assigned to Accesso CC by Deed of Assignment.

Accesso alleged that Allforms had infringed its copyright in the form and brought an application to restrain it from doing so by reproducing it. Allforms contended that no copyright in the form vested, since what it contained was commonplace, alternatively that if copyright vested in the form it vested in itself by virtue of an assignment to itself in terms of condition 15 alternatively by virtue of its own work having been expended in creating the form.

Held—

Assignment

Assignment of copyright can take place upon the basis of a signature given by the holder of the copyright only and not both holder and assignor. However, between the two parties there must still be consensus as to the assignment, ie both parties must agree that the copyright is to be assigned by the one to the other. The question therefore was whether there was consensus between the parties that the copyright in the form would be assigned and had intended that it

should be.

Accesso had had no intention to assign the copyright in the form. Allforms too had had no such intention since it had taken the view that no copyright existed in the form in any event. Even if it could be said that consensus was to be implied, by reason of the caveat subscriptor rule, such consensus would be invalid since there had been an error common to both parties concerning the assignment (a justus error).

The words recording the alleged assignment also contained a latent ambiguity which had not been resolved either by linguistic treatment or by evidence of the circumstances surrounding the conclusion of the assignment.

There had therefore been no assignment of the copyright in the form by operation of clause 15.

Whether copyright existed

In deciding whether copyright in the form existed at all, the court had to determine whether the form constituted a literary work as defined in the Copyright Act (no 78 of 1978) and whether it is of so commonplace a nature that copyright could not vest in it.

The arrangement of material and the layout of it on a form could attract copyright, even if the material itself is commonplace. When looking at the form designed by Herselman, it was apparent that this was material which had been arranged in a way which had required considerable thought, and had resulted in a form which was visually superior to that of other forms.

The effect of giving copyright to the form would not prevent Allforms from printing and distributing other forms.

The form was a literary work in which copyright vested, being a compilation for purposes of the Copyright Act. Although it contained commonplace material, the layout thereof attracted copyright and the consequent protection of the Copyright Act.

Who the author of the form was

On a conspectus of the evidence given by both parties, the probabilities favoured the version that Ms Barr designed the form and not Herselman. Copyright in the form therefore vested in Allforms.

The application was dismissed.

Le Roux J: This matter started as an application to restrain the respondents from infringing the applicant's copyright in a specified medical account form, identified as annexure 'VH2' to the founding affidavit of Vernon Herselman, by reproducing it in any manner or form, or by making an adaptation thereof or reproducing an adaptation, or by causing it to be reproduced or adapted. There is a further prayer for an order on respondents to deliver all infringing copies of the medical account form and plate used or intended to be used therefor to the applicant. A third prayer seeks to restrain respondents from competing unlawfully with the applicant by offering for sale, selling, distributing or otherwise dealing in medical account forms such as the one annexed to the founding affidavit by Vernon Herselman, marked 'VH5' (This latter reference is clearly a mistake as VH5 is a Deed of Assignment. The reference should probably be to VH6.) There is also a prayer for the costs

of the application.

In the founding affidavit Vernon Herselman (to whom I shall refer as 'Vernon') states that he is the sole member of the applicant which carries on business as a supplier and distributor of stationery in Pretoria. His company, Accesso CC, owns the copyright in certain medical account forms which is being infringed by the respondents by reproducing and selling them without applicant's permission. Even if respondents do not infringe applicant's copyright, it unlawfully competes with the applicant in selling and distributing these forms and should be restrained on this ground as well. Vernon states that respondents carry on the business of printing brokers of stationery including business forms and also medical account forms. Although the respondents do not conduct the actual printing of the forms, they sub-contract it and give instructions to do so. The applicant is not sure what the relationship between the first and second respondents is and invites them to clarify it, although both may have an interest in the business of selling and distributing these forms.

The applicant's rights in these forms arose as set out under here. Vernon has a brother Roy Herselman ('Roy') who is an accountant with a Masters degree in Business Leadership. For a number of years Roy has been engaged in developing, installing and giving training on computerised patient accounting systems for the medical and dental profession. During 1989 he, in conjunction with his brother-in-law, one Jacques Mieny, an electrical engineer and computer programmer, developed a computerised accounting system for doctors and dentists which differs from previous systems in important respects, by inter alia catering for the requirements of medical aid schemes. Jacques Mieny ('Mieny') developed the computer programme (or 'software') in collaboration with Roy who designed the form which represented the statement of account containing the data fed into the computer by the practitioner. The computer programme plus the form constituted a 'package' known as the Mass-package after the company Mass CC of which Roy and Mieny were members. Vernon was asked to market these forms and did so through the applicant.

The founding affidavit alleges that Roy produced an accurate sketch of the form after a great deal of creative effort had been expended on it. It was an original work and differed materially from any other form or statement on the market at that time. After drawing the sketch, Roy gave it to Mieny who wrote a software programme to fit the form. Roy approached the respondents and instructed them to produce the form in print. He handed the final sketch which he had drawn to an employee of the respondents, a Ms Jacqueline Barr ('Barr'). This sketch has since unfortunately disappeared and cannot be found. Barr has, however,

attached a virtually identical reproduction of Roy's original sketch to her affidavit in reply as JB1-5 which was later converted into VH2. VH2 differs from the original sketch according to Vernon and Roy only in the colour shading which was imposed on the white proof on Roy's instructions.

The applicant through Vernon ordered a hundred-thousand of these forms (VH2) to be printed. It turned out however that these forms could not be used as they were a few millimetres too wide for the ordinary 80-column printers used by most medical practices and the batch had to be discarded. The applicant paid for his mistake and proceeded to reduce the width by leaving out one of the original columns entitled 'benefit scale'. After effecting some minor changes, the original sketch was reprinted (by another contractor) as VH3. Further minor changes were effected during 1993 to 1994 by Roy and VH4 came into being which for all intents and purposes was an identical reproduction of Roy's original sketch. Mass CC (or Roy) owns the copyright in this form that is VH2 with its reproductions and adaptations VH3 and VH4. In January 1996 Roy and Mass CC assigned their copyright to applicant by way of a written Deed of Assignment, signed by all parties to the assignment. On all three forms (that is VH2, VH3 and VH4) the following legend appears at the bottom of each form namely 'copyright- all rights (including distribution rights and design layout of this form) held by Mass CC'.

Applicant now alleges that the respondents have copied and reproduced VH4 by printing, selling and distributing an identical form, VH6, save that the claim to copyright appearing on the forms has been omitted. It is this infringing form that applicant seeks to stop respondents from distributing in its application, although a reference is only made to VH2 in the prayers in the notice of motion. (During the course of the trial which followed on the application counsel for the applicant applied to amend the original prayers by referring to VH6 as the infringing form. This is opposed by the respondents' counsel on the grounds that the facts deposed to by Roy did not warrant this amendment and would in any event constitute a new case which they were not prepared to meet. I will deal with this application in due course). The applicant further contends that the first respondent was contracted for the purpose of printing the form and was paid for the service, and is now reproducing this form and unlawfully competing with it and selling it to its Mass package customers - hence the claim based on unlawful competition.

The respondents opposed the relief prayed for by the applicant on a number of factual and legal grounds. The chief deponent is David Gordon Walshe ('Walshe') who is a director of both respondents. He explains the formation and present position of the respondent companies in his

affidavit since the initial formation of Allforms (Pty) Limited in 1982 till the present day. It appears that various changes of names occurred as well as amalgamation with another company, Formcraft (Pty) Limited. Eventually, The Formax Paper Group (Pty) Limited was formed and acquired all the assets and liabilities of Allforms (Pty) Limited. The latter then became dormant while the former ('Formax') is the active entity. Formax, however, still uses the trading name or style 'Allforms' and conducts business as a designer and distributor of forms of all kinds for business purposes. It creates these forms to the specifications of clients, but does not print the forms themselves. The actual printing is sub-contracted to third parties.

The respondents raise two main defences to the applicants claims, viz:- Firstly, that no copyright exists in VH2 to VH4 as they are not original but were copied from existing medical account forms and that in any event they are of so common place and mundane a nature that they do not merit a protection afforded by copyright. In this regard Barr has stated under oath that Roy never handed her an 'accurate drawing of VH2 but merely a rough sketch which was attached to Walshe's affidavit as DGW3. This rough sketch was drawn in the course of giving printing instructions to her and consists of twelve vertical columns drawn on a blank paper containing twelve headings in the Afrikaans and English languages. Both Walshe and Barr state that DGW3 does not constitute a 'work' for purposes of attracting copyright protection. I may say that neither Vernon nor Roy claims copyright in DGW3 and says that this was simply one of many sketches drawn in the course of developing the accurate sketch which became VH2. They also deny that this sketch was ever handed to Barr and suggests that she must have taken it off Roy's table at a certain stage. Secondly, that in any event, even if it is held copyright does exist in VH2 to VH4, then such rights vest in the respondents as the form was designed by Ms Barr acting in the course and scope of her employment with respondents.

A third defence is now raised, based on an order form of the respondents (DGV5) signed by Vernon for a hundred thousand forms to be supplied for applicant dated 25 October 1989. This order was for the abortive VH2 form. Above his signature on the order form the following words appear:

'Approval of order quotation subject to the standard trading conditions displayed on reverse'.

On the back of the form fifteen so-called 'standard trading conditions' are listed. Condition number fifteen reads:-

'Copyright: when Allforms prints or designs a form copyright will vest in Allforms ...'

The respondents now submit that whatever the outcome of the dispute regarding the existence of copyright or the authorship of the form may be, Accesso has assigned its copyright to Allforms through Vernon Herselman and his signature on the order form, complies with the requirements of section 22(3) of the Copyright Act (no 98 of 1978). This subsection reads:

‘ (3) no assignment of copyright and no exclusive licence to do an act which is subject to copyright shall have effect unless it is in writing signed by or on behalf of the assignor, the licencer, in the case of an exclusive sublicense, the exclusive sublicencer, as the case may be.’

The signature by Vernon of the order form is said to constitute a written assignment. According to the submission by counsel for the respondents, the fact that applicant or Vernon was not the owner of the copyright at the time of signature of the order form is no obstacle to the validity thereof as section 22(5) of the Act applies. This section reads:

‘(5) an assignment, licence or testamentary disposition may be granted or made in respect of the copyright in a future work, or the copyright in an existing work in which copyright does not subsist but will come into being in the future, and the future copyright in any such work shall be transmissible as moveable property.’

When this point was raised in the answering affidavits by the respondents, Vernon replied that he did not read the conditions when signing the order form nor was his attention drawn to it. Any copyright subsisting at the time belonged to his brother Roy and his company Mass CC and he (Vernon) had no intention of ‘signing away’ his brother’s copyright.

In their answering affidavits Barr supported by Walshe, gave details of how she set about designing VH2. She says that during November 1989 Roy presented her with a rough sketch (DGW3) and requested her to design a medical account form Mass CC. This was not a difficult task. She used the basic format for business forms commonly used at the time and added those headings required by the Medical Industry. She knew that most medical practices used the Epson FX80-printer which could accommodate 8.5 inches of print. At 16 characters per inch this would allow for 136 characters across the page. It turned out, however, that medical practices served by Roy could generally not utilize more than 8 inch forms in their printers and the total spread had to be reduced to 128 characters. Her form bore no resemblance to Roy’s rough sketch (DGW3) which was at most his instructions in graphic form. The design of the form required almost no skill as examples of medical account forms were readily available and she simply copied these on to a spacing chart in producing VH2 and adapted it to Roy’s needs as reflected on DGW3. If

the negligible amount of skill required to produce VH2 does attract copyright, then she claims the authorship thereof. Roy only effectuated slight cosmetic changes to the proofs submitted by Barr, according to her affidavit.

In his replying affidavit on behalf of the applicant Vernon states that a factual dispute concerning the authorship of VH2 has arisen which can only be resolved by oral evidence, and he requested this course be followed in respect of the two disputes raised in the answering affidavits. It is also categorically denied that DGW3 (the signed order form) constitutes a valid assignment of copyright to the respondents. He further denies that DGW3 is the only sketch handed to Ms Barr by Roy. It was not even a sketch representing a form but merely a character-spacing diagram. He persists in his former statement that Roy designed an accurate sketch (with a special ruler lent to him by Ms Barr) of a form which had no previous existence by the use of his own skill and endeavour. In this way VH2, VH3 and VH4 came into existence of which Roy is the author. In any event, it would be impossible to design the form VH2 without having been aware of the capabilities and parameters of the software produced by Mieny which became the partial basis of the successful Mass package. According to Barr she never even consulted with Mieny.

When the matter was first raised in court counsel requested the learned judge hearing the matter (Roos J) to refer the matter for oral evidence on the issue of authorship with the rider 'if such is held to subsist'. This order was made on 21 August 1996. At a pretrial conference prior to the hearing of evidence, counsel agreed to request the court hearing the matter to decide the question of unlawful competition as well but the court found that no copyright existed in the form VH2. This was done in order to save further expense and court time as the evidence presented in respect of the two main disputes would presumably also cover the issue of unlawful competition. I acceded to this request and if necessary will deal with this issue as well.

The matter commenced before me on 26 February 1997 and lasted off and on throughout the year. On the last day of the argument during November 1997 just before the end of term counsel for the respondent raised the question of an assignment contained in DGW5 for the first time, although the point had cropped up during the motion proceedings but had not been referred as a dispute to this court. It was said that this was a purely legal argument and that no further evidence was necessary in regard thereto and that I can therefore deal with it simply on the basis of a defence. Counsel for the applicant requested time to reply to this new point which, if successful, would have made the whole trial unnecessary. Full written arguments were subsequently submitted by both parties.

I propose to deal first with the argument relating to assignment of copyright based on the signature of the order form because, if successful, it will render a consideration of the other disputes unnecessary.

The assignment point

In his oral evidence Vernon admitted signing the order form DGW5 on 25 October 1989, but stated that he took no heed of the ‘small insignia’ appearing above his signature, nor did he even look at the back of the form. He was not aware of the condition relating to copyright but never intended ‘signing away his brother’s copyright (*sic*) to the respondents’. I take it that the reference to the ‘small insignia’ is intended to refer to the legend appearing above the space for the signature of the customer which I quoted above. Vernon also testified that the claim printed on the form VH2 at his request and subsequent versions thereof emanating from the applicant that copyright vest in Mass CC would hardly have made sense if he thought he might be transferring copyright to the respondents. This claim was printed on the forms at his specific request.

It is common cause that if copyright existed in VH2 by virtue of Roy’s efforts, it would vest in Mass CC and not in the applicant. This is so because copyright was only transferred to applicant presumably for purposes of instituting the original motion proceedings by the deed of assignment dated 8 January 1996. Counsel for the respondent now suggests that a claim to the copyright in the form was already made by Vernon in an instruction to attorneys Adams and Adams during 1993. Although his claim to be the owner of the copyright as at the date of the letter 5th March 1993 cannot be correct, counsel now uses this fact and the answers given by Roy during cross examination on this letter to support her argument that Vernon through applicant at all times acted as the agent of Roy and Mass CC in connection with its dealings with the respondents. She therefore submits that when signing the order form during October 1989, Vernon was acting as the agent of his brother Roy. Therefore, so the argument runs, although applicant had no claim to the ownership in the copyright of the form during 1989 the copyright passed to the respondents during January 1986 at the moment when applicant received the copyright from Mass CC by the written deed of assignment. Accordingly the applicant has no locus standi to bring these proceedings and all the evidence regarding the question of the authorship of VH2 is irrelevant if this point is upheld.

Counsel for the applicant objects strongly to the manner in which this point was raised right at the end of a lengthy trial. He points out that this dispute regarding the transfer of ownership in the copyright was not one of the points referred to this court for decision by Roos J and the evidential aspects thereof were accordingly not properly canvassed during

the evidence. Furthermore, in the motion proceedings the respondents admitted the validity of VH5 that is the deed of assignment giving locus standi to the applicant. The respondent cannot now renege on this admission and is estopped accordingly from raising a previous assignment to it after admitting the last assignment to applicant. Should the court nevertheless allow the respondents to raise this argument, the applicant submits as follows:

1. As the words stand in condition 15 of the order form namely ‘when Allforms prints or designs a form ...’, this does not constitute a proper assignment in the present case. The reason for this is that the words ‘or designs’ beckons the question as it is clear law that the designer of a work is the first author thereof. Accordingly no question of assignment of copyright to that person is necessary. All that remains of the phrase is the word ‘prints’. In this respect, says counsel, it is common cause that the first respondent was not a printer but in fact subcontracted the printing of forms to another contractor. The onus is therefore on the respondents to satisfy the court that the phrase indeed contains an assignment of copyright to it. This onus has not been discharged as no evidence was led in regard to the meaning of the word ‘print’ in the phrase in question.
2. A second submission made by counsel for the applicant is that before an assignment can take place there must be a contract to assign where the parties must be ad idem in regard to the passing of rights and obligations in regard to copyright. Section 22 of the Copyright Act does not alter the common law on contract and unless there is a consensus between them and a meeting of the minds as required by the law of contract there can be no valid agreement to assign. In this case there was no such agreement as Vernon Herselman acting on behalf of the applicant had no knowledge of the alleged transfer of copyright to the respondents when ordering the forms and his attention was certainly not drawn thereto and he accordingly had no idea that he could assign someone else’s copyright which may devolve on him in future. On the other hand the respondents had no intention of receiving the copyright as it was Mr Walshe’s clear view that no copyright existed in forms of this nature, and he still persisted in this view during the whole of the trial. Consequently no contract of assignment ever came into being.
3. Even assuming that actual consensus between the parties did take place, that consensus is flawed because of the ignorance of the one party of the alleged offer to assign copyright in the form to another party. (See *Bloom v American Swiss Watch Company*, 1915 AD

100.) It is submitted that neither party at the stage when the order form was signed had any intention of entering into an agreement of this nature. Therefore no contract came into being.

4. It is further submitted that even if all these arguments are rejected the principal of justus error would apply in a case of this nature, firstly because a stipulation of this nature which the respondent now seeks to enforce cannot normally be expected to form part of an order form (see *Frocks Ltd vs Dent and Goodwin (Pty) Ltd* 1950 2 SA 717 (C) at 725; *Du Toit vs Atkinson's Motors Bpk* 1985 (2) SA 893 (A) where it was held by Van Heerden AJ that a justus error can occur where an unusual stipulation appears and the attention of the contracting party who it is now sought to be held bound to it is not been specifically drawn to that stipulation. A similar case occurred in *George v Fairmead (Pty) Ltd* 1958 (2) SA 465 (A) where Fagan CJ at 471 held that the failure to draw the attention of a guest to a condition in a hotel register in which he renounces his right to claim damages for loss of goods brought onto the hotel premises was unenforceable if the attention of the guest was not specifically drawn thereto. In this case counsel submits that Vernon Herselman's attention should have been specifically drawn to condition 15 at the reverse side of the order form before he can now be held bound to it.

In reply counsel for the respondents submits firstly that the Deed of Assignment dated January 1996 was not admitted in all its terms but the existence only was noted. It was therefore open to her to raise the question of an earlier reassignment which should have been agreed upon between the parties. In regard to the submissions in connection with the consensus between the parties and the question of justus error the counsel for the respondents submits that these are irrelevant as section 22(3) of the Copyright Act 1978 merely requires a written document signed by the assignor for the validity of an assignment. She submits that this is not a contract but is in the nature of testamentary disposition and that the rules relating to consensus in justus error does not apply in this case. She does not deal with the argument that the phrase 'when Allforms prints or designs a form ...' does not constitute an assignment, as Allforms was not the printer and if he designs it then cadit questio.

This last submission made by counsel for respondents is clearly wrong. There are examples of formalities prescribed by law where only the signature of the party who is to be held liable is required, eg the contract of suretyship, or a negotiable instrument, or an assignment of copyright. The fact that the instrument in writing requires a signature of only one party does not mean that the agreement underlying the written instrument

is not a bilateral one. The requirement of writing is to remove the danger of fraud or deceit and to facilitate proof. If any authority is needed for this self evident proposition reference may be made to the work of Dean, *Handbook of South African Copyright Law*, 1-53 sv ‘assignment’ where the learned author says the following

‘the Act provides that no assignment of copyright, whether total or partial, will be effective unless it is in writing, and signed by or on behalf of the assignor. There must, however, be an agreement to assign or cede ie there must be a mutual intention to transfer right by offer and acceptance. A verbal or tacit agreement purporting to assign copyright will be ineffective and invalid. An agreement can effect an assignment of copyright even though no specific mention of copyright is made in it.’ (See also *Preformed Line Products (SA) (Pty) Ltd v Hardware Assemblies (Pty) Ltd* 202 JOC (N); *Comcorp (Pty) Ltd v Quipmore CC*,* (unreported case number 7014/96 D-C judgment by McCall J delivered in the Durban Coast Local Division on 24 October 1997 in which the learned judge considered and applied all the rules relating to parol evidence and assent between the parties to an assignment of copyright.)

In regard to the present alleged assignment I have formed a clear view that there was no consensus ad idem between the parties when the order form was signed during October 1989 in respect of the passing of ownership in the copyright of the form. I reach this conclusion on various considerations. Firstly it seems to me that there was never a serious intention to be bound to a possible assignment of future copyright as required by the law of contract (See *Conradie v Rossouw* 1919 AD 279). The applicant certainly through Vernon Herselman, had no intention at that stage of assigning any copyright and his signature to the order form can not in this case be taken as assent to condition 15 whatever that may mean in the context. Neither could it be said that the respondents had any intention of receiving the copyright in the form for the simple reason that Walshe the managing director of the director of the respondents had formed the view that no copyright existed in a form of this nature. Accordingly no agreement could ever come into being. Secondly even if consensus could be said to have been reached between the parties that consensus is invalid because there is a justus error which has crept into the proceedings and the assignor in my view would not be bound in this case on the cases referred to by counsel notably that of *George v Fairmead (Pty) Ltd* (supra) and *Du Toit v Atkinsons Motors Bpk* (supra).

* See page 646 of this work.

A further reason why this point can not succeed is because the words constituting the assignment contain a latent ambiguity which cannot be resolved by so called linguistic treatment [as defined inter alia in *Delmas Milling Company Ltd v Du Plessis* 1955 (3) SA 447 (A)] and resort must be had to the surrounding circumstances and as a last resort to negotiations between the parties. No such evidence was tendered by the respondents nor the owners in this regard and their contention that this term constituted assignment must therefore fail. The point relating to assignment is accordingly dismissed.

Does copyright exist in the form?

The next question to be considered is whether the medical account form VH2 qualifies as a work to be protected under the provisions of the Copyright Act, 1978. The Act in section 2 thereof lists a number of categories which are eligible for copyright, but it was common cause between the parties that the only category which can apply in the present case is that of a literary work. The definition [in section 1(xxvii)] of a literary work includes the following sub-categories of works:-

- (a) novels, stories and poetical works;
- (b) dramatic works, states directions, cinematograph film scenarios and broadcasting scripts;
- (c) textbooks, treatises, histories, biographies, essays and articles;
- (d) encyclopaedias and dictionaries;
- (e) letters, reports and memoranda;
- (f) lectures, addresses, sermons; and
- (g) written tables and compilations.

Again it was common cause that only the last-mentioned subcategory can apply in the present instance.

What then is meant by 'compilation'? The dictionary meaning of 'compile' is

- (1) to collect and put together (materials), so as to form a treatise
- (2) to construct (a written or printed work) out of materials collected from various sources.'

(Oxford English Dictionary sv 'Compile') in a leading case in the United Kingdom in recent years, viz *Ladbroke vs William Hill Ltd* (1964) (1) A.E.R. 465 (HL) the following descriptions and characteristics of compilations were described by the various judges involved in the judgment in that case.

'... [the] putting together in writing (or print) of a number of individual items or components' (Lord Evershed at p 471 F-G.)

In the same case (at 469 I) Lord Reid said

'It is not disputed that, as regards compilation, originality is a matter of degree depending on the amount of skill, judgment or labour that

has been involved in making the compilation’.

Lord Hodson in the same case (at 475 F-G) expressed it as follows:-

‘The coupons are compilations, being derived from various sources. Thus commonplace matter put together or arranged without the exercise of more than negligible work, labour and skill in making the selection will not be entitled to copyright’.

Lord Pearce in the same judgment (at pp 479-480) had the following to say about the subject

‘The words “literary work” include a compilation. They are used to describe work which is expressed in print or writing irrespective whether it has any excellence of quality or style or style of writing (Pietersen J in *University of London Press Ltd v University Tutorial Press Ltd*, 1916 (2) Ch.608). The word “original” does not demand original or inventive thought, but only that the work should not be copied and should originate from the author (ibid). In deciding therefore whether a work in the nature of a compilation is original, it is wrong to start by considering individual parts of it apart from the whole, as the appellants in their argument sort to do. For many compilations have nothing original in their parts, yet the sum total of the compilation may be original ... In such cases the courts have looked to see whether the compilation of the unoriginal material called for work or skill or expense. If it did it is entitled to be considered original and to be protected against those who wish to steal the fruits of the work or skill or expense by copying it without taking the trouble to compile it themselves. So the protection given such copyright is in no sense a monopoly, for it is open to a rival to produce the same result if he chooses to involve it by his own labours. (See *Kelly v Morris* (1866) LR 1EQ 697, 701).

De Kock J in the case of *Kalamazoo Division (Pty) Ltd v Gay* 1978 (2) SA 184 (C) at 1190, set out the law applicable to compilations succinctly as follows:-

‘It is a basic principle that a literary work (which includes compilations such as the applicant’s forms) must be original in character to be the subject of copyright. Originality in this regard refers to original skill or labour execution, not to original thought or expression of thought. What is required is not that the expression of thought must be in an original or novel form, but that the word must emanate from the author himself and not be copied from another work. The question that then arises is what degree of labour or skill will suffice to create copyright in an original work. It is clear that it must be sure that some labour, skill or judgment has been brought to bear on the work before copyright can be claimed successfully for such work.

The amount of such labour, skill or judgment is a question of fact and degree in every case.’

In that case the court held that copyright did exist in three business forms respectively as ‘employee’s earnings, record, a time and weight register, and pay advice slip’. The reason given was that considerable time skill and labour had been expended by the author during the creation of these forms. Despite the fact that the information contained therein was fairly commonplace and readily available to a person who wished to devise a similar form.

In the case of *Waylight Diary CC v First National Bank Ltd* 1995 (1) SA 645 (A) the learned judge of appeal held inter alia that the test involved in determining whether an alleged work qualifies for copyright protection involves an objective test both as regards the originality of the work and the work itself. I understand by this latter remark (at 650D-E) that the learned judge referred to the question of the triviality of an alleged work in order to determine whether it can be said that ‘a work’ has been created at all. In regard to the compilations the learned judge held as follows (at page 652):

‘It was argued, seemingly in the alternative, that these pages are a literary work because they consist of a “compilation”. What was compiled, according to the submission, was the selection of the days of the week represented on the one page and the decision to place an abbreviated calendar of three months at the foot of the next page. It seems to me implicit in the argument that the layout and the compilation are the same, a point of view rejected rather laconically by Lord Denning in *William Hill (Football) Ltd v Ladbroke (Football) Ltd* (1980) RPC 539 (CA) at 545 line 5.’

The court then found that the subject matter in this case was so commonplace that it did not attract copyright. In the course of the judgment it was further held that in assessing whether a work is entitled to protection of the Copyright Act ‘it is permissible to have regard to the consequences of the recognition of copyright in a work of doubtful substance’.

A court therefore has to exercise a value judgment on whether the material in which copyright is claimed constitutes a ‘work’ or is too trivial to merit protection. Once it has been decided that the work has been created the further enquiry is whether it is of so commonplace a nature that it does not attract copyright. This is an objective test but a court must also consider what the consequences would be of awarding copyright to a particular work.

A further aspect which must be taken into consideration is the difference between the compilation and the layout thereof. In the

Ladbroke case, Lord Hodson at 475-6 underlined the distinction as follows:

‘A significant feature of the respondents’, or indeed of any other, coupon is the method of arrangement which has been described colloquially as the lay-out. I prefer to use the word “arrangement” which is relevant in considering labour involved in making a compilation. In *Lamb v Evans* a trades directory consisted of advertisements classified under headings denoting the different trades, composed by the plaintiff or persons found by him to compose them. The Court of Appeal, confirming Chitty J, held that the headings were the subject of copyright. Bowen LJ said:

“They are the result of literary labour, both as regards the composition of the headings themselves and their collocations or concatenation in the book.”

I would not therefore accept the submission of the appellants, which appears to have been accepted by the learned Master of the Rolls, that except where artistic merit is concerned no question of “layout” or, as I preferred to call it “method of arrangement” is relevant. Moreover, in the case of the respondents’ coupon the selection of headings showing the choice of bets offered by the respondents is itself shown to have been the result of skill and labour expended on them.’

It would therefore appear that quite apart from the chosen material for the compilation the actual arrangement thereof and the layout of the form can attract copyright.

In the case of *Ocular Sciences Ltd v Aspect Vision Care Ltd* (1997) RPC 289 at 428-430 Laddie J considered the meaning of the expression ‘commonplace’. He said the following in this regard:

‘Any design which is trite, trivial, common-or-garden, hackneyed or of the type which would excite no particular attention in those of the relevant art is likely to be commonplace. This does not mean that a design made up of features, which, individually are commonplace is necessarily itself commonplace. A new and exciting design can be produced from the most trite of ingredients. But to secure protection a combination must itself not be commonplace.’

In this regard the evidence by Roy and by Ansie Badenhorst was that many hours were spent in designing the exact size of the columns, the placement thereof and that much labour and research went into determining the positioning of the various columns. It appears from the evidence of a witness called by the respondent one Mr Peter Charles Middleton who is a design and printing expert, that he would classify the form VH2 as a fairly complex one which he said would deserve seven out of a rating of ten in his view. Both Mr Walshe and Ms Barr were adamant,

however, that the design of a form of this nature was a simple matter which would take them a few minutes to do on a spacing chart. Mr Walshe was of the view that should this type of form be accorded the dignity of copyright it would be detrimental to his business and to the business of stationery purveyors in general. Walshe was at pains to point out that virtually all the headings and information contained in VH2 could be found in previous forms already on the market. He therefore said that in his view nothing new had been created and that all that had changed was that the address block had been moved down and the body of the form had been moved up, which contained particulars relating to the service rendered, and highlighting the amounts to be paid by the medical aid society and by the patient. He concedes that the columns inserted by Roy Herselman in regard to medical aid and the benefit scale are new columns which did not appear as such on the previous forms.

In my view his evidence loses sight of the fact that the layout itself can attract copyright. In comparing VH2 and its successors VH3, VH4 and the alleged infringing form VH6 (which subsequently turned out to be so) with the previous forms of which a number been attached to the papers of the respondents, I have formed the clear impression that the VH2 group is far more informative and intelligible to a layman than its predecessors, such as the Medsolve and Elite forms which were in common use prior to the creation of VH2. It has the advantage of printing all the information in a single line and not in separate little boxes spread all over the form. The headings are clear and precise and the amount owing by the recipient stands out clearly.

I consider the question whether this might not be a case falling within the parameter of *Hollinrake v Truswell* (1894) 3 Ch 420. In that case the plaintiff claimed copyright in a cardboard pattern sleeve containing upon it various figures and descriptive words for adapting it to sleeves of any dimensions. It was held that these words and instructions were not capable of copyright within the meaning of the then Copyright Act as it was part of the measuring apparatus and had no separate existence. In other words it was a portion of a tool or a machine which was not separately published and could not stand on its own. The thought occurred to me that as the form VH2 was inseparably bound to the Mass package and the computer programme, whether it might not be said that it did not have an existence of its own. On further reflection I have come to the conclusion, however, that the facts in that case differ completely from those in the present matter and that the form VH2 does have a separate existence apart from the computer printout. The principle enunciated in that case therefore is not applicable in my view.

What are the consequences of awarding copyright to this form? Would

it preclude the respondent from carrying on its business and similar businesses from distributing forms? On reflection I do not think so as the respondent is also a designer of forms and would in that capacity more often than not acquire the copyright in a form which it designs as I will attempt to show when dealing with the question of authorship.

Before concluding this part of the enquiry it is worth repeating that a work may be original even if the author has drawn on knowledge common to himself and others or has used already existing material (without slavishly copying such material) provided he has spent skill, labour and judgment on it. The standard of originality required by the Act is a low one (see Copinger and Skone James, *Copyright* (13 ed) paras 3.28, 3.29 and 3.32). A work need not be 'novel' where the author has produced his result without reference to an existing work, even if someone else has produced a similar work, then he does not copy but creates (*Copinger* par 3.33). Where he does make use of existing subject matter the question to be decided is whether he has expended sufficient independent skill and labour to justify copyright protection.

In my view VH2 qualifies as a compilation for purposes of the Act, amounting to a rearrangement of existing material plus a few new columns. Applying the above-mentioned criteria, I have reached the conclusion that although the headings and typographical material on form VH2 is commonplace and would not attract copyright, the layout of the form has required skill, judgment and labour by the author and does merit protection under the Copyright Act.

Who is the author of form VH2?

The word 'author' is now defined in the 1978 Act in relation to a literary work as 'the person who first makes or creates the work'. This definition appears to follow the judgment in the case of *Pan African Engineers (Pty) Ltd v Hydro Tube (Pty) Ltd and Another* 1972 (1) SA 470 (W) at 472. Dean (op cit 1/61-16) describes the author of a work as the creator or maker of the work in its final complete version which is ready for utilization or commercial exploitation. Elsewhere in the same paragraph the learned author also says that

'the author of a work is the person who is responsible for the creation of the material embodiment of the work. This person may not necessarily be the person who conceived the idea which gave rise to, or which is embodied in the material work. Ideas as such are not protectable by copyright and therefore the originator of an idea cannot, per se, claim any right in his idea.'

In the *Pan African Engineers* case (supra) at 472B Boshoff J said the following in regard to authorship:

'In the case of *Nottage and Another v Jackson* (1883) 11 QBD 627 at

p 637, the view was expressed that an author is the man who really represents or creates or gives effect to the idea or fancy or imagination; a man who is most nearly the effective cause of the representation when completed.’

The learned judge then stresses that whether a person is an author of a particular work or not is in the nature of things always a question of fact.

If the activity of the person who reduces the work into its material form is purely mechanical in nature, in the sense of a shorthand typist who takes down what is dictated to her and reproduces it in a written form, that person is not the author but rather the agent or amanuensis of the author (see *Donoghue v Allied Newspapers*, 1938 Ch. 106). I am not suggesting that this principle can be applied in the instant case. The respondents are independent contractors who clothe their clients’ instructions in a material form.

In the case of *Fax Directories (Pty) Ltd v SA Fax Listings CC* 1990 (2) SA 164 (D) Hugo J accepted the respondents’ submission that only a natural person and not a company can be the author of a literary work (p 174 C). This assumption was based on the provisions of section 3(2)(a) of the Act which provides that the term of copyright in a literary work was ‘the life of the author and fifty years from the end of the year in which the author dies ...’ In my view this assumption is with respect correct, but it does not preclude an artificial person from becoming the owner of copyright where the author created the work in the course of his or her employment with the company.

Vernon Herselman admits that he had very little to do with the designing of the form and that he simply handled the business side of selling the Mass forms. Although he ordered the forms from the respondents he did not give the instructions for printing. Those came from his brother Roy. Roy has testified that he spent many hours researching and designing the form by trial and error. He did so in conjunction with Mieny who designed his computer programme to fit the form. Roy testified that Ms Barr frequently visited their offices and kept on enquiring how the design of the form was progressing. She even gave him graph paper on which to draw the form and a special white plastic ruler created for use in designing forms. After many hours of work and research Roy says that he eventually created a form on blank paper which he handed to Ms Barr. His instructions were to print this as a form and to submit the proofs to him before the final printing of the full batch. After handing her this completed drawing there was nothing left for her to design except prepare it for printing. The layout and use of the material which he found necessary to incorporate in the programme was purely his own idea and did not emanate from any other source. The computer

programme was designed around the form and the form was adapted to it in the course of its development.

Ms Barr emphatically denies these allegations. She says that Roy approached her during 1998 and requested her to design a medical account form. He explained that they were writing a new computer programme for medical practices and that they had been marketing the so-called Elite form up to that stage but that this was no longer adequate and that he required a new form that looked different. She asked him whether he had a printout of the programme available but he replied that it had not been finally settled. She thereupon asked him certain pertinent questions regarding his requirements and made notes of his replies. GDW3 was then drawn by Roy which gave the number of columns, the headings and the required spacing of the columns in the body of the form. She states that the rest of the form could in toto be obtained from existing forms especially the Elite form. She set about designing the required form by using a spacing chart and drawing on her experience of designing of forms. Roy's input was merely the arrangement of the columns and the headings as well as the width of each column. The only drawing she ever received from Roy was DGW3. She also denies lending him a ruler and he says he did not ask her for any paper. She denies having heard of a white plastic ruler used for designing her forms. The only ruler she ever saw or used was a specially imported one made of steel which she handed in as exhibit 1. After she had designed the form she handed it to the printing house which printed a proof. She took this to Roy and discussed alterations to it with him. At least five proofs were printed by the setting house before Roy was satisfied and the final one was signed by him. This document has unfortunately been lost and could not be produced but the five proofs on which notes were made were submitted to the court. Ms Barr testified that once a block has been made by the printer the signed proof is destroyed.

These were the two main witnesses concerning the question of authorship of the form. There were two supporting witnesses, one on each side, namely Ms Ansie Badenhorst on the side of the applicant. She testified that she assisted Roy in designing the form but significantly she did not describe the end product in any detail. All that she can remember is that on his instructions she kept on measuring with the ruler which was in her possession and 'counting blocks' as she termed it. She said she kept on drawing lines and rubbing them out. She did not seem to have an overall impression of the work that was being carried on. On the side of the respondents there was Mr Charles Middleton, the designing and printing expert. He expressed the view that it would be almost impossible for a person to design an accurate form resembling VH2 without

knowledge of the printing industry and without the use of a spacing chart. He said that designing a form of this nature requires a great deal of experience and expertise. Mr Walshe also testified that although a design of this nature did not require a great deal of labour on the part of an expert, knowledge of the printing industry was essential in order to create a successful business form. The printing industry was still committed to the use of imperial measurements and had not been converted to a use of the decimal system. Jacques Mieny was another witness who testified on behalf of the applicant. He said that it was not possible to create the form first and then design the computer programme around it. He said that the two had to be developed together and that this was an extremely involved and complex process which took a great deal of time to complete successfully. The two processes are inextricably bound together and the one cannot be separated from the other. They were therefore developed together.

The dispute regarding the creation of the form VH2 is obviously fundamental to the question of authorship. Roy Herselman claims that he designed a complete form ready for printing, whereas Ms Barr says he gave only rudimentary instructions which she converted into a printable form. If Roy's version is accepted he is the author, and through him Mass CC (and subsequently the applicant) has become the owner of the copyright. If Ms Barr's evidence is accepted in preference to that of the applicant, she is the author and through her contract of employment, the respondent is the owner of the copyright. Both these versions cannot be correct at the same time.

There are a number of indications which have led me to the conclusion that the respondents' evidence is to be preferred to that of the applicant's. Firstly it seems clear that Roy knew very little about the exigencies of the printing industry—knowledge which was essential for the successful design of a form such as VH2. This was clearly demonstrated during his cross-examination. Secondly, he and Ms Ansie Badenhorst contradicted each other on the use of graph paper or plain paper for the drawing of the form. It became clear that Ms Badenhorst knew very little about the form in its final appearance and she could not give a description of what it looked like. Then there was the controversy surrounding the white plastic ruler. A number of plastic rulers were handed in as exhibits — none of them white. Both Walshe and Ms Barr were adamant that only the steel ruler (exhibit 1) was ever used by them or by anybody associated with their trade. There is the use (or failure to use) a spacing chart which all the expert witnesses for the respondent say is an essential tool. Roy did not use it but only Ms Ansie Badenhorst's counting ability and the trial and error method around Mieny's printouts.

The main problem with applicant's version, however, is that the drawing in its complete form could not be produced for inspection in any form. Roy says it was handed to Barr who lost it. Barr says she never received it but only DGW3 which she kept in the 'job bag' of the applicant and which she produced in court. Roy speculates that Ms Barr 'took' the sketch DGW3 off his desk without his knowledge. One wonders why she would have done so if she had the perfect drawing in her possession from Roy himself. Roy says it was one of many such drawings but he could not produce any others. Again if there was a perfect drawing of VH2 I would have expected the applicant to have kept a copy or at least to have moved heaven and earth to obtain the one which was handed over to the respondent, as this would have gone a long way towards proving the applicant's case on authorship. But no requests or applications for special discovery were launched.

The credibility of Roy Herselman is not untainted either. In Vernon's founding affidavit, concurred in by Roy during the motion proceedings, he described the forms VH3 and VH4 as subsequent versions designed by him containing only minor or 'polishing-up' changes, whereas in his oral evidence he described these changes as 'substantial'. This opened up new vistas and postulated a different case to the one made on motion, for if the new forms were substantially different they would attract copyright in their own right and it was common cause that respondent had nothing to do with these designs. It also meant that the infringing form VH6 (or exhibit 1) were copies of VH3 or VH4 and not as originally stated of VH2.

The probabilities overwhelmingly favour Ms Barr's version. I do not accept that she would 'pilfer' DGW3 from Roy's desk merely to use as proof of her rudimentary instructions in a subsequent court case. She was the expert in designing forms and in formulating precise printing instructions, and I cannot see how an amateur like Roy could possibly design a perfect ready-to-print drawing of the form. As pointed out by Mr Middleton, no designer would accept a commission such as the one described by Roy Herselman.

It is not surprising to find that applicant sought to amend its prayers at the conclusion of the evidence by including VH3 and VH4 as works in which it claimed copyright. Respondent objected strenuously to this amendment, pointing out inter alia that this would change the very foundation of applicant's case in view of Roy's evidence regarding 'substantial' changes and would deprive the applicant of locus standi as only the copyright in VH2 was assigned to it. After hearing argument by counsel I dismissed the application to amend.

Under the circumstances I accept Ms Barr's evidence about the

creation of the form and reject that of the applicant. It means that Ms Barr is the author and that the respondent is the proprietor of the copyright in VH2.

Unfair competition

It remains to deal with the argument relating to unfair competition by respondent in selling and distributing forms similar to VH2. This argument may be disposed of shortly. Although the idea for the arrangement or layout of VH2 emanated from Roy, respondent through Ms Barr gave material form to it and I have found that respondent owns the copyright. On the authority of cases like *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1981 (2) SA 173 (T) and *Schultz v Butt* 1986 (3) SA 667 (A) one of the basic requirements of the action based on unfair competition is that the act complained of must be unlawful. If the respondent is the lawful owner of the copyright as I have found, it cannot be said to be competing unfairly with the applicant if it sells the forms in which it possesses copyright.

It follows that the application cannot succeed. In regard to costs, however, a special order is called for as both parties achieved a measure of success in respect of the issues before court. Thus the applicant succeeded in having the point concerning assignment raised by respondents dismissed and the issue of copyright in the form was also decided in its favour. On the other hand, the crucial issue of authorship in the form and the question of unfair competition went in favour of the respondent. In my view and not to put too fine a point to it, each party should be ordered to pay its own costs.

The application is accordingly dismissed, each party to pay its own costs.

PYROMET (PTY) LTD v BATEMAN PROJECT HOLDINGS LTD

**WITWATERSRAND LOCAL DIVISION
GOLDSTEIN J
25 NOVEMBER 1998**

Copyright may exist in portions of a work, where the work is a result of the addition of the author's skill and effort to a work in which copyright already exists.

Pyromet (Pty) Ltd alleged that it was the copyright holder of 240 drawings and that Bateman Project Holdings Ltd had copied the drawings.

In substantiation of its allegation, Pyromet's supervising engineer alleged that he supervised the making of each drawing, and that each drawing was original and was the product of each author's personal skill, knowledge and labour and was not copied from any other drawing. The drawings contained a large amount of detail suggesting that they themselves had been copied.

Pyromet applied for an order interdicting Bateman from infringing its copyright and that it deliver up all infringing copies of the drawings.

Held—

Because of the detail contained in each drawing, it was improbable that each was a result only of the personal skill, knowledge and labour of the author. It was improbable that none was copied from any other drawing.

While this did not mean that Pyromet did not hold the copyright in the drawings at all, the fact that it did not hold the copyright in some portions of them meant that it was necessary to determine which portions those were in order to grant the relief sought by Pyromet. The copyright could be held partially, ie in those portions which were original, even if based on a previously existing work.

However, in view of the ambiguity as to the evidence, it was not possible to determine in which portions Pyromet's copyright actually resided. The order sought by Pyromet could therefore not be granted.

Goldstein J:

THE PARTIES

The applicant was formerly a close corporation known as Pyromet CC. It was converted to a company on 3 June 1996. The first respondent's former name was Titaco Consolidated Investments Limited, which was changed to its present name on 11 March 1996. The second respondent is a wholly owned subsidiary of the first respondent. The fifth respondent is a company formed by the first respondent and the applicant as the vehicle for a joint venture between the applicant and the first respondent to supply smelters to the fourth respondent. No relief is sought against the third, fourth and fifth respondents.

THE RELIEF IN THE NOTICE OF MOTION

The relief sought in the Notice of Motion dated 31 August 1998 is as follows:

‘1. Interdicting and restraining the First Respondent, alternatively the

Second Respondent alternatively the First and Second Respondents from infringing the Applicant's copyright in the drawings listed in annex "EDX1" to the supporting affidavit of Eugenius Daniel Sidorski.

2. Ordering the First Respondent to comply with the terms and conditions of the Joint Sub-Contract Agreement dated 8 July 1995 between the Fifth Respondent, the First Respondent and the Applicant.
3. Ordering the First Respondent to comply with the terms and conditions of the Licence Agreement dated 8 July 1995 between the Fifth Respondent, the First Respondent and the Applicant.
4. Interdicting and restraining the Second Respondent from aiding and abetting the First Respondent in breaching the Joint Sub-contract Agreement dated 8 July 1995 between the Fifth Respondent, the First Respondent and the Applicant.
5. Interdicting and restraining the Second Respondent from aiding and abetting the First respondent in breaching the Licence Agreement dated 8 July 1995 between the Fifth Respondent, the First Respondent and the Applicant.
6. Ordering the First respondent, alternatively the Second Respondent alternatively the First and Second Respondents to deliver up to the Applicant any and all copies of the drawings listed in annex "EDS1" to the supporting affidavit of Eugenius Daniel Sidorski, in whatever form, in its/their possession or under its/their control.
7. Ordering the First Respondent, alternatively the Second Respondent, alternatively the First and Second Respondents to deliver up to the Applicant any and all drawings and articles the making of which constituted a breach of the joint sub-contract agreement dated 8 July 1995 between the Fifth Respondent, the First Respondent and the Applicant, which is in the possession or under control of the First and/or Second Respondent.
8. Ordering the First Respondent, alternatively the Second Respondent, alternatively the First and Second Respondents to deliver up to the Applicant any and all drawings and articles the making of which constituted a breach of the Licence Agreement dated 8 July 1995 between the Fifth Respondent, the First Respondent and the Applicant, which is in the possession or under the control of the First and/or Second Respondent.
9. Alternatively to the above granting the Applicant an interim interdict in terms of paragraphs 1, 2, 3, 4, and 5 above pending the outcome of an action to be instituted by the Applicant against the First Respondent, alternatively the Second Respondent,

alternatively the First and Second Respondent for, inter alia, a final interdict and directing that such action be instituted within thirty days of the granting of this order.

10. Ordering the First Respondent and any other Respondent that opposes this application to pay the costs of this application, jointly and severally, the one paying the others to be absolved.
- 4.(sic) Granting the applicant such further and/or alternative relief as the above Honourable Court seems (sic) fit.'

THE RELIEF NOW SOUGHT

This relief was amended during the course of the first address of counsel who appeared for the applicant. Counsel handed up a draft order which contains the substituted relief now being sought. The body of the draft reads as follows:

'It is ordered that:

1. The First and Second Respondents are interdicted and restrained from doing or causing any other person to do, in the Republic, any of the following acts in regard to any of the drawings listed in annexure "EDS1" to the affidavit of E.D. Sidorski:
 - 1.1 reproducing such drawing in any manner or form;
 - 1.2 publishing such drawing;
 - 1.3 making an adaptation of such drawing;
 - 1.4 reproducing an adaptation of such drawing in any manner or form;
 - 1.5 selling or by way of trade offering or exposing for sale or hire any article the making of which constituted a reproduction or adaptation of the drawing;
 - 1.6 distributing any article for the purpose of trade, the making of which constituted a reproduction or adaptation of such drawing.
2. The First Respondent is ordered to comply with clause 17.1 of the Joint Sub-contract Agreement dated 8 July 1995 between the Applicant and the First and Fifth Respondents.
3. The First Respondent is ordered to comply with Clause 7.2 and 7.3 of the Licence Agreement dated 8 July 1995 between the Applicant and the First and Fifth Respondents.
4. Ordering the First and Second Respondents to deliver-up to the Applicant all reproductions and adaptations of the drawings listed in annexure 'EDS 1' to the affidavit of E. D. Sidorski, in whatever form, in their possession or under their control.
5. The First and Second Respondents are ordered to pay the costs of this application, jointly and severally, the one paying the other to be absolved.'

During the course of his reply counsel for the applicant moved for a

further amendment of the relief sought by the addition in paragraph 2 of the draft of the words 'read with 17.2' after the figure '17.1' in paragraph 2 of the draft. Paragraphs 1 and 4 of the draft relate to the alleged infringement of the applicant's copyright in the drawings concerned, whilst paragraphs 2 and 3 relate to alleged breaches by the first respondent of its obligations in terms of certain clauses in the two agreements. It is convenient to deal first with paragraphs 1 and 4 of the draft and thereafter with paragraphs 2 and 3.

AD PARAGRAPHS 1 AND 4 OF THE DRAFT ORDER

The applicant alleges that it is the proprietor of the copyright in the drawings referred to in paragraphs 2 and 4 of the draft. There are 240 of such drawings attached to the affidavit of Mr Eugenius Daniel Sidorski which affidavit is itself an annexure to the founding affidavit. Sidorski states that as the applicant's supervising engineer he supervised the making of each of the drawings. He identifies each of the draftspersons concerned and gives the dates on which each of the drawings were made. He says that he 'personally witnessed each person making the drawings listed, at the Applicant's premises in Johannesburg (where) each drawing was made under (his) supervision'.

Sidorski's affidavit ends with paragraph 8 which reads: 'Each drawing was original in that it was the product of each author's personal skill, knowledge and labour and was not copied from any other drawing'. This allegation, contended counsel for the applicant, rendered each of the drawings original thereby complying with section 2(1)(c) of the Copyright Act (no 98 of 1978) ('the Act') read with paragraph (a) of the definition of 'artistic work' in section 1 of the Act. Counsel for the first and second respondents contended that the requirement of originality had not been satisfied and that paragraph 8 took the form a mere pleading and was not evidence at all. I find the statement in paragraph 8 very cryptic and bald. The drawings contain considerable detail. I find it difficult to believe that each is the product of the personal skill, knowledge and labour of the author. I find it difficult to believe too that none was copied from any other drawing. Certainly Sidorski fails to explain how each of the authors was able to produce his or her drawing in vacuo without reference to any other drawing. In my view there must overwhelmingly on the probabilities have been copying involved in the production of at least portions of the drawings. The problem created for the applicant's case, insofar as it relies on copyright, is that my conclusion, that there must have been some copying, makes it impossible for me to find which portions of the 240 drawings are the subject of copyright and which are not. In his *Handbook of South African Copyright Law* at p 1-15, 16 OH Dean says the following with admirable clarity:

‘It is a requirement for the subsistence of copyright in a work that the work be original. This does not mean that the work must be in any way unique or inventive, but merely that it should be the product of the author's or maker's own labours and endeavours and should not be copied from other sources. A work can still be original notwithstanding that it has been copied from a previous work provided sufficient skill and effort have been embodied in creating the subsequent work. It is submitted that, depending on the circumstances, a work can be partially original, ie where it is based on a previous work but contains new matter; it is original to the extent of the new matter. Insofar as an independent copyright subsists in the work, it covers that part of the new work which is original to the author and is new matter. It is specifically provided in section 2(3) of the Act that a work is not ineligible for copyright simply because making it involved something which infringed the copyright in an existing work. Insofar as the second work consists of copied material it is not original and may infringe another copyright, but insofar as it contains new matter it is original and eligible for copyright.’

Of course his reference to the Act is a reference to the Copyright Act. It follows that the orders sought in paragraphs 1 and 4 of the draft order cannot be granted. I turn to deal with paragraph 2.

AD PARAGRAPH 2 OF THE DRAFT ORDER

It appears that the Joint Sub-contract Agreement arose in order to govern the relationship between the applicant, the first respondent and the fifth respondent in giving effect to the joint venture to supply smelters to the fourth respondent. Clause 17 is headed ‘Confidentiality’ and reads as follows insofar as it is relevant:

‘17.1 Each PARTY undertakes to use all documents and information which it obtained from the other in connection with its collaboration under this AGREEMENT solely for the purpose of performing the AGREEMENT and the CONTRACT, to treat them confidentially and to make them available or disclose them to third parties only so far as it is necessary for the performance of the CONTRACT. Such obligation shall remain in effect for a period of 10 (ten) years after the termination of this AGREEMENT.

17.2 The obligation and restrictions of paragraph 17.1 above shall not apply to information which:

17.2.1 was at the time of receipt otherwise known to the receiving PARTY as evidenced by documentary material in its possession at the time of receipt thereof, or

17.2.2 became known or available to the receiving PARTY from

- a source other than the furnishing PARTY without breach of this AGREEMENT by the receiving PARTY and without obligation to keep confidential; or
- 17.2.3 is or becomes party of the public domain in any way, including, but not limited to becoming a part of the public domain by inspection or analysis of products available in the market without breach of this AGREEMENT by the receiving PARTY; or
- 17.2.4 is disclosed in accordance with the written approval of the furnishing PARTY.’

The word ‘agreement’ in clause 17 is defined in clause 1.1 in effect to be the Joint Subcontract Agreement and the word ‘contract’ is defined in clause 1.3 in effect to be the contract with the fourth respondent for the supply of the smelters.

Counsel for the applicant contended that it was common cause on the papers that the first respondent had breached clause 17.1 by using certain documents and/or information obtained from the applicant for a purpose different from that of performing the ‘agreement’ and the ‘contract’ as defined. It appears in this regard that the first respondent is involved in using certain of the drawings at least in a tendering process which has nothing to do with the applicant and is not in any way concerned with the purpose of performing the ‘agreement’ or the ‘contract’. I agree with the submission that this use of the drawings is in breach of clause 17.1. I agree too that such use creates the reasonable apprehension of further breaches of clause 17.1 especially since it appears from a letter dated 28 August 1998 and written on behalf of the second respondent (the letter is obviously also written on behalf of the first respondent) that the first and second respondents seem to be unaware of the fact that they are in breach of clause 17.1 by so using the drawings.

Counsel for the first and second respondents countered with the submission that the founding affidavit failed to make out the case of the use of the drawings in breach of clause 17.1. I have examined the founding affidavit in the light of this submission. Paragraph 28 of the founding affidavit refers to the use of the applicant's drawings in connection with a joint venture with the third respondent. In paragraph 21 of the affidavit it is stated that ‘the Applicant supplied all the technical information necessary for purposes of the venture (this is a reference to the joint venture regulated in the Joint Sub-contract Agreement) to the first respondent which included technical drawings and the technical information they contain ...’ In paragraph 33 it is alleged that ‘(t)he disclosure and use of the technical information by the first respondent is also in clear breach of paragraph 17.1 of the joint sub-contract agreement

...’ It is thus clear that the founding affidavit uses the word ‘technical information’ to include the drawings and their contents and it accordingly seems to me that there is no merit in the contention on behalf of the first and second respondents that the founding affidavit does not make the essential averments necessary for a case for the interdict sought in respect of clause 17.1. I disagree too with the submission that paragraph 2 of the draft order is couched too vaguely. It follows that the applicant is entitled to an order in terms of paragraph 2.

AD PARAGRAPH 3 OF THE DRAFT ORDER

Clauses 7.2 and 7.3 of the Licence Agreement read as follows:

- ‘7.2 The COMPANY and TITACO agree that for a period of ten (10) years following the expiration or termination of this AGREEMENT, they shall not disclose or allow disclosure of any such TECHNICAL INFORMATION or other confidential documentation furnished to it pursuant to this AGREEMENT.
- 7.3 The COMPANY and TITACO shall restrict the disclosure of any TECHNICAL INFORMATION which the COMPANY and TITACO are obliged to maintain in confidence to those of its employees or contractors who have a need to know, to the extent necessary to fulfil the purpose set out above.’

The ‘company’ is the fifth respondent, and ‘Titaco’ is the first respondent. The term ‘technical information’ is defined in clause 2.13 of the Licence Agreement to mean:

‘any and all drawings, specifications, information and other data used by PYROMET at present relating to the LICENCED KNOW-HOW and LICENSED EQUIPMENT and such information used by PYROMET at present in the manufacture, sale, quality control, assembly, testing, erection, commissioning, operating and maintenance of the LICENCED EQUIPMENT including but not limited to, all engineering, manufacturing, testing assembly, operation performance, maintenance and service information and data.’

Pyromet is, of course, Pyromet CC as the applicant then was.

The term ‘licenced know-how’ is defined in clause 2.9 of the Licence Agreement to mean:

‘any and all know-how related to—
the electrode gear
furnace parameters
furnace geometry
transformer specifications.’

And the term ‘licenced equipment’ is defined in clause 2.10 of the Licence Agreement to mean:

‘all equipment of whatever nature manufactured by use of the

TECHNICAL INFORMATION in whole or in part.’

There is no evidence to indicate that the drawings or information therein contained relate to the ‘licenced know-how’ or ‘licenced equipment’ as defined and accordingly this paragraph of the draft order sought cannot be granted.

COSTS

It seems to me that in defeating the applicant's case insofar as it is based on copyright the first and second respondents have achieved a substantial measure of success. Of course in obtaining an interdict in the terms of paragraph 2 of the draft order the applicant has also achieved a substantial measure of success. Taking account of the application as a whole it seems to me that making no order as to costs would be the fairest regulation of that issue.

ORDER

I make the following order:

1. The first respondent is ordered to comply with clause 17.1 read with clause 17.2 of the Joint Sub-contract Agreement dated 8 July 1995 between the applicant and the first and fifth respondents.
2. Save as aforesaid the application is dismissed.

MARICK WHOLESALERS (PTY) LTD v HALLMARK HEMDON (PTY) LTD

TRANSVAAL PROVINCIAL DIVISION
MOJAPPELO AJ
15 DECEMBER 1999

A court is entitled to infer that copying has taken place by comparing the alleged copyright work with the alleged infringing work and without direct evidence of copying. The fact that the features of a copyright work existed prior to the creating of the copyright work is no bar to the subsistence of copyright in that work, even if all the features of the copyright work existed prior to its creation.

Montres Michel Herbelin SA assigned its copyright in design drawings of its watches, as well as the copyright in each of its complete products produced from the drawings, to Marick Wholesalers (Pty) Ltd. Marick was also appointed Michel Herbelin's exclusive distributor of the watches in South Africa.

Two of the watches whose design emanated from Michel Herbelin were named the Atrium and Corynthe watches. The designs for these watches were produced by a team of designers which made the first ones as artistic drawings. These were later combined to become blueprints for the watches which were finally made.

Marick alleged that Hallmark Hemdon (Pty) Ltd imported copies of the watches into South Africa and sold and distributed them. Hallmark denied that the designs were not original or worthy of copyright protection since all of their features were to be found in other watches during the period preceding the dates on which the Michel Herbelin watches were designed. It also alleged that the design of the watches was commonplace and could therefore not be the subject of copyright protection.

Marick sought an interdict preventing Hallmark from importing copies of the watches into South Africa and from selling them within South Africa.

Held—

None of the watches alleged to have existed prior to Michel Herbelin's creation of its design drawings contained all of the features which existed in the Atrium and Corynthe watches. However, even if either of them had, copyright could vest in respect of them. Copyright may subsist in a work which contains an arrangement of features all of which have existed beforehand. The final product is what qualifies for copyright protection, and not the process which may draw on pre-existing features.

Originality as a requirement for the vesting of copyright does not require that the work be unique or inventive, but a product of the author's own labour and endeavours and not a slavish copy of some other work. It was clear that this kind of originality pertained to the designs of the watches of the present case. The expertise brought to bear in the production thereof indicated this. Independent labour, skill and creativity had been applied by the design team, and this was sufficient to confer originality on the designs.

Hallmark had tendered no evidence of the origins of the design of the watches it sold and distributed. This was an insufficient answer to the direct evidence that showed a high degree of similarity between the original works and the alleged infringing works. Hallmark had certainly imported the watches, and accordingly fell within the terms of section 23(2) of the Copyright Act (no 98 of 1978). It was

permissible for the court to conclude that copying had taken place by comparing the similar features of the watches, those produced by Michel Herbelin and those distributed by Hallmark.

The interdict was granted.

Mojapelo AJ: The applicant brought an application for an interdict against the respondent based on an alleged infringement of copyright in the design drawings of two watches. The watches in question are part of a range of Michel Herbelin watches which are distributed by the applicant in the Republic of South Africa and are identified by the applicant as the *Corynthe* (Design or Serial No. 17090/P13B) and the *Atrium* (Design or Serial No. 17093/P13B). The specific conduct that the applicant seeks to interdict are (a) the importing of copies of the subject works into the Republic of South Africa for a purpose other than its private use; and (b) the selling, letting or by way of trade offering or exposing for sale or hire in the Republic of South Africa, or distributing in the Republic for purpose of trade or for any other purpose of copies of the subject works.

The applicant also seeks to interdict the respondent's conduct on the basis that the conduct of the respondent constitutes unlawful competition in that the watches sold by the respondent so closely resemble the *Corynthe* and *Atrium* models of the applicant in design or appearance that they are likely to deceive or cause confusion.

The applicant further seeks an order against the respondent for delivery up to the applicant for destruction of copies of the alleged offending watches, which are in the possession or under the control of the respondent.

Finally, on papers, the applicant sought an order that an enquiry be held to determine the amount of damages or reasonable royalty to be paid by the respondent to the applicant. The latter prayer of the application was however abandoned by the applicant and was not argued at the hearing.

The application is opposed by the respondent on the grounds and basis set out and considered below.

The applicant, Marick Wholesalers (Pty) Ltd, is a South African company of 68 Grayston Drive, Sandown, Sandton. The respondent, Hallmark Hemdon (Pty) Ltd, is also a South African company of Hallmark Towers, 54 Siemart Road, New Doornfontein, Johannesburg. The applicant and the respondent conduct business separately and independently as importers and distributors of watches in South Africa.

The applicant is the exclusive importer and distributor in South Africa of watches sold under the trademark 'Michel Herbelin' through a relationship which is dealt with below.

Michel Herbelin is the trademark of distinctive high quality watches, which are manufactured in France by a French company, Montres Michel Herbelin S. A., of 9 Rue de la Premier Armee, Charquemont, France. The watches are intended to be prestigious items. They are distributed throughout the world and are reknown for their artistic design and quality. They are expensive items whose brand has been built up by careful marketing and advertising strategy, which involved expenditure of considerable sums of money. These attributes of Michel Herbelin watches appear to be common course between the parties in the present proceedings.

The applicant acquired its rights as the exclusive distributor of Michel Herbelin watches in South Africa in terms of a Distributorship Agreement that was first signed on May 03, 1990 for an initial extendible duration of 10 years. The agreement has currently been extended for a further period of 10 years from 10 January 1998. The rights and obligations acquired in terms of the distributorship agreement include the rights and obligations to stock all the necessary parts, provide after sales care, maintenance, servicing of guarantees and a number of other rights and obligations. In terms of another agreement, the Assignment of Copyright, concluded between the applicant and the French company, the reproduction and adaptation rights for South Africa in all Michel Herbelin watches, whenever designed and wherever such rights vest in the French company were transferred to the applicant. In terms of the said agreement the applicant became the copyright owner (in South Africa) of all the design drawings of Michel Herbelin watches including copyright in respect of each of the assignor's 'complete products, which design drawings are the works of each of the products in its range of three dimensional reproductions.' In terms of the foregoing relationship, the building-up of the Michel Herbelin brand in South Africa was done by the applicant at its own expense through marketing and advertising of the brand.

On the papers before court the respondent denied the validity of the assignment of copyright. However at the hearing of the application the validity of the assignment was conceded. Counsel for the applicant and the respondent agreed that the effect of the concession was that if copyright is found to have vested in the applicant in respect of the subject works then such copyright has been validly transferred to the applicant. The point was consequently not argued by either side and

accordingly it is also not necessary for a finding to be made in that regard.

The case for the applicant was presented in this case through a founding affidavit by Richard Max Mitchell, the general manager, founder and majority shareholder of the applicant. Mr Mitchell is also presently in charge of the sales, marketing and administration of the applicant. He has twenty years experience in the business of distribution of watches in South Africa, served on the Jewellery and Watch Distribution Association, a sub-committee of the Jewellery Council of South Africa. He is the chairman of the Jewellux Committee and since 1998 he also serves as a member of the main committee of the Jewellery Council of South Africa and its Executive Committee. He has extensive experience in the watch distribution business in South Africa.

On behalf of the applicant there has also been filed a supporting affidavit of Jean-Claude Herbelin, the Chairman for the past few years of the French company, Montres Michel Herbelin S A. He is a watch designer by occupation with thirty years experience in designing watches. He has headed the design team of Montres Michel Herbelin S A for the past twenty six (years since 1973). During that period he was intimately involved in the design of the Michel Herbelin watches in the sense that where he did not design the watches personally, he supervised the design of such watches by others. Finally the applicant also filed a second supporting affidavit by one Ann Christine Lawson, an employee of the applicant who purchased a sample of the alleged offending watches from a dealer in South Africa.

On behalf of the respondent only one answering affidavit was filed attested to by Mr Patrick Buckley, the brand director of the respondent. He has to his credit some twenty years involvement in the jewellery industry and fifteen years in the watch business (since 1984). Mr Buckley was first employed with respondent as the brand manager in 1996 (three years ago). His present responsibilities include the marketing, advertising, distribution and sourcing of watch products for the respondent. As has already been mentioned he is the sole deponent and witness for the respondent in this application. He is neither a designer nor a manufacturer of watches. He also does not profess any previous experience in the designing or manufacturing of watches. He therefore cannot stand up as an expert in the field. He, however, attended fifteen international watch fairs since 1993 and is therefore familiar with a range of products that are exhibited at such fairs.

Briefly stated the basis of the application brought in this matter is that the French company designed the Atrium and Corynthe watches.

The applicant is the holder of copyright in South Africa in the design drawings of the said watches. He is also the exclusive distributor of the said watches. The applicant alleges that the respondent infringes its copyright and competes unlawfully with it by importing into South Africa and distributing watches which are imitations of the Atrium and Corynthe watches. The respondent denies that any copyright exist in the design drawings of the watches in question. It also denies that its watches are copies of the watches in question and consequently also that it (the respondent) competes unlawfully with the applicant.

It appears from the papers that a team of designers employed by the Montres Michel Herbelin S A designed the Atrium and the Corynthe watches in November 1994 and October 1996 respectively. The team consisted of Jean-Claude Herbelin, Patrick Fierobe and Pierre-Michel Herbelin, who at the relevant time were all employed by Montres Michel Herbelin S A and acted within the course and scope of their employment. The designs were embodied in certain artistic alleged drawings made by these individuals which drawings were attached to the supporting affidavit of Jean-Claude Herbelin. The 'artistic' drawings were thereafter transformed into 'blueprints' by Hugo Berger, a Swiss citizen commissioned by Montres Michel Herbelin S A as an independent contractor. The blueprints developed by Hugo Berger in respect of the two watch models were also attached to the supporting affidavit of Jean-Claude Herbelin. The two watches were developed from the blue print drawings. The Atrium watch was released to the public commercially for the first time in April 1995 and the Corynthe watch in April 1997, both at Basel, Switzerland.

Although Hugo Berger, who made the blueprint drawings, was an independent designer, he assigned the copyright to such drawings to Montres Michel Herbelin S A in terms of a written deed of assignment, which was also annexed to the papers.

The design drawings submitted were hand-written drawings of certain external parts of the watches in question which were signed and dated, presumably by the original designers. Some of the parts shown on the design drawings are the faces of the watches, the bangle straps, the hands and collars (the latter being the link that joins the strap to the face of the watch). There are also certain annotations in French on the design drawings. The design drawing of each watch appears on one page. The blueprints consist of a much finer representation of the respective watches, which look almost like photographs and are coloured in gold. Each appear on one page each and bears the rubber-stamp print of Michel Herbelin with the date of design which in respect of the Atrium

is November 1994 and in respect of the Corynthe is October 1996. The rubber-stamp imprints also have the logo of Montres Michel Herbelin.

The applicant contended through the affidavits of Richard Max Michel and Jean-Claude Herbelin that the design drawings and the blueprint drawings constituted original artistic works, which qualify for copyright protection in South Africa. It was submitted that considerable expertise, creativity, effort and skill went into the designing of models of the two watches. The skill and expertise required in the production of the drawings was the result of many years of experience in the field. The watches, which were manufactured on the basis of the blueprint, were three-dimensional reproductions of the artistic works. They are items of jewellery, which are essentially decorative pieces. Their main attraction, it was submitted, is the appealing designs and the superior quality of materials and craftsmanship.

It is the copyright which, on the applicant's contention, vested in the work that passed from the French company (Montres Michel Herbelin SA) to the applicant in terms of the deed of assignment of copyright referred to above.

The real answer of the respondent to the copyright question is contained in paragraph 10 of the respondent's answering affidavit; the material parts of it read as follows:

'The respondent disputes that there is anything original or worthy of copyright protection in the designs of the two Michel Herbelin watch ranges in question in this application. ... all of the various features which, taken together, make up the Michel Herbelin watches in question can be found in other makes of watches which were on the market during periods preceding dates upon which the Michel Herbelin watches in question were allegedly designed. ... There can have been no real independent labour or skill in the preparation or compilation of the so-called design of Michel Herbelin watches in question. The design of those watches is commonplace and did not require either such labour or such ingenuity in its alleged preparation as to render it fit subject for copyright.'

In essence it is the respondent's case therefore that there is nothing original or worthy of copyright protection in the designs of the watches in question (hereafter referred to as 'the subject works'). The basis of this contention is that all the features of those watches can be found in other makes of other watches that existed prior to the alleged designs. In other words it is the originality which is squarely placed in issue on the basis that there was 'no real independent labour or skill in the preparation or compilation' of the design of the watches in question.

A great part of the answering affidavit after this main submission is devoted to a demonstration of the fact that various features and parts of the subject works existed prior to the design of the subject works. The parts that the respondents treat in the demonstration are, inter alia, the ribbed effect of the bangle strap, the round or oval face of the watch, the collar of the watch, the two hands of the watch, the double ridge surrounding the face of the watch, etc. This is done by reference to various magazines and catalogues advertising several watches, each with one or more of the features identified by the respondent. Most of such magazines and catalogues were published prior to the design of the Atrium and Corynthe models of the applicant.

In none of the watches referred to by the respondent and which appeared prior to the release of the two subject works do all the features appear together in one watch which would make the watches in question similar or identical to any of the subject works.

The exception in this regard are annexures 'PB 23', 'PB 24' and 'PB 26'. PB 23 is an advertisement, which was placed on 03 December 1996 by Freeway, a South African distributor of watches. PB 24 is a photograph of an actual watch which, it is alleged, is currently distributed in South Africa by African Queen. PB 26 on the other hand depicts another watch in a pamphlet, which was printed in Asian Sources Time Pieces of May 1998. In contrast to the rest of the annexures to the respondent's affidavits the watches depicted in the latter annexures have striking similarities with the Michel Herbelin watches which are the subject works in the case.

Of particular significance to note from the respondent's answer is that it is not a denial of the fact that Montres Michel Herbelin S A did design its watches nor is there an allegation that either the respondent or its supplier or manufacturer designed the watches distributed by Hallmark and which the applicant regard as offending watches. In essence the reply says that the alleged design is not original and is not worthy of copyright protection. By implication this would mean that the alleged work is one that anyone, including the applicant and its manufacturer, would be free to copy. That is after all the status of any drawings or other alleged artistic work which does not enjoy copyright protection.

The applicant filed two replying affidavits, one by Richard Max Michel and the other by Jean-Claude Herbelin which amongst others deal with the respondent's answer and the way in which the respondent challenged originality in the subject works. The applicant pointed out (through the replying affidavit of Richard Max Michel) that the

respondent misunderstood or misconceived the requirement of ‘originality’ for purposes of copyright. The applicant pointed out that it was not the case of the applicant that the features and characteristics of its design works did not exist prior to the designing of the subject works. The applicant pointed out that:

‘The applicant’s contention is that the compilation, arrangement and collocation of the various features (as well as their size, form and manifestation) embodied in the designs of the watches in question, each of which may occur in other watches, are the result of the independent work and expertise and that these compilations, and thus the overall designs of the subject watches are original. These compilations of features making up original designs were the independent works of the individuals and were not copied from any other compilations or overall designs.’

The applicant pointed out that it was irrelevant to its copyright that watches incorporating individual features that are similar to individual features comprised in the designs of the subject watches were in existence. It does indeed appear that art quite often entails a presentation in an attractive or pleasant way of something or features which already exist. Examples of this could be the taking of a photograph, the drawing of a portrait, a building or landscape.

As to the watches depicted in the respondent’s annexures PB 23, PB 24 and PB 26, the applicant replied that the relevant watches depicted thereon were also infringing copies which infringed the copyright of the applicant and in regard to which the applicant still intended to take action against the offenders.

It was argued by counsel on behalf of the respondent that to the extent that the applicant refers for the first time in the replying affidavit and seeks to rely on the originality in the compilation, arrangement and collocation of the various features which existed, the applicant was making a different case in the replying affidavit from the case which was made in the founding affidavit. Counsel for the respondent submitted that the new case made for the first time in the replying affidavit should be disregarded by the court.

Counsel for respondent, however, did not refer the court to any authority for the proposition that there are different legal basis for originality of drawings as artistic work based, on the one hand, on the drawing of a thing or a feature which did not exist prior to the drawing as against, on the other hand, originality of the drawing where the author brings together or arrange in an original form features that may have existed beforehand. It would appear that in both cases one deals with

artistic work and it is originality of the work which qualifies it for copyright protection. It is the final product that qualifies for copyright protection as artistic work and not the process which may or may not entail arrangement and the presentation of some existing features. Indeed in its answering affidavit already referred to above, which was filed before the replying affidavit, in paragraph 10 the respondent already deals with the design drawings as possibly a 'compilation' where Buckley states 'there can have been no real independent or skill in the preparation or *compilation* of the so called Michel Herbelin watches in question' (my emphasis). The case of originality made in the replying affidavit is therefore no more than an explanation or expantiation of the case made in the founding affidavit. The expantiation was prompted by what the applicant saw as a possible narrow interpretation or conception of what constitutes originality of artistic work. The respondent appears to have had regard also to the case made out in the founding affidavit as possible compilation. I therefore do not agree with the submission that a different case is made out in the replying affidavit. There can in any event not be any prejudice to the respondent in the circumstances.

I now proceed to deal with the requirement of 'originality' which is a necessary qualification for the works to enjoy copyright in terms of the Copyright Act (no 98 of 1978). (Section 2(1).) This requirement does not mean that the work must be unique or inventive, but rather that it should be the product of the author's or maker's own labour and endeavours and should not be copied from other sources. As stated in '*The Law of South Africa*, first re-issue, Volume 5, Part 2, paragraph 18 by AJC Copeling and AJ Smith:

'For the purposes of copyright, originality refers not to originality of either thought or expression of thought but to original skill or labour in execution. What is required is that the work should emanate from the author himself and not be copied from an earlier work.' (See also Dean: *Handbook of South African Copyright Law*, page 1 - 15).

Precisely how much labour and skill should be involved to qualify the work for copyright protection depends on the circumstances of each case. It is trite law, however, that the amount of skill and labour or creativity required is not great but must be more than trivial or minimal. As stated in *Copinger and Skone James on Copyright*, Volume 1, page 110 (paragraph 3 - 93)

'What is required is the expenditure of more than trivial effort and the relevant skill in the creation of the work, but it is almost impossible to define in any precise terms the amount of knowledge,

labour, judgement or literary skill or taste which the author of a work must bestow on its composition in order for it to acquire copyright. It is here that the real difficulty lies. *There is no guiding principle as to the quantum of skill or judgement. It has to be determined on the facts of a particular case. Simplicity, as such, is not enough to prevent a copyright subsisting unless extreme, such as a straight line or a circle.*' (my emphasis).

It was argued and submitted by Mr A Subel who appeared for the respondent that the time or thought that could have been spent on the compilation of the design drawings was very little to qualify the design for copyright protection. It is in effect a submission that the labour and skill was not adequate for originality. Mr C Puckrin SC for the applicant argued that the labour, skill and creativity involved satisfied the threshold.

The fact of the matter is that the design with which we have to deal in this case is, on the uncontroverted evidence placed before court under oath, the result of teamwork of designers of watches that included an expert of more than thirty years experience. It is certainly by far much more than the simplicity of either a straight line or a circle. The informal design drawings placed before the court are evidence of mental creativity and labour and skill which were employed and the product becomes evidently a piece of art as presented by the blueprint. There has not been any evidence placed before the court of identical watches with the collocations of all the features and the appearance which were published or seen in circulation prior to the design of the two model watches, the Atrium and the Corynthe. While bringing its judgement to bear on the matter, the court must be loath to deny copyright protection based simply on alleged insufficient originality in the present circumstances. As was stated by the learned authors, Hugh Laddie, Peter Prescott and Mary Victoria in: *The Modern Law of Copyright*, London Butterworths (1980) at page 115

'Since prima facie what is worth copying is worth protecting, it is unusual for a copyright action to fail on the ground that the work in question is not sufficiently original and so is not entitled to copyright at all. Indeed, in the case of artistic works it is thought that no such event has occurred in modern times. The reason is that, while everyone is expected to be able to read and write, comparatively few people have the ability to draw (or engage in some other form of artistic work). Therefore, as soon as the work gets above fairly rudimentary level the courts will be reluctant to hold that it is not entitled to copyright simply on the ground of lack of originality.'

As the South African law of copyright is modelled on the English law of copyright, counsel for the applicant quite rightly referred the court to the English case in the matter of *British Norfolk Ltd v Texteam Blackburn Ltd* (1974) RPC 57 at 68 where Megarry J stated:

‘It may indeed be that something may be drawn which cannot fairly be called a diagram or a drawing of any kind; a single straight line drawn with the aid of a ruler would not seem to me a very promising subject for copyright. But apart from cases of such baron naked simplicity as that, I should be slow to exclude drawings from copyright on the mere score of simplicity. I do not think that the mere fact that a drawing is of an elementary and common place articles makes it too simple to be the subject of copyright.’

In South Africa the Supreme Court of Appeals has on more than one occasion made it clear that the requirement of originality does not mean that the work must be made without reference to existing material and that it does not follow that because certain fragments of the work, which if taken separately, would not be the subject of copyright, therefore the whole work cannot attract copyright protection.

As was stated in *Klep Valves v Saunders Valves* 1987 (2) SA 1 (A) at page 22 per Grosskopf JA:

‘The requirement that work should emanate from the author himself and not be copied must not be interpreted as meaning that a work will be regarded as original only where it is made without reference to existing subject matter. Indeed, were this so, the great majority of works would be denied the benefit of copyright protection. It is perfectly possible for an author to make use of existing material and still achieve originality in respect of the work which he produces. In that event, the work must be more than simply a slavish copy; it must in some measure be due to the application of the author’s own skill or labour.’

In *Galago Publishers (Pty) Ltd v Erasmus* 1989 (1) SA 276 (A) at 285 B - E, the court approved the following remarks of Lord Reid in *Ladroke v William Hill*:

‘To my mind it does not follow that, because the fragments taken separately would not be copyright, therefore the whole cannot be. Indeed, it has often been recognised that if sufficient skills and judgement has been exercised in devising the arrangement of the whole work, that can be an important or even decisive element in deciding whether the work as a whole is protected by copyright.’

In the light of the foregoing, I am satisfied that the independent labour, skill and creativity applied by the design team of the Atrium and

Corynthe watch models was sufficient to qualify the works as original artistic works.

In addition to the requirement of originality, section 3 of the Act requires an author to be a 'qualified person' for copyright to be conferred on the work.

A 'qualified person' is, for the purposes of the Act, a person who, at the time when the work is made is a person who is a South African citizen or is domiciled or resident in the Republic. In the case of joint authors, it is a requirement that at least one of the authors should be so qualified. (See section 3 (1) (a). In terms of section 37 (1):

'The Minister may by notice in the Gazette provide that any provisions of the Act specified shall in the case of any country so specified apply in relation to:

- (b) artistic work first published in that country as it applies in relation to artistic works first published in the Republic of South Africa;
- (c) the persons who at a material time are citizens or subjects of that country as it applies in relation to persons who at such time are South African citizens;
- (d) to persons who are at a material time domiciled or resident in the country as it applies in relation to persons who at such a time are domiciled or resident in the Republic of South Africa.'

The artistic works in issue in this case are covered in as much as the Minister acting in terms of section 37 has specified both France and Switzerland. The two countries are also members of the Berne Convention (Brussels Text 1948) to which South Africa is also a signatory. Although counsel for the respondent did not contend to the contrary, he however argued that the extension of the relevant provisions of the Act to France and Switzerland and their membership of the Berne Convention with South Africa, are matters which should have been covered by the founding affidavit (which were not). It is accepted that it may be a useful practice in some cases to do so. It is, however, not a legal requirement as these are matters of law.

I am satisfied on the basis of the direct evidence of Jean-Claude Herbelin and in the light of the legal principles referred to above that the Atrium and Corynthe design drawings and the blueprints to which they were converted are original artistic works which enjoy the protection of copyright in South Africa. The designs were put together by experts who naturally acted against the background of the watches that they had seen. The designs and watches therefore contained some attributes of the watches that they had seen. The overall products and appearance, however, did not resemble any watch, which, on the evidence placed

before court, was in circulation already at the time. The designs were therefore not copied from any existing watches.

One must accept that for functional purposes certain features are always present in the design of new models and that designers are consciously or unconsciously influenced by elements of models they have seen. In that sense, there is a limit to the artistic scope. The skill of a designer is to give the basic features a distinctive, attractive and stylish appearance. The designer can use his/her own subjective preference and artistic flair to make a design which is pleasing to him/her and the consumer. As the expert watch designer, Jean-Claude Herbelin, stated in the replying affidavit: 'The essence of watch designing is the way in which the individual elements or features inter-relate or combine with each other to make a compilation, the effect of which is pleasing to the eye.'

This is, however, not the end of the inquiry. The next inquiry is whether or not the copyright which vests in the applicant in respect of the design drawings of the two watches has been infringed by any conduct on the part of the respondent.

Section 7 of the Copyright Act, 1978 vests in the proprietor of copyright in an artistic work the exclusive right to do or authorise the doing of certain things. These include the reproduction of the artistic work in any manner or form (section 7 (a)) and the making of an adaptation of the artistic work (section 7 (e)).

In relation to artistic work, 'adaptation' in terms of the Act 'includes a transformation of the work in such a manner that the original or substantial features thereof remain recognisable.' 'Reproduction' is defined in the Act, in relation to artistic work, to include a 'version reproduced by converting the work into a three dimensional form or, if it is in three dimensions, by converting it into a two dimensional form' and further includes 'a reproduction made from a reproduction of that work'. (section 1).

In section 23, the Copyright Act describes how copyright is infringed and provides as follows:

- '(1) Copyright shall be infringed by any person, not being the owner of the copyright, who, without the licence of such owner, does or causes any other person to do, in the Republic, any act which the owner has the exclusive right to do or to authorise.
- (2) Without derogating from the generality of sub section (1), copyright shall be infringed by any person who, without the licence of the owner of the copyright and at a time when copyright subsist 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 articles;
- (c) distributes in the Republic any article for the purposes of trade, or for any other purpose, to such an extent that the owner of the copyright in question is prejudicially affected;
- (d) 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.'

An 'infringing copy', in relation to artistic work, means a copy thereof being an article the making of which constituted an infringement of copyright in the work or, 'in the case of an imported article, would have constituted an infringement of that copyright if the article had been made in the Republic.'

The applicant became aware during February 1998 that the respondent was selling, offering to sell and/or distributing certain watches which are similar to the Atrium and Corynthe model watches. The respondent does not deny that it distributed and/or sold the watches in question. The watches distributed by the respondent are imported by it into South Africa and bear the trademark 'Hallmark' whereas the applicant's watches bear the trademark 'Michel Herbelin'.

Photographs of the Atrium watch with its Hallmark counterpart were annexed to the papers before court as annexure 'RM 10' and are attached to this judgement for ease of reference. Photographs of the Corynthe watch and its Hallmark counterpart were also annexed to the papers before court as annexure 'RM 11' and are attached to this judgement for ease of reference.

There are two photographs on RM 10. On each photograph there appears two watches. The same applies to RM 11. One has to look fairly closely and for a long time at the watches appearing on RM 10 and RM 11 to notice which ones are Michel Herbelin and which ones are Hallmark watches. The differences between the watches do not immediately suggest and present themselves to the viewer and have to be searched for. The applicant submits that the two Hallmark watches are virtually identical reproductions of their Michel Herbelin counterparts as appearing on the photographs. According to the design expert of the Michel Herbelin, Jean-Claude Herbelin, who examined the Hallmark watches in question, the watches 'show all the unique design features of the corresponding Michel Herbelin watches.'

The respondent on the other hand points out three differences that exist between each of the Atrium and Corynthe watches and their Michel Herbelin watches. The differences pointed out in regard to the Atrium watches are the following:

- (1) The bangle strap of the Michel Herbelin brand consists of three individual ribs, whereas the respondent's watch consists of a solid band of three ribs;
- (2) The Atrium watch has two hands whereas the respondent's watch has three hands;
- (3) The Atrium has three raised dots whereas the respondent's watches apparently come in two versions: one with eleven raised dots and the other with no raised dots, but a single diamond in the 'twelve' position.

In regard to the Corynthe watch the only three differences pointed out by the respondent are:

- (1) The bangle strap of the Michel Herbelin watch has five individual ribs whereas the respondent's watch has six ribs on a solid base;
- (2) The Michel Herbelin watch has two hands whereas the respondent's watch has three hands (including the seconds hand). It was pointed out further that as a result of the third hand the respondent's watch is thicker than the Michel Herbelin counterpart;
- (3) the face of the Michel Herbelin watch has two teardrops and two round raised indices whereas the respondent's watch has no teardrop and no raised indices but instead four diamonds.

That there are differences between the respective watches can hardly be denied. It is, however, not clear as to whether the respondent disputes that the watches in question are similar. Indeed the respondent would seem to be conceding that the watches are similar. For instance in a letter dated 03 April 1998 addressed by the respondent's attorneys, Messrs Edward Nathan & Friedlander to the applicant's attorneys, Messrs Spoor & Fisher, it is stated in paragraph 6 on page 2 that 'it is correct that our client is importing and selling watches which are similar to the designs of certain of the Michel Herbelin watches.'

In comparison to the blueprint of the design drawings of the Atrium watch prepared by Hugo Berger which was annexure 'JCH 6' to the papers before court, the similarities between the applicant's and the defendant's watches are striking. Furthermore if one compares the watches on RM 11 to the blueprint of the design drawing of the Corynthe watch prepared by Hugo Berger and which was annexed to the papers as annexure 'JCH 3', the similarities are equally striking.

Whereas one has to examine the watches closely and can list the few differences, the similarities between the watches are so overwhelming that unless the coincidences are explained the balance of probabilities weigh heavily in favour of the one watch being the result of reproduction or copying of the design of the other.

It was submitted in evidence and in argument on behalf of the applicant that it is beyond the realms of possibility that two independent watch makers or designers could have developed virtually identical designs acting independently. In my view it is not utterly impossible that two independent design artists acting independently could reach the same product. However, the coincidence is such a rarity, that it cannot be assumed; such a conclusion has to be the result of actual evidence of two independent designs.

There is no evidence from the respondents as to the origin or design of its watches which the applicant complains are reproductions of the applicant's Atrium and Corynthe model watches. Indeed, the respondent has not tendered any expert testimony in regard to the design of its watches. All that is said about the watches is that 'the respondent sourced its watches from a large watch manufacturer in Hong Kong. The watches in question were part of the manufacturer's current range and were being freely offered to buyers from all over the world. ... At no stage did the respondent ever ask for a Michel Herbelin watch to be copied in any manner or form.'

It is quite clear from the foregoing that the deponent, Mr Patrick Buckley, the sole witness on behalf of the respondent, is not able to testify about the origin and design of the alleged infringing watches, nor is he able to say whether or not they were copied from Michel Herbelin watches. All he can say is that neither he nor the respondent ever asked for the Michel Herbelin designs and watches to be copied. That is far from saying that the corresponding Hallmark watches were not copied. It simply distances the respondent from the copying process and confirms that the respondent did not ask for copied watches to be supplied to it.

In this regard the applicant did serve notice of application to strike out and at the hearing of the application in this matter moved for the striking out of the following sentences from the affidavit of Mr Buckley: In paragraph 43 of the answering affidavit on page 162 of the record the sentence that reads: 'Nor indeed can it be said that any distinctive or original design has been copied in the manufacture of the respondent's watches'; and further in paragraph 48 of the answering affidavit on page 164 of the record the sentence that reads: 'I further deny that the

respondent's watches are copies of the Michel Herbelin watches.' The basis of the application is that the contents and assertions contained in the two sentences are inadmissible, as hearsay evidence not based on any personal and direct knowledge of Mr Buckley. There is indeed no evidence as to the design of the respondent's watches. These are matters that Mr Buckley is not able to testify about for reasons stated above. The application to strike out is granted and the relevant portions quoted are accordingly struck out from the record.

Similarly the applicant does not have nor does it profess to have direct evidence of actual copying of the design drawings of the subject works. It relies on similarity between its works and the works admittedly imported and distributed by the respondent for the conclusion that the respondent's watches infringe the copyright in the applicant's watches.

In *Galago Publishers (Pty) Ltd v Erasmus* 1989 (1) SA 276 (a) @ 280B - D Corbett JA (as he then was) laid down two requirements that must be established in order to prove copyright infringement by reproduction. It must be proved:

- '(i) that there is sufficient objective similarity between the alleged infringing work and the original work, or a substantial part thereof, for the former to be properly described, not necessarily as identical with, but as a reproduction of the latter; and
- (ii) that the original work was the source from which the alleged infringing work was derived, i.e., that there is a causal connection between the original work and the alleged infringing work, the question to be asked being: has the defendant copied the applicant's work, or is it an independent work of his own?'

I am satisfied that the first requirement laid down in the *Galago Publishers* case is clearly met in this case. Although there are differences in the applicant's watches and the respondent's watches, the similarities between the original work and the alleged infringing work are overwhelming. There are sufficient and substantial similarities for the alleged infringing works to be properly described not necessarily as identical but as either reproduction or copies of the original works.

As to the second requirement, what was placed before the court as to the source of the alleged infringing works is that the watches in question are imported from a large manufacturer in Hong Kong. The identity of the manufacturer is not disclosed. The watches in question bear the trademark of the respondent and not the manufacturer. Nothing has been placed before the court as to the design of the alleged infringing works, that is, whether it was originally designed or copied. In view of the fact the trademark displayed on the infringing articles is that of the

respondent, only the respondent could identify the manufacturer and procure its evidence as to the design of the works. This was not done.

I am satisfied on the balance of probabilities that there is a causal link between the applicant's original work and the alleged infringing work of the respondent in that the original work is a source from which the infringing work was derived. I am persuaded to this conclusion amongst others, by the following:

- (1) There is a high degree of similarity between the original works and the alleged infringing works;
- (2) There is direct testimony of the expert designer of the applicant who designed the applicant's Atrium and Corynthe watches to the effect that the design drawings of the respective watches were drawn by him as original works;
- (3) There is total absence of any evidence by or on behalf of the respondent that the alleged infringing watches are the product of any independent original design work: this in the face of the allegation that they are copies or reproductions of the applicant's original works;
- (4) There is no proof or allegation that watches similar to the subject works (with all the combination, arrangement and collocations of features) existed prior to the design of the applicant's watches. The respondent referred to and produced pictures and drawings of several watches which existed prior to the Corynthe and Atrium watches, each with one or two features which are found in the subject works but none with all the features. If the respondent were able to do so, the respondent would have produced evidence of such artistic compilations that existed prior to the design of the applicant;
- (5) It would be an unreasonable requirement to require a party seeking to protect copyright to produce direct evidence that the respondent was actually caught in the act of copying the applicant's original works;
- (6) The respondent has admitted that it (the respondent) sources, imports, sells and distributes the infringing articles.

On 02 April 1998 the respondent was made aware of the applicant's copyright in the subject works. This was done by letter addressed to the respondent by the applicant's present attorneys of record. The said letter was received by the respondent. Thereafter the respondent nevertheless continued to distribute and sell the infringing watches. On 07 September 1998 one Ms Ann Christine Lawson, the office manager for the applicant, purchased samples of the infringing watches from a dealer in

the East Rand Shopping Mall, Gauteng. The transaction confirmed the conduct of the respondent in distributing the infringing works. At that stage the respondent knew that the making of the articles in question constituted infringement of the applicant's copyright in the subject works. The respondent therefore, infringed the applicant's rights in the design drawings of the subject works as contemplated in section 23 (2) of the Copyright Act.

I now proceed to deal with unlawful competition based on passing off.

The applicant produced evidence that it advertised the Atrium and Corynthe watches and their designs over nearly three years and spent an amount of R1, 7m on advertising the products. The advertising of the products took place in six regular magazines and thirty-two newspapers, all of which were specifically named by the applicant in its founding affidavit. The list of newspapers and magazines furnished include a wide range of well known and leading publications in South Africa. The watches in question were also advertised over the same period in television commercials and booklets sent by the applicant to its customers, in promotional activities and in direct mail shots. Such advertising and promotion happened on a regular basis over the relevant period. The applicant attached to its papers a bundle of copies of advertisements to substantiate its evidence in this regard. At the same time the applicant also sold hundreds of the Michel Herbelin Atrium and Corynthe watches. Through these processes, the designs of the watches in question were popularised as distinctive products, which came to denote the product of Michel Herbelin watches in South Africa.

It has been submitted that against this background and given the high level of similarities between the Michel Herbelin watches in question on the one hand and their Hallmark counterparts on the other, the sale by the respondent of the infringing Hallmark watches constitutes passing off. There is no specific denial of the conduct of the applicant in advertising, selling and promoting the watches in question. The respondent, however, specifically denies passing off. The basis on which respondent does so is its contention that there is no originality and distinguishing features in the design of the relevant Michel Herbelin watches. It is also contended that the Hallmark name which appears on the watches distributed by the respondent distinguishes the said watches from those distributed by the applicant.

I have already made a finding in regard to originality and the distinguishing features. As far as the appearance of the Hallmark name on the watches is concerned, it deserves to be mentioned that the name

in question appears, in the same position where the name of Michel Herbelin watches would appear. The name as such is also less of a distinguishing feature than the overall design and appearance of the watches in question. Such design and appearance is significantly and substantially similar to those of the subject works. Furthermore, substantial numbers of people who see the infringing works are likely to do so from a distance where one may not immediately read the printed names or trademark. This will mostly be on advertising windows of traders, in print or electronic advertisements and on the wrists of the people wearing them. There is a reasonable likelihood in those circumstances that members of the public will be confused into believing that the respondent's infringing watches are Michel Herbelin watches or are connected therewith. In such circumstances the competition becomes unfair and unlawful. See in this regard *The Concept Factory v Heyl* 1994 (2) SA 105 (T) at 115 D - H and *Capital Estate & General Agencies (Pty) Ltd v Holiday Inns Inc* 1977 (2) SA 916 (a) at 929 C.

The applicant has consequently established on a balance of probabilities that it is entitled to prayers 1, 2, 3 and 5 of the notice of motion in this matter.

There is another matter that was raised in argument to which I should briefly refer. It was argued on behalf of the respondent that at the very least there is a dispute of fact that makes it inappropriate for the matter to be disposed of in motion proceedings. As would appear from the approach I took, I am satisfied, on the basis of the applicable principles, that no dispute of fact has been established in this case that makes it inappropriate for the matter to be disposed of in this way. The applicable principles were laid down in the case of *Room Hire Co (Pty) Ltd v Jeppe Street Mansion* 1949 (3) S A 1153 (T) especially at 1161 to 1162 (and the authorities therein referred to) and I do not propose to repeat them here. It suffices to mention that the law has always required more than a bare denial to establish such a dispute. The courts have always required more than an immaterial or superficial dispute. What is required is a dispute which has consistently been qualified as a 'genuine,' 'real,' 'serious,' 'material' or 'bona fide' dispute of fact. None such existed in the present case. It takes more than a bare denial to establish a real, serious, material or bona fide dispute of fact to defeat an application.

The value and subject matter of the dispute and the nature and complexity thereof justified the employment of two counsel.

The application accordingly is granted and the following order is

issued:

1. The Respondent is interdicted and restrained from infringing the Applicant's copyright in the design drawings of the *Corynthe* and *Atrium* model watches as defined and referred to in the Founding Affidavit of Richard Max Mitchel (hereinafter referred to as 'the subject works') by
 - 1.1 importing copies of the subject works into the Republic of South Africa for a purpose other than its private or domestic use;
 - 1.2 selling, letting or by way of trade offering or exposing for sale or hire in the Republic of South Africa, or distributing in the Republic of South Africa for the purpose of trade or for any other purpose copies of the subject works;contrary to the provisions of section 23(2) of the Copyright Act (no 98 of 1978).
2. The Respondent is further interdicted and restrained from competing unlawfully with the Applicant by selling and/or offering to sell watches which so nearly resemble the said *Corynthe* and *Atrium* model watches in design or appearance as to be likely to deceive or cause confusion (hereinafter referred to as 'the offending watches').
3. The Respondent is ordered to deliver up to the Applicant for destruction all copies of the subject works and/or offending watches, which are in the possession or under the control of the Respondent.
4. The Respondent is ordered to pay the costs of suit, which shall include the cost of two counsel.

E I D PARRY (INDIA) LTD v VAAL SANITARYWARE (PTY) LTD

**TRANSVAAL PROVINCIAL DIVISION
ROOS J
23 AUGUST 2000**

A party which alleges that it reverse engineered a work and is accordingly entitled to the protection of section 15(3A) of the Copyright Act (no 98 of 1978) will not be able to depend on this section where, by virtue of unexplained similarities between the two products, there is serious doubt that the product said to have been produced by reverse engineering was in fact so produced.

Vaal Sanitaryware (Pty) Ltd designed and produced a toilet pan known as the Hibiscus 104, and later designed and produced a similar one known as the Hibiscus 90. It alleged that E I D Parry (India) Ltd obtained possession of the moulds for its pans and used them to produce its own pans, thereby infringing its copyright.

E I D Parry alleged that it obtained Vaal Sanitaryware's toilet pans and sent them to India where reverse engineering was employed to develop similar toilet pans known as the Kalahari 90 and the Kalahari 104. The person briefed to execute this task made templates at various points on the pans which were plotted on graph paper and then scaled up to allow for shrinkage and sagging, then transferred the templates to plaster board to create three-dimensional templates. These were then filled out and a mould created from which the Kalahari pans were then made. Once produced, the Kalahari pans showed certain similarities of an idiosyncratic or arbitrary nature (named 'fingerprints').

E I D Parry contended that it was protected by section 15(3A) of the Copyright Act (no 98 of 1978) which provides that copyright in an artistic work of which three-dimensional reproductions were made available to the public with the consent of the copyright holder shall not be infringed if any person without the consent of the owner makes three-dimensional reproductions thereof, provided the authorised reproductions primarily have a utilitarian purpose and are made by industrial process.

The Kalahari 90 and the Kalahari 104 were imported into South Africa. Vaal Sanitaryware then procured their seizure under the Counterfeit Goods Act (no 37 of 1997). E I D Parry applied for an interdict restoring the seized pans to it.

Held—

The fact that there were differences between the Hibiscus pans and the Kalahari pans bore little relevance to the case. The important factor was that there were similarities and that the same fingerprints appeared on the pans.

This cast serious doubt on E I D Parry's averment that its pans had been produced by reverse engineering. The process of reverse engineering would probably not produce identical or closely identical fingerprints to those found on Vaal Sanitaryware's pans.

This meant that there was doubt about E I D Parry's alleged right, and this was serious enough to hold that it had not prima facie established the right. It was accordingly not entitled to the interdict it sought.

Roos J: First respondent through its employee and modeller Mr Van

Manen developed a toilet pan in the Hibiscus range with an outlet of 104 degrees that was marketed in 1985. It was known as the Hibiscus 104. After 1999 the same pan was produced but with an outlet with 90 degrees known as the Hibiscus 90.

The applicant produces the Kalahari pans in India and exports them to South Africa. The first Kalahari pans were sold with an outlet of 104 degrees and replaced with pans with an outlet at 90 degrees.

The first respondent lodged complaints with the second respondent as well as members of the South African Police Services against the importation and distribution of the Kalahari pans in South Africa on the grounds that these pans infringe its copyright. The Commissioner has subsequently caused these pans to be seized upon their importation into South Africa, whilst the South African Police Services, acting in terms of section 27(1) of the act read with sections 20, 21 and 25 of the Criminal Procedure Act, 1977, have seized and detained these pans as they were found in South Africa.

What is in issue is whether the applicant was entitled to reproduce the Hibiscus pans or whether in doing so it infringed first respondents copyright in the Hibiscus pans. The applicant relies on the provisions of section 15(3A) of the Copyright Act 1978 to exempt it from infringement of copyright. I shall later on quote the section.

It must thus be decided whether the applicant's actions fall within the compass of the exemption enacted by that section. If the court finds in the applicant's favour, it will be entitled to an interim interdict as prayed for, otherwise the application must fail.

The envisaged action mentioned in prayer (a) of the notice of motion has already been instituted and pleadings have been exchanged. The applicant has undertaken to make payment to the first respondent of the amount of its loss or damage occasioned by reason of the grant of the interim relief by this court should the applicant's Kalahari pans later be found to infringe copyright in the first respondent's Hibiscus pans. This undertaking is supported by a guarantee in the amount of R750 000,00. It is not disputed that this guarantee is adequate because this amount is adequate to cover any damages occasioned as the result of a loss of sales. The second respondent abides the decision of the court.

Mr Serrurier on behalf of the first respondent submitted that the court should not entertain the application as the grant of the interim interdict will have the effect of setting aside the second respondent's decision to have the pans of the applicant seized. That result, so it was contended, can only be achieved if the second respondent is taken on review. I do not agree with those submissions. If the interdict were granted it will not ex post facto revoke or set aside the second respondent's decision but

it will merely mean that the seizure emanating from that decision will no longer be applicable as from the date of granting of the interdict.

The decision of the second respondent was made in terms of the provisions of the Counterfeit Goods Act (no 37 of 1997). That Act does not oust the court's jurisdiction to interfere with such seizure but on the contrary provides for interference. See for instance section 9(2) and section 10(1) of the Act.

The case for the applicant may be summarised as follows: The applicant came in possession of a Hibiscus 104 pan during 1994 and it was sent to India. There a Mr Aravazhi an expert in ceramics was briefed to reproduce a toilet pan and cistern of the same design and having the same essential dimensions as the Hibiscus 104. The same course of events occurred in relation to the Hibiscus 90 pan in 1998. The applicant avers that it reverse-engineered the Hibiscus 104 pan for the purpose of developing its Kalahari 104 pan. The applicant contends that such reverse engineering is lawful and by reason of the provisions of section 15(3A) of the Copyright Act (no 98 of 1978) it does not infringe any copyright held by the first respondent in the Hibiscus 104 pan the same holds true in respect of the Hibiscus 90 pan.

Reverse engineering is described by one of the applicant's expert witnesses Mr Kettenhofen as the dissemble or reproduction and/or adaptation of a competitor's product in order to incorporate the innovations in the competitor's product into one's own product. It is not unusual for reverse engineering to take place in the ceramics industry.

The respondent contends however that applicant did not reverse engineer the Hibiscus 104 pan but rather came into possession of a working mould for the said pan and used the mould for the purposes of manufacturing its Kalahari 104 pan thereby infringing the first respondent's copyright. The first respondent also contends that the applicant thereafter modified the first respondent's mould for the Hibiscus 104 pan in minor respects so as to manufacture the Kalahari 90 pan. The first respondent also delivered a counter application but Mr Serrurier indicated that he seeks no order in respect thereof.

Section 15(3A) of the Copyright Act referred to reads as follows:

'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 as authorised 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 authorised reproductions, provided the authorised reproductions primarily have a utilitarian purpose and are made by

an industrial process.’

There is authority to the effect that should this court find that the said pans had been reproduced by means of reverse engineering as contended for by the applicant the applicant would not have infringed the first respondent’s copyright in the said pans. See *Nintendo Co Ltd v Golden China TV Game Centre* 1995 (1) SA 229 (T)* at 242 B and *Premier Hangers CC v Polyoak (Pty) Ltd* 1997 (1) SA 416 (A) at 424 C.

As far as the section is concerned it is common cause that the said pans are three-dimensional and that the pans were made available in the Republic to the public by the first respondent. It is also common cause that the reproductions of the applicant were made available to the public; that the reproductions have an utilitarian purpose and are made by an industrial process.

Mr Serrurier submitted however that the applicant did not reproduce three-dimensional reproductions of the pans. In this respect I quote from paragraph 28 of his heads of argument:

‘It is submitted that, on the applicant’s evidence it did not make a ‘reproduction’ of the authorised reproduction nor did it make an adaptation thereof. Its first ‘reproduction’ consisted in making the templates referred to above and then making drawings on graph paper of the templates. These are reproductions in two dimensions and not in three dimensions, thus it did not make three-dimensional reproductions from the authorised (three-dimensional) reproductions, but used the two-dimensional reproductions to make a two-dimensional adaptation (by scaling up) from which further templates were made and used to make a model having larger dimensions. The finished article which it produced was produced from a mould made from the model which was made from the two-dimensional reproductions. The three-dimensional reproductions in the form of the finished pan were made from the two-dimensional reproduction which are not exempted in terms of section 15(3A) from infringement. It follows, in our respectful submission, that the Kalahari pans are reproductions of two-dimensional reproductions made by the applicant and not three-dimensional reproductions of the ‘authorised reproductions’ which are reproductions in three dimensions.

It is submitted, the conduct of the applicant does not fall within the exemption created by section 15(3A) of the act and accordingly its pans infringe and are ‘counterfeit goods’

* At page 503 of this work - Ed.

He, not surprisingly, conceded that he had no authority to support his submissions.

Mr Puckrin on the other hand referred the court to the definition of 'reproduction' in section 1 of the Act and the views expressed by Dean in his work *Handbook of South African Copyright Law* the definition reads as follows:

'Reproduction in relation to:

- (e) A literary, or musical work, or a broadcast includes a reproduction in the form of a record or a cinematograph film;
- (f) An artistic work including a version produced by converting the work into a three-dimensional form or if it is in three-dimensions by converting it into a two-dimensional form;
- (g) Any work includes a reproduction made from a reproduction of that work and references to reproduce and reproducing shall be construed accordingly;

And Dean in his mentioned work at p 1-39/40 says the following with reference to inter alia *Scaw Metals Ltd v Apex Foundry (Pty) Ltd* 1982 (2) SA 377 (D):

'Paragraphs (b) and (c) of the definition of reproduction are of particular importance in connection with the infringement of artistic works more particularly drawings of a technical nature. Our courts following the example of the British Courts have held in a number of cases that the copyright in a technical drawing can be infringed by copying an article which is made from the technical drawing for instance where a tooth for a mechanical swivel is made from a technical drawing, and that tooth is copied by a competitor who makes an identical tooth, the competitor's tooth is an infringing copy of the basic technical drawing. The logic is that the tooth made from technical drawing is a version of the drawing converted into a three-dimensional form (paragraph (b) of the definition of reproduction) and where the competitor copies the tooth he is indirectly copying the technical drawing or he is making a reproduction from a reproduction of the technical drawing (paragraph (c) of the definition of reproduction).

That being the position I am satisfied that the applicant made available to the public three-dimensional reproductions of the pans.. The first requirement which the applicant must prove in order to obtain an interim interdict is a prima facie right that it has not infringed the first respondent's rights as set out supra.

The approach to be adopted in such a case is to consider the facts set out by the applicant and those facts set out by the respondent which the applicant cannot dispute. A decision is then made whether the applicant

should (not could) obtain final relief. at the trial of those facts, taking into account the inherent probabilities and ultimate onus. Facts set up in contradiction by the respondent are then considered. Should these facts throw serious doubts on the applicant's case it cannot succeed See *Webster v Mitchell* 1948 (1) SA 1186 (W) at 1189.

I now turn to the process of reverse engineering but I do not intend to attempt to describe the process in technical terms or extensively. In the founding affidavit Aravazhi states that the applicant was furnished with a finished Hibiscus 104 pan and cistern in 1994. He was briefed to reproduce the pan and cistern of the same design and having the same essential dimensions. The process of the reverse engineering relied on by the applicant in the founding affidavit seems to be the following in this respect. I quote extensively from the heads of argument filed on behalf the first respondent:

'Because shrinkage.' of the raw material ('clay') occurs after having been 'moulded' the mould used must have larger dimensions than the finished, fired product. The applicant's clay or 'body' which is used by it shrinks by 14% when fired and accordingly the mould and the unfired pan produced from the mould must have dimensions of the order of 14-00 larger than the finished products. From the Hibiscus 104 Aravazhi made a 'mode' by making templates. He made templates at the various points 'in order to capture the exact dimensions and shape of the pan at the point of these particular critical profiles or cross sections'. Seven points are referred to and he refers to each template in the singular. The photographs annexed as annexure 'SA9' are not the original profile templates which are no longer in existence but are for illustration.

Aravazhi then states the obvious, i.e. that any number of templates may be made at different points on a particular sample. The deponent does not say however that he made or caused to be made more templates than are referred to in paragraph 26.1 at pages 255 to 258. The templates were then 'plotted' on graph paper illustrated by annexure 'SA10' and he then scaled up the templates to allow for shrinkage etc with certain modifications for 'sagging'. He copied or 'replicated' indentations at the front of the pan and then transferred the 'revised drawings' onto plaster board from which templates were made. the templates were then assembled to create a 'skeleton' and the spaces in between were filled and moulded to shape. This created the 'model' from which master and working mould were made.

Apparently the same process was followed in order to produce the Kalahari 90 pan during December 1998.'

Earlier this year the applicant set out to replicate the process of

reverse engineering in an experiment commonly referred to in the papers as CSIR process. This process is dealt with by Aravazhi in the replying affidavit at page 8 to 17 et seq.

Mr Serrurier took pains, to point out during argument, that the process described in the replying affidavit differ so markedly from the process described in the founding affidavits that they are in essence two different processes. He pointed to the differences as enumerated in paragraph 35 of his heads of argument. I am not going to enumerate them. The most important difference seems to be revolving around the number of templates used in the two processes. Mr Aravazhi at page 893 explains that in the founding affidavit he did not deal with the process he originally had used extensively and that he gave much more detail about both processes being basically the same process in the replying affidavit.

This is not really one of the issues before me that needs to be resolved. In so far as there may be contradicting averments in the replying affidavit the matter must be judged purely on the basis of the founding affidavits and the answering affidavits. The most important aspect in this case in my view is the question of the so-called fingerprints. Fingerprints are the identifying marks of each particular modeller. These are of an arbitrary and idiosyncratic nature. Mr Van Manen developed the Hibiscus 104 pan for the first respondent and his style is such that it often results in products that are asymmetrical. This fact and the other fingerprints are apparent on the Hibiscus 104. Van Manen inspected the applicant's pans and compared it to the first respondent's Hibiscus 104 pan. He says apart from the overall similarities he found the following similarities and I quote from page 617 paragraph 8.1:

- ‘8.1 The patterning around the rim of the bowl that meets at the front thereof and becomes slightly broader at the meeting point. The front patterning includes two opposing radii where the opposite water carriers meet at the front of the bowl. The left radius is markedly smaller than the right radius.
- 8.2 The distinctive shape and curvature in general (except for those changes discussed below), including the elongated oval configuration of the pan as viewed from above and behind, as well as the distinctive shape and configuration of the platform.
- 8.3 The left hand is not a mirror of the right hand of the pan in that the right hand radius of the front end of the rim as viewed from above and behind is smaller than that of the left hand side. In addition, the left hand side of the front end of the rim from the seam (centre) is slightly narrower than the right hand side of the

front rim.

8.4 The back platform is identical, save for the shape of the holes thereon.

8.5 The curves are exactly similar.

8.6 The pans veer slightly to the left.

8.7 Both pans have the same subtle indentations on the front.

8.8 The distances between the grooves at the back are the same.

8.9 The shape of the back pedestal as well as the holes thereon are identical.

8.10 The Gaffney pan has the same step introduced me.'

Aravazhi's response to these similarity is to found at pages 907 to 930 of the papers. His response is in my view rather inadequate in that he either denies the similarities or avers that the similarities were the result of the reverse engineering. Broccardo says the following on behalf of the first respondent and I quote from page 516.

'28.1 Whilst I have no knowledge of the identity of the parties involved in the production of the Kalahari pan on behalf of the applicant I submit that the process described by Aravazhi could not have produced the Kalahari pan containing the similarities and fingerprints as the Hibiscus. My reasons for this submission are as among others as follows.

28.2 Apart from similarities in the oval shape, fingerprints, dimensions and appearance the Kalahari pan is identical to the Hibiscus pan in the following respects.

28.2.1 The channels at the back of the Hibiscus are not identical on each side thereof. This was the result of modelling done by the modeller at the first respondent. Although this occurred at the time prior to my employment with the first respondent Van Manen advises that he was the modeller. These differences were duplicated on the Kalahari pan. It would not have been possible to make a template of this point on the pan and it is in any event not the applicant's version that it made a template at this point. I refer to Annexures IB1 and IB2 which depict a model of the Hibiscus 104 and 90 the pan from behind. These similarities have been reproduced on both the Kalahari 104 and 90 pans. The models depicted in these photographs will be made available for inspection to the court at the hearing of this matter.

28.2.3 In the curve on the front of the Hibiscus there is a different radius and width on each side. The Kalahari pan has exactly the same defect. I attached hereto Annexure IB6 a

photograph of a 104 Hibiscus as photographed from the front and as IB7 a photograph depicting a glazed 104 Kalahari and unglazed 104 Hibiscus both as viewed from the front. These pans will be made available for inspection to the court at the hearing of this matter. Once again the templates method relied upon by the applicant would not have reproduced this defect. Had the templates method been used the curvature would have been made by hand by the modeller in question and would have differed from that produced by Van Manen. A model produced by hand bears the individual fingerprints of the modeller in question and the probabilities of the one hand made model appearing identical to that produced by another modeller are so slim as to be non-existent.

- 28.2.3 The width of the rim around the front of Hibiscus is not the same on the left and right hand side. These facts are apparent from Annexure IB7.1 which depicts a Hibiscus 104 pan and Annexure IB3.1 which depicts a Kalahari 104 pan both from above. These differences have been reproduced on both the Kalahari 104 and 90 pans. Once again a template was not made at these points.
- 28.3 The photographs which I attached hereto do fully and satisfactorily depict all the features mentioned by me. I am advised that this occurs because of the fact that it is difficult to depict all the angles of the pan accurately on a photograph. Furthermore the fact that the pan is white causes it to reflect on the photograph. For this reason the features, similarities and fingerprints which are mentioned can best be seen on the pans and models referred to herein.
- 28.4 At my instance and under my supervision Van Manen duplicated the template method relied upon by the applicant to ascertain whether it could in practise have produced the Kalahari pan with its corresponding similarities to the Hibiscus. My conclusion is that the Kalahari pan with its corresponding similarities and fingerprints to the Hibiscus could not have been produced using the template method.'

Aravazhi's response appears at pages 880 to 887 of the papers. See Paragraphs 61 to 67. In essence he puts the similarities in dispute. These disputes between the version put forward by Broccardo on the one hand and response of Aravazhi cannot on the papers be resolved but cast doubt on the applicant's prima facie case. Also Labrozzi refers to similarities between the Hibiscus and the Kalahari pans. See paragraphs

7.1 to 7.5 at pages 600 to 601. Aravazhi's response is to be found at pages 909 to 911 paragraph 99 to 104 of the papers and it is essentially the same as his response to Van Manen's evidence to which I have already referred.

The reference by applicant's witnesses to differences between the applicant's brands and those of the first respondents in my view is of little or any assistance in coming to any decision in this case. The similarities, and more particularly the fact that the same fingerprints appear on the pans of the applicant as well as those of the first respondent, in my view casts serious doubt on the applicant's averments that its pans had been produced by means of reverse engineering. Common sense dictates that the process of reverse engineering will on the probabilities not produce identical or nearly identical fingerprints than those found on the first respondent's brands. The doubt so created as to the respondent's prima facie right is so serious that the applicant cannot succeed as it thus fails to prove a prima facie right.

I say that mindful of the strong argument in the applicant's favour that on the first respondent's suggestion of a stolen mould having been used by the applicant in producing the pans such mould would have had to be extensively modified in order to be able to produce the pans. Especially in view of the difference in shrinkage percentage.

In view of my finding against the applicant on the question of prima facie right it is unnecessary to deal with the other requirement for an interim interdict. I add however that it is clear that the applicant does have an alternative remedy to an interim interdict namely a claim for damages. Not only does the applicant have such a right it has in the main action claim damages and also quantify those damages. See page 715 to 719 of the papers. That in my view also constitute a reason why the application should fail.

In the result the application is dismissed with costs including the costs consequent upon the employment of two counsel.

BEECHAM GROUP PLC v BIOTECH LABORATORIES (PTY) LTD

TRANSVAAL PROVINCIAL DIVISION

SWART J

18 AUGUST 2000

The fact that a State authority has control over the contents of material in which copyright may vest is insufficient to show that the copyright in such material vests in the State. The 'direction and control' which must be exercised by the State in order to show that copyright vests in the State is similar to that which applies in the ordinary case of employer and employee.

Biotech Laboratories (Pty) Ltd copied an information insert packaged with products produced and sold by Beecham Group plc and the second applicant. In response, Beecham brought an application for appropriate relief against Biotech based inter alia on the allegation that its copyright in the insert had been infringed.

The insert had been produced by the second applicant in South Africa using material first produced by Beecham in the United Kingdom and incorporated wording required by the Medicines Control Council in South Africa.

Biotech defended the application on three grounds. Its first ground was that Beecham had not shown that the package insert enjoyed copyright protection because it had not shown that it was original, or that portions of it were distinguishable as original work. Its second ground was that because of section 5(2) of the Copyright Act (no 98 of 1978) any copyright in the package insert vested in the State and not in the second applicant. Its third ground was that no copyright in the package insert vested in the second applicant by virtue of section 12(8)(a) of the Act.

Held—

Biotech had given no evidence in contradiction of Beecham's evidence. Nothing put forward by Biotech showed that Beecham's case was materially incomplete or insufficient to demonstrate originality in the package inserts. The fact that there were similarities between the inserts produced by the second applicant in South Africa and those produced by Beecham in the United Kingdom was insufficient to show that those produced by the second applicant were original compilations. The role played by the Medicines Control Council in determining the content of the package insert showed that it had had a say in the content of the insert but it did not show that it had made the insert.

The first defence was rejected.

The package insert was produced under the direction and control of the Medicines Control Council, if one understands the phrase 'direction and control' in a broad sense. However the direction and control it exercised was not the direction and control referred to in section 5(2) of the Copyright Act. This is so because that subsection read with section 21(2) constitutes an exception, and is to be narrowly construed. As such, it contemplates the making of a work in circumstances similar to those where an employee makes the work and where the making of the work is made subject to the direction and control of the State.

There were no reasons of policy to indicate that the change in wording of section 5(2) from that of its predecessor in the 1965 Copyright Act resulted from an intention to extend State copyright to an item such as a package insert. The insert or the application for its registration with the Medicines Control Council was

not something undertaken by the State.

The second defence was rejected.

There was no merit in the argument that the package insert was a text sanctioned by the government and dealing with the conduct and management of State affairs, ie the supply and sale of medicines to the public. Section 12(8)(a) of the Act did not apply.

The third defence was rejected.

Swart J: The first applicant is Beecham Group plc Liability Company incorporated in accordance with the Companies Law of the United Kingdom, having its principal place of business at 4 Dew Horizons Court, Harlequin Avenue, Brentwood, Middlesex, England. The second applicant is Smith-Kline Beecham Pharmaceuticals (Pty) Ltd, a company duly incorporated in terms of the Company Laws of the Republic of South Africa, having its principal place of business at Inyanga Close Sunninghill Extension 81, Sandton, Gauteng. The respondent is Biotech Laboratories (Pty) Ltd, a company duly incorporated in terms of the Company Laws of the Republic of South Africa, having its principal place of business at 10 Melrose Street, Melrose, Johannesburg Gauteng.

I found for the applicants on 7 June 2000 on the question of urgency and ordered that the matter be heard by me during the vacation recess. I heard argument on 29 June 2000. Counsel have referred me to a host of detail and authorities which, no doubt, warrant a sophisticated and comprehensive judgment which I do not intend delivering. The judgment will have to be confined to essentials. If a comprehensive reference to the facts and authorities is found necessary, such will be obtained from the various heads of argument put before me by counsel.

I was told by Mr Puckrin that at this stage only relief based on copyright infringement is being pursued and that is what a full day's argument was devoted to. Somewhat surprisingly I received further written submissions on behalf of the applicants on the following day, claiming that the respondent has conceded that its use of the applicant's information in the package insert, Absorption and Excretion is wrongful and has acceded to the claim to have it deleted from the package insert and that the respondent has therefore acceded to prayer 8 of the notice of motion. This drew a vehement written reaction from respondent later on the same day, denying any concession as to unlawful competition and emphasising that the matter was argued on one and only one issue, that of copyright. The tactics of the applicants are redolent of the tang of gunpowder in an attempted ambush, but that is all it is. The submission

is rejected.

I revert to the question of copyright. It is not in dispute that respondent has blatantly and widely copied the package insert of the applicants even to the extent of exactly duplicating applicant's clinical absorption and excretion tests, a feat which applicants themselves would not have been able to accomplish in subsequent tests.

Respondent, however, denies liability on the following bases:

Mr Joubert submits that irrespective of the fatalities of the case of the applicants inherent in respondent's other defences, applicants on their own showing have not proved their copyright in the 1994 package insert. Mr Joubert's heads of argument read in part:

'The respondent submits that the applicants' claim that copyright subsists in the package insert, has not been proved by them. It has in particular not been established that the entire work is a compilation created by Kritzinger or people working under him, employed by the second applicant. The applicants have not shown which portions of the work relied upon by them, are original, nor have they established the reasons why the work is original.'

In order to show that copyright subsists in a particular work it is necessary to prove the following: The work relied upon is eligible for copyright (section 2 of the Act). In order to be eligible for copyright the work relied upon by applicants must be shown to be a literary work as defined in the Act—original and reduced to material form. The work must qualify for conferral of copyright (sections 3 and 5 of the Act). Copyright is conferred by the Act on a work which is eligible for copyright and in respect of which the author (as defined in the Act) or the joint authors was/were at the time when the work or a substantial part thereof was made, a qualified person, namely a natural person who is a South African citizen or domiciled or resident in the Republic or a juristic person, being a body incorporated under the laws of the Republic. In terms of section 37 of the Act the Minister has extended the Act to persons who are citizens of or who are domiciled or resident in a scheduled country in the same way as it applies to persons who are citizens of or domiciled or resident in South Africa. The United Kingdom is such a scheduled country. Regarding originality where there are pre-existing works Mr Joubert's heads of argument read:

'12 Only that which is original in a work can be the subject of copyright protection. An applicant should identify those parts of a work for which originality is claimed. In *Pyromet (Pty) Ltd v Bateman Project Holdings Ltd* 699 JOC (W) at 702-703, Goldstein J found that the claim as to originality of the drawings

was not established as it was impossible to establish which portions of the drains were original and which were not.

- 13 In *Jacana Education (Pty) Ltd v Frandsen Publishers (Pty) Ltd* 1998 (2) SA 965 (A) Schutz JA stated the following at 969D-F:

“... the existence of prior material tends also to limit the scope for originality and to require more exacting proof of its existence than is the case with truly original works.”

At 9741-J he said as regards Jacana’s claim to originality “Jacana failed to demonstrate what exactly it did, something peculiarly within its own knowledge”.

- 16 In *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* 1987 (2) SA 1 (A), the appeal court held that “originality” refers to “original skill and labour in execution”, and that the work in respect of which copyright is claimed, should emanate from the author itself and not be copied. The original skill and labour employed by the draughtsman in *Klep Valves* to “modify an existing design” and to achieve the “substantial differences” between the drawing there in issue and the earlier versions, bestowed upon that work a quality of individuality sufficient to distinguish the new work from the previous. The time and effort of the draughtsman in *Klep Valves* produced something original and not of doubtful substance. The changes effected were not insignificant; but were “meritoriously distinctive” and “principled”.

- 20 In *International Credit Control Ltd v Axelton* 1974 1 NZLR 695 (Supreme Court) at 701, citing Copinger and Skone James on Copyright 11th edition, para 1/6 page 55, with approval, where the author says the following:

“Use of existing subject matter. As has been seen here where the author has produced the result without reference to any pre-existing subject matter, it is immaterial that the result is not novel, or that anyone else could have produced the same result, or that the idea or scheme from which the result has been produced is open to the public. But where the author has made use of existing subject matter more difficulty arises and it has to be determined whether he has done sufficient independent labour to justify copyright protection for his result.”

- 21 In *Universal Press (Pty) Ltd v Provest Ltd* 87 ALR 497 (Federal Court of Australia) at 500, line 36: “It is beyond dispute that as each initial base map was prepared, copyright existed in that base map as an original artistic or perhaps (1 literary work. Where an original work is subsequently altered there will be a

question of fact involved in determining whether the map as altered, has become a new original work or whether it remained the old work. As the Privy Council pointed out in *Inteleco AG v Tyco Industries Inc* [1989] 1 AC 217 at 262/3 mere copying of a work will not produce an original artistic or literary work. ‘Skill, labour or judgment mere in the process of copying, cannot confer originality... there must in addition be some element of material alteration or embellishment which suffices to make the totality of the work an original work.’

- 24 As far as compilations are concerned, these have been said to be based essentially upon a plaintiff being able to establish the required degree of skill and labour in making the compilation as distinct from that of ascertaining that information, and that “it is the product of the labour, skill and capital of one man which must not be appropriated by another.” (*Copinger and Skone James on Copyright* supra at para 7-52, page 421.)

Mr Joubert’s argument on the facts against this background is summarised by me as follows:

- (a) Mr Joubert submitted for a number of reasons that no copyright has been proved to exist in the hands of the first applicant. (I shall accept without deciding the point that this submission is correct. It is, however, irrelevant because the facts do not indicate that the application for registration of Augmenten in South Africa and the compilation as submission of the original inserts which culminated in the approval of the 1994 insert, was done by first applicant. It was done by second applicant.)
- (b) Mr Joubert also submitted that it has not been proved that copyright exists in the hands of the second applicant for the following reasons:
- (i) There is no proof that the entire work is a compilation, that Kritzinger is the author of the entire work or that the work is original.
 - (ii) It was incumbent on the second applicant to show that the package insert was an original work with reference to the original work from which it allegedly originated. ‘This it had not done. The pre-existing material is not before court and it is impossible to judge whether Kritzinger has added ‘some element of material alteration or embellishment which suffices to make the totality of the work an original work.’ The question mark surrounding the issue of originality is underscored by the inherently contradictory

nature of his evidence, as well as the fact that it is contradicted by other evidence.’

- (iii) Kritzinger’s evidence about the manner in which he would have created the package insert is contradictory as far as the sequence of summaries and synopses are concerned.
- (iv) The above evidence is problematic in two respects. In paragraph 12 of his affidavit Kritzinger states that the summaries ‘from which the synopses were derived’ were summaries ‘compiled by persons in the employ of Beecham Group’. In other words, employees of the first applicant. If this is so, it is not clear why he also found it necessary to, or did indeed make summaries of the data. Furthermore, Kritzinger claims in paragraph 6.3 that the package insert is ‘a synopsis of various summaries’. If this be so it is not clear why he submitted the first drafts of the package insert before he made the synopsis.
- (v) Kritzinger’s claim that in most cases the language in the insert ‘would have been his own’ is a bald speculative statement which is insufficient for the purpose of proving copyright. He ought to have attached those portions from the registration application from which he allegedly made the synopsis to enable the court to ascertain whether he did create an original work. The fact that the language might have been his own is not sufficient to establish originality in the work.
- (vi) The impression sought to be created that the package insert is in totality a compilation made by Kritzinger, is not supported by facts. He states in paragraph 6.3 that he would have to use his judgment in selecting in synoptic form that which he considers relevant for the purposes of the package insert.
- (vii) Portions of the package insert were taken from the insert leaf submitted to the Ministry of Health in the united Kingdom by the first applicant. Kritzinger will not have created anything original in copying or including in ‘similar wording’ such portions in the package insert. There are remarkable similarities between the UK data sheet and insert leaflet number 2. These are not explained by Kritzinger who does not refer to this input in his evidence. The second applicant aimed to remain in line with its ‘worldwide package insert’. In these circumstances it is not clear why it would go to all the trouble of rewriting a package insert when it already had one available to it and

would presumably insofar as the MCC would allow it, to 'remain in line with it'.

- (viii) It is clear from the documentation discovered by the respondent that Beecham Research International in England was closely involved with the drafting of the package insert. Third parties made comments and it was expected that these be incorporated in following drafts. This fact Kritzinger did not disclose in his founding affidavit. Significantly, the filed label 'Augmentan 375 (package insert S3)' was emptied, except for the documents referred to below. These documents are the affidavit of Mr Jacobsberg at pages 665 to 671.
- (ix) It is submitted that Wimpy's comments do not take the matter further. The letter attached to his affidavit supports the close connection between input from the English parent company and the second applicant. Kritzinger made no mention of this as well as the facts that changes were made to the insert, following such input. If, as Kritzinger claims, he based the insert on information in the registration package, it is difficult to explain the anomalies between the information contained therein and that in the proposed insert leaflet submitted to the parent company. To the extent that Wimpy seeks to interpret the documents attached in the respondent's supplementary affidavit by Jacobsberg his evidence should, with respect, be ignored as irrelevant.
- (x) To the extent that any copyright exists in wording written down by the MCC, such copyright vests in the MCC.
- (xi) In a letter dated 8 March 1982 Kritzinger mentions that 'we are asking Deo Botha's paragraph to be included'. This paragraph is not identified; nor is any evidence provided about the capacity of Deo Botha, but what is apparent is that paragraphs written by third parties were included in the insert. In addition, the copy of the letter from the MCC with changes to be made to the insert referred to in that letter, is not attached. It is accordingly not possible changes were made by the MCC in this instance.
- (xii) Kritzinger's claim that changes made by the MCC were in all instances 'miniscule' is not supported by the correspondence emanating from the MCC. The documentation provided in respect of the MCC is in any event incomplete and a complete record about its changes

is absent. Mr Joubert then in his heads refers to various letters from the Department of Health and Welfare and from the MCC.

- (xiii) Kritzinger's statement that Annexure NAK11 is not 'in any way a verbatim reproduction of' the master sheet furnished to him, is not supported by the facts. Paragraphs in the master sheet appeared to have been copied verbatim in Annexure NAK11. The significance of this is underscored when regard be had to the insert package attached as NAK16. The paragraphs which appear to have been copied in Annexure NAK11 appear for the first time in Annexure NAK16, which was issued a few months after the master sheet was made available to the second applicant during January 1994. It is submitted that no irregularity attaches to the mere copying of paragraphs of Annexure NAK13.

With all due respect to Mr Joubert's thorough and cleverly constructed argument I am in disagreement with this line of reasoning. It is somewhat ironic that a party guilty of blatant copying should so assiduously deny (when caught with fingers in the till) the originality and validity of what was previously considered worthwhile copying. The argument is reminiscent of selective sharp-shooting. It loses sight of the fact that respondent has supplied no evidence in contradiction of Dr Kritzinger's (to which I shall revert as far as may be necessary), loses sight of the context and perspective of Dr Kritzinger's evidence and loses sight of the fact that he is testifying concerning matters which were commenced some 20 years ago. I would be surprised if he would remember everything and if all documents were still available. I think the argument also negates the probabilities established by Dr Kritzinger's evidence. The papers in this matter are voluminous. I shudder to think what they would have looked like had Dr Kritzinger attached all his pre-existing material. This would have been completely impractical. Instead, when sought, such documentation as the applicants still have, was made available promptly and on reasonable terms to respondent on 15 June 2000. Not only did respondent request sight of these documents only on 23 June 2000, but very little has been put forward by respondent as a result of such inspection. I bear in mind, of course, that the respondent was subject to a measure of time constraint. What has been put forward (or remarked upon) does not in my view detract from the veracity of Dr Kritzinger or demonstrate that the applicant's case is materially incomplete or lacks sufficient input from Dr Kritzinger to constitute originality. The alleged contradictions referred to above require no comment. The emphasising thereof smacks

of desperate measures. A number of the criticisms raised in argument were, moreover, not raised in the papers. The reason why Dr Kritzinger made his own summaries when UK summaries were available, is apparent. The first applicant made the material available to the second applicant for purposes of a South African registration by it. Dr Kritzinger was responsible for the registration and everything involved in it. There is no indication that it was feasible or in line with relevant local legislation and regulations to simply dump the UK material on the Medicines Control Council ('MCC'). The respondent, as a matter of fact, is at pains to demonstrate that the South African medicines control is amongst the strictest in the world and the fact that a medicine is registered in the UK or the USA is no passport to South Africa as such. I do not think Kritzinger's claim that in most cases the language in the insert 'would have been his own' is unnecessarily bald or speculative. The man cannot be expected to remember every word. He did recount what he does distinctly remember and makes inferences as to what he cannot remember. He is the best person to draw those inferences. In any event, whether he penned every word or whether some of it was done by other employees of second applicant under his supervision and control is immaterial. Dr Kritzinger was in overall charge and was responsible for the negotiations with the MCC which led to final approval. I think the evidence does support (conclusively) the impression that the insert is a compilation made in its totality by Kritzinger. Whether he wrote every word in the compilation is for that very reason immaterial.

Heavy emphasis has been placed on similarities between the insert (or one of its earlier versions at page 206) and the UK data sheet at page 210 and NAK13 at page 263 and NAK11 at page 236. I do not find all the similarities Mr Joubert relied on, certainly not in the literal sense of the word. Similar topics are in a number of cases differently worded. In any event, similarities are only relevant as a gauge of copying and the extent thereof: copying as such is not always a sin. A comparison of these documents even without reference to the evidence of Dr Kritzinger, does not detract from the inserts as original compilations.

The reference to the phrase 'that Beecham Research International in England was closely involved with the drafting of the package insert' is not clear. Whatever the innuendo, it has been satisfactorily explained. See paragraphs 11 to 13 and Annexure BAW1 at pages 682 to 686 and 689 of Mr Wimpy's affidavit. I fail to see how consultation and submission to a parent company for approval detract from the originality of a compilation. Even a technical subject such as copyright must have some regard to reality.

The argument related to ‘Deo Botha’s paragraph to be included’ as proof that third parties were co-authors and that in addition no evidence was provided concerning Deo Botha’s capacity is not correct. Dr Kritzinger states in paragraph 11 at page 188 that the late Prof Deo Botha was then vice-chairman of the MCC. This was part of the approval process.

The argument seemed to proceed on the lines that the MCC provided a major input to the insert and that this would constitute a bar to copyright. As a matter of law I think this is wrong, except insofar as the input is relevant to the defence which will subsequently be discussed. The parties are, of course (such is human nature when embroiled in litigation) more or less at two extremes in evaluating the extent and the quality of the input of the MCC. For this part of the dispute it is sufficient to state that the MCC played a significant role in the approval of the final insert but that both quantitatively and qualitatively the making of the insert.

Mr Joubert finally presented the following conclusion in his heads of argument:

‘It is submitted that, in the light of the above, Kritzinger clearly did not furnish a complete picture in his founding affidavit about the creation of the package insert. In the circumstances it is impossible to ascertain whether the work is a compilation made by him and, if it is, which portions were compiled by him and which were written by overseas companies, the MCC and third parties. It is for the applicants to identify those portions of the work in which they claim copyright. Where they have not done so, they cannot succeed.’

For the reasons stated I disagree. With more to come, this judgment will eventually be totally unwieldy should I attempt to quote from the evidence of Dr Kritzinger or discuss it in greater detail. I am satisfied, however, that the general tenor as well as the detail of his affidavit, support my conclusion.

2. The second defence is that, to the extent that any copyright exists in the applicants’ package insert, it vests in the state and not in the second applicant by virtue of sections 5(2) and 21(2) of the Copyright Act 1978. Section 5(2) reads as follows:

‘Copyright shall be conferred by this section on every work which is eligible for copyright and which is made by or under the direction or control of the state or such international organisation as may be prescribed.’

Section 21(2) reads as follows:

‘Ownership of any copyright conferred by section 5 initially vests in the state or the international organisation concerned and not in the

author.’

The Afrikaans text of the Act was, according to Mr Joubert, signed by the State President. Section 5(2) of that text reads as follows:

‘Outeursreg word deur hierdie artikel verleen aan elke werk wat vir outeursreg in aanmerking kom en wat vervaardig word deur of onderhewig aan die voorskrif of beheer van die staat of die internasionale organisasies wat voorgeskryf word.’

Section 21(2) of that text reads:

‘Eiendomsreg op outeursreg by artikel 5 verleen, vestig aanvanklik in die staat ... en nie in die outeur nie.’

The package insert in this case can in my view best be described as a compilation and as such, literary work which would be eligible for copyright in terms of section 2 along the usual lines of material form, sufficient substance and originality. In terms of section 3 of the Act copyright is conferred on every work eligible for copyright of which the author at the time the work or a substantial part thereof is made, is in the case of an individual, a South African citizen or is domiciled or is resident in the Republic or, in the case of a juristic person, a body incorporated under the laws of the Republic. The term ‘author’ in relation to a literary work, is the person who first makes or creates the work. Subject to the other provisions of section 21, the ownership conferred by section 3 of any work shall vest in the author or, where the work is made in the course of the author’s employment by another person, in such other person. Dean *Handbook of South African Copyright Law* states at 1-1 para 1.2 concerning the philosophy of copyright law the following:

‘Article 1, clause 8 of the Constitution of the United States of America, empowers Congress “to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries”. This simple clause sums up in a few words the philosophy and underlying principles of copyright law. Copyright law, like other branches of intellectual property law (ie the laws of patents, trade marks and designs) seeks to create a system whereby the creator of an original work is afforded a qualified monopoly in the use or exploitation of the work in order, firstly to compensate and reward him for the effort, creativity and talent expended and utilized in the creation of his work and, secondly, to act as an incentive for him to use his talents and efforts to create more and better works or intellectual products in the future.’

The learned writer at 1-22 para 4.1 states this concerning the author:

‘The author or maker of a work is the corner stone of copyright law. The Copyright Act uses the terminology of “author” to designate the maker of any type of work which can be the subject of copyright. Thus the Act refers to the “author” of an artistic work, the “author” of a musical work etc. As explained above, the underlying philosophy or principle of copyright law is to reward or compensate the author of a work for the utilization or expenditure of his talents, time and effort in creating works of intellectual property. Copyright is intended to provide and establish the incentive for the author to create more and better works. Copyright law serves to look after the interests of the author and to define and regulate the scope and operation of his qualified monopoly in relation to his work.’

The learned writer in paragraph 5.1 at 1-28 distinguishes the author from the owner of the copyright. In paragraph 5.2 he states that as a general proposition the author is the initial owner of the copyright in the case of all the various types of works covered by the Act, but goes on to state that this rule is subject to several exceptions. One of those exceptions is the case where the work is made by the author during the course of his employment by another. At 1-25, paragraph 4.6 the same writer opines (without the issue having been judicially decided) that a juristic person cannot be the author of a literary work. If that is correct, the author or possibly authors in this case would have been Kritzingers and/or the other South African employees of second applicant. The second applicant, however, would have been the owner of the copyright. Another possible exception would be the case envisaged in section 5(2) read with section 21(2). (See Dean *supra* para 5-3 at 1-29). The question is whether the exception applies on the facts of this case.

Mr Joubert contends for an unqualified approach to interpretation on the basis of the ordinary grammatical meaning of the words used in the relevant provisions, to wit, ‘direction or control’. (It is not contended on behalf of respondent that the package insert was made by the state (my emphasis) and it has not been contended for the applicants that the MCC is not an organ of state.) Mr Joubert has referred me to a host of dictionary definitions of the words ‘direction’, ‘voorskrif’, ‘control’ and ‘beheer’ and decided cases in which those terms have been discussed, to indicate, *inter alia*, that ‘control’ is a word ‘of wide and ambiguous import’, and is a word to which ‘it is difficult to give a clear and exact meaning’. I am not going to repeat all Mr Joubert’s material but will refer to certain examples.

The *Oxford English Dictionary* 2nd edition, defines ‘direction’ as ‘(a) the action or function of directing; or (b) putting of keeping in the right way or course, guidance, conduct; (c) of instructing how to

proceed or act, a right, authoritative guidance, instruction; (d) of keeping in right order, management, administration.’ See page 7 of Mr Joubert’s heads of argument.

The *Oxford Dictionary* 2nd edition, defines ‘control’ as ‘(1) the fact of controlling or of checking and directing action, the function or power of directing and regulating domination, command, sway; (2) restraint, check; (3) a method or means of restraint, a check, to exercise restraint or direction upon the free action of, to hold say over, exercise power or authority over, to dominate, command’. See page 8 of the said heads of argument.

The word ‘voorskrif’ in the Afrikaans text of the Act is defined in the *Verklarende Afrikaanse Woordeboek* 6th edition, as ‘wat voorgeskryf is, reëls wat mens moet volg, moet nakom, resep, formule, gebruiksaanwysing’.

The word ‘beheer’ has been defined, with reference to the *Groot Woordeboek* as follows:

‘(I) S (1) bestuur en toesig, administratiewe kontrole; (2) (jur) bevoegdheid om in sy besit te hou en meer of minder vry te beskik oor die boedel van ’n ander, bevoegdheid om die bestuur te voer oor die een of ander onderneming of instelling; (3) vermoë om in bedwang of onder kontrole te hou; (II) W, bestuur, administreer.’

I also quote paragraph 16 of Mr Joubert’s heads of argument at page 13 to 14:

‘It was pointed out in *Van Rooy v Law Society (OFS)* supra, at 586E-F that “control” implies “restraint exercised upon an independent activity” In contrast, the word “conduct” stresses the idea of immediate supervision or personal leadership. At 586F-G of the judgment, Horwitz J quoted with approval from *R v Croydon and Norwood Tramways & Co* 18 Q.B.D. 39 where Lord Esher, M.R. at p 42 said: “I cannot help thinking that to give or refuse assent to a certain proposed act is, and must be, exercising control at all events.” Lindley L.J. expressed himself as follows in the same case: “If I prohibit a man from doing a thing, I control him to that extent”. So, too, one of the meanings assigned to “control” in the *Oxford Dictionary* is “to exercise restraint upon the free action of”. I venture to think that our case law clearly indicates that a power to control confers authority to impose neither restrictions and prohibitions although it may not authorise a general prohibition. The authorities moreover indicate that a power to control authorises the licensing of the activity to be controlled.’

Mr Joubert argues that the facts clearly indicate that from the outset

the writing of a package insert is restrained by statute, regulations and the requirements of the MCC. Applications for registration shall be submitted on a prescribed form, with prescribed particulars. Regulation 10 contains particulars relating to a medicine which must appear in the package insert. See, for instance, Annexure 1 which calls for the following information: Schedule status, proprietary name and dosage for, composition, pharmacological classification, pharmacological action, indications, contra-indications, warnings, dosage and directions for use, side effects and special precautions, known symptoms of overdose and particulars of its treatment conditions of registration, identification, presentation, storage instructions, registration number or reference number, applicant and date of application. All this is, according to Mr Joubert, carefully checked by the MCC which has the right to call for changes (the extent of such intervention is in dispute). Mr Joubert submits that the MCC is the final authority on the nature of the content of the insert and its directions as to the content are peremptory. Failure to comply with its directions will result in applicant not being able to distribute the drug legally. (The insert is certainly subject to the approval of the MCC, but this argument goes too far. The requirements for a package insert are set out in the regulations by way of reference to certain parameters within which the applicant must set forth the details of his own medicine. The regulations do not confront the applicant with a full blown verbatim version of an insert. Naturally, in fulfilling its functions in terms of the Act, the MCC will strive to make certain that the insert conforms to the regulations and serves the aims of safety, efficacy and so forth. However, I can visualise cases where in so doing bureaucratic over-exuberance will be curbed in a free and democratic society on review.)

Mr Joubert submits that the facts demonstrate that in relation to second applicant's package insert the MCC did exercise direction and control in numerous respects from the time the original insert was submitted up to the stage when the final revised version was approved, including certain words or phrases in exact form to be taken up in the insert. Mr Joubert's conclusion is stated thus in paragraph 49 of his heads of argument:

'The state directs the initial making of the package insert through the requirements set out in the Medicines Control Act, its regulations and the requirements set by the MCC itself. Through these measures, the state instructs and guides an applicant in the making of its package insert. Once the insert is submitted to the MCC for approval, the MCC checks and verifies the content thereof and exercises restraint and direction upon the final version of the insert prior and

subsequent to its publication.’

The spokesmen for the MCC policy have come out in support of this conclusion. The official line seems to be that allegedly cheaper generic medicines are to be promoted. The standards for registration are much less stringent. Allegations have been made of Lek’s own extensive tests for registration purposes. Nothing of this is in evidence before court save for one reference to an input by the MCC regarding the package insert of respondent. There is, surprisingly, a lot of talk concerning policy and practice, but no evidence of how the package insert of respondent came to be approved. Spokesmen for the MCC will moreover have nothing to do with claims of copyright in package inserts. Reference is made to an approved insert being ‘in the public domain’ and being a ‘final contract’ and being a ‘legal document’. These terms may be criticised as inappropriate and imprecise, but Dr Rees makes no bones about it. She states in paragraph 7 at page 480:

‘The MCC has no interest in producing package inserts for the same chemical compound which have differently worded package inserts purely to satisfy the whims of copyright. On the contrary, the MCC would prefer to use consistency in the content and layout of package inserts for drugs which have the same active ingredients.’

This seems to underlie an alleged policy that the package insert for a generic medicine must be in accordance with the most recently approved insert for the identical or a similar product. It has also apparently led to the MCC countenancing copying, for instance, in respondent’s claims, for absorption and excretion tables exactly similar to those of second applicant. This could simply never have been established by way of subsequent clinical tests and should never have been in the respondent’s insert. Even if originally allowed for sake of conformity, it is not clear why the MCC has now allowed respondent to remove that information from its insert. Moreover, the claim for conformity and the necessity of copying which has been stated as a policy, is inexplicably not supported by the objective evidence. See the *Trimed* case and paragraph 6 at page 693-694 with annexures of Zwemstra’s affidavit.

The authority on the interpretation of provisions referring to state copyright are extremely sparse. Mr Puckrin referred to the 14th edition of *Copinger and Skone-James on The Law of Copyright* where the learned authors say the following insofar as the question of works made under the direction or control of the Crown are concerned at paragraph 10.2, page 581:

‘It was probably intended to confer protection beyond work made

under a contract of service to works commissioned by the Crown from independent contractors.’

Mr Puckrin referred to *British Broadcasting Co v Wylis Lee Gazette Publishing C* 1936 CHD 433 where it was held that programme published by the broadcaster carried copyright, although the broadcaster operated under general licence. It takes the matter no further because apart from a veto, the Postmaster-General had no authority or control over the formulation of the programmes. He also referred to Monoty in his article, *The Nature and Basis of Crown Copyright in official publications* 1992, 9 EIPR. According to Mr Puckrin’s heads of argument the article (which has not been put at my disposal) dealt with copyright in bills and judgments. Mr Puckrin quotes from the article as follows at page 40 of his heads of argument:

‘The meaning attached to “direction” is of particular relevance to the issue of Crown Copyright in judgments. The idea of judges being under either direction or control of the Crown is an anathema to the concept of the independence of the judiciary, if those terms are interpreted in the sense in which they apply to employment contracts. Clearly, judges are not under control of the Crown. But as direction alone will result in Commonwealth or state ownership of copyright, the meaning of this term needs to be examined more closely. In the shorter *Oxford English Dictionary* “direction” is defined as follows: “the action or function of directing, aiming, guiding, instructing or administering; conduct, instruction, management, administration. And instruction how to proceed.” Judges of the High Court of Australia are appointed by the Governor-General by commission. Before taking office, the person must take an oath or make affirmation to serve the Queen. As servants of the Crown, all judges are directed to dispense justice in the cases which come before them. Arguably, the definition of “direction” should be read widely to encompass the relationship between the Crown and its judges, both Commonwealth and State, to bring within the scope of Crown Copyright. Otherwise, unless judgments come within the scope of prerogative works, copyright in judgments would be owned by the judge as author. On the other hand, a broad interpretation of “direction” has undesirable consequences. Not only would the Crown have ownership of copyright in judgments, but it will probably also own copyright in all the works requested by the Commonwealth or a State, whether or not they are produced in the course of employment.’

The *Modern Law of Copyright* by Hew Laddy, Peter Priscott and Mary Vittoria, second edition, states the following in paragraph 22.10

concerning ‘by or under the direction and control of the Crown’.

‘There is no definition in the 1956 Act of what is meant by under the direction or control of Her Majesty or a government department. Clearly, works made by Crown servants in the course of their duties, are made under the control of the Crown, but the ambit of “made under the direction of” is clearly wider and probably extends to works prepared by independent contractors. It is not clear, however, whether this provision is wide enough to give the Crown the copyright in works which have merely been commissioned by it. For example, the Whitford Committee pointed out in its consideration of s39 that while its own Report was prepared at the request of and for a government department, that department did not seek to direct or control the procedures of the Committee or its conclusions, or the form in which the report was written. The committee asked rhetorically: Can it be said to have been written under the direction or control of the department (of Trade) merely because they asked for it? It can be argued that the answer would be negative. If s39 had been intended to give the Crown copyright in commissioned works it could have done so by using similar phraseology to s4(3) which gave the copyright in certain types of commissioned works to the commissioner. Probably, however, most works commissioned by the Crown would have been first published by the Crown and so the Crown will acquire Crown copyright anyway by virtue of first publication.’

It is remarkable that not only is there no authority in support of the case advanced by respondent, but none of the authors, although dealing tentatively with the subject, have come near to recognising state copyright on facts such as in this case. I accept that the actions of the MCC in this case represent direction and control in the broad meaning of those words. Once again, however, with due regard to the ostensibly persuasive argument of Mr Joubert, I do not accept that it was direction or control of the making of the work as intended in the relevant provisions. My reasons are the following:

Section 5(2) read with section 21(2) constitutes an exception, moreover broadly and imprecisely worded to the time-honoured, general approach governing ownership of copyright. As such it warrants a narrow interpretation. See as well by way of analogy Steyn, *Die Uitleg van Wette* 3rd edition, page 24.

‘Donellis verduidelik dat die bedoeling op tweeërlei wyse kan verskil van die woorde, óf omdat dit enger is óf omdat dit wyer is. Dit is enger wanneer die wet meer voorgeskryf het en minder gewil het.

(cum lex olus scriosit minus voluit) en dit gebeur wanneer die woorde algemeen is en dinge van een óf ander genus omvat, terwyl die wil en bedoeling nie op bepaalde species van daardie genus slaan nie. In so 'n geval moet die woorde, hoewel algemeen van strekking, só beperk word dat die besondere gevalle wat nie beoog word nie, daarbuite val, want woorde vermag nie meer as die wil van diegene wat hul uitspreek nie. Die wil behoort nie die woorde te dien nie, maar die woorde die wil. By die sake, gevalle, tye en persone wat nie deur die bedoeling van die wet gedek word nie, hou die wet ook op, en daar en tot die mate maak die woorde geen reg uit nie, hoe seer ook die algemene woorde hul almal omvat.'

The relevance of paragraph 1 is underscored by the fact that paragraph 5(2) of the Act relates in the first instance to a work which is made *by* (my emphasis) the State. The further words, 'by or under the direction or control' cannot be seen independently or substantively and require in, my view an *eiusdem generis* approach. It clearly entails a case where the work is not made by employees of the state acting as such, but where undertaking of the making of the work is as a whole, subject to the direction and control of the state.

Dr Kritzinger testified that a lot of time, money and endeavour went into the compiling of the insert tendered to the MCC. Despite the input of the MCC by way of direction and control the major part of that ultimately remained intact. The latter was moreover not the work of the MCC only, but due to a process of negotiation and further input by Kritzinger as well. As such it cannot realistically be said that the insert was made under the direction or control of the MCC. The MCC played a role in scrutinising and approving the insert. The legislature could never have had this set of facts in mind as warranting state copyright in negation of the general rule regarding copyright as belonging to the author. One wonders, in addition, which circumstances would have to prevail for an 'international organisation' to prevail over the author. If what the respondent contends for was envisaged by the legislature it would have been stated much more emphatically.

The foregoing becomes even more apparent if it is recalled that section 21(2) provides that ownership of copyright shall initially vest in the State and not in the author. Section 21(1)(d) however, already provides that in the circumstances envisaged therein, the employer shall be the owner of the copyright. The author does not even come into the picture as owner. How do section 5, 2 and 21(2) operate in the light of the ownership of the employer?

Clause 18 of the British Copyright Act 1911 which, as far as I can gather, had some application locally by virtue of our 1916 Act, reads

as follows:

‘Without prejudice to any rights or privileges of the Crown, where any work has, whether before or after the commencement of this Act, been prepared or published by or under the direction or control of Her Majesty or any government department, the copyright in the work shall, subject to any agreement with the author, belong to Her Majesty, and in such case shall continue for a period of 50 years from the date of the first publication of the work.’

I pause to interpose that it is noticeable that since 1911 no British court, as far as I am aware, has come to the conclusion that on the basis of section 18 Crown copyright subsists in circumstances similar to those now before me.

Section 39 of the Copyright Act 63 of 1965 provides in part as follows:

- ‘1. Copyright shall subsist in any original literary, dramatic, musical or artistic work made by or under the direction or control of the Government, in which, but for the provisions of this section, such copyright would not subsist and shall be vested in the State.
2. The state shall, subject to the provisions of this chapter, be entitled:
 - (a) to the copyright in every original literary, dramatic or musical work first published in the Republic, if so published by or under the direction or control of the state;
 - (b) to the copyright in every original artistic work first published in the Republic, if so published, by or under such direction or control.’

See in addition subclause (5) which reads as follows:

‘Copyright shall subsist in any sound recording or cinematograph film made by or under the direction or control of the State in which but for the provisions of this section such copyright would not subsist and shall be vested in the state, and the period of subsistence of such copyright shall be the same period as if it were copyright subsisting by virtue of and owned in accordance with the provisions of sections 13 or 14, whichever is applicable.’

Section 5(2), read with section 21(2) of the present Act is more streamlined and less elaborate than the 1965 provisions and more in line with section 18 of the British Act. No reasons of policy or otherwise are apparent to me, to indicate that the change in format in the presently attributable Act was due to an intention to extend state copyright to something like a package insert. It is clear from the 1965 Act that nothing of the kind was then contemplated but rather something

undertaken by the state, even though not made by itself. Whatever the extent of control or the effect of the requirement of approval may be, the insert or even the application for registration is not something undertaken by the State; it is undertaken by the applicant and the statutory intervention of the MCC does not make it the maker of the insert. To decide otherwise would lead to startling results, inter alia (whatever the merits of the new relaxed approach to generics may be) negating as far as second applicant's insert is concerned, the very philosophy behind copyright law and leading to a situation where the copyright of the State, as far as future applications or inserts are concerned, is made dependent on policy considerations which may not be consistently applied and which may change for better or worse. Surely the law of copyright cannot be thus approached.

3. The third defence is a jump from State copyright in contrast to that claimed by the applicants to no copyright at all and is based on the provisions of section 12(8)(a) of the Act which reads as follows:

'No copyright shall subsist in official texts of a legislative, administrative or legal nature, or in official translations of such texts, or in speeches of a political nature or in speeches delivered in the course of legal proceedings, or in news of the day that are mere items of press information.'

The Afrikaans text reads, as far as it is relevant:

'Outeursreg bestaan nie in amptelike stukke van 'n wetgewende, administratiewe of wetlike aard ... nie.'

Mr Joubert's conclusion stated in paragraph 59 of his heads of argument at page 32, reads as follows:

'It is submitted that the package insert is a text, sanctioned by the government and more particularly the Department of Health and the MCC. It is furthermore, a text which pertains to and deals with the conduct and management of state affairs, namely the regulation of the supply and sale of medicines to the public. It is also a text of which the particulars and format are prescribed by law. It is accordingly, an "official" text of a "legal", or at least, an "administrative" nature.'

There is no merit in this contention.

It is common cause that if the second applicant is to succeed it is to be by way of a final interdict and not an interim interdict. In my view the applicants have established copyright, the defences gainsaying that are rejected and a breach of copyright has not been disputed. The requirements for a final interdict are well-known, but, if necessary, reference may be had to Joubert *Law of South Africa* Volume 11, paragraph 316. I find that those requirements have been established, and

I make the following orders:

1. An order in terms of prayer 6 of the notice of motion, dated 7 June 2000, with the deletion of the words 'first and/or second applicants' and substituting in its place the words 'second applicants'.
2. The balance of the application is postponed sine die.
3. The respondent pays the costs attendant on obtaining the relief set out in paragraph 1 hereof, including the costs of employment of two counsel, but excluding the costs of the last submission regarding unlawful practice and the response thereto.

METRO POLIS T/A TRANSACTIVE (PTY) LTD v NAIDOO T/A AFRICAN PRODUCTS

TRANSVAAL PROVINCIAL DIVISION
COETZEE AJ
1 JUNE 2000

The repetition of errors contained in a copyright work is an indication of copying. When added to the fact that the alleged infringer has employed a person to produce a work which is substantially similar to the work he had earlier been employed by the copyright holder to produce, infringement of copyright is demonstrated.

Metro Polis was the publisher of the *Auto Data Digest*, a literary work in which it held the copyright and which contained technical specifications of passenger motor vehicles available for purchase in South Africa. In 1999, Metro Polis requested Naidoo to develop a data base of the data contained in the publication, and he was given all the data in electronic format for this purpose. Naidoo quoted Metro Polis a price for the execution of this task but the quotation was not accepted.

In 2000, Naidoo produced a competing publication to the *Auto Data Digest* and began marketing it in March of that year. His publication, entitled the *Auto Spec Passenger 2000*, included a CD-Rom version, as did that of Metro Polis. Technical aspects recorded in the *Auto Data Digest* were repeated in the *Auto Spec Passenger 2000*, as were errors which had been included in the *Auto Data Digest*. Prior to publishing the *Auto Spec Passenger 2000*, Naidoo had employed the second respondent, an individual who had previously been employed by Metro Polis and engaged in the production of the *Auto Data Digest*.

Metro Polis alleged that Naidoo had infringed its copyright in the *Auto Data Digest* and brought an application for an interdict restraining Naidoo from infringing its copyright and from marketing the *Auto Spec Passenger 2000*.

Naidoo opposed the application and contended that no copyright subsisted in the work, alternatively that if copyright did subsist, Metro Polis was not the owner as another company, Mead & McGrouther, had held the copyright in previous editions of the work and had not assigned copyright to Metro Polis. He also contended that any similarities between his publication and the *Auto Data Digest* were a result only of the fact that the technical data forming the subject matter of the two publications was similar.

Metro Polis stated that the *Auto Data Digest* had been published by Mead & McGrouther but that company had later been purchased by Prime Media Ltd, and its business including the copyright in the *Auto Data Digest* was later transferred to a business conducted by Metro Polis and another company.

Held—

Naidoo's denial that he used the data contained in the *Auto Data Digest* was an insufficient response to the existence of the errors which were repeated in his publication. So many errors which were repeated would not have been there had there been no copying. It appeared that the whole of the *Auto Data Digest* or virtually the whole of it, had been copied. The fact that Naidoo had an employee who had been in the employ of Metro Polis engaged in producing the *Auto Data Digest* and then engaged in producing the *Auto Spec Passenger 2000* was also an indication that copying had probably taken place.

As far as the denial of the vesting of copyright was concerned, it was clear from the contracts in terms of which acquisition of the companies and their assets were effected that the copyright had been transferred to Metro Polis and that later editions of the work were produced under the name of Metro Polis. Copyright therefore vested in it and it was entitled to the interdict it sought.

The application was granted.

Coetzee AJ: The applicant is a publisher and distributor of a technical automotive digest known as *Auto Data Digest*. The *Auto Data Digest 2000* is the 26th edition of this publication. The applicant states that extensive research has been done in the compilation of this publication. The 2000 publication runs into 263 A4 pages and is bound in high quality glossy paper. It contains all the identification and specification details together with photographs of virtually each and every passenger motor vehicle available for purchase in South Africa. It also contains numerous advertisements relevant to the automotive industry. The 2000 publication for the first time also contains a multi media CD-Rom which contains all the automotive and technical data pertaining to cars and minibuses available in South Africa.

The applicant's deponent Mr W Calcut states that he, Mr Andrew Cauwse and the second respondent were in the applicant's employ when the 2000 edition was compiled and they saw to the compilation and editing. He says that their original research, enquiries and compilation effort and skill resulted in the applicant being able to publish and distribute the publication. The publication is an artistic and/or a literary work within the meaning of the Copyright Act (no 98 of 1978) and that the applicant is the owner of the copyrights in the publication as well as in the 1999/2000 edition of this digest. The publication is widely sold and distributed in South Africa and generates huge income for the applicant.

During the middle of 1999 when the *Auto Data Digest 2000* was being compiled the first respondent was approached with a view to developing a data base of the data contained in the publication. The data base was to be captured on a multi media CD-rom. The first respondent was furnished with all the data in an electronic format of the said publication with a view to developing such a data base. The first respondent gave a quote to the applicant for the compilation and production of such a multi media CD. His quote was not acceptable and another contractor was approached to do the work.

The second respondent introduced the first respondent to the applicant. The applicant states that it came to its notice that whilst the applicant negotiated with the first respondent, the first respondent

offered the second respondent a job. That is denied by the respondents. They say that such an offer was made only in January 2000 but it was rejected by the second respondent at the time. The second respondent only took up employment with the first respondent after he had resigned from the applicant during March this year.

The applicant established that the first respondent had produced a competing publication to that of the applicant's digest. The first respondent's publication was launched on 1 March 2000. The applicant's publication was launched after this date. It is alleged that the second respondent who now is in the first respondent's employ is contacting existing clients of the applicant with a view to selling first respondent's publication to them.

The second respondent left the applicant's employ under acrimonious circumstances and has been heard to remark that he will screw M & M, a common reference to Mead & McGrouther a division of the applicant concerned with publications. The second respondent replies to that allegation that although his departure was not pleasant he cannot recall uttering the words attributed to him. The applicant furthermore states that it has been established that the first respondent has approached advertisers of the applicant who had advertised in previous editions of *Auto Data Digest* soliciting their business, in some instances successfully, before publishing his publication.

The applicant contends that the respondents are utilising confidential information, client information, the concept of the compilation of the technical digest, and the benefits of the money invested in the publication by the applicant, Particularly by employing the second respondent. They are approaching the applicant's clients with a view to solicit their business and with a view to taking business away from the applicant. They are acting in that way with the intention of furthering their own interests at the cost of the applicant's business and are competing unfairly and unlawfully with the applicant.

The applicant claims ownership of the copyright in the *Auto Data Digest 2000* as well as in the 1999/2000 edition. The first respondent has published and is distributing a similar publication also an A4 glossy version, also with the inclusion of a CD-Rom database, and this publication is known as *Auto Spec Passenger 2000*. It states that the first respondent's publication in alphabetical order contains substantially similar technical data in respect of all passenger vehicles in South Africa than that contained in the applicant's digest. By virtue of the fact that the first respondent had all the data in an electronic format available which the applicant used to produce its publication at his fingertips and also have the benefit of the second respondent's expertise and

knowledge of the contents, design, layout and compilation of its publication it is alleged that they clearly copied the applicant's publication.

The applicant did an analysis and comparison of technical data which appear in the two books, that of the applicant and of the first respondent. It appeared that virtually all the technical aspects contained in the applicant's publication are, albeit with minor changes; under various headings repeated in the first respondent's publication. The analysis and comparison exercise showed that the applicant's publication contains a number of errors in respect of the technical data contain therein. Those errors were repeated in the first respondent's publication. The applicant contends that the comparison and analysis exercise, particularly the fact that the mistakes in its publication repeated in the respondent's publication, shows incontestably that its publication was copied by the first respondent.

On 23 May 2000 the applicant launched an application against the two respondents for the following relief:

1. That the non-compliance of the provision of the rules of this honourable court pertaining to forms and time periods applicable to applications be condoned and that this matter be heard as one of urgency as envisaged in rule 6(12) of the rules of the court.
2. That a rule nisi shall issue with such return date that this honourable court may deem fit whereby the respondents are called upon to show cause why an order in the following terms should not be made.
 - 2.1 That the first respondent is interdicted and restrained from infringing the applicant's copyright in and to the publication known as *Auto Data Digest* and the accompanying multimedia CD-Rom containing the data of the said publication by doing or causing any person to do in the Republic of South Africa any act which infringes on the applicant's right as a whole of the copyright in the said publication and multi media CD-Rom; and/or.
 - 2.2 That the respondents are interdicted and restrained from distributing, advertising, selling or offering for sale any copies of the publication known as *Auto Spec Passenger 2000* and the Multi Media CD-Rom thereof; and
 - 2.3 That the respondents are ordered to deliver up to the applicant for destruction all copies of the *Auto Spec Passenger 2000* and the multi media CD-Rom thereof which are in the possession or under the control of the respondents.

- 2.4 That the respondents are interdicted and restrained from competing with the applicant's business in the publishing and distribution of *Auto Spec Passenger 2000* or any other similar publication with the utilisation in any form or manner of any confidential or client information otherwise obtained of the applicant's business by the second respondent or by approaching any of the applicant's existing advertisers and clients of the applicant's publication known as *Auto Data Digest* for the purposes of soliciting their business in the distribution of any publication similar to the aforesaid *Auto Spec Passenger 2000* publication or any other publication which would infringe on the applicant's copyrights as aforesaid.
- 2.5 That the respondents are ordered to pay the cost of this application jointly and severally.
3. That paragraphs 2.1 and 2.2 supra shall operate as an interim interdict from date of this order.
4. For further and/or alternative relief.

The respondent's defence to the relief sought by the applicant 15:

1. The applicant has not in its papers proved that copyright subsists in the work in respect of which it instituted these proceedings.
2. If such a copyright subsists the applicant is not the owner thereof.
3. The first respondent's publication is an independent work of the first respondent made without any reference to the work of the applicant. Any similarities which may occur between the applicant's work and the first respondent's work is due to the fact that the technical data which the two digests work with is similar. Per definition the respective works have to be similar much like two independently constructed telephone directories.
4. The respondents are not competing unlawfully with the applicant.

Before dealing with these defences two points in limine raised by the respondents, counsel must be dealt with. Respondents' counsel submits that there are a plethora of disputes of fact on the papers all of which should have been anticipated by the applicant, that the disputes are incapable of resolution on the papers and that the application should therefore be dismissed and not referred to evidence or trial.

In my view the application can be resolved notwithstanding the existence of disputes of fact and I will deal with the disputes in so far as they are relevant in the course of this judgment.

Secondly it is submitted that the applicant seeks to introduce new evidence in its replying affidavit. The respondents did not bring an application to strike out such alleged new evidence in the replying

affidavit neither did they apply for leave to file a second set of answering affidavits. Normally the one or the other approach is adopted when a respondent alleges prejudice because of new matter having been raised in a replying affidavit. However, notwithstanding the failure on the part of the respondents to do so, I shall deal with the alleged new matter in the course of the judgment and will state my views whether the applicant should be permitted to rely thereon in support of its case or not.

I deal firstly with the question whether the first respondent has copied the applicant's publication. Certain errors in the 1999/2000 addition of the applicant's publication were listed in Annexure G to the founding affidavit. Item 5 of Annexure G is not relied upon anymore. Annexure G contains the page numbers in the respondent's publication and the corresponding pages in the applicant's 1999/2000 publication dealing with particular motor vehicles or models. These errors were pointed out in a cryptic style but in my view in a comprehensible way. I, at the time that the argument on behalf of the applicant was presented, had no difficulty in identifying, by comparing the pages referred to in Annexure G, the similarities in the errors contained in the two publications.

The first respondent states that Annexure G is virtually impossible to answer because it consist of illogical cryptic comments relating to alleged common mistakes without any supporting evidence. The first respondent objects to the amplification of the contents of Annexure G by paragraphs 52 to 71 of the applicant's replying affidavit and contends that these paragraphs contain new evidence, evidence which the founding affidavit should have contained and that the first respondent would be prejudiced if the applicant is allowed to rely on the contents of those paragraphs.

I do not agree with this submission. The respondents are well versed in the technicalities of motor vehicle data. They have been collecting technical data of motor vehicles for a number of years. Technical specifications of motor vehicles are nothing new to both of them. The first respondent states that he has been involved in the automotive industry for many years. He held the position of training manager and technical manager at Delta Motors from 1995 to 1999. His duties included the design and development of systems of technical specifications for moto vehicles for use by dealers and publications. He is an adviser to the board of Motor Industries Workshop Association as an associate member and technical advisor to the Mechanic of the Year Competition. He states that has been involved in the motor trade for

some 15 years. In the course of his work he collected extensive information on the technical specifications of motor vehicles. The second respondent has been involved in the compilation, editing, design and layout of publications relating to technical specification of motor vehicles for approximately 3 years. The second respondent works for the first respondent and they are represented by the same attorneys in this application.

It is probable that they would have attended consultations with their legal advisors together at the time that a reply to the averments made in Annexure G was prepared. It is unthinkable that Annexure G would and could have been virtually impossible to answer considering their combined knowledge of technical specifications of motor vehicles. This statement by the first respondent is so improbable that it must be rejected as false.

The first respondent's further statement that his alleged attempt to reply to the contents of Annexure G was further complicated because he was not sure which publication it referred, to is in my view also untrue. It is most improbable that the respondents, particularly the second respondent, would not have been in possession of the 1999/2000 edition of *Auto Data Digest* at the time that the answering affidavit was prepared. Annexure G refers to a comparison between the *Auto Spec Passenger 2000* and the *Auto Data Digest*. The relevant pages are referred to and set out in Annexure G and it would have been in my view quite an easy task to establish that the pages in the *Auto Data Digest* referred to is a reference to the 1999/2000 edition.

The evidence in the replying affidavit which refers and deals with the errors in the two publications is nothing more than an elaboration of the points made in Annexure G. It does not in view constitute new evidence and there is therefore no reason to ignore the evidence for the purposes of determining the dispute between the parties.

The first respondent's case is that he was not furnished with all the data of the applicant's publication in electronic format as the applicant alleges. He says that it was only a fraction of the information required to complete the work that he was asked to quote for. Whether that is so or not is in my view of no consequence. If it is found that the first respondent copied the applicant's publication then it matters not whether he used the data in an electronic format or the publication itself to enable him to copy it.

The first respondent states that he obtained a list of all motor vehicle models from different manufacturers. Data was received from them and then included in his data base. Component manufacturers who advertised with him supplied their part numbers for inclusion of the data

base. Spark plug details were supplied by Champion. All the engine specifications were supplied by AE Engine Parts. All the brake specifications appearing in his publication was supplied by Ferodo. Technical lubrication specifications were supplied by Total. He denies that the first respondent had the benefit of the second respondent's expertise and knowledge of the contents, design, layout and compilation of the applicant's publication when its publication was prepared and of course denies that he used the applicant's data in an electronic format or its book to enable him to publish the competing publication.

The first respondent's denial that it did so does not in my view constitute a genuine dispute of fact. The first respondent does not give an acceptable explanation of the fact that errors made in the applicant's publication also appears in the *Auto Spec Passenger 2000*. The applicant lists in Annexure G, a large number of such errors and states that that is not an exhaustive list. I do not deem it necessary to deal with the party's evidence in that regard. Suffice to say that it is highly improbable that so many mistakes in the applicant's publication would have appeared in the first respondent's publication if it had not been copied. It appears from the comparative pages that virtually the whole, if not the whole of the applicant's publication, was copied by the first respondent. On the probabilities the second respondent, having resigned from the applicant on 1 March 2000 and having joined the first respondent as an employee, assisted the first respondent in copying the applicant's publication. If it can be found on the papers that the applicant is the owner of the copyright in the 1999/2000 and the 2000 publication then the action of the respondent clearly infringes that copyright.

The applicant alleges in paragraph 4.10 of the founding affidavit that its publication is an artistic or literary work within the meaning of the Copyright Act and that he is the owner of the copyrights and the publications. That allegation is denied. The first respondent points out in paragraph 7.4 of the answering affidavit that the copyright notice annexed to the founding affidavit refers to Mead & McGrouther (1996) (Pty) Limited a company with registration number 90/01149/07. This company, so it is pointed out, is a different company to the applicant that has as its registration number 98/001301/07. The first respondent annexed a number of annexures to its answering affidavit as DN14 to DN23 and points out that the annexure A depict a change of copyright between a number companies. The respondent states that the succeeding editions of the *Auto Data Digest* contain a very large percentage estimated at as much as 95% from the previous editions with only the information of new vehicles having been added thereto or in order to rectify any mistakes that might have been made in a previous addition.

This, so the first respondent says, casts doubt on the copyright subsistence and proprietorship thereof, if any, in the applicant.

The applicant replies thereto and states that Mead & McGrouther was at all relevant times the firm which compiled and published the *Auto Data Digest* on a yearly basis. The firm was owned from time to time by different Mead & McGrouther companies formed from time to time. A large publication company Prime Media Limited purchased Mead & McGrouther in 1996. The business was then conducted by a separate company Mead and McGrouther (1996) (Pty) Limited of which Prime Media held the total shareholding. Subsequent to that acquisition Prime Media formed a joint venture with Data Tec (Pty) Limited and one of the assets brought into the joint venture was the Mead & McGrouther business. The joint venture was then conducted in and by the applicant inter alia trading as Mead & McGrouther.

The applicant states that at all relevant times all of the assets and liabilities of Mead & McGrouther including the copyright and all rights of the publications were transferred from the one to the next of the successive companies. Copies of contracts are annexed to prove these allegations in respect of ownership in the copyrights, both in respect of the 1999/2000 and the 2000 edition. The applicant states that extensive independent effort and labour had gone into the compilation of the 1999/2000 edition of the *Auto Data Digest* as was the case with the compilation of the 2000 edition. Although the 1999/2000 edition was used as a primary source therefore all the information contained in the previous editions was again checked and revised for purposes of compilation of the new publication. For instance independent research and confirmation were undertaken to establish which model vehicles were still regularly available in South Africa. A large number of the vehicles models contained in the 1999/2000 edition were omitted from the 2000 edition. It is submitted that not only did the respondents infringe on its copyright in respect of the 1999/2000 edition but also as being the primary source of the 2000 edition on that edition.

Respondents' counsel argues that this is all new evidence. It should have been contained in the founding affidavit. Also there now exists a dispute of fact in respect of the ownership of the copyright regarding the applicant's book and that this must inevitably result in a failure of the application.

In my view, in the light of the challenge put forward in respect of the applicant's claim to copyright ownership it was entitled to supplement its founding affidavit in this regard. The dispute of fact is not such that this question cannot be decided on the papers. I am of the view that the applicant has established copyright subsistence and proprietorship of

the copyrights in the two publications. These rights of the applicant were infringed by the respondents.

The fact that the respondents copied the applicant's publication also constituted unlawful competition. The general sense of justice of the community frowns upon conduct such as that of the respondents in using the applicant's labour to further their own interests.

The respondents deny the allegation that the second respondent has been contacting existing clients of the applicant with the view to selling the first respondent's publication and that he has approached advertisers of the applicant who had advertised in previous *Auto Data Digest* editions and that he solicited their business before the first respondent's publication was published. That in my view has not been proved and in any event there is no basis on which the respondents can be interdicted from doing something which has already been done. I do not think that the names of likely advertiser or purchasers of the first respondent's publication are confidential information. Therefore in my view an order in terms of the second prayer 2.4 cannot be granted.

The second respondent in my opinion aided and abetted in copying the applicant's digest. He had inside information and knowledge of the applicant's publication and it is unlikely that the first respondent would have been able to publish the infringing publication in such a short space of time if it had not been for the second respondent's assistance. It is probable that he is assisting in the distributing of the first respondent's publication. He probably also has copies of the *Auto Spec Passenger 2000* in his possession for that purpose.

In the result the applicant is entitled to the relief it seeks with the exception of that sought in paragraph 2.4 of the notice of motion. In the circumstances I make the following orders:

1. An order in terms of prayers 2.1, 2.2 and 2.3 set out above.
2. An order in terms of prayer 2.5. The two respondents are ordered to pay the applicant's costs jointly and severally.

LACFIN (PTY) LTD v LE ROUX

ORANGE FREE STATE PROVINCIAL DIVISION

11 AUGUST 2000

SCHREUDER AJ

An application asserting rights of ownership derived from copyright requires demonstration of the prerequisites for the subsistence of copyright.

Lacfin (Pty) Ltd obtained a rule nisi against Le Roux and four other respondents ordering the destruction of material seized by the sheriff and found on computers at the respondents' places of residence and constituting certain of Lacfin's computer programmes known as 'Proloan' and 'Profin Office 2000'. The rule also ordered the respondents to show cause why they should not forthwith cease to use any key generator codes to Lacfin's programmes, and permit Lacfin to modify their computers to allow access to its programmes only through codes or passwords provided by Lacfin. Lacfin also obtained orders authorising the sheriff to enter the respondents' places of residence, access their computers, take possession of all computers and computer-related equipment and ascertain whether its programmes were stored on them.

The order was executed and the programmes were allegedly found on the computers. The sheriff attached the hard drives, the sheriff copied the programmes at the offices of Lacfin and the programmes were removed from the hard drives.

In its affidavit motivating the orders, Lacfin alleged that one of its employees wrote the Proloan programme and that Le Roux and the second respondent had been employed to convert the programme from the Visual Basic computer language into the Delphi language.

Le Roux denied that he had been employed with Lacfin under a contract of service and alleged that he had done work for Lacfin on projects as required by that company. He alleged that he and the second respondent had developed a programme known as 'Proloan 2' without copying Lacfin's version of this programme. Later, he developed a programme known as 'Profin Office 2000' which he offered to Lacfin and other parties. Both programmes incorporated a key generator programme which was used for generating keys for users to use to activate the programmes.

Le Roux anticipated the return day of the rule and objected to Lacfin's application on the grounds that it failed to establish any proprietary right, whether by way of copyright or otherwise, in the computer programmes which would warrant the order or confirmation of the rule. Le Roux contended that the only possible basis of Lacfin's right was copyright, and that it had failed to make sufficient allegations to show that it held copyright in the programmes.

Held—

Originality is a requirement for the subsistence of copyright. However, there were no allegations by Lacfin regarding the time spent, the skill, or the labour and effort spent in writing the programmes in question. There was no allegation that the programmes were original.

Copyright also requires that the work in question be in writing, recorded, represented in digital data or signals, or otherwise reduced to material form. There were no allegations by Lacfin that this was the case in respect of its programmes, nor was there any evidence of the source code used to record them.

Copyright also requires that the author of the work must be a 'qualified person' as defined in section 3(1) of the Copyright Act (no 98 of 1978). However, Lacfin had failed to allege who it said the author was, only that it developed the computer programme. The developer may not be the author.

Copyright also requires that there be publication of the work. This too had not been alleged by Lacfin.

Lacfin contended that its right to the programmes lay in its ownership of them and that it did not base its case on copyright. However, its ownership to the programmes was based on its copyright in them, the requirements for which had to be shown in order to show Lacfin's ownership rights which it alleged it had. Having failed to show this, it was not entitled to confirmation of the rule.

The rule was discharged.

Schreuder AJ: This matter first came before me on 29 June 2000, enrolled for the motion court, as a notice in terms of Rule 6(8) in anticipating the return day of a rule nisi issued in terms of an order of this court (Cillié J) dated 29 May 2000. The respondents served and filed their answering affidavits on Friday 23 June 2000 and set the matter down for hearing for Thursday 29 June 2000.

On 29 June 2000 when the matter was called, there was no appearance for the applicant. During the adjournment that followed, counsel for respondents contacted the attorney for the applicant, who then arranged for its representation.

After hearing arguments from both sides I, on the same day made an order whereby the matter was postponed until 7 July 2000, setting time limits for the filing of replying affidavits thus the applicant's to the main application and respondents' in respect of their counter-claim. Such affidavits were indeed filed within this period of postponement.

On 7 July 2000, Mr Michau, on behalf of respondents, by way of an argument in limine, contended that the rule nisi should be discharged, because the applicant had failed to make out a prima facie case in its founding papers and, having heard full arguments by him as well as counsel for the applicant, Mr Wessels, in opposition, I reserved my judgment in respect of the argument in limine.

The order of 29 May 2000, by Cillié J was granted in accordance with the notice of motion in an application launched by the applicant on that day, ex parte and as a matter of urgency.

The material provision of this order I sum up as follows:

1. That the sheriff be directed and authorised to enter the respondents' places of residence and there take possession of all computers computer related equipment, floppy discs and other computer storage media; and
2. Under the supervision of an appointed supervising attorney, assisted

- by two employees of applicant, to access the said computers, examine all discs, floppies and other computer storage media so having been seized and take all steps necessary in order to ascertain whether thereon or therein is saved or stored applicants' 'Proloan' and Profin Office 2000' programmes and/or source codes and or key generator codes to the said programmes.
3. Under the said supervision, permit the said employees to copy from any computer found and seized any such programmes and/or codes and, thereafter to delete and extinguish such programmes and/or codes from the computers.
 4. To take possession of and hold safe until having been otherwise directed by the court, all discs and other computer storage media whereon such programmes and/or codes had been copied, as well as all or any discs floppies or other computers storage media pointed out to them by the said employees as containing the said programmes and/or codes.
 5. The supervising attorney is authorised and directed to supervise the steps provided for as aforesaid and, within 5 days thereafter to submit a detailed written report to the Registrar of the Court of her observations pertaining to the said seizure, search and copying and deletions.
 6. The first and second respondents are called upon to show cause on the 27 July 2000 why:
 1. Any copies which had been made and all material seized and held by the sheriff shall not be destroyed,
 2. First respondent shall not forthwith return applicant's Delphi 4 and Delphi 5 manuals to it,
 3. The costs of the application shall not be paid by first and second respondents,
 4. The third, fourth and fifth respondents are called upon to show cause on 27 July 2000, why they shall not forthwith cease to use or utilize any key generator codes to the applicants' said programmes, which had been made available to them by any person, other than the applicant and which had not been duly registered with the applicant and shall not permit any representative of applicant to visit all their respective branches, access their computers and check, modify and update their access to the applicants' said programmes, so as to permit access thereto only through codes and passwords provided by the applicant.

Pursuant to this order the residences of first and second respondents were searched on 30 May 2000 and, at the residence of first respondent, the relevant programmes and codes thereto were allegedly found, on the

hard drive of first respondent's computer. The sheriff then attached the hard drive and the programmes. The codes contained thereon were thereafter copied at the offices of applicant and removed from the hard drive.

Before dealing with the merits of the arguments in limine I refer to certain, what I consider material allegations contained in the founding and answering affidavits.

The applicant is a company that trades and specializes in the development of computer programmes and training and instruction in the use thereof for the micro lending industry. The first and second respondents are expert computer programmers. The third, fourth and fifth respondents are registered companies, the fourth and fifth respondents being subsidiaries of third respondent.

The applicant, in its business, provides its clients, various micro lenders, with computer programmes, as mentioned in the order of 29 May 2000, for the purposes of managing their businesses by, inter alia calculating interest rates, instalments, balances owing, etc, being so-called 'loan administrative programmes'. The said programmes are protected by the owner thereof by means of a so-called source code, which gives access to the basis and basic compilation thereof. The source code of a computer programme is the heart and essence of that programme. If changes are to be made to a computer programme they must be made to the source code. A source code is not a protection mechanism. It is what makes the programme 'tick' and the user of a programme is not usually granted access to the source code. The user works with a so-called 'object code' of a computer programme which is the outward manifestation of the computer programme.

The owner of such a programme can sell or let the user of the programme to a consumer but, for obvious reasons, will not provide the lessee with the source code, as that would enable the lessee to copy or modify the programme and lessee would then no longer have the need to hire and thus pay for the use of the programme. By way of comparison, if a housewife likes a particular cake prepared by a bakery, she would buy it, but if she manages to obtain the recipe for it, she would no longer have to buy it from the bakery and can bake her own cake and even sell the recipe.

The code generated by the key generator of a programme, provides access to the use of a programme. Against payment of an agreed fee, the owner of a programme would, usually for a specific period, provide a lessee of the programme with the code which had been generated by the key generator which would then allow the lessee access to the programme and the use thereof. Upon expiry of the period the code

would close the lessees' access to and use of the programme and a new code, generated by the key generator, would have to be provided, should the lessee wish to renew or extend the lease and again have the use of the programme. Whoever is in possession of the key generator, can provide codes which allow use of the programme. The code generated by the key generator can be compared to a combination to the lock to the cupboard or display cabinet which has to be dialed in order to gain access to the cake, as described above.

The key generator is linked to, inter alia, the serial number or the hard drive of the subscriber or a lessee's computer and only the particular computer to which, through the key generator code, access is allowed to the programme can access the programme to which the lessee has subscribed.

If the key generator is made available to a subscriber selected and controlled access to and use of the programme is lost, as he can then generate the codes which allow access and the owner of the programme has no control over who has and which computers allow access to its programme.

The applicant entered into a written agreement with the third, fourth and fifth respondents in terms whereof the said respondents would be given access to the applicant's 'Profin Office 2000' programme at an agreed rental per month.

The applicant's claim to the said programmes being a vindicatory claim, it can be accepted that the pivot of this application is the question as to who is the real owner of the said computer programmes.

According to the founding affidavit the applicant developed a computer programme aimed at the micro lending industry, which was written in the so-called 'Visual Basic' computer language by one Vorster then in the employ of the applicant and which programme was named 'Proloan'. During 1997, says the founding affidavit, the said 'Proloan' programme was converted into the so-called Delphi computer language by the applicant after market research had shown that the said programme would be better suited to clients' needs if so converted. The original programme was also modified and improved by the applicant, as such, named 'Profin Office 2000'. For the purpose of converting the said programme into Delphi, the applicant engaged inter alia, the services and expertise in the field of the first and second respondents, then, according to applicant's affidavit, in the employ of the applicant.

These allegations in the founding affidavit are contradicted in the answering affidavit, particularly concerning the question as to who developed the said programmes, the manner in which it was developed or created and the working relationship between the parties ie applicant

on the one hand the first and second respondents on the other hand. It is alleged by first respondent that from May 1998 up to the present time he has not been in the employment of any other party under any contract of service. Prior to April 1998 he was in the full-time employment of the state and worked as a data technologist for Central Computers Services and also acted as a computer consultant in his spare time and outside office hours and performed various tasks for third parties such as writing computer software. While he was still a full-time employee in the civil service first respondent started working as a contractor for the applicant. The second respondent is a brother of the first respondent and also a qualified civil engineer who has an in-depth knowledge of computer programming. He also had been a civil servant until 31 July 1999, working for the Department of Public Works, Roads and Transport. After second respondent resigned from the civil service he and the first respondent worked together on a full-time basis in a computer consulting practice and they carried out work which they were obliged to deliver to clients in terms of contracts with them. During November 1997, whilst the first and second respondents were still employed in the civil service, a Mr Lackey of the applicant requested them to 'translate' one of the applicant's computer programmes called 'Proloan' which had been written by one of its employees, one Vorster, in the computer language 'Visual Basic' into a more sophisticated and powerful computer language called 'Delphi'. This programme had been made available to several of the applicant's clients. (The reference to 'translate' according to respondents, does not mean a linguistic translation but amounts to a re-writing of the entire programme.) The writing of this programme was completed and the programme installed on the applicant's computers in December 1997, at which point the first respondent was still in full employment of the civil service. This new programme was called 'Proloan Version 2' (hereinafter referred to as 'Proloan 2'). From May 1998 through to November 1999 the first respondent regularly worked for the applicant on a contract basis, as aforesaid. During his period of working on contract for the applicant first respondent also wrote a further computer programme called 'Profin Office 2000' which was an updated, amended and vastly improved version of the 'Proloan 2' programme. During the time when he wrote this programme he was also working for the applicant on a contract basis as described above and so together with the second respondent. The applicant also did not exercise any control over the writing or making of either of these programmes, 'Proloan 2' and the 'Profin Office 2000'. This control was exercised only by the first respondent.

As the said 'Proloan' programme was not functioning properly and

also not precisely what the applicant required, the first and second respondents, upon the request of applicant's Mr Lackey, who provided them with the necessary specifications, eventually wrote a completely new programme to replace the 'Proloan' programme and to perform the same functions as the 'Proloan' programme, as well as others. The new programme ie the 'Proloan 2' programme is an original work and the first and second respondents did not copy from the existing 'Proloan' programme—indeed they did not even have any reference to the existing 'Proloan' programme. Considerable time, efforts, skill and expertise went into the design and writing of this new programme.

In or about January 1999, as the 'Proloan 2' programme was still not entirely satisfactory, the first and second respondents began working on an improved version of 'Proloan 2'. The initiative for writing the new programme was taken entirely by the first respondent and the programme was not requested or prompted by the applicant. The writing of the new programme took approximately three months. In or about February 1999 first respondent advised Lackey that he was writing a new programme and he began arranging for the applicant to test the new programme and to solicit input in regard to its functioning from the third to fifth respondents and other micro lenders. However, only the third to fifth respondents co-operated in this respect. Lackey suggested that the new programme should be called 'Proloan 2000' but first respondent did not favour this name and instead adopted the name 'Profin Office 2000'.

Furthermore, according to the answering affidavits, 'Profin Office 2000' is an original work and it was written by the first and second respondents under their control and under control of no-one else, and more particularly not by the applicant. All costs incurred by writing 'Profin Office 2000' were borne by the first respondent. When first respondent terminated his contractual relationship with the applicant in November 1999, the programme was not yet perfect and still required amendments to be made from time to time, this being an on-going process.

By virtue of the foregoing it is then alleged in the answering affidavits that both 'Proloan 2' and 'Proloan Office 2000' are the subjects of copyright and the first and second respondents, as the authors of those programmes, are the owners of the copyright subsisting therein. The only right that the applicant allegedly may have over these programmes would be an implied non-exclusive licence to use such programmes in view of the fact that first respondent wrote these programmes for it. Nothing more. As an author and copyright owner of the said computer programmes it then follows that first respondent has copies of the programmes in his possession and more particularly, the

source codes of such programmes. At no stage after the termination of the contractual arrangement between first respondent and the applicant did the applicant ever suggest that first respondent was not entitled to be in possession of the works or that first respondent should hand over all copies of the works in his possession to the applicant, which, if so requested, the first respondent says he would have refused.

As regards the said key generator programmes for both the 'Proloan 2' and the 'Profin Office 2000' programmes the answering affidavits say that these programmes were also written by first respondent, without any supervision or control by the applicant and as part of the 'products' which first respondent undertook to deliver to the applicant in terms of his contractual arrangements with the applicant. The key generator programmes are original works having been devised by first respondent without copying any pre-existing work. First respondent expended a large amount of time, effort and expertise in writing these programmes and he did not copy them from existing works. In view of these allegations contained in the answering affidavit, the first respondent maintains that copyright subsists in him and that he is also the owner of such copyright.

The first and second respondents, together with their notice of anticipation also filed a notice of a counter-application, with which I shall deal herein later.

Turning to the arguments in limine, it appears that the right of a respondent, in spite of having filed an answering affidavit, to raise an objection in limine that the founding affidavit does not make out a prima facie case for the relief claimed, is quite well recognised in our case law: *Hart v Pinetown Drive-Inn Cinema (Pty) Ltd* 1972(1) SA 464 (D), *Pearson v Magrep Investments (Pty) Ltd* 1975 (1) SA 186 (D) at 186; *Taylor v Welkom Theatres (Pty) Ltd* 1954 (3) SA 339 (O)

Erasmus, *Superior Court Practice* at B1-45:

'The general rule is that the applicant has to make out his case in his founding affidavit. To determine whether an applicant has done so, the matter is considered on the basis of an exception, that is, the founding affidavit is taken on its own and those allegations are presumed to be correct and the question is then whether those allegations are sufficient to warrant a finding in favour of the applicant.'

See Harms, *Civil Procedure in the Supreme Court*, at G8, p 184. The relevant considerations are:

- (a) the founding affidavit alone is to be taken into account;
- (b) the allegations in the founding affidavit must be accepted as established facts;

(c) are these allegations, if proved, sufficient to warrant a finding in favour of the applicant?’

See *Bowman N.O. v De Souza Roldao* 1988 (4) SA 326 (T) at 327 I-J.

Mr Michau argued that the applicant, having launched its application on the basis that it has some proprietary right, apparently in the form of copyright, in the said computer programmes ‘Proloan’ and ‘Profin Office 2000’, failed to establish any proprietary right, whether by way of copyright or otherwise in these computer programmes that warranted the ground of the order or the confirmation of the rule. In this regard he submitted that the only possible basis on which the applicant can lay any proprietary right to the programmes, is conceivably *prima facie* proof, of the existence of copyright in the programmes. In this regard Mr Michau referred to provisions of the Copyright Act (no 98 of 1978), section 1 of which defines a computer programme as:

‘a set of instructions fixed or stored in any manner and which, when used directly or indirectly in a computer, directs its operation to bring about a result.’

And section 2(1) of the Act, where the works which are eligible for copyright protection in South Africa are listed, including computer programmes. Copyright, so the argument runs, being a technical subject, it is, in order to comply with the requirements of the Act, not sufficient for the applicant to plead mere conclusions of law. The facts which support such conclusions must be pleaded:

‘Copyright is a technical subject. In my view it is essential that a person who claims to be the owner of a whole or partial copyright should offer evidence, even if it is hearsay evidence in circumstances that may justify the use of hearsay evidence, to cover the technical points necessary to establish his claim.’

Vagar v Chance Avalon (Pty) Ltd 1977 (3) SA 766 (W):

‘... it is understandably important that the Court should be properly apprised of the relevant facts from which inferences as to the existence or otherwise of rights are sought to be drawn by a litigant. For the litigant himself to draw conclusions and then to present these conclusions as facts, without laying before Court the factual basis from which the inferences are so drawn, in a field as technical and specialised as this, is, in my view, a procedure not to be countenanced.’

Video Rent (Pty) Ltd v Flamingo Film Hire 1981 (3) SA 42 G-H and see *Payen Components SA Ltd v Bovic CC* 1995 (4) SA 442 (A).

Having regard to these legal principles, Mr Michau argued, the allegations in the founding affidavit, merely that the programmes are the ‘property of the applicant’, cannot be accepted if the facts pleaded do not support the statement within the strict and technical parameters of

copyright law, for such a statement would be a conclusion of law and not a pleading of fact. In this regard Mr Michau referred to several instances where, in his submission, the founding papers have failed to show cause in accordance with the aforesaid standard. These instances are, *inter alia*, summarized:

The requirement of the Copyright Act, that a work shall only be eligible for copyright if such a work is *original*. (Section 2(1))

The requirement of the said Act, that the work must exist *in writing* or some other material form (section 2(2)).

The requirement that the author of the work in which copyright is claimed, is a 'qualified person' (section 3(1)).

Alternatively, if the author is not proved a 'qualified person', that the work has been published in South Africa as a 'first publication'.

Mr Wessels, who appeared on behalf of the applicant, in his address, had no real quarrel with the existence of these prerequisites in the Act but directed his attack on the validity of the argument in limine, mainly with reference to certain procedural aspects with which I shall deal later.

From my analysis of the said statutory requirements, they indeed, in my view, at least *per se*, appear to be valid requisites for founding the applicant's cause.

I shall next deal with each of these requirements, in view of Mr Michau's rather extensive arguments and the authorities referred to by him in this concern.

As regards 'originality' section 2(1) of the Copyright Act provides:

'(1) Subject to the provisions of this Act, the following works, if they are original, shall be eligible for copyright -
(i) computer programs.'

The word 'original' is not defined in the Act and should therefore, in my view, be accorded its ordinary dictionary meaning, namely:

'Not imitated or derived',

or:

'Uit eie vermoë.'

Oxford Dictionary and *Verklarende Afrikaanse Woordeboek*, Labuschagne-Eksteen

Clearly, from this, the work should not be copied from other sources: *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* 1987 (2) SA 1 (A); *Waylite Diaries CC v First National Bank Ltd* 1995 (1) SA 645 (A) at 649.

These authorities show that proof of originality, is a *sine qua non* for the existence of copyright.

It seems, however, that in *casu* I need not labour an in-depth analysis

on originality, for the reason that there appears to be no allegation in the founding affidavits to the effect that the work—the said programmes—is original. There are no allegations regarding the time spent, the skill, the labour and the effort that allegedly went into writing of the programs in question and/or that the programmes were not copied from another source.

As regards the requirement that the work must exist in writing, the Act provides: (Section 2(2))

‘(2) A work, except a broadcast or programme-carrying signal, shall not be eligible for copyright unless the work has been written down, recorded, represented in digital data or signals or otherwise reduced to a material form’

It seems to be common cause that no allegations giving effect to this requirement, are contained in the founding papers. As there is not annexed to the founding affidavit, or placed before the court a copy of the source code of the computer programmes or a copy of the source code of the key generators, it indeed appears impossible for this court to have regard to the computer programmes, in order to exercise a value judgment. *Waylite Diary* case (supra), per Harms JA at 649 I:

‘While it is true that the actual time and effort expended by the author is a material factor to consider in determining originality, it remains a value judgment whether that time and effort produces something original.’

As to the requirement that the author of the work must be a ‘qualified person’ the Act provides: (Section 3(1) read with the provisions of section 37 of the Copyright Act.)

‘3(1) Copyright shall be conferred by this section on every work, eligible for copyright, of which the author or, in the case of a work of joint authorship, any one of the authors is at the time the work or a substantial part thereof is made, a qualified person, that is -

- (a) in the case of an individual, a person who is a South African citizen or is domiciled or resident in the Republic; or
- (b) in the case of a juristic person, a body incorporated under the laws of the Republic.’

In this instance it appears, likewise, to be common cause that there is no allegation in the founding papers as to who the author is (in the sense of who exercised the control over the making of the computer programmes) or whether the author is a ‘qualified person’. It is only alleged that the applicant ‘developed’ the computer programme and that the said Lackey was the developer. The latter seems to be inconsistent

and not dealing with the requirements of section 3(1), as a ‘developer’ cannot be equated with an ‘author’.

Section 4 of the Copyright provides that:

‘(1) Copyright shall be conferred by this section on every work which is eligible for copyright and which -

(f) being a computer program, is first published or made in the Republic;

and in respect of which copyright is not conferred by section 3.’

No allegations have been made in the founding affidavit as regards ‘publication’.

The main submission of Mr Wessels I understand to be that, on an acceptance of the argument that the said statutory requirements are indeed prerequisites for establishing copyright, the applicant, when lodging its application could, in the circumstances, not reasonably foresee that copyright would and could become an issue, which issue was in this instance unreasonably raised by respondent, as a dispute, with which dispute the applicant, otherwise, would and could have dealt with in his founding affidavit. The issue of copyright was therefore, according to the argument, raised by respondents as an artificial dispute of fact. Mr Wessels contended that this is a case where the parties agreed orally, without formalities, that the applicant would be the sole owner of the computer programmes in question, including all copies thereof, that the agreement was infringed by the respondents, to such an extent that the applicant was constrained to seek this relief, in order to protect his real rights pertaining to the computer programmes.

Principally a party to application proceedings is entitled to make any legal contention which is open to him on the facts. See *Van Rensburg v Van Rensburg* 1963 (1) SA 505 (A) at 509H-510B. This principle has been qualified, in the case of an applicant, by the proviso that it should not be applied if such application would be unfair to the respondent. *Minister van Wet en Orde v Matshoba* 1990 (1) SA 280 (A) at 285 E-I; *Angus v Kosviner* 1996 (3) SA 215 (W) at 222 G.

In the present case it is common cause that the relief sought in the application is vindication. In order to succeed in a vindicatory application or action, the application/plaintiff must only allege and show that he is the owner of the goods of which the respondent is in possession. *Philip Robinson Motors (Pty) Ltd v NM Dada (Pty) Ltd* 1975 (2) SA 420 (A).

Unlike a pleading in action procedure, an affidavit contains evidence and not allegations of fact, and what might be sufficient in summons may be insufficient in a founding affidavit. Essentially in issue here, is ownership, perhaps the main component of vindication claims. The

respondents in their answering affidavits deny that the applicant has any right of ownership and go further by alleging and showing that the applicant in its founding affidavit has neither alleged nor proved ownership—ownership in this case being dependent upon the existence of copyright, the proof of which, I must accept, is of a technical nature (see *supra*). The defence raised by the respondents in their answering affidavit is clearly not one that reveals the existence or possible existence of a further ground for relief sought by the applicant. Erasmus, *supra*, B45-1 et seq. Apart from denying the applicant's ownership, the first and second respondents in their answering affidavits set out in detail the reasons for and circumstances under which they are entitled to ownership of the computer programmes. I do not think that there is anything unfair to the applicant contained in the answering affidavit or in the arguments raised on behalf of respondents in limine. In my view this is a case where the applicant will have to stand or fall by its founding affidavit and where I cannot exercise my discretion in favour of allowing new matter, raised in the replying affidavit.

The question remains whether the applicant's founding affidavit contain sufficient allegations to resist the point raised in limine. From what has been stated above, as regards the statutory requirements, it seems to me that they are essential, prerequisites for the proof, at least *prima facie*, of an applicant's ownership in a case like the present one. I am in agreement with Mr Michau that these are basic requirements for copyright subsistence. It may well be that the failure to prove even one of these prerequisites, may be fatal to the plaintiff's application. Therefore, upon the grounds and for the reasons dealt with above, the plaintiff, in my view, has failed to prove ownership in the computer programmes in question and the argument in limine should succeed, as far as the first and second respondents are concerned.

It was further argued by Mr Michau that, even if the applicant had proved that copyright subsists in the computer programmes and/or that it is the proprietor thereof, it has no proprietary or real right in respect of a copy of such programme that may have been in the possession of first and second respondents. According to the argument, even on the assumption that the applicant is in fact the copyright proprietor of the original computer programme, it has no proprietary right to any infringing copy thereof, as an infringing copy is not the property of the applicant. All it may be is an infringement of the copyright of the applicant. In this regard I was referred to Act No 63 of 1965, the predecessor of the present Copyright Act, which provided (in section 19(1)) that the owner of any copyright

‘shall be entitled to all such rights and remedies, in respect of the

conversion or detention by any person of any infringing copy ... as he would be entitled if he were the owner of every such copy ...’

The latter provisions are, however, not to be found in the current Copyright Act and was specifically done away with. It appears that the only remedies that a copyright proprietor presently has, in this regard, are for

‘delivery of infringing copies or plates used or intended to be used for infringing copies.’

(Section 24(1))

However, it does not appear that any proprietary right, in the sense of taking to a vindication claim, is afforded in respect of such an infringing copy. As it is, copyright infringement is neither proved nor alleged by the applicant in its founding papers to justify such delivery.

It seems necessary for me to refer to the following allegation contained in the founding affidavit:

‘The first and second respondents agreed to do the conversion for a fixed fee and it was at all material times common cause between the applicant and the first and second respondents that the programmes would remain the property of the applicant.’

This alleged oral agreement between the parties, it seems, can have no binding effect on them, in view of the provisions of the Copyright Act actually prevent the transfer of copyright from the author, otherwise than per written document—see section 22 it would therefore appear to me that any reliance placed by the applicant on the quoted oral agreement between the parties, is in fact excluded by the provisions of section 22 of the Act.

Section 22(3) of the Act:

‘(3) No assignment of copyright and no exclusive licence to do an act which is subject to copyright shall have effect unless it is in writing signed by or on behalf of the assignor, the licensor or, in the case of an exclusive sublicense, the exclusive sublicensor, as the case may be.’

I then also refer to the provisions of section 21 of the Copyright Act, insofar as may be applicable in this case: Section 21(1)(a) provides, inter alia, that:

‘the ownership of any copyright conferred by section 3 or 4 on any work shall vest in the author, or, in the case of a work of joint authorship in the co-authors of the work.’

Section 21(d):

‘Where a work is made in the course of the author’s employment by another person under a contract of service or apprenticeship, that other person shall be the owner of any copyright subsisting in the

work ...’

The evidence in the founding papers, in my opinion, falls short of proving the existence of a contract of service between the applicant and the first and seconds respondents. In any event, from the founding papers and the argument of Mr Wessels, my impression is that the applicant has not really intended to base its case on the warp and woof of the provisions of section 21 of the Act.

In respect of the relief obtained against the third to fifth respondents, Mr Michau submitted in limine that no relief was made out in the founding papers against them.

The relief sought against these respondents appears to be on the basis of a breach of contract. The applicant states that on 30 November 1999 it entered into agreements with the third to fifth respondents, annexing copies of the written agreements to the founding papers.

The gist of the allegations regarding the alleged unlawful conduct of the third to the fifth respondents, seems to be found where the founding affidavit states:

‘If and insofar as any of the other (Third, Fourth or Fifth) Respondents have been placed in possession of any of the aforesaid codes or has been given access to the programs by the First or Second Respondents, such possession and access are unlawful or, at least, in breach of the agreement(s) between the Applicant and the respective Respondents.’

It seems that the relief sought against these respondents is dependent upon proof of proprietary right, by way of copyright, or otherwise, of the applicant, in any of the computer programmes or key generators. As I have concluded above, the applicant has failed in such proof. In addition I think it can be said that, being in possession of these computer programmes or source codes or key generators is not a breach by these respondents of any of the provisions of the agreement and, at most, an infringement of copyright, which, as I have said, has not been proved. Therefore, in my view, no prima facie case has been made out in the founding papers against the third, fourth and fifth respondents and the argument in limine, as far as they are concerned should be upheld.

Next then to be considered, is the counter-application.

The relief sought by the first respondent in its counter-claim, is for an order directing the applicant to return to first respondent all material in its possession that was copied from the first respondent’s hard drive, including certain items listed in an annexure to the first respondent’s answering affidavit.

Further, an order that the applicant shall not use any confidential information and trade secrets which were comprised on the hard drive,

including those items listed in the said annexure.

Further, an order whereby the applicant shall compensate the first respondent for any damages proved as a result of its having been deprived of the use of the hard drive and/or otherwise or by the granting and execution of the order, plus costs, on an attorney and own client scale.

As regards the counter-claim, I first consider the contention of Mr Wessels in this regard, namely,

that the attachment was executed by the sheriff,

that the hard drive including the items listed in the said annexure C had, at all relevant times, been in the possession of the sheriff,

that the sheriff, as a matter of necessity, should have been joined as a correspondent in the counter-claim which was not done.

As I find myself in full agreement with this contention I do not consider it necessary to labour the aspects of what precisely the attachment comprised of and/or the compensation or damages contemplated in the counter-claim. To my mind it is abundantly clear that the attachment was executed by the sheriff and that he alone, since then, held possession of the hard drive and/or other items. Certainly, in these circumstances the sheriff should have been joined as a co-respondent.

The relief sought in the counter-claim is, in essence, a spoliation order, in which possession by the applicant, is the key word. *Ntai v Vereeniging Town Council* 1953 (4) SA 579 (A). Such possession has not been proved. Also I am not convinced on the evidence before me of a real possibility, if any, that the applicant is in a position to, or will make use of any confidential information and, or trade secrets, comprised on the hard drive.

In the circumstances the counter-application, in my opinion, must fail.

Finally, as regards the costs of the anticipation proceedings, on 29 June 2000; Mr Michau urged upon me to grant a special order for the payment of those costs by respondents on the attorney and own clients scale. The considerations that weigh with me in this regard, are, essentially the following:

The applicant's anticipation was served upon the respondents' attorneys of record on 23 June 2000, at 12:30.

The anticipation was set down for 29 June 2000 on the motion roll, during the court recess.

The respondents' attorneys only and first reacted to the notice of anticipation on 29 June, after having been alerted by counsel for the applicant.

Respondents however did make an appearance on 29 June and then applied for a postponement of the matter ie an extension of the return day, until 27 July 2000, allowing sufficient space for filing of the further affidavits.

I granted a postponement of only one week, which I consider as a very short time-limit for the filing of further affidavits, however necessary in view of the urgency of the matter.

In the circumstances, especially against the background that the respondents had taken some three weeks to file the anticipation, the reaction of the applicant to come to court on 29 June and asked for a postponement, without filing affidavits in the interim, does not really appear to be strange or unreasonable.

In my opinion real prejudice for the applicant would have been caused by an unnecessary appearance behalf of applicant on 29 June and/or an undue delay in the proceedings, which complications did not materialise here.

In view of these considerations, I think it will be wrong to penalise the applicant with a special cost order. In my discretion the costs in question should follow the cause, as a normal cost order.

In the final result, I make the following order:

1. The rule nisi issued on 29 May 2000, is discharged, with costs.
2. The counter-application is dismissed, with costs.

BIOTECH LABORATORIES (PTY) LTD v BEECHAM GROUP PLC

SUPREME COURT OF APPEAL

HARMS JA, NIENABER JA, ZULMAN JA, NAVSA JA, NUGENT JA
25 MARCH 2002

A work which contains parts which are not original may, considered as a compilation, be considered original, and consequently a work in which copyright may subsist. In order for State copyright to subsist in a work, the production of the work must be the principal object of State direction and control and not merely an incidental or peripheral consequence of the State's power.

Biotech Laboratories (Pty) Ltd appealed against the order interdicting it from infringing Beecham Group plc's copyright in the inserts which Beecham included in the package sold by it as a pharmaceutical product*.

Held—

Originality may be difficult to prove if the component parts of the work are admittedly not original, having been derived from material in which copyright cannot be said to subsist. However, the inquiry is not whether the component parts of the work are original, but whether the compilation as a completed work is original. This is the appropriate inquiry when the infringement alleged is in respect of substantially the whole of the work.

Beecham had therefore not been under any onus to prove that it held the copyright in each of the component parts of its work. Taken as a whole, the insert exhibited originality, and copyright in it existed.

Biotech's appeal based on section 5(2) of the Copyright Act (no 98 of 1978) depended on whether or not the insert was made by or under the direction or control of the State. Section 5(2) provides that copyright shall be conferred by the section on every work which is eligible for copyright and which is made by or under the direction or control of the State.

This section does not provide that State copyright only arises when a work is made for or on behalf of the State. It is also sufficient if the work is made by or under the direction or control of the State. Biotech's contention that the insert was made under the direction of the State could not be accepted: the State did not initiate the making of the insert and it did not prescribe the manner and means to be employed in making it. Its alternative contention that the insert was made under the control of the State could also not be accepted. Beecham retained the right to reject the recommendations of the Medicines Control Council and in the process of obtaining that body's approval, the insert was not amended substantially and the council did not become a co-author of the work.

In order for State copyright to subsist in a work, the production thereof must be the principal object of State direction and control, not merely an incidental consequence of the State's power. This was not the position with regard to the Medicines Control Council in the present case. State copyright did not vest in the insert.

* The judgment of the court a quo is reported at page 738 - Ed.

Harms JA:

[1] The battle about generic drugs is fought on many grounds usually ethical, political, commercial or patent law considerations. In this particular case the ground happens to be copyright law. All turns on the copying of an approved package insert for a medicine. The copyist, the appellant (Biotech), seeks to justify its admitted plagiarism on two grounds namely (a) that the respondents have failed to prove that the package insert was original and (b) that, if original, the copyright therein vests in the State by virtue of the provisions of section 5(2) of the Copyright Act (no 98 of 1978). In the court below, Swart J, holding that the insert was an original work and that second respondent (Smith-Kline Beecham) is the author and owner of the copyright therein, interdicted Biotech from infringing the copyright. The appeal is with his leave.

[2] Smith-Kline Beecham markets Augmentin, a medicine consisting of two substances: amoxycillin (a semi-synthetic penicillin) and potassium clavulanate. Amoxycillin is an antibiotic and potassium clavulanate protects it against penicillin resistant organisms. Augmentin is registered in the name of Smith-Kline Beecham under the Medicines and Related Substances Control Act (no 101 of 1965). This Act prohibits the sale of medicines that are subject to registration unless registered (section 14 (1)). Applications for registration have to be submitted to the registrar appointed under the Act in the prescribed form and have to be accompanied by the prescribed particulars and samples (section 15(1)). If the application complies with the Act and regulations and the Medicines Control Council (the MCC) is satisfied that the medicine in question is suitable for its intended purpose, it shall approve of the registration thereof. If it is not so satisfied, the applicant is notified and given the opportunity of responding to the reasons of the MCC. If the MCC is ultimately not satisfied, it rejects the application. (Section 15(3).) Regulations may, amongst other things, prescribe the particulars in regard to the use of medicines, which have to be furnished when they are sold, and the manner in which the particulars have to be furnished (section 35(1)(viii)).

[3] The general regulations* under the Act require that a package insert must accompany each package of medicine sold. They also provide that package inserts must be in the prescribed format and must contain certain particulars such as the scheduling status of the medicine, its proprietary name and dosage form, composition, pharmacological

* These were originally published under Government Notice R532 in the Government Gazette 4594 (Regulation Gazette 2117) of 21 February 1975 and have since often been amended.

classification and action, indications and contra-indications, warnings and so forth (reg 10). A proviso permits the MCC (a) to allow an applicant to omit a prescribed heading, (b) to authorise the applicant upon application to deviate from the prescribed format or content or (c) to authorise upon application the inclusion of additional material.

[4] An applicant for registration has to submit with its application a package insert in the format stipulated (reg 15). The MCC considers the insert in the course of the registration process and more often than not proposes to the applicant amendments or changes, some material and others insignificant. A lengthy debate may ensue and the applicant, unless it convinces the MCC, is in practice obliged to accept the suggestions in order to obtain registration although on ordinary principles the MCC may not reject a package insert that complies with the regulations. The facts of this case are illustrative of the process. During July 1980, Smith-Kline Beecham lodged a concept submission with an insert leaflet. The concept was approved and the application was submitted with the original leaflet in September 1980. Someone discovered that with the drafting of the leaflet a prescribed section had been omitted and the leaflet was resubmitted during January 1981. Since the MCC was not satisfied with part of the clinical evidence, another leaflet was submitted during November omitting any reference to the objectionable material. During January 1982, a discussion took place between Smith-Kline Beecham and the MCC and as a result a further leaflet was prepared to include recommendations requested by the Council and an introduction discussed with Prof Botha [a member of the MCC] regarding the activity of Augmentin against sensitive organisms. So the process continued until the product and the insert were finally approved. Thereafter, as data became available, the insert was further amended upon Smith-Kline Beecham's request.

[5] The patents that covered Augmentin have lapsed. The product is consequently freely marketable by others, provided they also obtain the necessary registration under the Act. Biotech applied for the registration of the same chemical composition but under the name Bio-Amoksoklav. As a latecomer it was not subjected to the same stringent registration requirements as was Smith-Kline Beecham and was entitled to rely on the fact that the scientific and technical data generated and supplied by the latter to the MCC had established the acceptability of the drug. However, Biotech had to submit a package insert for approval. Probably at the behest of the MCC, it copied Smith-Kline Beecham's package insert and obtained registration. Bio-Amoksoklav is sold with this package insert.

[6] ORIGINALITY

The issue is whether the insert, which is a literary work as defined in the Copyright Act, was original. Works are only eligible for copyright if they are original (section 2(1))* . The genesis of the work was as follows. The first respondent (Beecham) is Smith-Kline Beecham's parent company and, presumably, the inventor of Augmentin. It prepared a master data sheet relating to Augmentin and also a uniform data base sheet for use by its subsidiaries in different countries. This was done in order to ensure standardisation in relation to the content of package inserts. At a later date Beecham prepared a further data base sheet comprising additional data that had been generated. Dr Kritzinger, Smith-Kline Beecham's erstwhile medical director and the person responsible for the registration of medicines, made copious use of these documents in preparing the different inserts, first by compiling summaries and then by preparing synopses that ultimately comprised the insert, sometimes taking extracts verbatim from them. Drafts were also sent to other entities for comments and those received were incorporated. What cannot be gainsaid is that, in spite of this, he and his staff used their own language and skill to prepare the insert as a whole. He was able to identify particular paragraphs he had drafted personally but, in the light of the lapse of time, was no longer able to identify the lineage of each sentence. The work is essentially a compilation, something included within the definition of a literary work in the Act.

[7] The argument of Biotech on this issue amounts to this: a party claiming copyright has the evidentiary duty to identify those parts of the work for which originality is claimed; Smith-Kline Beecham had failed therein. Biotech relied upon a passage from *Jacana Education (Pty) Ltd v Fransden Publishers (Pty) Ltd* 1998 (2) SA 965 (A) 969 E[†] where it was pointed out that the existence of prior material tends to limit the scope of originality and requires more proof of its existence than would be the case with truly original works.

[8] Under the Act the inquiry is whether the work, in this case the compilation as embodied in the insert, was original. The inquiry is not whether its parts are original. A work may even be original if its making involves the infringement of copyright in some other work (section 2(3)). A second version of any work is entitled to its own copyright

* The meaning of the term is discussed in *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* 1987 (2) SA 1 (A) 22H-23B.

[†] Also reported at page 656 of this work. The reference is to page 659 of this work - Ed.

provided it differs in substance from the first (ie is not a copy)**. Where, as in *Jacana*, a defendant does not copy the plaintiff's work but takes from it parts that are primarily commonplace, the plaintiff's burden of proving originality in and infringement of his work may be more difficult than otherwise. In this case the position is different. It is common cause that Biotech substantially copied the work. Had it copied only part of the document the position may have been different.

[9] The argument can be disposed of by means of an extract from *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465 (HL). Lord Reid said (at 469B-E):

'Broadly, reproduction means copying, and does not include cases where an author or compiler produces a substantially similar result by independent work without copying. If he does copy, the question whether he has copied a substantial part depends much more on the quality than on the quantity of what he has taken. One test may be whether the part which he has taken is novel or striking, or is merely a commonplace arrangement of ordinary words or well-known data. So it may sometimes be a convenient short cut to ask whether the part taken could by itself be the subject of copyright. But, in my view, that is only a short cut, and the more correct approach is first to determine whether the plaintiff's work as a whole is original and protected by copyright, and then to inquire whether the part taken by the defendant is substantial. A wrong result can easily be reached if one begins by dissecting the plaintiff's work and asking, could section A be the subject of copyright if it stood by itself, could section B be protected if it stood by itself, and so on. To my mind, it does not follow that, because the fragments taken separately would not be copyright, therefore the whole cannot be. Indeed, it has often been recognised that if sufficient skill and judgment have been exercised in devising the arrangements of the whole work, that can be an important or even decisive element in deciding whether the work as a whole is protected by copyright.'

[10] STATE COPYRIGHT

The second issue, namely whether the copyright in the insert vests in the State, depends upon an interpretation of section 5(2) of the Act. The whole of section 5 may be quoted for contextual reasons.

Copyright in relation to the state and certain international organizations

(1) This Act shall bind the state.

(2) Copyright shall be conferred by this section on every work which

** *Warwick Film Productions Ltd v Eisinger and Others* [1969] 1 Ch 508 presents an illuminating example.

is eligible for copyright and which is made by or under the direction or control of the state or such international organizations as may be prescribed.

- (3) Copyright conferred by this section on a literary or musical work or an artistic work, other than a photograph, shall subsist for fifty years from the end of the year in which the work is first published.
- (4) Copyright conferred by this section on a cinematograph film, photograph, sound recording, broadcast, programme-carrying signal, published edition or computer program shall be subject to the same term of copyright provided for in section 3 for a similar work.
- (5) Section 3 and 4 shall not confer copyright on works with reference to which this section applies.
- (6) Copyright which vests in the state shall for administrative purposes be deemed to vest in such officer in the public service as may be designated by the State President by proclamation in the Gazette.

[11] The crisp issue is whether the insert was made by or under the direction or control of the state, it being accepted that the MCC is an organ of State. Smith-Kline Beecham in an argument that found favour with Swart J relied for purposes of interpretation upon a philosophy allegedly underlying the Act, namely that it seeks to create a system whereby the creator of an original work is afforded a qualified exclusive right to compensate him for the effort, creativity and talent expended and to act as an incentive for the creation of further and better works. It is convenient to give some background in order to assess the validity of the argument. In this regard Frank Muir's irreverent social history* provides a useful introduction.

The biggest difficulty facing a would-be professional author at the opening of the eighteenth century was his lack of legal right to royalties on the sale of his books. Under the Romans, and well into the medieval period, the copyright in a manuscript belonged to whoever owned the piece of material it was written upon; it was a simple matter of owning a lump of tangible property. When printing came to England the government made haste to censor it by giving the Stationers Company a monopoly on publishing, thus making the Stationers Company the holder of all copyrights.

Pressure built up during the latter part of the seventeenth century against the Stationers Company monopoly, and strong pleas were made to successive governments to end it. The campaign eventually succeeded

* *The Frank Muir Book* 141-142.

and in 1709 an Act, Statute 8 Anne, *c.* 19, was passed, the first in the world to give an author a right to his own property.

The booksellers who were behind the Act had no thought of bringing prosperity to the trade of author; it was a monopoly-breaking move for the benefit of the bookselling trade and authors were merely the excuse for it. By the wording of the act an author owned the copyright of his work, but the action of having it published gave the bookseller fourteen years exclusive rights in the work, after which the rights were supposed to revert to the author. In effect this meant that once the booksellers had paid the author a few guineas for the copyright, they could exploit the property, or barter it among themselves, for a period of fourteen years without necessarily paying anything more to the author:

What Authors lose, their Booksellers have won,
So Pimps grow rich, while Gallants are undone.

Alexander Pope (1688-1744)

[12] The present Act, in its original form, attempted to be kinder to authors. The concept of copyright was replaced with an author's right, the ownership of which vested principally in the author. In this and other regards the object was to move in the direction of Continental law where the emphasis is on the rights (moral and other) of the author and not on the economic rights of employers and entrepreneurs. The good intentions did not last and hardly a year had passed when the Legislature (by amending section 21) reverted, as far as ownership was concerned, to the Anglo-American model where commercial rights tend to reign supreme. The definition of 'author' in section 1 also covers a large number of persons who, in the ordinary sense of the word, are not authors but persons with financial interests in the end result. For instance, the author of a computer program is the person who exercised control over its making. One consequently does not have to be a cynic in order to be sceptical about the philosophical premise.

[13] It is likewise difficult to establish historically any philosophy behind the recognition of State copyright. As Frank Muir made clear, copyright was initially nothing more than the right to copy and that right related to the right to print, something the Crown by divine intervention had or approbated. For instance, the Crown had the prerogative of printing and publishing statutes. The Crown also laid special claim to the perpetual copyright in the Authorised English Translation of the Bible and the Common Book of Prayer. The Copyright Act of 1842* made no reference to Crown copyright and it was then open to doubt whether the Crown could have enforced a perpetual copyright in works compiled by its servants, or whether it could only have claimed the term

* 5 & 6 Vict. c. 45.

of copyright granted by that Act^{**}. It is probably against that backdrop that section 18 of the British Copyright Act of 1911, which became law in South Africa by virtue of the 1916 Act^{*}, was enacted. It provided that where any work was prepared or published by or under the direction and control of His Majesty or any Government department, the copyright shall, subject to any agreement with the author, belong to His Majesty, and in such case shall continue for a period of fifty years from the date of first publication of the work.

[14] Pursuant to the wording used in the 1956 UK Copyright Act, the Copyright Act (no 63 of 1965) provided for vesting of copyright in the State if the relevant work was made by or under the direction or control of the government or State (section 39). This is the antecedent for the wording used in the present Act. The change from prepared to made does not appear to be of any significance.

[15] The general structure of the 1978 Act, excluding detail, is the following. Conferral of copyright and ownership of copyright do not necessarily coincide. Copyright can be conferred under three alternative circumstances: first, on a work made by a qualified author (section 3); second, if the work is not made by a qualified author, by first publication (section 4); and third, on a work made by or under the direction or control of the State (section 5(2)). The initial ownership of copyright conferred by section 3 or 4 vests in the author unless the work was made in the course and scope of an employment contract or was commissioned (section 21(1)). If conferred by section 5, it vests in the State and not in the author (section 21(2)).

[16] Smith-Kline Beecham argued that it can be deduced from this structure that State copyright under section 5(2) is only conferred upon works that are ineligible for copyright under section 3 or section 4 because the State is not a qualified person (qualified persons must either be individuals or incorporated juristic persons). I disagree. A work falling under section 3 or 4 and authored by an employee of the State in the course and scope of an employment would, irrespective of section 5, vest in the State under section 21(1)(d). In addition, as far as ranking is concerned, it should be noted that a work qualifying for State copyright is not entitled to copyright under either section 3 or 4 (section 5(5)). This implies that one has first to consider whether the work was made under the circumstances of section 5(2) and only if not, under section 3 or 4 but that does not mean that section 5(2) should not be interpreted restrictively. Allowing the State without more to reap what it did not sow does not appear to be in the spirit of our constitutional

^{**} MacGillivray *A Treatise upon the Law of Copyright* (1902) 59-61.

^{***} Patents, Designs, Trade Marks and Copyright Act 9 of 1916, Third Schedule.

values.

[17] The UK provisions were the subject of two judgments^{*}; neither of which is of material assistance in the present case. Textbook writers generally only touch on the topic. Copyright no doubt vests in the Crown irrespective of whether the actual author was under a contract of service with the Crown^{*}. The provision is broad and may in certain circumstances apply to works made by a person under contract with the State^{**}. Some argue that works made by State employees in the course of their duties are made under the control of the State and that works made by independent contractors are made under the direction of the State^{***}. Whether a commissioned work falls under either appears to be open to debate^{****}.

[18] It is not that clear whether the phrase 'by the state' was intended to cover works of organs of State only or also the works of employees. All the statutes since 1911, when dealing with employees generally, used the hackneyed phrase in the course of the author's employment (or something similar). Why a different wording should have been used in relation to State employees is unclear. It is fortunately not necessary to consider the scope of that expression because Biotech, rightly, did not submit that the work was made by the MCC. Smith-Kline Beecham, however, argued that the use of the preposition indicated that State copyright could only arise where a work is made for or on behalf of the State. The argument loses sight of the fact that the 'by' does not govern either direction or control. They are governed by the preposition 'under'. Clearly, an important pointer in assessing whether State copyright vests or not may be whether the work was made for or on behalf of the State but that is not the conclusive indicator.

[19] There was some argument on whether the work was made under the direction of the State. In my judgment the State did not direct the making of the insert because it did not initiate its making and it did not prescribe the manner and means to be employed therein. The provision is consequently inapplicable. That leaves the question of control. In this regard Biotech relied heavily on a number of decisions that deal with the

^{*} *British Broadcasting Company v Wireless League Gazette Publishing Company* [1926] 1 Ch 433; *Ironside v HM Attorney-General* [1988] RPC 197 (Ch D).

^{*} Skone James *Copinger on the Law of Copyright* 6th ed (1927) at 248-249

^{**} Alan Smith *Copyright Companion* 11.

^{***} Laddie, Prescott and Vitoria *The Modern Law of Copyright and Designs* 2 ed I par 22.10.

^{****} Ibid. Also *Lester and Mitchell* Johnson-Hicks on UK Copyright Law (1989) 69.

meaning of the word in other statutory contexts, especially those that held that the power to control an activity may include the power to restrain and even veto it^{*}; consequently, since the MCC had the power to approve or disapprove the insert, it was made under its control.

[20] Apart from the fact that the ultimate decision whether or not to accept the MCC's recommendations or to use the insert is that of the applicant, the major problem with the approach is that it focuses on the meaning of a word in isolation^{**}. The issue is not whether the MCC had the power to approve or disapprove the insert but whether the insert was *made* under its control. This appears to be a factual rather than a legal issue. An insert is of the utmost commercial importance to a pharmaceutical company. Not only is it required for purposes of registration of a medicine but it is also the passport of the medicine because it is the document that prescribing medical practitioners will have regard to in deciding whether or not to prescribe any particular medicine. In this case Dr Kritzinger prepared the draft insert in his capacity as employee of Smith-Kline Beecham. As soon as it was completed, section 3 conferred copyright thereon as a literary work of which Smith-Kline Beecham was the owner by virtue of section 21(1)(d). Thereafter the draft was submitted to the MCC for its approval. During the approval process Smith-Kline Beecham amended the document, sometimes upon the suggestion or request of the MCC but, as conceded by Biotech, the MCC did not change the substance of the insert nor did it co-author the end result. Copyright once conferred in any particular work cannot again be conferred on the same work and copyright once vested in a party remains so vested unless transmitted under section 22.

[21] In order to meet this consequence Biotech submitted that once Dr Kritzinger conceived of the idea to prepare an insert he thenceforth acted under the control of the State. The proposition merely has to be stated to be rejected. The anomalies abound. It would for instance mean that if Smith-Kline Beecham had decided not to submit the insert to the MCC, the copyright therein would still have vested in the State, it being blithely unaware that it had controlled the making of the work. If Beecham had prepared the leaflet in the UK for use in its UK application and had submitted it to the UK authorities, copyright would have vested in either Beecham or the UK government. Beecham would then have required the UK governments licence to submit the insert to the MCC and upon submission to the latter, copyright would have been

^{*} E. g. *Van Rooy v Law Society (OFS) and Another* 1953 (3) SA 580 (O).

^{**} *Commissioner, South African Revenue Service v Dunblane (Transkei) (Pty) Ltd* 2002 (1) SA 38 (A) par 13.

transferred to the South African government.

[22] I prefer to adopt and adapt Ricketson's* approach: the production of the work needs to be the principal object of State direction and control and not merely an incidental or peripheral consequence of some generalised governmental licensing or monitoring power; the direction and control should be directly and specifically expressed with respect to the work in question, and should not be inferred from the fact of some residual or ultimate government veto. On the facts of this case, the MCC did not control the making of the work or the intellectual effort involved in its genesis; it controlled its fate to the extent that it had to determine administratively whether the insert complied with the regulations. Its statutory function is to control the sale of medicines and not to be the controlling mind behind the creation of the insert. An editor is not an author and even if the meaning of a word is always another word**, control does not mean cooperation or consultation, at least not in the present context.

[23] I therefore agree with Swart J that the copyright in the insert vests in Smith-Kline Beecham and the appeal must consequently be dismissed. It would not be out of order to say something about the concerns of the MCC. It joined the Biotech team by claiming through its deponents that the whims of copyright law should not interfere with its policies. It insists that the same medicines should have identical inserts. That may be a commendable ideal but it does not entitle it to disregard other parties' proprietary rights, in this case based upon statute. The evidence also establishes that identical inserts are not necessary and that at least one other competitor was able to produce an insert acceptable to the MCC that was not a copy of Smith-Kline Beecham's insert. This is not a case where the information can be presented in only one format, for instance, a mathematical formula, the batting list of a cricket team or an alphabetical list of the members of a society and it was thus unnecessary to consider whether or not this factor may affect the conferral of copyright.

[24] The appeal is dismissed with costs, including the costs consequent upon the employment of two counsel.

NIENABER JA, ZULMAN JA, NAVSA JA and NUGENT JA concurred

* Ricketson *The Law of Intellectual Property: Copyright, Designs & Confidential Information* par 14.180.

** Harold Bloom *The Western Canon* 63-64.

DEXION EUROPE LTD v UNIVERSAL STORAGE SYSTEMS LTD

SUPREME COURT OF APPEAL

HARMS JA, SCHUTZ JA, SCOTT JA, CAMERON JA and HEHER AJA
6 SEPTEMBER 2002

Proof of indirect copying normally requires more than mere circumstantial evidence that the alleged copyright infringer was in a position where it could have copied a copyright work.

Universal Storage Systems Ltd produced storage racks built to specifications recorded in four technical drawings. The racking system, known as the Speedlock system, consisted in uprights bolted to footplates and connected to each other by means of horizontal beams. The copyright in the drawings was held by Dexion Europe Ltd which licenced the use of them through a sub-licencee to Universal. In 1993, the sub-licence was terminated.

Universal then decided to produce a racking system which would be compatible with the Speedlock system. It returned all drawings of the Speedlock system to Dexion, and instructed its toolmaker to manufacture new tools to be used in manufacturing its own system, named the Unirack system. The toolmaker was the same toolmaker who had made the tools used in the construction of the Speedlock system. Once this was done, it returned the tools which had been used to make the Speedlock system to Dexion.

Universal denied that it provided its toolmaker with Dexion's tools to copy or use in the manufacture of its own tools but stated that it gave the toolmaker its own sketches of how it wished its tooling to be made.

Dexion alleged that the tooling used to manufacture the Speedlock racking system had been derived from its technical drawings and that in reproducing its own tooling, Universal had copied its drawings. It brought an action against Universal alleging copyright infringement.

Held—

Section 15(3A)(a) of the Copyright Act (no 98 of 1978) provides that the copyright in an artistic work shall not be infringed if any person makes three-dimensional reproductions or adaptations of authorised reproductions of the work, provided the authorised reproductions primarily have a utilitarian purpose and are made by an industrial process. Universal was entitled to rely on this section in relation to the tooling manufactured for the footplate, because the evidence showed that it had secured the manufacture of tooling for making similar footplates by using an authorised reproduction of a footplate for this purpose.

As far as indirect copying was concerned, there was insufficient evidence to show that there was any connection between the technical drawings and the tooling produced by Universal. The circumstantial evidence of the retention of Dexion's tooling until after Universal had produced its own tooling had to be weighed against the fact that the drawings were of relatively commonplace objects, and that Universal's own evidence was to the effect that the tools were manufactured from its own drawings.

The action was dismissed.

Harms JA:

[1] This judgment is about copyright infringement. The appellant ('Dexion') is the owner of the copyright in four technical drawings. They reflect different parts of Dexion's Speedlock racking system. A racking system consists of uprights or legs bolted to footplates. The

uprights are connected to each other by means of horizontal beams. Diagonal bracing elements between beams provide the necessary stability of the racks. Pallets or shelves can then be placed on the beams in order to store goods. The advantage of the Speedlock system is that it is an interlocking system and attaching the beams to the uprights does not require bolting or welding. At the extremities of each beam there are beam end connectors with a number of protruding hooks and these fit into coffin-shaped holes in the uprights during erection of the racks.

[2] The respondent ('Universal') produced the Speedlock system in terms of a sub-licence from Dexion's licensee, to whom I shall refer as 'Brazier', until the termination of the sub-licence during 1993. Universal at the time sought a direct licence from Dexion and when it transpired that it would not get one, it decided on a new business strategy of producing a racking system that would be interchangeable and compatible with the Speedlock system. Legal advice was obtained and Universal was informed of the copyright implications and, particularly, the right to design a system by way of reverse engineering. Universal returned all drawings in its possession, instructed its regular toolmaker to manufacture new tools, thereafter returned the Dexion tooling to Brazier and proceeded to market its 'new' racking system as the Unirack system.

[3] Copyright protection is accorded to original artistic works (Copyright Act (no 98 of 1978) section 2(1)(e)). Drawings, including drawings of a technical nature, irrespective of their artistic quality, are considered to be artistic works (section 1 sv 'artistic work' and 'drawing'). Copyright in an artistic work vests in the author the exclusive right of 'reproducing the work in any manner or form' (section 7(a)) and this includes the right to convert the drawing into a three-dimensional form (section 1 sv 'reproduction' par (b)). An exception exists in relation to this latter right:

'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 the authorized reproductions primarily have a utilitarian purpose and are made by an industrial process.'

(Section 15(3A)(a). The numbering of the proviso has been omitted for the ease of reading.)

[4] Universal did not dispute Dexion's copyright in the drawings and the issue was consequently limited to that of copying. Copying is not a term used in the Act but it is understood that 'reproduction' requires copying.

In order to establish copying, a two-stage inquiry is conducted. It has to be established whether there is the necessary degree of objective similarity between the original work and the alleged infringement; then it must be established that the similarity is causally connected to the original work. The causal connection can either be direct or indirect. See *Galago Publishers (Pty) Ltd v Erasmus* 1989 (1) SA 276 (A) 280B-D.

[5] The effect of this, in general terms, is that copyright in a technical drawing is not infringed by a three-dimensional version of the drawing, which has no causal connection with the drawing. It is also not infringed if the version is reproduced from an authorised reproduction (reverse engineering). Even if the owner of the copyright made three-dimensional versions (as defined in the proviso) available to the public, third parties are not entitled to make three-dimensional copies by reference to the drawings. In other words, the drawings may not be used, directly or indirectly, to produce copyright-free three-dimensional 'reproductions'. An example of such indirect copying would be the instance where the third party uses tools that were made from the drawings to make its version. The same would apply if the third party were to produce its own set of tools by copying tools produced from the copyright owner's drawings. In this event the tools can be likened to negatives of photographs: making a photo from a negative infringes the copyright in the photo.

[6] Objective similarity is not seriously in dispute although, as counsel for Universal pointed out, the similarities are in part due to commonplace or generic elements and that there are some design differences between the two systems.

[7] I then turn to consider the causal connection. Dexion's principal case as pleaded and presented in the court below in this regard was one of direct infringement: Universal had possession of its drawings and it used them in designing the Unirack system. Dexion ultimately had to concede that the evidence did not establish direct infringement and before us reliance was placed solely upon indirect infringement: Universal, so it was contended, used tooling derived from Dexion's tooling, which in turn was derived from the Dexion drawings, thereby copying the drawings indirectly. No reliance was placed on subconscious copying, something raised in *Francis Day & Hunter Ltd v Bron* [1963] Ch 587 (CA). Universal's principal case as pleaded was a reliance on reverse engineering under section 15(3A)(a) but its reliance on reverse engineering was too highly pitched and in the end it had to be content with a finding in the Court below (per Goldblatt J) that only the footplate is protected by the provision.

[8] It is convenient to deal with the footplate first. The only aspect of the exception in dispute is whether the footplate was reproduced from

an authorised reproduction. Dexion mounted a muted attack on the finding of the court below to the contrary. The undisputed evidence of Mr Jones, an employee of Universal, was that he handed a specimen of the Dexion footplate to a toolmaker with an instruction to manufacture tooling for making similar footplates. That was done. In any event, Dexion's expert, Dr Nurick, testified that the information on the relevant drawing was not sufficient to enable one to make a footplate; a specimen of the Dexion footplate was required in order to do that. I am satisfied that there is no merit in the attack.

[9] Concerning indirect copying, Goldblatt J held that because it had not been pleaded, Dexion could not rely thereon. Since indirect copying is not a cause of action but simply a method of establishing copying, this finding cannot be upheld. The learned judge further held that a reproduction of Dexion's tooling could not have amounted to an infringement of copyright because the tooling would have been a three-dimensional reproduction of the authorised reproduction, ie, the original tooling. This finding is in conflict with the exposition of the law in the earlier part of this judgment. He also held that although tools are a means whereby a three-dimensional reproduction of a drawing can be produced, the tools do not reproduce the drawings. As mentioned, depending on the evidence, tools can be a 'negative' of the drawing and an intermediate element in the indirect copying of the drawing. Additionally, the finding fails to take account of the fact that the racking elements, and not the tooling, were made available to the public as required by section 15(3A)(a).

[10] In the light of these problems in the approach of the learned Judge, it is necessary to reconsider the evidence relating to indirect infringement. I will assume for purposes of this judgment, although there is no evidence to that effect, that the Dexion tools were derived from the copyright drawings in issue. Dexion relied on circumstantial evidence to establish copying of its tooling: Universal was in possession of some Dexion tools; when the sub-licence was cancelled, Universal refused to return the tools immediately and undertook to redeliver them once its new tooling was available; and Universal used the same toolmaker who had made the tooling for its Dexion product. These are material and weighty facts and we were referred to cases (*Solar Thomson Engineering Co Ltd v Barton* [1977] RPC 537 (CA) and *Frank M Winstone (Merchants) Ltd v Plix Products Ltd* 5 IPR 156, a judgment of the Court of Appeal of New Zealand) where indirect copying was found on 'weaker' facts. However, cases have to be decided with reference to their own facts and evidence of similarity, striking or otherwise, with or without evidence of access by the alleged infringer does not dispose of the case in favour of the copyright owner (cf *Kambrook Distributing v Haz Products and Others* (1986 WLD) per

Kriegler J reported in *Stranex Judgments on Copyright* 243 277-278). [11] The drawing relating to the bracing shows a standard lip channel with two holes at each end. How such a drawing can be said to be an original work is not entirely clear (cf *Jacana Education (Pty) Ltd v Fransden Publishers (Pty) Ltd* 1998 (2) SA 965 (A) 969 C-G^{***}). In any event, Universal uses the same type of channel, cuts it into suitable lengths and punches a 10 mm hole at each end. Since the channel is generic, Universal simply purchases it and does not roll it. The only tool required is a 10 mm punch to form the hole. There is no evidence that Universal ever had a Dexion punch or that any tooling was made for producing these holes with reference to a Dexion tool. One would have thought that 10 mm punches are quite common in any engineering workshop.

[12] Another drawing relates to the beam connector. It shows in detail the form and dimensions of the hooks. The hooks made by Universal, although they are intended to and do perform the same function, differ somewhat from those shown in the drawing. In order to make the Dexion hooks, a punch and die are required. Universal uses a punch and pressure pad and no dies. Since there is no explanatory evidence on the matter, it is somewhat difficult to envisage how it can be said that the Universal tooling is a copy of the Dexion tooling. (I will revert to the evidence on how Universal's replacement tooling was made.)

[13] The fourth drawing depicts the upright. The upright consists of a generic metal channel section, which, in plan view, has a bottle or wide-mouth flask shape. Universal used this section for the manufacture of another racking system prior to the conclusion of the sub-licence. It requested Dexion for drawings of its tools in order to roll this section (an indication that the tooling was not necessarily derived from the product drawings). The drawings supplied by Dexion for this purpose could not be used with Universal's equipment and they were returned and Universal continued to use its existing tooling. The other aspect of the drawing is the coffin shaped holes. These clearly require a punch to be formed. The holes used by Universal, as noted by Dr Nurick, are somewhat differently shaped and can best be described as having a coffin-shape adapted to accommodate not only the Dexion type of hook but also a button-like hook.

[14] Jones was responsible for the design of the new tools and he gave the necessary instructions to the toolmaker (who has since died). It was not necessary to make new punches for everything because existing punches used for another product were available. He did not provide the toolmaker with any Dexion tooling to copy or use in the manufacture of the new tools. Instead he gave him his own sketches of how he expected

* See page 656 of this work at 659F-660B - Ed

the tooling to be made. Certain of the dimensions are well known and standard in the art. He worked backwards from those dimensions and through trial and error increased the size of the hook until it fitted. The tool drawing for punching the upright was one Jones had made personally some years earlier without Dexion's tooling or drawings.

[15] Jones was not taken to task by the cross-examiner on this evidence because the cross-examiner was still attempting to establish direct copying and to show that reverse engineering had not taken place. The court below did not make any adverse credibility finding against Jones and it was not argued that his evidence should have been rejected. It was never put or suggested to Jones that the Dexion tooling had been copied. It is manifestly unfair to argue a case on inferences from some facts and ignoring unchallenged direct evidence to the contrary. To accept Dexion's argument would amount to an implicit rejection of Jones's evidence even though the submission was not foreshadowed during the trial. The circumstances of this case do not justify a departure from the rule that the witness's attention has to be drawn to the imputation which will be made during argument, a rule which has generally been adopted by our courts. See *President of the Republic of South Africa v South African Rugby Football Union* 2000 (1) SA 1 (CC) 36J-38C (par 61-65) and cases there quoted. I consequently agree with Goldblatt J that, since the issue was not properly dealt with in evidence and was not canvassed with Jones, Dexion cannot succeed on this ground.

[16] Dexion relied, in addition to its copyright claim, on a contractual claim. In reciting the facts I intend to continue to ignore the history of the different companies, their name changes, liquidations and compromises and to simplify the matter. Dexion licensed Brazier exclusively during 1971 to manufacture and sell the Speedlock system in South Africa. Brazier was entitled to appoint 'contract manufacturers, distributors or agents' subject to Dexion's prior approval. Any such appointment had to contain for the benefit of Dexion two provisions, namely a right of quality control and the right to effect changes to the design, specifications or standards. On the valid termination of the licence, Brazier was obliged to 'ensure that all its contract manufacturers distributors and agents' cease to manufacture the licensed components.

[17] The sub-licence between Brazier and Universal likewise imposed a duty on Universal, on termination, to cease manufacturing the licensed components. Dexion alleges that it is the beneficiary of this obligation and that it is entitled to enforce it. Goldblatt J held that this clause in the sub-licence governed the relationship between Brazier and Universal and was inserted for the benefit of Brazier only. In addition, he held that there was no evidence that, if the agreement were one for the benefit of Dexion, Dexion had accepted the benefit. I agree with these findings.

The position as between Dexion and Universal is similar to that between a landlord and a sub-tenant. Without a term (express or tacit) to the contrary, the landlord cannot rely on the term of the sub-lease in order to evict the sub-tenant but has to rely on ownership. Apart from this, I even have some reservations about Brazier's ability to rely on the provision because, absent any protectable interest, such as copyright or confidential information, the clause may be no more than a bare covenant not to compete (*Super Safes (Pty) Ltd v Voulgarides* 1975 (2) SA 783 (W) 785 D-F).

[18] The appeal is dismissed with costs.

SCHUTZ JA, SCOTT JA, CAMERON JA and HEHER AJA concurred

HUMAN SCIENCES RESEARCH COUNCIL v DICTUM PUBLISHERS (PTY) LTD

TRANSVAAL PROVINCIAL DIVISION

DANIELS J

19 JUNE 2003

A compilation of material does not as a matter of principle fail to qualify as a literary work on the grounds that it is not original. It will be considered to be original if there is sufficient evidence of labour and skill having been applied to the compilation. Waiver of copyright is not constituted by a mere announcement that publication of a print edition is to discontinue and an announcement that the publication is to be published electronically is evidence which would contradict such a waiver.

The Human Sciences Research Council published a compilation of details of organisations and people involved in development matters. This included details of government ministries, international organisations and diplomatic missions, and postal addresses, telephone and fax numbers and email addresses of the various parties. The publication was known as 'Prodder' and was published in print and on compact disk.

The Council alleged that the work was a literary work as defined in the Copyright Act (no 98 of 1978) and that Dictum Publishers (Pty) Ltd had infringed its copyright in the work. Dictum admitted reproducing the work, but contended that copyright did not vest in the work because the information contained in it was in the public domain and did not fulfil the requirements of a literary work. It also contended that the Council had abandoned its rights in the work because it had announced its intention no longer to publish it as it preferred to licence others to publish the work and wished only to make it available in the future on an Internet site. One of the Council's employees who left the Council to join the party to which a licence was to be given indicated that it was unlikely that a publication like Prodder would be published that year.

The Council sought an interdict restraining Dictum from infringing its copyright in the work.

Held—

A work which is a compilation of material may be original. Such a work does not, as a matter of principle, fail to qualify as original.

There was sufficient evidence to show that labour and skill went into the production of Prodder, making it an original work and not a mere compilation of material. The work was a literary work as defined in the Copyright Act.

As far as the defence of waiver was concerned, whatever was said by the Council's employee could not bind the Council. The mere fact that the Council stated it was no longer going to publish Prodder was insufficient to show that a waiver had taken place. It was known that the Council intended to publish the work electronically and this was incompatible with abandoning its copyright in the work, as publishing the work electronically was just another method of developing the publication and making it available on the market in a different form.

The interdict was granted.

Daniels J: The applicant seeks the following relief by way of motion proceedings—

- 1 Interdicting and restraining the respondents from infringing the applicant's copyright in the literary work and published edition

known as Prodder as set out in paragraph 8 of the affidavit of Orkin;

- 2 Interdicting and restraining the respondents from infringing the applicant's copyright in the literary work contained in the compact disk as set out in paragraph 12.13 of the affidavit of Orkin;
- 3 Interdicting and restraining the respondents from infringing the applicant's copyright in the artistic work contained in the GIS maps as set out in paragraph 14 of the affidavit of Orkin;
- 4 The respondents are ordered to deliver up to the applicant all copies of the publication called 'PPD - PEOPLE AND PROJECTS IN DEVELOPMENT: 2002 EDITION - THE DIRECTORY OF SOUTH AFRICAN DEVELOPMENT ORGANISATIONS' ('the infringing work') as referred to in paragraph 20 of the affidavit of Orkin in their possession or under their control as well as plates used or intended to be used for making the infringing work;
- 5 The respondents are ordered to pay the costs of suit, jointly and severally, the one paying the other to be absolved.'

It is required to consider the point in limine raised by the respondents. It involves the deponent Orkin's authority to have brought the application on the applicant's behalf. According to the respondents the resolution passed at the meeting of the applicant's council dated 15 August 2002 which is relied upon by Orkin, is totally defective since it is ultra vires the enabling Act (no 23 of 1968) and consequently does not provide Orkin with locus standi. In the alternative, it was argued that the resolution relied upon is void for vagueness. The main argument was subsequently abandoned by Mr Borman and it is necessary to consider only the alternative argument. The resolution read as follows:

'3.1(a) The following set of delegations to the CEO were approved ...

10 Legal action - full power up to R200 000,00 in legal fees per case.'

Counsel was unable to show why it was suggested that the resolution was vague and therefore void. Apart from the fact that Orkin was duly authorised to bring the action he stated under oath that he was both the 'CEO and the President' of the applicant. This was not disputed.

In considering the proposition contended for one is mindful of the judgment of the Full Bench of the Cape Provincial Division in *Mall (Cape) (Pty) Ltd v Merino Ko-operasie Bpk* 1957 (2) SA 347 (C) where at 352/353 the following was said:

'There is a considerable amount of authority for the proposition that, where a company commences proceedings by way of petition, it must appear that the person who makes the petition on behalf of the company is duly authorised by the company to do so (see for example

Lurie Brothers Ltd v Arcache 1927 NPD 139, and the other cases mentioned in Herbstein and van Winsen, *Civil Practice of the Superior Courts in South Africa* at page 37-38).

This seems to me to be a salutary rule and one which should apply also to notice of motion proceedings where the applicant is an artificial person. In such cases some evidence should be placed before the court to show that the applicant has duly resolved to institute the proceedings and that the proceedings are instituted at its instance. Unlike the case of an individual, the proceedings purport to be brought in the name of the applicant are in my view insufficient. The best evidence that the proceedings have been properly authorised would be provided by an affidavit made by an official of the company annexing a copy of the resolution but I do not consider that that form of proof is necessary in every case. Each case must be considered on its own merits and the court must decide whether enough has been placed before it to warrant the conclusion that it is the applicant which is litigating and not some unauthorised person on its behalf. Where, as in the present case, the respondent has offered no evidence at all to suggest that the applicant is not properly before the court, then I consider that a minimum of evidence will be required from the applicant (cf *Parsons v Barkly East Municipality*, supra, *Thelma Court Flats (Pty) Ltd v McSwigin* 1954 (3) SA 457 (C)).

I now proceed to consider what the applicant has put before the court in the present case. De Witt, the secretary of the applicant Society, states in para 2 of his affidavit: "I am duly authorised to make this affidavit." Mr Knight, for the applicant, submitted that, although it was not specifically so stated by De Witt, it was clear from para 2 that it was the applicant Society which had conferred authority upon him. That inference is, I think, irresistible. Mr Knight submitted next that the use of the word "duly" shows that the authority conferred upon de Witt had been properly conferred, ie that all the necessary formalities prescribed by the applicant Society's constitution had been complied with. With this submission I am also in agreement ... Returning now to para 2 of De Witt's affidavit, he says that he is duly authorised to make the affidavit. By this he means that he is duly authorised to speak on behalf of the applicant Society. In other words, it is really the applicant's affidavit, not De Witt's. After setting out the history of the dispute De Witt states that the respondent undertook to vacate the premises by the 31st July 1956, and thereafter the directors considered a request for an extension of time but this was refused. He then goes on to say that he accordingly prays for an order for the ejectment of the respondent from the applicant's premises. As I have already said, this means that the applicant Society prays for an ejectment order. That being so, there

is no reason to think that the applicant did not pass a proper resolution authorising the institution of proceedings against the respondent and the present proceedings are those of the applicant. The respondent has put before the court no evidence whatsoever to suggest that this is not the case, and in the circumstances, I am prepared to hold that the applicant has put sufficient before the court.’

I have referred to the evidence which was placed before me. Having regard to the fact that nothing of any substance was placed before me by the respondent, and having regard to the applicant’s evidence I have no difficulty in finding against the respondent. I am satisfied that Orkin was properly authorised, and I make such a finding.

I now turn to the merits of the application.

The applicant claims copyright in a literary work and published edition known as ‘Prodder’. It is a compilation of, including postal addresses, physical addresses, telephone numbers, telefax numbers, email addresses, so-called key people, organisations including more than 2500 development-related organisations, national government and diplomatic missions based in South Africa and various non-governmental organisations. In addition the applicant claims copyright in a literary work contained in a compact disk in which the information referred to is contained, and finally copyright in the form of an artistic work of particular maps of South Africa.

The respondents raised two defences:

- 1 that the information contained in the publication is ‘in the public domain and is not a collation to which the applicant can lay claim to have created a literary work’ (page 193 para 10);
- 2 abandonment by the applicant of whatever rights, including copyright, it might have had in the ‘hard copy’ of the publication and consequently that the respondents were entitled to publish their own edition with updated and fresh or new data.

Defence of ‘public domain’, not a compilation constituting a literary work

The respondents suggest that the applicant itself in the preface to the 1992/1993 edition mentioned a number of other publications wherefore a large portion of the information contained in the publication were obtained. In arguing this point and to support their contention that the work is not original and accordingly not eligible for copyright, the respondents rely exclusively on the judgment of the Supreme Court of Appeal in *Waylite Diaries CC v First National Bank Ltd* 1995 (1) SA 645 (A) at 652 where Harms JA disposed of the argument that the diary pages there under consideration were literary works in the following manner:

‘It was argued, seemingly in the alternative, that these pages are a

literary work because they consist of a “compilation”. What was compiled, according to the submission, was the selection of the days of the week represented on the one page and the decision to place an abbreviated calendar of three months at the foot of the next page. It seems to me implicit in the argument that a layout and a compilation are the same, a point of view rejected rather laconically by Lord Denning in *William Hill (Football) Limited v Ladbrooke (Football) Limited* [1980] RPC 539 (CA) at 545 1 5. In any event, the information “compiled” for the 1988 diary could not be the same as that “compiled” for the 1992 diary. The dates had all to be compiled afresh. The effect of the argument would be that, having regard to the fact that copying can be indirect and that an adaptation of a work is an infringing act, anyone who sees the field diary and who wishes to produce a diary having the basic layout of two facing pages, the one for daily entries and the other for notes, will infringe copyright—a result so far-fetched that the Legislature could not have contemplated it.

The *Frank Smythson* case went on appeal to the House of Lords (*GA Cramp & Sons Limited v Frank Smythson Limited* 1944 AC 329; [1944] 2 All ER 192). At that stage the author had abandoned any further reliance on the appointment pages of the diary in issue. What remained in contention was the claim to copyright in a collection of tables at the beginning of the diary. The author was unsuccessful. Viscount Simon LC came to the conclusion (at 335) that “there seems to be nothing that can properly be described as an ‘original literary work’ in grouping together this information” and Lord Macmillan (at 337) pointed out that not every compilation can claim to be an original literary work ‘even in the pedestrian sense attributed to these words by the law’.

On the strength of this finding Mr Borman argued that the grouping together of the information which was in the public domain in the manner done by the applicant cannot, simply because it is a compilation of material and information, qualify as a ‘literary work’. I am not here involved with a publication which even closely resembles a diary or the layout of a publication similar to that which was dealt with in the *Waylite Diaries* judgment. It certainly is true that not every compilation can claim to be an original literary work but the *Waylite* diaries were found not to be a compilation of information, and for that reason it was held ineligible for copyright protection. It can hardly be argued as Mr Borman attempted to do, that compilations as such, as a matter of principle, do not qualify.

There appears to be very little difference between the compilation of a catalogue cum price list of all available gaskets in the Republic and the compilation and grouping together of the information such as was

done by the applicant in this matter. In *Payen Components SA Ltd v Bovic CC* 1995 (4) SA 441 (A) the Appellate Division held:

‘... that the catalogue cum price list was of a kind that may qualify as a “literary work” in the generous sense that that phrase is used in copyright law. Moreover it has been “written down” in a material form. Further, there has been enough labour and skill expended both in England and South Africa for the same to be “original”, in the sense of copyright law.’

Sufficient evidence was placed before me indicating the labour and skill and time spent in obtaining and compiling the information to warrant a finding that the work here under consideration is in fact original in the sense of copyright law. I may in passing also refer to *Fax Directories (Pty) Ltd v SA Fax Listings CC* 1990 (2) SA 164 (D) where a directory containing some 11000 entries of telefax numbers was treated as a literary work worthy of copyright protection. I am satisfied on the evidence before me that the publication here involved qualifies in all respects as a literary work as defined in the Copyright Act section 1 and that it is eligible for the subsistence of copyright in terms of section 2(1) of the Act.

The defence of waiver or abandonment

This defence involves firstly an announcement allegedly made by Orkin on 2 November 2000 at the launch of the 2001 edition of Prodder. According to Orkin he advised those present at the launch, including the first and second respondents, the applicant had taken a strategic decision not to involve itself further in such publications. It was then negotiating with a company known as Sangonet to licence them to publish the work. Orkin alleges that the respondents and other parties involved in the ‘development environment’ were aware of these negotiations. One Barnard who was intimately involved with the development of the publication since its inception while he was in the applicant’s employ, had by then joined Sangonet. He left the applicant’s employ in May 2000. It is common cause that the applicant indicated that it would prefer to make the publication available on a Web Site which it had developed. It is the respondent’s case that this was a ‘clear and unequivocal announcement that the applicant was no longer interested in publishing Prodder’. It is clear from the respondents’ answering affidavit that they were fully aware of the negotiations between the applicant and Sangonet but it is suggested that it did not have to do with the publication of the hard copy of Prodder but related to the development of the Web Site. The third respondent says the second respondent approached Barnard as a matter of courtesy. According to her ‘they needed a meeting with Barnard to ascertain once again that as far as a book publication that there is not going to be unnecessary competition’. The meeting took place in March/April 2001.

Barnard who left the applicant's employ during the previous year had by then already joined Sangonet. According to the third respondent Barnard merely indicated that he did not think it a good idea that a 'Prodder-like publication' should be published that year.

Waiver of the abandonment of a right is a question of fact. The respondents bear the onus of proving the abandonment or waiver on a balance of probabilities. In assessing the probabilities the factual presumption that a person is not likely deemed to have waived his or her rights should be borne in mind. (*Feinstein v Niggli* 1981 (2) SA 684 (A).)

Whatever might have been said or suggested by Barnard could not have been binding on the applicant, nor could he compromise or commit the applicant. The respondents knew that Barnard was since at least May 2000 no longer employed by the applicant. If they were as open as they want the court to believe and they wanted to avoid 'things surreptitious' one wonders why they did not approach the applicant and specifically not Orkin. They knew about the development of the Web Site and the applicant's intention to publish Prodder electronically. They could not have believed that the announcement made by Orkin meant that the applicant was abandoning its rights since it was known that the applicant intended publishing the electronic version. The two ideas are not compatible, and the announcement could not be said to be a clear indication of an abandonment of rights. It would rather have suggested an unequivocal indication of an intention to retain, enforce and employ whatever rights it might have had. The publication of the electronic version was just another step in developing the publication and making it available in the market in a different form. It cannot be argued that the announcement as such was clear evidence of such abandonment. There are no probabilities favouring the respondents. The evidence presented is poor and cannot support a finding in their favour. This defence must also fail.

The applicant proved an unauthorised infringement. There was no denial by the respondents that the work of the respondents 'encompasses virtually word for word, the directory information that forms part of the copyright work as set out in pages 47 to 348 of the 2001 edition'. (Orkin's supporting affidavit.) Neither was it denied that the additional information contained in the respondents' publication was obtained from the information on the applicant's database. The maps were copied in the minutest detail. There was an attempt at showing that the work was independently done. Mr Borman did not pursue that argument. There is no room for so finding.

It follows from what has been said that the application must succeed.

An order is made in terms of prayers 1, 2, 3, 4 and 5 of the Notice of Motion.

MIXTEC CC v FLUID MIXING EQUIPMENT CC

WITWATERSRAND LOCAL DIVISION

SNYDERS J

15 OCTOBER 1998

The production of an artistic work based on a design which is derived from a previously published design will, despite similarity with the artistic work of a competitor, not be considered an infringement of copyright.

Mixtec CC designed, produced and sold aerofoil impeller systems and marketed them using a brochure. The brochure incorporated a photograph of the impeller system. The impellers were artistic works as defined in the Copyright Act (no 98 of 1978).

The second respondent was employed by Mixtec for a period. During that period, he had access to the impeller systems and the brochures used to market them. After the termination of his employment, he became a member of Fluid Mixing Equipment CC and this corporation began producing and marketing impeller systems.

Mixtec alleged that the impeller systems produced and sold by Fluid Mixing Equipment were copies of its own systems. It applied for an interdict preventing Fluid Mixing Equipment from infringing its copyright in its impeller systems.

Fluid Mixing Equipment contended that Mixtec's impeller system was not original, the basic design of the system being found in text books, variations of it being dictated by the requirement of the application.

Held—

Mixtec's allegation that its impeller system was unique was a mere bald allegation to that effect and there was no evidence that the system was unique. The brochures showing the impeller systems were similar to each other and this indicated that there was very little distinctiveness about Mixtec's system compared to that of Fluid Mixing Equipment.

Mixtec had not alleged that Fluid Mixing Equipment had reproduced any of Mixtec's designs. The fact that Fluid Mixing Equipment had competed with Mixtec by producing and selling a similar product did not show that it had so reproduced any of Mixtec's designs, nor that it had infringed copyright. The evidence showed that the systems were designed to customer requirements, thus indicating that they were not direct copies of Mixtec's systems.

Mixtec contended that on the strength of section 26(12) of the Act, it had established a prima facie case. However, the provisions of this section could not be taken to mean or imply that allegations produced in terms of it remain prima facie proof even when there is an inherently credible challenge to it. Such a challenge did exist and it could not be ignored.

The application was dismissed.

Snyders J: The applicant applies for final relief that the respondents 'be interdicted, restrained and prohibited from manufacturing or selling any aerofoil impellers or mixing systems which are similar to those designed, manufactured and sold by the applicant' and other relief relating to the retrieval of the 'offending articles', an interdict in similar

terms relating to certain brochures which promote the ‘offending articles’, the retrieval of such brochures and costs.

It is common cause on the papers that the second respondent was in the employ of the applicant from the beginning of 1994 until April 1998 and in such capacity he had access to certain technical information used by the applicant. The nature and extent of such information and the access thereto is in dispute. It is further common cause that the second respondent was the sole member of the respondent until April 1998—thus, during the period of the alleged infringement—and is currently still a member of the first respondent.

In relation to its case on the impeller systems, the applicant alleges: ‘The Applicant is a leading designer and manufacturer of aerofoil impeller Systems and mixers of various applications and is the owner of the copyright in the design of its impeller and mixing equipment.’ ‘The impellers and mixing systems of the Applicant are physically of such a distinctive shape and appearance that they are immediately identifiable as Applicant’s products.’

In relation to its case on the brochures, the applicant alleges: ‘...the Applicant has the exclusive right to reproduce or authorise reproduction of catalogues, brochures, photographs and the like of its impeller systems ...’

The infringement by the respondents is alleged as follows:

‘During May of 1997, it came to my attention that the First Respondent, alternatively the Second Respondent had produced and distributed a brochure in terms of which they were advertising an impeller mixing system, which was in every respect similar to Applicant’s system. The Respondents, furthermore, claimed that such impeller system was exclusive to the First Respondent. A copy of such brochure is attached hereto marked Annexure “F”. The photographs in the aforesaid brochure of the impeller systems are of such a distinctive shape and appearance that they are immediately identifiable as being Applicant’s products.’

A comparison of the applicant’s brochures and annexure ‘F’, referred to in the aforementioned extract, reveals that the photographs used do not appear, on the face of it, to be the same or similar photographs, even though some may depict a similar object. A reading of the last sentence of the aforementioned extract left me in doubt whether the allegation is that the photographs are identifiable as the applicant’s photographs or whether the impellers depicted in the photographs are identifiable as the applicant’s products. Upon enquiry from counsel for the applicant I was informed that the applicant does not persist with a case of infringement of copyright in respect of any brochures or photographs, but only in

relation to the applicant's impellers and that the allegations about the photographs remain relevant only insofar as the photographs depict impellers which are identical to those of the applicant.

In relation to the impeller systems the applicant alleged the existence and infringement of copyright as well as the respondents passing off its impeller systems as that of the applicant.

On behalf of the applicant it was argued that there exists a dispute of fact on the papers, that such dispute should be referred to oral evidence, that the applicant has established a *prima facie* right and that the balance of convenience favours the applicant for the granting of an interim interdict, pending the referral of the matter to oral evidence. On a superficial reading of the papers, there appear to be disputes of fact. These relate to the existence of the applicant's copyright, the alleged infringement thereof and the passing off. I proceed to consider whether the disputes are real, genuine or *bona fide* disputes of fact.

The respondents challenge the applicant's ownership of any copyright in any of the impellers and in so doing allege that the applicant was sued by a competitor during 1985 for the infringement of certain intellectual property rights, which may be the rights currently sought to be enforced. I do not regard the allegations raised by the respondents as giving rise to a real, genuine or *bona fide* dispute of fact as required in terms of the authority of *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 (3) SA 623 (A), because the allegations are not substantiated by factual allegations of a sufficiently reliable or convincing nature to give rise to such a dispute. On the contrary, the allegations are speculative and based on hearsay from an undisclosed source. The litigation referred to by the respondents reflects a dispute in which the applicant was also the applicant and not the respondent, as is to be expected if the respondents' allegations are correct. The applicant in any event gives a convincing and satisfactory explanation that the respondents' allegations are totally misconstrued.

The respondents do not challenge that the relevant impeller systems under consideration fall within the category of 'artistic works' as defined in the Copyright Act (no 98 of 1978) (the Act) and that as such is eligible for copyright. The originality of the impeller systems of the applicant is, however challenged. The respondents allege that the basic designs of impeller systems are to be found in text books on the subject and variations thereto are dictated by the requirements of the application, ie depend on the nature of the fluid or substance to be mixed. Copies of extracts from a text book are annexed to the answering papers and appear to support the respondents' contentions in this regard. In reply the applicant essentially agreed with these allegations, however,

still maintained that its impellers were unique, taking into account its application. No allegations beyond a mere bald statement, are, however, contained in the papers establishing these unique features. As the relevant objects are of a highly technical nature, this would have been essential for the applicant's case, even more so in view of the fact that a mere visual inspection of the different brochures attached to the papers do not reveal the uniqueness that the applicant relies upon. To the contrary, brochures of competitors of the applicant and the first respondent visually reflect equipment that appear to be similar to that of the applicant and the first respondent, thus supporting the respondents' denial of originality. For a work to be the subject of copyright it must be original in character, as section 2(1) of the Act specifies that 'works' shall be eligible for copyright 'if they are original'.

The respondents take issue with the applicant's bald statement that it is the owner of the copyright in the impellers referred to in the application on the further basis that the applicant has not alleged any facts in support of this bald statement. During the hearing of the matter the applicant, informally, sought leave to hand into evidence copies of the designs on which it purports to rely. To this respondents' counsel strenuously objected. The designs were not received into evidence as there was no basis for accepting such evidence, unaccompanied by an affidavit, at such a late stage and in the absence of allegations in the founding papers regarding such specific designs. In addition, the respondents correctly point out that the applicant does not allege that either of the respondents has reproduced any of the applicant's designs.

At best for the applicant its allegations only go so far as to indicate that, whilst the second respondent was in its employ, he had access to the applicant's designs and product information and did on one occasion, days before his departure from the applicant, furnish a quote against the applicant to the same customer, thus creating some basis for a suspicion that the second respondent could be using such information and could be competing unfairly against the applicant. The incident of previously competing against the applicant is to some extent admitted by the second respondent. It might be that the evidence of that incident is inadmissible similar fact evidence, but as it was not raised nor argued, I accept it as evidence before me. It still does not establish an infringement of copyright nor unfair competition at the time relied upon by the applicant. It merely adds to the suspicion raised by the applicant's allegations. In the face of the applicant's bald allegation and some suspicion, the respondents allege that: 'Our designs reflect our own process, knowledge and interpretation of the application. The

systems are also always designed specifically to customers' requirements. Therefore, there is no scope for the suggestion that the First Respondent's designs are imitations of the applicant's, or for that matter of any other entity.'

In relation to unfair competition the applicant also abides by the following bald statement, thrown in, almost incidentally, amidst the other allegations:

'Furthermore, in this regard, applicant has a substantial reputation in the trade in respect of its products.'

At the stage prior to the hearing of the matter the reference to 'products' must be taken to be a reference to applicant's impellers and mixing systems, but during the course of the hearing applicant's case was limited to one specific impeller only, known as the HA 700 impeller. No further facts regarding its reputation in relation to the specific impeller, are given. The respondents deny the allegation, contending that it is difficult in the mixing industry to identify impellers of the various suppliers without reference to their name plates on the product itself. This allegation by the respondents, read together with the allegations in relation to their denial of originality of the applicant's designs, in view of the bald allegation by the applicant, cause considerable uncertainty about the nature of the applicant's alleged reputation.

On the basis of the foregoing the conclusion is inescapable that the applicant has failed to make out a case against the respondents for the relief contended for. Such failure also has the effect that aspects raised by the respondents do not give rise to a real, genuine or bona fide dispute of fact, as the bald allegations by the applicant are simply without foundation and therefore insufficient to establish real issues, when challenged. The founding affidavit of an applicant is a document, which, in the nature of application proceedings, combines the function of pleadings and evidence and therefore needs to contain the allegations setting out its cause of action, as well as evidence of fact which underlie and establish the cause of action. *Triomf Kunsmis (Edms) Bpk v AE & CI Bpk* 1984 (2) SA 261 (W) at 269 H. The applicant's founding papers fall short of this standard.

Counsel on behalf of the applicant, in any event, asked for a referral to oral evidence in order to determine whether the first respondent's impeller is an 'offending article' when compared to the applicant's HA 700 impeller. This request was not merely an unfortunate choice of words, as the applicant in its replying affidavit made the following allegation:

'The Applicant has a very strong suspicion that the Respondents have

reproduced its drawings, designs and computer programs and that is indeed one of the very reasons why this application was launched, namely that when the offending articles are handed up, they can be examined to see whether they have been manufactured according to the Applicant's designs.'

No allegations of a comparative nature are made by the applicant anywhere in the papers in order to establish a prima facie case or in order to enable the respondents to deal with the specific aspects of similarity.

On behalf of the applicant it was argued that section 26(12) of the Act assists it and that on the strength of that section it has established a prima facie case justifying the grant of a temporary interdict. I disagree. Section 26(12)(a) provides:

'In any proceedings by virtue of this Chapter relating to the alleged infringement of the copyright in a work, evidence to prove:

- (i) the subsistence of the copyright in that work; or
- (ii) the title of any person in respect of such copyright, whether by way of ownership or licence,

may be adduced by way of affidavit, and the mere production of such affidavit in such proceedings shall be prima facie proof of the relevant facts.'

This provision could never be taken to mean or imply that allegations produced in terms of this section remain prima facie proof even in the face of inherently credible challenges thereto. The applicant's allegations, standing alone, are accepted as prima facie evidence of his copyright in the HA 700 impeller. The section does not assist the applicant beyond that point. It is still faced with the respondents' challenges, which are not of a nature to be rejected on the affidavits alone and is still faced with lack of evidence of infringement in the founding papers.

Should I be wrong in the afore-stated conclusions, there are further considerations weighing in favour of the exercise of a discretion against the granting of a temporary interdict. During August 1996, already, disputes started between the applicant and the second respondent, when the applicant wrote to the second respondent demanding that he abides the terms of a restraint of trade agreement. The second respondent denied the existence of such an agreement and such an agreement has in fact never been produced. The applicant alleges that it went missing when the second respondent left its employ. The applicant alleges that the current application is motivated by a brochure of the first respondent which the applicant got sight of during May 1997. Then the applicant's

attorney wrote to the first respondent on 19 May 1997, setting out the applicant's alleged copyright and the first respondent's breach thereof and demanding certain information and undertakings to desist from doing certain things, such undertaking to be furnished before the close of business on Wednesday, 21 May 1997, failing which the applicant threatened appropriate legal action. No response was furnished to this letter and no action was taken until the issue of this application on 28 May 1998, claiming final relief against the respondents.

In view of the history of the relations between the parties the applicant could hardly have expected there not to arise a dispute of fact. The long delay between the facts on which the applicant currently relies coming to its knowledge and the actual application to enforce its rights also has a bearing on the discretion as to whether to dismiss the application or grant a temporary interdict. In the delay of one year an action could have been ready for hearing already. If the applicant was suffering damages as a result of the alleged infringements, it hardly regarded it as sufficiently significant to justify an application for an interdict at an earlier stage and therefore the applicant can hardly contend that the balance of convenience currently favours the applicant and the exercise of a discretion in favour of the applicant. *Room Hire Co (Pty) Ltd v Jeppe Street Mansions (Pty) Ltd* 1949 (3) SA 1155 (A) at 1162; *Juta & Co Ltd v Legal Financial Publishing Co Ltd* 1969 (4) SA 443 (A) at 445 A - E. It is clear that also on these further aspects the application should be dismissed.

The respondents brought an application for the striking out of certain portions of the applicant's affidavits. In view of the conclusion that I have reached it is not necessary to deal with this application. The respondents also applied for costs on the attorney and own client scale. It has struck me that in every opposed application that I have heard this week one of the litigants applied for costs on a penal scale. It appears to be either fashionable at this stage or a reflection of the overall desire of parties to show one upmanship. In one instance it was justified. In this case it certainly is not. Even though the attitude illustrated by the applicant's attorneys in dealing with their opposition is to be discouraged, it certainly does not merit the award of a punitive costs order against the applicants. The award of a punitive costs order should not be lightly made, but only in cases deserving of such reproach.

The application is dismissed with costs.

INFO COLOUR PAGES v SOUTH AFRICAN TOURISM BOARD

SWART J
7 AUGUST 1998
TRANSVAAL PROVINCIAL DIVISION

Copyright may subsist in a mundane item such as a calendar but the scope for proving that copyright does so subsist is limited given the fact that a calendar will always exhibit the same features.

Info Colour Pages produced a desk calendar which was designed to compete with a desk calendar produced by the SA Tourism Board. The Board took the view that the calendar would infringe its copyright in its own calendar and requested an undertaking that Info would not publish the calendar or infringe its copyright.

Info denied that it had infringed the Board's copyright. It confirmed that certain features of its calendar were common to those of the Board's but stated that this was because its calendar was intended to compete with that of the Board. Info's calendar was different from that of the Board in a number of respects.

The Board brought a counter-application interdicting Info from infringing its copyright in another, proposed calendar.

Held—

The first question was whether or not the Board's calendar was eligible for copyright protection. The Board submitted that the calendar was a drawing and hence an artistic work as defined in the Copyright Act (no 98 of 1978).

The calendar did exhibit certain unique features. However, as a calendar, it constituted a layout of the most common, everyday information. The fact that parts of it were depicted in different ways in order to accommodate such things as a luncheon appointment indicated the commonplace nature of the calendar. Its design and its content might have been unique but these were adjuncts to it as a calendar. The calendar itself could not be said to be a unique work in which copyright resided.

Though it could not be said absolutely that copyright could not subsist in a diary, or in a calendar, to confer copyright protection on the calendar in this case would be to confer a monopoly in something that is essentially mundane.

The counter-application failed.

Swart J: This matter came before me by way of urgency last week. It involves an application and counter-application concerning the proposed publication of rival desk calendars or diaries.

The prayers in the application (apart from costs) which are at this stage relevant and persisted in, are the following:

2. Granting a declaratory order confirming that the applicant does not infringe any copyright of the respondent in the respondent's calendars by reproducing, in the applicant's calendars:
 - 2.1 the layout of the applicant's calendar identified in Annexure MC8 and MC9 accompanying the affidavit of M Cunningham;
3. Restraining the respondent from unlawfully interfering with the trade in the applicant's calendars by indicating to potential customers of the applicant that the applicant's calendars infringe

copyright owned by the respondent and/or that the respondent is entitled to restrain sale of the applicant's calendars;'

The case presented in the principal supporting affidavit is the following. The applicant is a major provider of information in the Southern African tourist industry. Up until 1998 applicant had produced monthly calendars but at the behest of a Consultant called Meyers and three former employees of respondent who joined applicant in 1997, applicant decided to produce a weekly calendar to compete with respondent's South African Weekly Calendar.

A prototype of the proposed calendar is annexure 'MC8' and the brochure promoting the sale thereof is Annexure 'MC9'. An example of respondent's 1998 calendar appears at pages 40.1 to 40.117 of the papers.

The present dispute was precipitated by a letter dated 24 March 1998 from respondent's attorneys to the applicant. In the said letter the attorneys state that their instructions are that applicant is about to publish a weekly calendar for 1999 and that the applicant is currently inviting orders for this weekly calendar in inter alia a brochure entitled Introducing the New Southern Africa Weekly Calendar.

The attorneys record that their client created a weekly calendar and has published it for many years. In the letter the attorneys state that applicant's proposed 1999 weekly calendar will infringe the respondent's copyright and that an undertaking is requested that applicant will not publish the said calendar as advertised in the brochure and will not infringe respondent's copyright in any other publication.

To this letter the applicant's attorneys replied on 26 March 1998. Essentially the letter is a denial that applicant's intended action will infringe the copyright of the respondent in any way. The letter also contains a demand that the respondent withdraws its demand by a certain date failing which the applicant will take appropriate steps without further reference to respondent.

This was followed by a letter dated 2 April 1998 from respondent's attorneys to the applicant's attorneys. The letter does not directly relate to the aforesaid question of applicant's proposed calendar but to the use of certain 54 colour photographs to which the respondent lays claim. This matter has in the meantime become settled and is irrelevant for the further purposes hereof.

Relevant allegations on behalf of applicant concerning these two calendars in the main supporting affidavit are the following. The references are to the principal founding affidavit on behalf of applicant. Firstly, paragraph 39:

'The calendar (Applicant's proposed 1999 calendar) has certain features in common with the SATOUR (Respondent) calendar and it is not denied that there are some similarities. This is largely because the weekly calendar is intended to compete head on with SATOUR's weekly calendar and weekly calendars must have many common

features.’

Secondly, paragraph 37:

‘In spite of the fact that the calendar does include some features that are common to both it and SATOUR’s calendar, Info-Africa denies that there has been or will be any copyright infringement.’

Thirdly, paragraph 39:

‘When I saw the proposed format of the Southern African Weekly Calendar to be produced by Info-Africa, I did not see it as being in any way of a reproduction of SATOUR’s calendar. The general impression differs in several respects, particularly when seen in the context of other calendars in the relevant trade. In this regard:

39.1 The dimensions of the calendar vary significantly, Info-Africa’s calendar creating a broader but shorter appearance;

39.2 The boards of the two calendars differ in size;

39.3 The board of the Info-Africa’s calendar showing beneath the picture includes the date, a description in the centre and a logo at the right hand side. The format used by Info-Africa is common to the trade. SATOUR’s calendar includes a slogan running across the bottom of the comparable board, but also has SATOUR’s logo at the right hand-side. The logos clearly differ.

39.4 On the other side of each calendar, on the part of the board showing beneath the appointment page, Info-Africa has the same format as that beneath the pictures on the other side. Here, SATOUR does have the date at the left hand side, a slogan in the middle and a logo at the right hand side. However, the relative dimensions of the information differs significantly and the impression created is markedly different.

39.5 On the picture pages of the SATOUR calendar, which are clearly of different proportions to the picture pages of Info-Africa’s calendars, there is a white strip at the bottom of each picture bearing information regarding the picture and also information regarding the contact persons for the area depicted in the picture. Info-Africa’s calendars do not include any such strip or any such information.

39.6 Turning to the appointment page:

39.6.1 SATOUR’s calendar has seven strips across the top part of the page, each in respect of one day of the week. In contrast, Info-Africa has seven strips running across the bottom of each page.

39.6.2 SATOUR’s strips each contain, in order, the day of the week in English, Afrikaans, French and German, the date, a white open area, a central coloured strip and a white terminal area. In Info-Africa’s calendar, the days of the week are set out, respectively, in English, French and German (representing the primary target markets for the calendar on an international basis) the days of the

year, white areas for morning appointments, some of these including reference to public holidays (as appears in the SATOUR calendar) and others including reference to special daily events that take place throughout the country (which is not a feature of the SATOUR calendar), a coloured area for luncheon appointments, another white area for afternoon appointments) and a coloured area for evening appointments.

- 39.6.3 Across the top of Info-Africa arrangement there is a coloured strip including a reference to the week of the year and, above the two vertical coloured strips for luncheon and evening appointments, a reference to luncheon appointments and evening appointments, respectively. SATOUR's calendar has nothing to compare.
- 39.7 At the bottom of each date page in SATOUR's calendar, one will find a reference to the month of the year in four languages, and beneath that, the date. This is followed by a reproduction of the picture on the opposite picture page, with an identification of the photographer. Next to that, there is a picture of a chef with reference to luncheon appointments, as well as the number of the week. This is followed by a depiction of the dates of three months, the reference to the months extending across the top and the days of the week extending down the side.
- 39.8 In the Info-Africa calendar, the information strip rims along the top of the page instead of the bottom of the page. In the place where SATOUR has the date in four languages and an indication of the year, there is a picture corresponding to that on the main picture page for the week concerned where SATOUR has a picture, the Info-Africa calendar has reference to the month (only in English). Beneath this there appears a reference to the contents of the picture (not on this page in SATOUR's calendar) and the name of the photographer. There is nothing corresponding to the picture of SATOUR's chef and the reference to the week of the year does not appear in this strip. At the right hand side of the page there is an array of the dates for three months of the year, the reference in the months being included along the top, in each case, and beneath that reference to the days of the week. The numbers run across the page. The months are divided by vertical lines and the appearance is completely different to that in SATOUR's calendar.
- 39.9 Viewed objectively, the respective pages of the Info-Africa calendar were not copied from the SATOUR calendar. The information included is typical information found in calendars of this nature and the arrangement of the pages differs to a marked extent.

39.10 The SATOUR calendar was not copied in creating the Info-Africa calendar, as appears from MC8 and 9.'

Fourthly, paragraph 44:

'I submit that SATOUR does not own copyright in respect of any features of its calendar apart from individual photographs and, perhaps, the representation of a chef; that copyright does not subsist in the SATOUR calendar except, perhaps, in respect of those two features; that Info-Africa has not copied any feature of SATOUR's calendar in respect of which copyright may subsist; that Info-Africa has not produced any reproduction or adaption thereof; that there is no infringement whatsoever of any copyright owned by of SATOUR; and that the threats are unjustified.'

The originality and alleged ownership of and in the copyright to respondent's calendar were attacked as well. I will refer to the supporting affidavits to the main founding affidavit at a later stage.

I do not deem it necessary to consider the other disputes concerning copyright in respondent's 1998 calendar. I shall accept for purposes hereof that respondent is the owner of copyright therein. It is a fundamental principle of copyright law that there can be no infringement of copyright unless there has been copying (at least as far as a substantial part of the original work is concerned). See Joubert, *The Law of South Africa* part II, vol. 5, first re-issue.

An objective comparison of applicant's proposed calendar and respondent's 1998 calendar leads me to the conclusion that there has been no such copying. I think the allegations in paragraph 9, supra are essentially well-founded. In addition I do not think that there can be any question of passing off or of confusion. This finding justifies an order in terms of prayer 2, supra and (as will subsequently appear) justifies dismissal in part of the counter-application. It does not, however, put an end to the dispute between the parties. It became apparent for the first time in respondent's answering affidavit that respondent also has a design for a 1999 calendar. This brings me to the counter-application. The prayers reads as follows:

- '1. An order interdicting the applicant from infringing the copyright in the respondent's 1998 calendar (Annexure 'LW1' to the affidavit of Len Weyers), or the 1999 proposed calendar (Annexure 'BG4' to the answering affidavit) by reproducing, publishing or distributing the documents which are Annexures 'MC8' and 'MC9' to the applicant's founding affidavit.
2. Interdicting the applicant from unlawfully competing with the respondent by reproducing, publishing or distributing Annexures 'MC8' and 'MC9' to the founding affidavit.
3. Costs of suit.'

(I interpose to state the reference in prayer 1 to annexure 'BG4' is actually a reference to annexure 'BG2' at page 118 of the papers.)

The question of unlawful competition regarding the 1998 calendar

and 'BG2' and the copyright in 'BG3' thus becomes relevant and the history (to a certain extent) of respondent's diary (which goes back a long way) and the events leading up to and concerning 'BG2' become important.

Leonard Steven Weyers and John George James (Jack) Holland made affidavits supporting the application. Weyers is an independent consultant who was involved in designing applicant's 1999 calendar. He worked for respondent from 1978 to 1997. He states inter alia the following:

6. I discussed the development of the SATOUR calendar with Mr George Duby and Mr Holland on several occasions. The information regarding the standing calendar before I became involved in it indicated that it has been developed by various people, some employed by SATOUR and others not, under the guidance of George Duby.
7. I understand that, under the guidance of Mr Duby, SATOUR first produced a wall calendar. From this, it changed to a flat desk top calendar and then to a standing desk calendar in approximately the present format. Modifications have been made since the standing desk calendar was introduced but these were not major. I was advised by Mr Duby that, in addition to using SATOUR employees, he took advice, materials and design features from board manufacturers, printers and designers in the production of the first standing calendar and that his main aim was to produce a calendar that could be produced at a reasonable price but would be of outstanding quality.
8. He discussed copyright with him on more than one occasion and he always took the view that there was no real originality in the SATOUR weekly calendar and therefore no copyright. I do not recall him stating that he would have exclusivity because 'our copyright is our quality'. implying that his high standards precluded competition.
10. I understand that, like Mr Duby, Mr Holland takes the view that the layout of the calendar was not original but was dictated by market demands.
11. When I took over responsibility for the SATOUR calendars, calendars of this nature were certainly very common in the trade and like Mr Holland, I made changes from time to time in order to keep the layout of the materials in the calendar in the relative up to date form. However, the essential features of the calendars remained unchanged and, during my time with SATOUR were certainly common to the trade. The form of the current calendar is shown in LW1'

He states in paragraph 18:

'From my opinion, based on over 20 years experience in dealing with calendars and being responsible for the SATOUR calendar, I do not

believe that there is anything in the layout of the SATOUR calendar that is or has been exclusive to SATOUR and justified copyright protection.'

He adds concerning applicant's calendar in paragraph 19 to 25 of his affidavit:

- '19. After I left SATOUR, I was asked by Info-Africa to act as a consultant and to assist in the creation of tourist publications. I was involved, amongst other things, in the creation of its 1998 calendar and I attach as LW3 a representation of this calendar.
20. Arising from my discussion with Info-Africa, I suggested that there would be a much greater demand for a weekly calendar to compete with the SATOUR calendar. It is well-known in the trade that there is a significant demand for SATOUR's weekly calendar but, in general, people have not been prepared to put in the investment needed to produce a calendar of the same quality as SATOUR's calendar. I expressed the view that if Info-Africa was prepared to make a sufficient investment to produce and market a weekly calendar of equal quality to the SATOUR calendar, there would be a tremendous market for Info-Africa's weekly calendar and a decided increase in the overall impression of South Africa as being a tourist destination. The combined but separate efforts of Info-Africa and can only be to the country's advantage.
21. I was informed that Info-Africa would make the investment and that I should proceed with the development of a calendar on this basis.
22. I therefore started to work on the design of the calendar with Jan Gijeders, a designer who had previously been employed by SATOUR.
23. In association with Mr Cunningham of Info-Africa we decided on the information that would be included and designed a calendar setting out this information in what, to us, was the best possible way.
24. Although all three of us were aware of the SATOUR calendar, the Info-Africa calendar was created by deciding on the nature of the information that was to be included in the calendar and progressively changing its composition and positioning of the information until we found a format that we considered to be most desirable. The final design was dictated by the contents. The SATOUR calendar was not referred to in this process.
25. In the creation of the calendar, we did not copy the SATOUR calendar and it was, at all times, our intention to produce a calendar which we considered to be modern and desirable. However, a specific set of information can only be presented in a limited number of ways in the production of a calendar and the selection of the best presentation of the information of the

appointment page.’

Holland worked for respondent and states in paragraphs 1 and 2 of his affidavit:

- ‘1. I was employed by the South African Tourism Board (‘SATOUR’) from 2 January 1961 to 31 July 1984 and, throughout that time, was involved in its tourist publications. The SATOUR weekly calendar was developed by Mr Georges Duby and over the years refined by the two of us, later assisted by Leonard Meyers.
2. Mr Duby has now died but the history of the calendar, as far as I am aware from my personal involvement and my discussions with Mr Duby, is set out below.’

He supports the general historical outline given by Weyers and is also of the opinion that respondent’s calendar was, save as set out below, fairly conventional and that respondent did not have copyright therein. He states in paragraph 17:

- ‘17. Over the years, we were able to maintain exclusivity by relying on the principle of maintaining standards of quality that were so high that they would defy any competition. This was in spite of the fact that, in my opinion, anyone was free to produce a similar calendar.’

The principal opposing affidavit was made by Basil Green, inter alia, a member of respondent’s board. He contends that there is sufficient originality in the layout of the respondent’s calendar to constitute an artistic or literary work being eligible for copyright and that the opinions of applicant’s witnesses are inadmissible. He contends that the calendar was created and modified over the years by respondent’s employees and that undefined outside assistance referred to by and on behalf of applicant did not affect this conclusion.

He states that applicant’s calendar was copied from respondent’s design and states in paragraph 5 of his affidavit as far as it is relevant the following:

- ‘5.1 Prior to their resignation Jan Gijsders and one Michael Van Rensburg, were busy working on the design of the 1999 calendar for SATOUR. Jan Gijsders resigned from SATOUR on 30 September 1997 and Michael Van Rensburg resigned from SATOUR in December 1997. Both commenced employment immediately thereafter with Info-Africa as Production Designers.
- 5.2 As at November 1997, the SATOUR design had been developed into the form a copy of which is Annexure BG2 hereto. BG2 is a printout from the computer previously used by Van Rensburg. BG3 is an extract from the computer log, showing the times on which that file was modified. It shows that the last work on the file was performed towards the end of November 1997 (one month prior to Van Rensburg’s departure from SATOUR). The entry on the 11th of April records the occasion on which I

accessed and printed out the file. To the extent that this matter constitutes “computer evidence”, I make the following affirmations to the best of my knowledge to authenticate BG2 and SG3:’

(The following sub-paragraphs of paragraph 5.2 need not be repeated.)

‘5.3 It is self-evident from a comparison of BG2 and the proposed Info-Africa calendar that the latter is copied from the former. The key differences which the applicant contends distinguished its calendar from the 1998 SATOUR calendar are manifestly absent once the comparison to the incomplete 1999 calendar is made.

5.4 In my view, the Info-Africa 1999 calendar was copied directly from the design created by Michael Van Rensburg and Jan Gijdsers during their employment with SATOUR. I strongly suspect that they took copies of the SATOUR design and provided them to Info-Africa. The suspicions I have in this regard are further confirmed by the disappearance of the paste-boards on which this design was to be presented to the Production Committee by Van Rensburg and Gijdsers late last year. Despite searches for these paste-boards, they cannot be located in SATOUR’s offices.

5.5. In my view the Info-Africa calendar is virtually a direct copy of the SATOUR 1999 calendar. Our design is not complete yet, as Michael Van Rensburg left before completing the design. However, on the design thus far, the following features on both calendars are identical:

5.5.1 A small photograph appears in the left top corner on the appointment page.

5.5.2 The three pre and post month calendars appear on the top right corner and are separated by lines.

5.5.3 There is a thick band separating the top part of the page and the appointment section and luncheon appointments appear in that band on both calendars and are blocked out each day of the week.

5.5.4 Both calendars make reference to the week of the year, ie January week.

5.5.5 The colour scheme used by Info-Africa is almost identical to the colours used in the SATOUR calendar ie blue grey.

5.5.6 As stated above, the design of the 1999 calendar is not complete, and at a Production Staff meeting, at which I was present, it was decided that SATOUR would include in its calendar, information on certain art and cultural events taking place in the country. This information is readily accessible to SATOUR, as SATOUR publishes an Annual Arts, Culture and Heritage Calendar based on research done

by SATOUR. On the Info-Africa calendar, this idea has been copied, as is evidenced by the 5 January insertion of the 'Karoo Festival - Oudtshoorn'. This was discussed and when the design of the SATOUR 1999 calendar is completed, it will have these events listed on the appointment page.

5.5.7 The evening appointment column on the Info-Africa appointment page is a feature that has previously appeared on the SATOUR calendar, and may well appear in our final design.

5.5.8 On the back of the appointment page, a full photograph appears on both parties' calendars. On the back page of the SATOUR calendar the photograph is described, and on the Info-Africa calendar the photograph, which is the identical photograph as the small photograph appearing on the appointment page for that week, is described. This feature of having the same photograph, is another feature that is copied.

5.6 I note further that each of Weyers and Gijsders must have been aware of the existence of BG2, but chose in their affidavits to conceal this fact from the Court.

5.7 Upon their leaving SATOUR each of Weyers, Gijsders and Van Rensburg went to work for the applicant.

5.8 I submit that based on the above, a strong inference can be drawn that Van Rensburg and Gijsders took a copy of the 1999 SATOUR calendar with them to Info-Africa and copied it. Thus Info-Africa was saved the time and expense of exercising its own effort, originality and ingenuity to produce its own calendar. I am advised and respectfully submit that this constitutes unlawful competition.

5.9 I note further that the applicant's witnesses concede the reputation which the SATOUR calendar has in the market place. It is, I submit, evident from a comparison of the 1998 SATOUR calendar and SG2 with the proposed Info-Africa calendar that the applicant is seeking to pass off its product as that of the respondent. An interdict is sought in this regard too.'

The deponent adds in paragraph 40:

40.1 In SATOUR's view, the Info-Africa calendar is virtually an identical copy of the SATOUR 1999 calendar. It has features which are identical and it has features which are similar. These are dealt with below. All these features were created by SATOUR employees using their skill and expertise in the design. The identical features are the following:

40.1.1 Info-Africa has copied the feature of a full photograph on the back page of every week of the calendar. The full

- photograph is identical to the small photograph used on the appointment page and is a feature that has been copied from the SATOUR calendar.
- 40.1.2 Info-Africa has copied the insertion of a small photograph on the appointment page in exactly the same position in which it appears on the SATOUR 1999 calendar.
 - 40.1.3 Info-Africa has copied the feature of blocking out on the appointment page a section of each day for lunch and appointments.
 - 40.1.4 Info-Africa has displayed the appointment page of the week in exactly the same manner in which it appears on the SATOUR calendar, and the wording “luncheon appointments”.
 - 40.1.5 Info-Africa has copied the feature of a block slip at the top of the page dividing the appointment section from the top of the page.
 - 40.1.6 Info-Africa has displayed the three monthly calendar in exactly the same way in which it is portrayed on the SATOUR calendar.
 - 40.1.7 Info-Africa has copied the design of the calendar, in that the calendar rests on two base-boards which stand vertically and which are held together by a block and tape mechanism, so that the year, the caption and the logo are constantly visible on the base-board.
 - 40.1.8 Info-Africa has copied the packaging feature of individually boxing each calendar in a specifically designed carton.
 - 40.1.9 On both calendars the ring binding system is exactly the same. The ring binding that is used is the ring binding that is available by ABC Press which has for the past ten years been used to bind the SATOUR calendar. (While this may not form the subject of copyright it is clearly relevant to unlawful competition).
- 40.2 The following are similar features on the Info-Africa calendar:
- 40.2.1 The dimensions of the SATOUR calendar are 200mm by 175mm, and the dimensions of the Info-Africa calendar as described in the brochure, are 215mm by 170mm.
 - 40.2.2 Info-Africa has chosen a caption, which does not copy the SATOUR caption of “it’s sunny today in South Africa”, but includes the word “Sun”, namely “Sun-filled memories ...”
 - 40.2.3 Info-Africa have copied the layout of the bottom on the base-board, by having the year in the left hand corner and the logo in the right hand corner and the caption in the middle.

- 40.2.4 On the full size pictures on the SATOUR calendar, there is a description of the picture together with information. On the appointment page of the SATOUR calendar a small picture appears together with an acknowledgment of the photographers. In the Info-Africa calendar the description of the picture appears against the small photograph on the appointment page.
- 40.2.5 Insofar as the remaining allegations made in this paragraph are inconsistent with what is stated herein, they are to that extent denied.'

He denies that the creation of respondent's calendar was not original.

The applicant filed a replying affidavit in which it also dealt with respondent's 1999 calendar. Applicant denies copying or any intention to pass off or that selling its calendar can create any confusion, respondent's 1999 calendar being presently unknown.

Applicant denies the similarities between the two calendars (without canvassing the detail of respondent's allegations) and states that applicant's design largely preceded BG2.

Weyers made a supporting affidavit stating that he only became aware of BG2 when he saw respondent's answering affidavit. He refers to a letter Mr Dube wrote to him on 4 October 1999 which reads in part as follows:

'I can remember, vaguely, that we, of Production, discussed the question of copyright, and as this seemed not possible, we fell back on the principle of the standards of quality so high that they would defy any competition.'

Jan Frederick Gijssders made a supporting affidavit. He left the employment of respondent at the end of September 1997 and joined the applicant. He states inter alia the following:

When he left SATOUR's employment the 1999 design to his knowledge had not been conceived or created. In October 1997, on the instructions from Info-Africa the design team at Info-Africa headed by him started to design Info-Africa's 1999 calendar. At that time he had not been shown or given details of any proposals for SATOUR's 1999 calendar by Mr Michael Van Rensburg or by any other person and he was not at that time aware of the design depicted in annexure BG2. The instruction given to him by Info-Africa regarding Info-Africa's calendar design was to design a calendar that differed from the existing SATOUR calendar. To him this meant creating a design which differed significantly from the 1999 calendar and earlier calendars. One of the designers was tasked with originating several concepts with various degrees of input from himself and other employees in their team. However, Leo Meyers, after viewing these concepts asked him to create one according to his style of thinking. This was created in the form shown in annexure G1. The calendar was created by him in association with Meyers and

Cunningham of Info-Africa but was largely designed by him. It differed considerably from the SATOUR calendars known to him at the time. (I interpose to state that with the latter editions suggested by Van Rensburg constitute the present design for applicant's 1999 calendar.) Mr Cunningham from a business perspective came up with the idea of a column on the right hand side for evening appointments. Further, Mr Cunningham also asked Gijsders to make provision for events that would be of interest to tourists and public alike (see the example with 'Karoo Festival entry'). Being a data based tourist organisation Info-Africa specialises in collecting this kind of information. In mid January 1988 he showed the design shown substantially in the form of G1 to Michael van Rensburg. This was created by him and not copied from any earlier calendar. Michael van Rensburg and Gijsders are next door neighbours and good friends at Inc Design Studios and at SATOUR. Having worked for the same companies in the past they have a very similar style of design. In mid January he went over to Michael's house after work. He showed him a copy of his Info-Africa design seeing that he had already resigned from SATOUR and was about to come and work for Info-Africa. He asked Van Rensburg's advice on how he could improve his design. At that time in mid January Michael had printouts of his SATOUR concepts at home which he was keeping for his design portfolio bearing in mind that he had only a few days left at SATOUR and also that he used Gijsders' printer to print out these designs. Van Rensburg had borrowed Gijsders' coloured jet printer to print out concepts for the 1999 SATOUR calendar which he had to present to the SATOUR production committee. However, Van Rensburg told him that the meeting had been adjourned without asking him to present his proposal. After comparing Gijsders' own independent designs with Van Rensburg's concept they both agreed that the solid bar at the top and the four vertical lines separating the months at the top would be an improvement to Gijsders' design. These changes he then made. He states that these features are not original ones. He did not previously advise Mr Cunningham or Mr Weyers of the 1999 SATOUR calendar as this was a matter between Mr Van Rensburg and himself.

He takes objection to paragraph 5.4 of Green's affidavit. He certainly did not take copies of any SATOUR design with him. He now understands that it did not exist when he left SATOUR. As indicated by him, he was not even aware of any proposals for SATOUR's 1999 calendar at that time. He and Van Rensburg were both involved in creating a new calendar design and had come from the same background. The changes made by both of them were logical and the similarities are not surprising.

There are only a few ways of presenting information on calendars and it is sensible to have the monthly details at the top right hand side so that

they are not covered by the writer's hand when adding appointment information. They cannot go at the sides as they then interfere with the appointment details. When the monthly information is moved to the top right hand side of the calendar the location of the other components fits into the remaining space. The difference in the form and location of the balance of the information shows that there was no copying. To a calendar designer such as himself and allowing for the fact that must be placed sensibly, there are more differences than similarities.

Michael Van Rensburg also made a supporting affidavit. He acknowledges that he was recently approached by Basil Green, acting on behalf of respondent, who asked him for information about the design of the 1999 SATOUR calendar and whether he had given any information to Info-Africa in respect thereof. He explained that he had not designed the 1999 Info-Africa calendar or assisted Info-Africa with its design.

In November 1997 he was still employed by SATOUR and started to create a calendar design for 1999 with a more modern look than that of earlier SATOUR calendars. He created concepts for the 1999 SATOUR calendar design depicted in annexure BG2.

He and Gijsders had worked together for some time and have a similar way of designing. In mid January 1998 he, Gijsders, showed him Info-Africa's proposed new calendar and asked for his comments. Van Rensburg had not shown him his proposed design for the 1999 SATOUR calendar and he had not previously seen Gijsders' proposed design. They had both adopted a similar approach to the new calendars having placed monthly information at the top of the calendar, however, in other respects there were marked differences. When he discussed the proposed SATOUR calendar with Jan Gijsders he suggested that the presentation in respect of the three months should be separated by lines which was an improvement on his original proposal.

Gijsders indicated that he would vary his design to incorporate such lines. Van Rensburg also suggested separating the information in Info-Africa's calendar from the appointment section with a broad line. These features were common to many calendars and were not original, but he felt that they would improve Info-Africa's calendar design. Jan Gijsders also added the wording in the transverse line which was not a feature of BG2.

After he designed the SATOUR calendar SATOUR did not appear to show any real interest in it. Annexure BG3 to the affidavit of Basil Green seems to show that the design was not accessed between November 1997 when he worked on it until 11 April 1998.

With regard to paste boards on which the new design was to be presented to the production committee of SATOUR they could not have been used by Info-Africa in the creation of its calendar. Jan Gijsders had created the 1999 Info-Africa calendar design before the paste boards existed. Furthermore he would not have been in a position to make a

presentation to the production committee as he had left before the SATOUR design was created.

Finally he says, with regard to the implication that he took a copy of the 1999 SATOUR calendar, left SATOUR, joined Info-Africa and copied the calendar for Info-Africa that this is completely false. He approached Info-Africa for employment before leaving SATOUR and left SATOUR with the intention of joining Info-Africa which he did. He remained with Info-Africa for only a few months and then left to work on his own. He was never used by Info-Africa for the creation of the 1999 Info-Africa calendar apart from the proposal shown to him by Jan Gijsders. He says Gijsders could not have taken a copy of the 1990 SATOUR calendar when he left SATOUR and went to work for Info-Africa as it had not been created at the time when he left SATOUR.

Basil Green made a further affidavit in reply to what respondent regarded as new matter in Van Rensburg's affidavit. He refers to a discussion with Van Rensburg on 23 April 1999 in paragraph 4 which reads as follows:

'4. During the conversation I asked him why he had given the 1999 SATOUR calendar design to Info-Africa. His response was to deny that he had done any work on our 1999 calendar at all. I laughed, and I said to him that there is a record on the computer that he had worked on the calendar before he had left our employment. He then admitted that he had worked on the 1999 SATOUR calendar, but said that he had only designed two pages. I then said to him "yes, and you gave that design to Gijsders". His response to this was that he and Gijsders had worked very closely together for a long time, and everything they did was the same. Then I said to him "you're telling me that you have not discussed this 1999 SATOUR calendar with Gijsders?" and he denied this again. He then admitted that he had discussed the 1999 SATOUR calendar with Gijsders. I submit that the only inference that can be drawn from this conversation is that what Van Reusborg states in his affidavit is not true.'

I turn to the outstanding issues which are the following:

1. Is the respondent owner of copyright in its proposed 1999 calendar?

Although to a certain extent intertwined with the question of originality the first question is whether respondent's 1999 calendar is one of the types of work which may be eligible for copyright. Mr Plewman submits that it is a drawing and thus an artistic work as defined in Act 98 of 1978.

His further submissions broadly follow the following line. He submits that 'drawing' must include the arrangement of line and different (otherwise common) features. He relies upon what was stated by Stegmann J in the *Waylite Diaries* case when it came before him (1993 (2) SA 132 (W)) in referring to the *Lawthrop* case. He submits that the finding in the *Waylite Diaries* case (1995 (1) SA 645 (A)) was

not and was not intended to be a finding that the layout of a diary could not comprise an artistic work. It was only that the layout described at 649 B-D is not such a work. He submits that what is involved is a question of degree, the more intricate the layout of a diary page becomes and the further it moves away from a simple tabulation of the days of the week, the clearer it becomes that it is an artistic work eligible for copyright.

The pages of the present diary constitute much more than those in the *Waylite Diaries* case, the use of shading in the appointment columns, the placing of a reduction of a photograph and caption in the header, the bold bars separating the different components of the page, the presentation of the preceding present and subsequent months' calendars in the header. For example he referred to certain authorities where it was held that 'business forms' such as pay advice slips and earning records are sufficient to constitute compilations within the definition of literary works and are in consequence eligible for copyright. These authorities are *Kalamazoo Division (Pty) Ltd v Gay* 1978 (2) SA 184 (C) and *Payen Components SA Ltd v Bovis CC* 1995 (4) SA 441 (A). I think that these decisions are distinguishable.

These submissions appear to carry conviction. However, upon further consideration I think its charm is superficial rather than substantial. BG2 is an incomplete design. More important, however, is that in essence it remains a calendar, thus of necessity constituting a layout of the most common, and rather literally, everyday information. The fact that certain aspects of this are highlighted and described or emphasised and the days of the week are placed in the perspective of existing past and future months and that the middle part of the diary page is highlighted for something as commonplace as a luncheon appointment confirms rather than detracts from this conclusion. It is the layout of the type of information which can carry countless variations (eg tea break and coffee break and reminders to take medication) without getting away from what is commonplace, being of any real use or providing scope for any real originality.

The fact that it will have a ring-binder and will stand on boards is an expensive non-essential and barely original manner of display. The fact that it is to be adorned with expensive and handsome reproductions of photographs which have nothing to do with the essential purpose of a calendar is nothing new, regarding calendars in general, many of which are eye-catching because of eg representations of classic trucks, motorcars or examples of the female species.

The real feature of respondent's calendars is stated by Mr Duby. Not something which constitutes copyright but 'standards of quality so high that they would defy any competition'. I think from a common sense point of view it would be strained to categorise the 1999 (or for that matter the 1989) calendar as a drawing (artistic work) or as tables and compilations (literary work) or to ascribe to it the requisite originality.

From the same point of view and as a matter of policy I think it would be dangerous to ascribe to it the protection of copyright, thus creating a monopoly in something which is really mundane, is essentially of limited scope and originality and will, as it were, have to re-invent itself every year and by doing so, with the adaptations at the whim of the author, perpetuate the monopoly.

I think the broad principles set forth in eg *Frank Smithson Ltd v G A Crap and Sons Ltd and the Surrey Manufacturing Co* [1943] 1 ER 322 (CA) the subsequent House of Lords decision between the same parties. [1944] AC 329 (HL) and the *Waylite Diary* case, supra; in the Appellate Division are applicable to the facts of this case as well.

True, it has nowhere been decided that copyright cannot vest in a diary but Mr Plewman has been unable to refer to any decision where copyright on the facts of the case have in fact been found to exist in a diary. Joubert, supra, paragraph 18, seems to regard diary cases in a special category.

2. I turn to the question of unlawful competition, bearing in mind Schutz JA's warning in the *Payen Components* case, supra at 453G, that unlawful competition should not be added as 'a ragbag and often forlorn final alternative for every trademark, copyright, design or passing off action'.

The broad and flexible principles relating to the law of unlawful competition have been stated in *Schultz v Butt* 1986 (3) SA 667 (A) at 678F-679G and *Taylor and Horne (Pty) Ltd v Dentall (Pty) Ltd* 1991 (1) SA 412 (A). I do not intend quoting the passages in *Schultz v Butt* in full but I think regard should be had to the dicta of Nicholas AJA at 679 B:

'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.'

He also referred to Van der Merwe & Olivier, *Die Onregmatige Daad in die Suid-Afrikaanse Reg*, 5th Ed at 58 note 95 at 679 E of the judgment, quoting the following:

'"die regsgevoel van die gemeenskap" opgevat moet word as die regsgevoel van die gemeenskap se regsbeleidmakers, sons Wetgewer en Regter.'

In the *Taylor* case the following appears in the judgment at 420G to 421E:

'In support of this proposition counsel relied upon a dictum in the judgment of the US Supreme Court (Mr Justice Pitney) in *International News Service v The Associated Press* (1918) 248 US 215.

In that case A gathered news as a result of organisation and the expenditure of labour, skill and money Such news was telegraphed

daily to A's members throughout the United States. B made a practice of obtaining the news through inter alia early publications in newspapers of A's members and of sending it telegraphically to its own customers who then also published the news in their newspapers. The court held, by a majority, that B's conduct constituted unlawful competition. B contended that once the news had been published by A's members, A no longer had the right to control the use to be made of it, that it became the common possession of all to whom it was accessible, and that any purchaser of a newspaper had the right to communicate the intelligence which it contains to anybody and for any purpose. With reference to these contentions Mr Justice Pitney said at 239 (and this is the passage upon which counsel for the appellant relied:

"The fault in the reasoning lies in applying as a test the right of the complainant (A) as against the public, instead of considering the rights of complainant and defendant (B), competitors in business, as between themselves. The right of a purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's rights to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with the complainant - which is what defendant has done and seeks to justify is a very different matter."

This passage must however, be read in context for Mr Justice Pitney immediately went on to say: 'In doing this defendant, by its very act, admits that it is taking material that has been acquired by complainant as a result of organisation and the expenditure of labour, skill and money, and that defendant in appropriating it and selling it as his own is endeavouring 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.'

It is clear, therefore, that in the view of Mr Justice Pitney the nub of B's objectionable conduct lay in the misappropriation of a product of A's in the competitive struggle. B did nothing to gather the news save for practically copying A's product, ie the intelligence gathered by A and transmitted it to its members. Hence the dissemination of the news by B was not based upon any constructive effort of his part (L Callmann, *The Law of Unfair Competition and Monopolies*, 4th ed, vol 2, chap 15 at 2).

A similar situation obtained in *Schultz v Butt* 1986 (3) SA 667 (A). With reference to, inter alia *International News Service* this court held that B had engaged in unlawful competition with A by using one of A's hulls - 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 A.'

On this leg of the inquiry respondent stands on a surer footing. applicant has expressly denied copying. It relies heavily on the fact that its design, started in October 1997, predates BG2 to a large extent, which from the computer access information appears to have been designed from 13 to 21 November 1997 thus not having been in existence when applicant's design commenced.

However the relationship and contact between Gijsders and Van Rensburg, *supra*, shows that Gijsders' design was only completed at about middle January 1998 that at that stage he and Van Rensburg had contact and that Van Rensburg was in possession of BG2 or the essentials of BG2. (All allegedly unknown to applicant). This could tend to found a valid suspicion, along with the other circumstantial evidence referred to, that Gijsders at some relevant stage had access to BG2.

I am of the opinion that respondent has made out a *prima facie* case, although open to some doubt that applicant's design is an intentional copy of BG2 or of substantial parts thereof. If so, in the light of the aforesaid authorities, that would in my view be a basis for a claim of unlawful competition.

Mr Plewman has asked that I should refer the counter-claim to evidence if I cannot make a final finding on the papers (which I cannot) and grant interim relief. Whether I should do so depends on whether respondent casts the other requirements of an interim interdict (Joubert, *supra*, vol.11, par. 323) and the exercise of a discretion where they have been met. Factors which have weighed with me are the following:

1. The *prima facie* case of the respondent is strong rather than weak.
2. The applicant's planning in respect of the launch of its 1999 calendar is more advanced than that of respondent and expenses have naturally been incurred. respondent mentions no amount. applicant mentions a direct loss of well over R100 000 if it is not able to obtain the anticipated contracts. On the other hand respondent has not done nothing. On 10 March 1998 it informed its customers in writing that it would be issuing a 1999 calendar at a price not exceeding the 1998 price (BG7). It has also called for tenders - see the letter confirming a quotation received from A.A. Newman (BG8).
3. Applicant states that potential orders for about R2m are in the balance. However, this cannot nearly be the loss of profit it will suffer. However, Applicant, although it has probably incurred substantial expenses, is at this stage only trying to break into a market which respondent has long since established and monopolised. On the probabilities the damage to an existing market will, particularly in the long run, be greater and more difficult to calculate than those of the new entrant. In addition applicant has in effect admitted that respondent will be more readily able financially to meet a claim for damages than it would.
4. I find that respondent does meet the other requirements for an

interim interdict. Taking into account the relative strength of the cases of the parties, the balance of convenience and the nature of applicant's unlawful conduct (if finally established and not countered by way of interdict), I decline to exercise a discretion to refuse an interdict. No case has, in my view, been made out for an order in terms of applicant's third prayer.

The following orders are made:

1. An order with costs in terms of prayers 2 and 2.1 of applicant's Notice of Motion;
2. An order dismissing prayer 1 of respondent's counter-application with costs.
- 3(a) Prayer 2 of respondent's counter-application is referred for the hearing of oral evidence.
- (b) The parties are ordered to submit to the presiding judge in chambers within 14 days from date hereof, for his approval, a draft order setting out the issues to be determined by way of evidence and such ancillary specific terms and conditions on which the matter will be heard as the parties may agree upon;
- (c) Pending the determination of the matter as in (a) above, an interim order is made in terms of prayer 2 of respondent's notice of counter-application.
- (d) The further costs of the counter-application are reserved.

FERNTEX (PTY) LTD v PREMIER SPRINGS INDUSTRIAL MANUFACTURERS (PTY) LTD

BERTELSMANN J
9 MAY 2003
TRANSVAAL PROVINCIAL DIVISION

To show that copyright vests in an employer by virtue of section 21(1)(d) of the Copyright Act (no 78 of 1978) it is necessary to show that the party producing the copyright work did so under a contract of employment and not under a contract to render a service. The employer may nevertheless show that it holds the copyright by virtue of an assignment of copyright subsequently entered into.

Ferntex (Pty) Ltd represented by a certain Ms Abrahams, contracted with two persons, a Ms Retief and Ms Beack, to produce artistic works for the purposes of using them in a textile design known as the Tropicana Collection. Retief and Beack, both South African citizens, then produced the artistic works and were remunerated, it being considered that copyright would only pass to Ferntex when payment for the works was made. No written agreement was concluded between the parties.

The artistic works were used in the production of the fabrics. Ferntex then discovered that Premier Springs Industrial Manufacturers (Pty) Ltd was using the same range of textiles as the Tropicana Collection including the artistic works, and selling these at prices lower than Ferntex was able to offer its customers.

Ferntex then concluded written agreements of assignment of copyright with Retief and Beack. It brought an action for damages arising from infringement of copyright, alleging initially that its rights arose from the assignment, and thereafter alleging that Retief and Beack made the artistic works in the course of their employment with Ferntex as contemplated in section 21(1)(d) of the Copyright Act (no 78 of 1978).

Held—

Since Ferntex ultimately based its case on the allegation that Retief and Beack had been employed by it, rather than that the copyright in the works had been assigned to it, the question was whether these two individuals were in fact employed by Ferntex.

Abrahams on behalf of Ferntex did not involve herself in the process of the production of the artistic works. Their production took almost one year and it was clear that Abrahams could not have exercised the participation and control in this process which would show that the two artists were employed by Ferntex. The fact that the artists were only paid after the art work was complete also indicated that the completion of the contract was connected to the completion of the end product. There was no obligation on Ferntex to make interim payments. The relationship between the artists and Ferntex was not a contract of employment. The claim based on section 21(1)(d) had to fail.

Ferntex however, did become the holder of the copyright upon conclusion of the assignment agreements, as was clear from the terms of those agreements.

Bertelsman J:

[1] The plaintiff sues the defendant for damages arising from an alleged infringement of plaintiff's copyright in certain fabric designs known as the Tropicana Collection. This constitutes plaintiff's first claim.

[2] The second claim is a claim for damages in the sum of R82 000 arising from the alleged intentional or negligent damage which the

defendant caused to certain printing screens that are the plaintiff's property.

[3] As part of the first claim, plaintiff also prays for an interdict restraining the defendant from infringing plaintiff's copyright, delivery of all copies of the offending works and other material in the defendant's possession, payment of royalties and certain other ancillary relief.

[4] According to the particulars of claim as finally amended, the plaintiff relies in the first instance on a verbal contract of service entered into between itself and a certain Annette Beack, as well as a certain Kahryn Retief, in terms of which Annette Beack and Kahryn Retief produced original artistic works together with the plaintiff's director, namely the said Tropicana Collection.

[5] It is common cause that both Kahryn Retief and Annette Beack are South African citizens, and consequently plaintiff is alleged to be the owner of the copyright in terms of the provisions of section 21(1)(d) of the Copyright Act (no 98 of 1978).

[6] In the alternative, the plaintiff relies on written agreements entered into during August 2001, alternatively on 6 February 2002 in terms of which the copyright in the copyrighted works was assigned to the plaintiff by the aforesaid Annette Beack and the aforesaid Kahryn Retief.

[7] The defendant in its plea denies all the material averments upon which the plaintiff relies and pleads in the alternative that, should it be held that the plaintiff does hold copyright in the works, then defendant alleges that printing and/or distributing and/or selling or offering for sale of the reproduction or adaptation of the copyrighted works was authorized by the plaintiff.

[8] In the absence of a replication, this averment is deemed to have been denied by the plaintiff.

The evidence

[9] Ms Ulrica (Liz) Abrahams testified on behalf of the plaintiff. She is the sole shareholder and director of the plaintiff company.

[10] The parties agreed to an order in terms of rule 33(4). The court was called upon to deal only with the question whether copyright did exist in the artistic works and, if such copyright vested in the plaintiff, the date from which the plaintiff acquired such copyright. In respect of the second claim, the court must decide whether the defendant is liable in damages to the plaintiff, if any. The defence of authorised use or adaptation must be decided as well.

[11] Ms Abrahams, who described herself as 'passionate about fabrics', related that she started a retail and wholesale business in fabrics some seventeen years ago.

[12] In 1996 the plaintiff was awarded a contract by Club Plantation in

the Seychelles to design fabrics for a new hotel.

[13] For this contract she conceptualized a design for a range called 'Coco de Mere'. She consulted with Annette Beack and explained to her what she wanted. The original idea developed into the Tropicana collection.

[14] They started to create the series together by translating her original ideas into screen print. At a later stage Kahryn Retief was also brought into the picture.

[15] The whole process of creating the Tropicana Collection lasted approximately one year. The artists and Ms Abrahams worked together, Ms Abrahams remaining involved throughout the creation of the whole range.

[16] The artists would be remunerated and were so remunerated at the end of the contract, once the design of the range had been completed.

[17] Ms Abrahams understanding was that the art works would then belong to the plaintiff, after payment.

[18] There was no written agreement prior to the year 2002 between the plaintiff and the artists, the above arrangements being oral.

[19] She had been involved with an agent, one Jack Baker, for some 15 years prior to the creation of the range, who had advised her from time to time on how to conduct her business.

[20] Creating a whole range was a new, and very risky, venture. A great deal of money, about R500 000, had to be invested to prepare the range and produce the first print run.

[21] The fabric market is very difficult to predict, some items in a range may sell exceedingly well, others not at all.

[22] Real profit is normally only made once the first reprint is ordered, the original production normally only covers the production costs.

[23] The marketing of a range of new fabrics is also expensive and slow, sample books have to be supplied to retailers at very considerable cost.

[24] Once the range came onto the market in 1997, it was slow in taking off. In 2000, the first profitable orders arrived after the first print out had been sold and then the range appeared to die.

[25] Later that year, to her amazement and distress, she discovered that reproductions of her range were coming onto the market at prices much lower than those she was able to offer her customers.

[26] She established that the defendant was reprinting her fabrics.

[27] She phoned Jack Baker, who at first denied all knowledge of this fact, but eventually informed her that the defendant claimed that it had her permission to reproduce the range.

[28] She acquired from Jack Baker, who was alleged to have obtained the permission from her, whether he would support her in a court action against the defendant. Jack said no. He would lie under oath; his loyalties lay with defendant.

[29] She would never have given consent to the reproduction of the range unless the plaintiff had been remunerated therefore. Without payment she would never have accepted direct competition by the very people whose agent Jack Baker was and who had printed the range on her instructions.

[30] The defendant produced the screens from which the range was printed and had retained the screens.

[31] She requested the return thereof and after taking a considerable time to persuade the defendant to deliver them, they arrived damaged at her premises. This caused financial loss.

[32] Under cross-examination by Mr Coetzee she agreed that plaintiff originally relied only upon the written contracts entered into between it and the artists. These contracts were entered into upon the advice of plaintiff's attorneys after plaintiff had discovered that the offending prints were being marketed.

[33] It was only during the trial itself that the claim based upon section 21(1)(d) of the Copyright Act was introduced.

[34] Ms Abrahams repeated in her evidence thereafter that the rights accrued to the plaintiff once it had paid for the art work.

[35] The artists had co-operated with one another and with her and plaintiff paid both of them.

[36] Her payment terms on behalf of plaintiff with the defendant for the production of the range was 60 days, and she struggled to meet this commitment. She had to make special arrangements for payment, but eventually did pay the full agreed price.

[37] It was put to her that the defendant also did not make any money out of the first run of the range, but only from reprints.

[38] Ms Abrahams testified that as far as she was concerned, the defendant had been paid for the entire production at a price which the defendant had quoted for the job.

[39] It was put to her that, during approximately October 2000, she granted permission on behalf of plaintiff to Mr Baker for the defendant to reprint part of the Tropicana range. She denied this vehemently, inter alia on the basis that she was not even in the office during the year 2000.

[40] She also denied that there had not been any further orders after the first print was sold and that she was stunned when she heard that Baker claimed that she had given permission.

[41] While the defendant conceded that the screens had been damaged, a suggestion that this had been done intentionally because of the pending Court case was disavowed by Ms Abrahams.

[42] In further cross-examination after the amendment of the pleadings, Ms Abrahams testified that she regarded the artists as free agents. She understood that plaintiff would only become proprietor on payment of the copyright. She entered into the written contracts on the advice of her

attorneys with the artists.

[43] Ms Abrahams was also confronted with a contract entered into between her and Ms Beack during August 2001, which had also been drawn by the plaintiff's attorneys. It was not as extensive in its terms as the later contracts of February 2002. Ms Abrahams was, eventually, unable to say on which contract the pleader of her case had relied.

[44] The plaintiff called only Ms Abrahams and closed its case after her testimony.

[45] The defendant called Mr Jack Baker. He is a partially retired business man and representative who used to be defendant's agent. His present involvement is limited to a minor part in his son's business, which also operates in the textile field. He confirmed that he had had a long business association with the plaintiff, and particularly Ms Abrahams, who regarded him as a father figure, a mentor and an advisor.

[46] He assisted her in the preparation of the Tropicana range. He testified that the defendant required further orders to make a profit out of the screens which they had manufactured.

[47] The defendant consequently asked for permission to reprint some of the designs. This occurred at sometime during October 2000.

[48] He was personally in her office, discussing a further order for which she had to pay in advance because of plaintiff's credit record with the defendant. He then asked her whether she would allow the defendant to use her designs, and the answer was yes. He denied that no consent had been given, but confirmed that Ms Abrahams phoned him once she became aware of the fact that samples of her range had been marketed.

[49] In cross-examination, he conceded that he was unable to deny that the plaintiff had paid for the screens and that he himself had not been involved in the costing by the defendant of its price for the development of the screen and the printing of the range.

[50] He also had to concede that he had no knowledge of any subsidy which the defendant provided for the printing of the screens.

[51] It was put to him that the defendant, or his son's business, must have had an order or pending order for items out of the plaintiff's range to show any interest in reprinting the same. At the very least, a definite market gap must have been observed.

[52] After some hesitation, he was forced to concede that this was the case and that he had an interest in the defendant turning a profitable business, as he was its agent at all times.

[53] He also conceded that he was aware of the fact that his son's business would share the order which it received for items out of the plaintiff's range with a company known as Willtex.

[54] He also did not deny that his son's business was selling items out of the Tropicana range at a much lower price than the plaintiff.

[55] He contradicted this evidence by stating that he had been requested

by the defendant to approach Ms Abrahams for permission to use the fabric design without having been aware of the fact that defendant had an order.

[56] In further cross-examination, he disclaimed any knowledge of such an order and said that he did not know whether he would have given permission for the reproduction of a range which had not yet met the financial expectations of the original creator.

[57] He thought that Ms Joe Ormat, defendant's employee, would have asked him to obtain the permission.

[58] The next witness for the defendant was Ms Josephine Ormat, who acts as the defendant's co-ordinator.

[59] She testified that she requested Mr Baker to obtain consent for the use of the plaintiff's designs.

[60] Under cross-examination she told the court that the defendant would use screens which were its property and had not been paid for by the customers for such reproduction. Plaintiff's screens did not belong to the defendant.

[61] She conceded that there had been enquiries about the range prior to the alleged request.

[62] She could not explain why she did not ask Ms Abrahams herself for permission, other than to say that she could not get her on the phone, neither before Mr Baker obtained permission nor later, when she alleged she tried to phone Ms Abrahams to thank her for her consent.

Assessment of the evidence

[63] Ms Abrahams was a patently honest witness. Her assertion that she was 'passionate about fabrics' ran like a golden thread through her evidence. She was forthright, articulate, made concessions whenever she was required to do so and her evidence carried the clarion ring of truth throughout.

[64] On the probabilities, and particularly in the light of the fact that the range was not doing as well as she had hoped, the likelihood that she would have consented to the defendant's use of the design at the very stage that the range could have become profitable to plaintiff is far-fetched. Quite apart from the fact that the defendant bears the onus of persuading the court that this was the case, Mr Baker's evidence is far from convincing.

[65] Mr Baker could not measure up to Ms Abrahams as a witness. He was often vague, at times clearly uncomfortable, repeatedly licking his lips before answering questions in cross-examination and generally created the impression of a witness who retreated into failures of memory whenever pressed upon difficult points.

[66] In any event, as I have already stated, the probabilities are overwhelmingly in favour of the plaintiff. The likelihood that a comparatively small business like the plaintiff would relinquish its

rights to designs at the very time that these could, after a long and difficult financial history, make a profit, is remote, to say the least.

[67] I consequently have no hesitation to reject Mr Baker's evidence wherever it clashes with that of Ms Abrahams.

[68] As is evident from the summary of her evidence, Ms Ormat could contribute little to the resolution of the issue.

[69] As far as the second claim is concerned, it is common cause that the damaged screens were replaced by Jatex. Ms Abrahams' evidence that she could not deliver certain orders because of the fact that the screens were not available, was challenged, but as I am not called upon to decide on any quantum of damages, I need not deal with the issue at this stage in any further detail.

The history of the litigation

[70] The plaintiff in its original particulars of claim relied upon a written agreement in respect of claim 1, entered into on 6 February 2002 with both Annette Beack and Kahryn Retif in terms of which the copyright in the works was assigned to the plaintiff and all accrued rights of actions and claims against third parties arising out of past infringements of the copyright works were ceded to the plaintiff.

[71] When the trial commenced, the particulars of claim were amended to include the allegation that on 3 August 2001 Annette Beack had already entered into a written agreement with the plaintiff. This agreement only assigned the right, title and interest in and to the copyright in the artistic works to the plaintiff.

[72] Eventually, on the third day of the trial, the plaintiff moved a further amendment which introduced the allegation that there had been a verbal contract of service entered into between the plaintiff and Annette Beack and Kahryn Retief, and that such contract had transferred the copyright in the works to the plaintiff in terms of section 21(1)(d) of the Copyright Act.

[73] The matter stood down for a while to enable the defendant to consider its position before the trial proceeded.

[74] Mr De Waal, who appeared for the plaintiff, motivated the need for the amendments on the basis that the defendant had, as early as 4 and 21 September 2001, expressly and in writing through letters written by its attorneys admitted the existence of the plaintiff's copyright and had undertaken unequivocally to cease manufacturing or selling reproductions of the copyrighted works. It is notable that in neither of these letters the defence of consent is raised.

[75] Only when pleadings were exchanged, and the content thereof confirmed during the pre-trial conference, was the plaintiff made fully aware of the fact that its claim to copyright was being seriously challenged.

[76] It is also clear from the evidence of Ms Abrahams that the

contracts entered into between herself and the two artists were reduced to writing only after she had consulted her attorneys once the plaintiff had become aware of the fact that the defendant was distributing infringing copies. The written agreements were required as a result of the provisions of section 22(3) of Act 98 of 1978, which provides that 'no assignment of copyright and no exclusive licence to do an act which is subject to copyright shall have effect unless it is in writing signed by or on behalf of the assignor, the licensor or, in the case of an exclusive sublicense, the exclusive sublicensor, as the case may be'.

[77] The amendments caused some delay to a trial which was estimated at the call of the roll would require no more than two days to be concluded. This will have to be considered when the issue of costs is determined.

The legal position

[78] As I have already indicated, the plaintiff eventually relied upon the provisions of section 21(l)(d) of the Copyright Act. Section 21 determines in subsection (1)(b) that, if an artistic work is made by an author in the course of his employment by the proprietor of a newspaper, magazine or similar periodical, and the work is destined for publication in such newspaper, magazine or periodical, the proprietor becomes owner of the copyright.

[79] Subsection(1)(c), read with 55 (l)(b), provides that the creator of works in which copyright subsists and who receives a commission in respect of the taking of a photograph or producing any other visual image or film, will, if such commission is earned in the course of employment by an employer, result in such copyright thereof vesting in the employer.

[80] Section 21(l)(d) reads as follows:

'where in a case not falling within either para (b) or (c) a work is made in the course of the author's employment by another person under a contract of service or apprenticeship, that other person shall be the owner of any copyright subsisting in the work by virtue of section 3 or 4.'

[81] The question consequently arises whether Ms Beack and Retief can be said to have been employed by the plaintiff. I have already summarised Ms Abrahams' evidence in this regard. She explained the concept which she had in mind to the artists, and that she co-operated with the artists to produce the final product.

[82] It was clear, however, that the art work was done by the artists. Ms Beack regarded herself as being in the same position as an architect or a plumber.

[83] In addition, Ms Abrahams underlined that the artists would only be paid at the end of the delivery of the product, and that plaintiff,

according to her understanding of the arrangement which she had made with the artists, would only be vested with copyright in the art work once payment had been made.

[84] The real issue which confronts the court is consequently whether the artists entered into a contract of service (*locatio conductio operarum*) or into a contract of work (*locatio conductio operis*).

[85] It may sometimes be very difficult to decide whether a contract is a contract of service or a contract of work: *Smit v Workmen's Compensation Commissioner* 1979 (1) SA 51 (A), particularly at 62C-63H. One of the most important indications that a contract is indeed a contract of service is the element of control which the employer retains over the employee and the way the latter performs his task.

[86] This is no longer the only test, and there are other considerations which must be taken into account, depending upon the facts of each case, but it still remains one of the most important aspects to be considered. See in this connection the interesting judgment by Naidu AJ in *Motor Industry Bargaining Council v Mac-Rites Panel Beaters and Spray Painters (Pty) Ltd* 2001 (2) SA 1161 (N), particularly at 1165D-1166B and 1169I-1170I.

[87] *Hannah v Government of the Republic of Namibia* 2000 (4) SA 940 (Nm) provides a clear analysis of an office, albeit remunerative, being held not by a servant, but by a constitutionally independent professional person.

[88] If the relationship between the plaintiff, represented by Ms Abrahams, and the artists is compared to the tests and the contracts which were relevant in the above cases, I think that it emerges quite clearly that, while Ms Abrahams might have involved herself with the process which led to the eventual product, and may have participated enthusiastically in the conceptualisation thereof, she did not, would not and could not exercise control over the way in which the art work was developed and produced. This is patently clear from the fact that the whole process took almost a year, during which time the artists transferred their ideas on to the screens.

[89] The fact that the artists were only paid once the art work was completed also indicates that the finalisation of the contract was bound up with the completion of the end product, and that there was no obligation upon the plaintiff to make interim payments.

[90] Under the circumstances I have come to the conclusion, not without some hesitation, that the contract entered into between the plaintiff and the artists was not a contract of employment.

[91] The claim based on section 21(1)(d) must consequently fail.

[92] The rights which accrue to the plaintiff from the contracts entered into in August 2001 and February 2002 were never seriously disputed. As much as the defendant has relied on consent, that defence is

demonstrably untenable.

[93] As much as the provisions of section 26 of the Copyright Act were relied upon, it is clear from the summary of the evidence recorded above that the plaintiff's own case indicates that copyright was transferred to plaintiff only during August 2001 and February 2002.

[94] Consequently, and in accordance with the separation of issues as set out in the pre-trial proceedings, I hold that, in respect of claim 1:

- (1) the plaintiff succeeds in respect of the averments contained in paras 1, 3, 4 and 5 of the particulars of claim.
- (2) The plaintiff became the owner of the copyright, in respect of the work by Annette Beack, on 3 August 2001, and holds all rights of action and claims against third parties accruing to Annette Beack arising out of any infringement of the copyrighted works as from 6 February 2002.
- (3) Similar rights in respect of the art work performed by Ms Retief are held by the plaintiff as from 6 February 2002.
- (4) In respect of claim 2, it is held that the plaintiff was at all material times the owner of the printing screens, that the screens were returned to the plaintiff in a damaged condition, and that defendant was negligent in damaging such screens.

[95] As far as costs are concerned, I have been asked by the plaintiff to make a special costs order in the light of the way the defendant conducted its case, whereas the defendant has argued for costs order in its favour in respect of the time which was lost as a result of the amendments.

[96] I am of the view that there is considerable merit in plaintiff's criticism of the way in which defendant approached the matter, especially bearing in mind the early correspondence between the parties. On the other hand, plaintiff was not entirely certain about its own case when the trial started, hence the amendments. Consequently, and bearing in mind that both parties suffered as a result of the inevitable delay caused thereby, I am of the view that my discretion would be best exercised if I award costs of the action to the plaintiff.

[97] It is so ordered.

BESTMED MEDICAL SCHEME v BOARD OF HEALTHCARE FUNDERS OF SOUTHERN AFRICA

**MYNHARDT J
26 MARCH 2003
TRANSVAAL PROVINCIAL DIVISION**

To show that a tacit licence to use the copyright in a work has been granted, then upon a reasonable interpretation of the known facts, it should be apparent that the copyright holder has granted a licence to the alleged licensee to use its copyright.

Bestmed Medical Scheme was a medical scheme registered as such under the Medical Schemes Act (no 131 of 1998). In the period 1968 to 1978, its employees developed a numbering system, known as the PCNS. The PCNS was a system of numbers or codes which identified every medical practice and service provider in South Africa.

In 2000, the numbering system was enhanced to accommodate an increased number of medical practitioners and service providers. The numbering system was essential to the facilitation of payments of medical accounts and the designation and publication of a practitioner's number was a statutory requirement.

In 1978, Bestmed concluded an agreement with the Association of Medical Schemes in terms of which the Association was to administer the numbering system, and could secure payment from any medical scheme which used the system. In 1994, the Association ceased to exist and another Association assumed all of its rights and duties. It later amalgamated with another body and in 1999, the Board of Healthcare Funders of Southern Africa was formed. The Board's constitution provided that the rights and duties of its predecessor were transferred to it and that one of its purposes was to administer the numbering system. The Board later became a company established under section 21 of the Companies Act (no 61 of 1973).

In 2000, the Board forwarded to Bestmed an agreement which incorporated a term entitling the Board to make the numbering system available to members free of charge and to non-members in return for a fee. All rights in the numbering system including the copyright therein would vest in the Board. Bestmed did not agree to this and asserted that it held the copyright in the numbering system. It stated that the numbering system had been used by the Board under a tacit licence. By notice given in a letter dated 30 July 2001, the licence was revoked and terminated on 30 November 2001.

The Board asserted that it was entitled to use the numbering system. Bestmed then applied for an interdict preventing the Board from infringing its copyright in the numbering system and from reproducing the numbering system or making a copy thereof.

Held—

The Board accepted that the copyright in the numbering system vested in Bestmed. The consequence of this was that any right to administer and control the numbering system had to be founded on some basis other than the copyright in the numbering system. The question was whether this could be found in the contract concluded in 1978.

The contract entitled the Association to administer the system and allow members to use it. However, in 1994, with the discontinuation of the Association, this entitlement came to an end. The terms of the contract, properly interpreted, showed that the parties intended that the numbering system would be used only for the furtherance of the purposes of the medical schemes and that control over

the use of the numbering system was considered to be of importance and would vest only in the Association. The conclusion to be drawn from this was that on 1 January 1994, the right to control and administer the numbering system reverted to Bestmed.

The contract concluded in 1978 had to be interpreted as a whole. As such, it indicated that it was envisaged that only the Association was entitled to control and administer the numbering system. If as an entity it was to be discontinued therefore, that entitlement could not vest in another party.

The Board argued that Bestmed had granted it a tacit licence to use the numbering system and that this was demonstrated by the fact that Bestmed had allowed the re-formed Association and its successors to use the system. In assessing the merit of this proposition, the approach was for the court to assess whether there were sufficient facts that could reasonably be interpreted as showing that a tacit contract came into existence.

Looking at the facts of the present case, it could not be found that a contract succeeding that of 1978 contract had come into existence. Clearly the Association had continued to use the numbering system, but there was no evidence that either party or its successors was aware of the terms of the 1978 contract. The fact that the parties had assumed incorrectly that the Association was entitled to use the numbering system did not give the basis for any continuation of that contract. There were, in any event, indications that a tacit contract or licence did not come into existence. These were factors such as the fact that a separate account was kept and that the Board had taken the view that copyright in the numbering system vested in itself.

The interdict was granted.

Mynhardt R:

[1] In paragraaf 1 van die kennisgewing van mosie vra die applikant dat 'n interdik teen respondent toegeken word wat 'die respondent, sy dienare of agente, verbied om die applikant se outeursreg in sy praktykkodenummerstelsel (hierna genoem 'die PKNS') soos beskryf in paragraaf 5 van die funderende eedsverklaring van Andries Mathys la Grange te skend deur, sonder die vergunning van die applikant, die PKNS in enige wyse of vorm te reproduseer, of om 'n aanwending van die PKNS te maak, of om 'n aanwending van die PKNS te reproduseer op enige wyse of vorm, of om enige ander persoon dit te laat doen; ...'

[2] Die regshulp wat gevorder word in paragrafe 2 en 3 van die kennisgewing van mosie, naamlik 'n interdik om die respondent te belet om die PKNS te versprei vir doeleindes van reproduksie daarvan, of om dit daarvoor beskikbaar te maak, op sy webwerf of andersins en om die respondent te gelas om alle databasisse en skendende kopieë van die PKNS aan applikant te oorhandig, is regshulp wat verband hou met die regshulp gevorder in paragraaf 1 van die kennisgewing van mosie.

In paragraaf 4 van die kennisgewing van mosie word 'n kostebevel, insluitende die koste van twee advokate, aangevra.

[3] Die feit dat regshulp ook teen die 'dienare of agente' van die respondent aangevra word, is onnodig. In *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd* 1993 (4) SA 279 (A) op 292G 293D het Corbett HR hierdie gebruik in, onder andere, kopiereg sake ondersoek

en tot die slotsom gekom dat daar geen regverdiging daarvoor bestaan nie en dat die howe nie daaraan gevolg behoort te gee nie.

[4] Die kernvraag vir beregting in die onderhawige saak is of die respondent kontraktueel of andersins geregtig is om die praktykkodenummerstelsel ('die PKNS'), waaroor later meer gesê sal word, te gebruik of, anders gestel, te produseer.

[5] 'n Tweede vraag op die stukke en tot en met die aanvang van die verrigtinge op 17 Maart 2003 in die hof, was of die applikant nie die Raad vir Mediese Skemas ('die Raad') as 'n tweede respondent moes gevoeg het nie. Hierdie is in wese 'n prosedure vraag en hou nie verband met die sogenaamde meriete van die saak nie. Die respondent se advokaat het egter nie volhard met hierdie punt *in limine* nie. Gevolglik hoef niks meer daaroor gesê te word nie.

Agtergrond en die feite

[6] Die applikant is 'n mediese skema wat aanvanklik bekend was as die Statutêre Organisasies se Mediese Skema ('SOMS'). Die applikant was geregistreer as 'n mediese skema kragtens die bepalings van die vorige Wet op Mediese Skemas, 1967, en bestaan tans voort as 'n mediese skema kragtens die bepalings van die Wet op Mediese Skemas, 1998, Wet 131 van 1998.

Gedurende 1990 het die applikant sy naam verander na die huidige naam.

[7] Gedurende die sestigerjare en vroeë sewentigerjare is 'n stelsel ontwikkel wat bekend geword het, en steeds bekend is, as die PKNS. Die stelsel, of 'n aangepaste weergawe daarvan, is steeds in gebruik.

[8] Volgens die applikant se weergawe was ene mnr J J van Biljon die hoofouteur van die PKNS. Mnr Van Biljon was vanaf Julie 1968 tot 1976 in diens van die applikant as die bestuurder van die applikant. Hy het toe met pensioen afgetree en is sedertdien oorlede. Gedurende die jare 1976 tot 1978 het mnr J A Strydom, wat ook 'n werknemer van die applikant was, die PKNS verder ontwikkel aldus die applikant. Die gevolg daarvan, volgens die applikant, is dat die applikant die eienaar is van die outeursreg in die PKNS.

[9.1] In die antwoordende eedsverklaring van die respondent word die bewerings van die applikant oor wie die outeur van die PKNS was, heftig betwis. Die respondent ontken ook dat die outeursreg in die stelsel by die applikant berus. Verder ontken die respondent dat die PKNS 'n literêre werk is, of was, en dat dit oorspronklik is, of was. Die respondent voer ook aan dat die PKNS soos dit tans daar uitsien, 'n totaal verskillende stelsel is in vergelyking met die stelsel soos dit in 1978 bestaan het.

[9.2] Die respondent se advokaat, mnr Fitzgerald SC, het egter vir doeleindes van die beregting van die saak aanvaar dat die outeursreg in die PKNS by die applikant berus. Gevolglik is dit nie vir die hof nodig

om uitsluitel te gee oor daardie dispuut wat op die stukke bestaan nie. [9.3] Die respondent het ook in die antwoordende eedsverklaring aangevoer dat die ooreenkoms wat in 1978 tussen die applikant en die Verteenwoordigende Vereniging van Mediese Skemas ('die VVMS') aangegaan is, gerektifiseer moet word deur die invoeging van sekere woorde in klousule 8 daarvan. Hierdie ooreenkoms speel 'n belangrike rol in die onderhawige saak en ek sal aanstons meer daaroor sê.

[9.4] Die applikant het die respondent se bewerings met betrekking tot rektifikasie van die 1978 ooreenkoms betwis.

[9.5] Die respondent se advokaat het die hof meegedeel dat die respondent nie volhard met die eis dat die 1978 ooreenkoms gerektifiseer moet word nie. Dit is gevolglik ook nie nodig om uitsluitel te gee oor daardie dispuut wat op die stukke bestaan nie.

[10.1] Dit bring my by die PKNS as sodanig.

Die PKNS is 'n stelsel van nommers of kodes wat elke mediese praktisyn en diensverskaffer in Suid Afrika identifiseer. Aan elke diensverskaffer en elke praktyk word 'n unieke identiteitsnommer toegeken. Die versameling van hierdie nommers stel die PKNS daar.

[10.2] Tot die jaar 2000 het die kodenommer, of identiteitsnommer, wat aan elke diensverskaffer toegeken is, bestaan uit sewe nommers. Die eerste twee nommers het die aard van die praktyk geïdentifiseer. Daarvolgens kan bepaal word of die diensverskaffer byvoorbeeld 'n algemene mediese praktisyn of 'n narkotiseur of dermatoloog is. Die volgende vier nommers het die betrokke diensverskaffer geïdentifiseer. Daar kon dus 9999 individuele diensverskaffers opgeneem word in elke besondere tipe van praktyk. Die laaste nommer was 'n sogenaamde kontrolenommer. Dit het 'n rol gespeel om, onder andere, vewarring tussen verskillende diensverskaffers uit te skakel.

[10.3] Sedertdien word dertien nommers, in plaas van sewe, gebruik in die kode om individuele diensverskaffers te identifiseer. Die eerste drie nommers dui die dissiplineveld van die diensverskaffer aan, byvoorbeeld, of hy/sy 'n algemene mediese praktisyn is of 'n narkotiseur. Die volgende drie nommers dui die sub dissiplineveld aan. Daarvolgens kan die spesialiteitsgebied binne 'n bepaalde dissipline bepaal word. Die volgende ses nommers dui aan wie die betrokke diensverskaffer is want aan elke individuele diensverskaffer word 'n nommer toegeken. Dit is dus nou moontlik om 999999 individuele diensverskaffers in elke dissipline op te neem. Die laaste nommer is steeds 'n kontrolenommer.

[10.4] Vir doeleindes van hierdie saak kan die applikant se bewerings dat die nommers wat aan diensverskaffers toegeken is voor die implementering van die nuwe stelsel van dertien nommers, nog steeds deel uitmaak van die PKNS, soos tans gebruik, as korrek aanvaar word. In paragraaf 7 van die repliserende eedsverklaring toon die applikant na

my mening met vers en kapittel aan dat die kodenommers wat voorheen in die stelsel opgeneem was, steeds daarin voorkom. Die applikant sê dan dat daar slegs ongeveer 7895 ‘sulke nuwe nommers in die hele PKNS, waarvan gebruik eers in 2000 begin het (voorkom) uit ’n huidige totale van omtrent 70 000 PKNS nommers’.

[10.5] Die PKNS speel ’n baie belangrike rol in die praktyk. Die kodenommer van die diensverskaffer, sê die applikant, ‘word deur mediese skemas in hulle eiseverwerkingsproses gebruik om die betaling van fooie gedebiteer deur mediese diensverskaffers deur die rekenaar te toets vir duplikaat betalings en om betaling te verwerk. Die PKNS vorm landwyd ’n essensiële deel van die betaling van sulke eise en het ten doel om betaling aan die korrekte diensverskaffer te maak.’

Die respondent sê in paragraaf 30 van die antwoordende eedsverklaring dat ‘The PCNS is the backbone of the medical scheme and medical scheme administration industries and is vital for claims processing. ... there are approximately 7 000 000 beneficiaries of medical schemes in South Africa which pay approximately R40 billion a year in claims. All claims by these 7 000 000 beneficiaries of the medical scheme, are dependent upon the PCNS for their payments. Claims submitted without a practice code to a medical scheme or a medical scheme administrator will not be paid.’

[10.6] Dit is dan ook nie verbasend nie dat volgens regulasie 5(e) van die regulasies wat deur die Minister van Gesondheid kragtens artikel 67 van die Wet op Mediese Skemas, 1998, uitgevaardig is, dit van elke diensverskaffer vereis word om sy/haar kodenommer op sy/haar rekening wat vir betaling voorgelê word, aan te dui.

[10.7] Volgens die woordskrywing van ‘praktykkodenommer’ in artikel 1 van die regulasies, moet ’n kodenommer aan ’n verskaffer toegeken word deur ’n instansie of persoon wat daartoe gemagtig is deur die Registrateur van die Raad. Dit is gemeensaak op die stukke dat die respondent deur die Registrateur gemagtig is om die PKNS te bedryf tot 1 Junie 2006.

[10.8] Die goedkeuring en magtiging van die persoon of instansie deur die Registrateur geskied ooreenkomstig sekere riglyne wat deur die Raad bepaal en neergelê is. Die besonderhede daarvan is vervat in bylae BM58 tot die applikant se repliserende eedsverklaring. Ek sal later weer na hierdie riglyne verwys.

[11] Die applikant het die PKNS geadministreer tot 1978. Gaandeweg het dit vir die applikant duidelik geword dat die stelsel deur ’n ander instansie geadministreer behoort te word.

[12] Op 3 Maart 1978 het die applikant ’n skriftelike ooreenkoms aangegaan met die VVMS. Ingevolge hierdie ooreenkoms is die administrasie van die PKNS oorgedra aan die VVMS. Die VVMS sou gelde kon hef, toetreegelde en diensgelde, van enige mediese skema wat

die stelsel wil gebruik, ten einde die koste verbonde aan die instandhouding en administrasie van die stelsel te bestry.

[13] Die VVMS was 'n statutêre organisasie wat in 1975 gestig was kragtens die bepalings van die Wet op Mediese Skemas, 1967, wat weer herroep is kragtens artikel 68(1) van die Wet op Mediese Skemas, 1998.

[14] Ingevolge die bepalings van artikel 24(1) en (2)(a) van Wet 23 van 1993 en Proklamasie 69 van 1993 het die VVMS op 1 Januarie 1994 opgehou om te bestaan.

Volgens artikel 24(2)(b) van Wet 23 van 1993 sou al die regte, bates, verpligtinge en laste van die VVMS oorgaan op 'n persoon wat deur die Minister van Gesondheid aangewys word na oorlegpleging met die voormalige lede van die VVMS.

[15] Op 7 Junie 1993 is 'n vrywillige vereniging gestig met dieselfde naam as die VVMS. Volgens klousule 4 van die konstitusie daarvan was twee van die doelstellings van die vereniging om die bates, regte, laste en verpligtinge van die statutêre VVMS oor te neem en om die PKNS te administreer.

[16] Op 12 Januarie 1999 het die Minister van Gesondheid die (nuwe) VVMS aangewys as die entiteit waarop die regte en verpligtinge, ens van die statutêre organisasie oorgegaan het met ingang van 1 Januarie 1994.

[17] Op 24 Januarie 1996 het die VVMS 'n nuwe konstitusie aanvaar. Die twee doelstellings hierbo vermeld is weer herhaal in die nuwe konstitusie.

[18] In 1998 het 'n aantal lede van VVMS weggebreek en 'n nuwe liggaam, die South African Medical Schemes Association ('SAMSA') gestig.

[19] Die VVMS en SAMSA het egter besef dat dit in almal se belang sou wees om slegs 'n enkele organisasie te hê in plaas van twee. Op 30 April 1999 is 'n tussentydse konstitusie aanvaar en op 11 November 1999 is daardie konstitusie vervang met 'n nuwe konstitusie wat die samesmelting volvoer het. Die naam van die organisasie wat toe tot stand gekom het was nou Board of Healthcare Funders of Southern Africa ('die BHF'). Volgens klousule 5 van die nuwe konstitusie van 1999 het die BHF die regte en verpligtinge, ens van sy voorganger oorgeneem en was dit die regsopvolger, of opvolger in titel, van sy voorganger.

Volgens klousule 8.1.19 van die 1999 konstitusie was een van die doelstellings van die BHF om 'n praktykkodenommerstelsel te administreer en toe te pas.

Op hierdie wyse het die respondent dus tot stand gekom en het dit voortgegaan om die PKNS in die praktyk te administreer.

[20] Op 15 Februarie 2001 het die BHF weer ontbind en het 'n maatskappy tot stand gekom ingevolge artikel 21 van die

Maatskappywet, 1973, met dieselfde naam as sy voorganger. Al die regte, verpligtinge, ens van die BHF is oorgedra na die artikel 21-maatskappy. Die doelstellings van die maatskappy, vir sover hier ter sprake, is dieselfde as dié van sy voorganger.

[21] Die applikant was tot en met 31 Desember 2001 'n lid van die respondent en het geen beswaar gemaak teen die veranderings, of vervanging, van die respondent se konstitusie van tyd tot tyd soos hierbo uiteengesit nie.

[22] In September 2000 het die applikant 'n konsep gebruikersooreenkoms van die respondent ontvang vir ondertekening. Volgens die ooreenkoms sou die respondent die PKNS beskikbaar stel aan lede daarvan en aan nie lede teen betaling van sekere gelde.

Volgens klousule 7 daarvan berus al die regte in die PKNS, insluitende die outeursreg in die stelsel, by die respondent.

[23] Die applikant het nie saamgestem daarmee dat outeursreg in die PKNS by die respondent berus nie en die respondent is deur middel van 'n brief van 19 Desember 2000 daarvan in kennis gestel dat die applikant aanspraak maak op outeursreg in die stelsel. Ten spyte van samesprekings tussen die partye kon die dispuut oor outeursreg in die PKNS nie bygelê word nie.

[24.1] Die applikant se saak op die stukke is dat die outeursreg in die PKNS by hom berus.

Wat die gebruik van die stelsel na 1 Januarie 1994 betref is dit die applikant se standpunt dat hy 'n stilswyende lisensie aan die respondent verleen het om die stelsel te gebruik. By wyse van 'n brief van 30 Julie 2001 wat deur die applikant se prokureurs gerig is aan die respondent se prokureurs, is die lisensie herroep en beëindig op 30 November 2001.

Die applikant se standpunt is dus dat die respondent, deur steeds die PKNS te administreer en die inligting daarin vervat aan belanghebbendes beskikbaar te stel, die applikant se outeursreg skend. 'n Interdik wat die respondent verbied om dit te doen behoort dus, volgens die applikant, teen die respondent verleen te word.

[24.2] Die respondent betwis die applikant se siening en standpunt. Die respondent se saak is dat hy kontraktueel geregtig is om die PKNS te administreer en die inligting daarin vervat beskikbaar te stel aan belanghebbendes. Voorts is dit die respondent se saak dat die applikant in elk geval nie daarop aanspraak kan maak om die PKNS terug te eis na al die jare nie en dat 'n interdik in elk geval ook nie aan applikant verleen behoort te word nie. Die applikant se aansoek moet dus misluk aldus die respondent.

IS DIE RESPONDENT GEREGTIG OM DIE PKNS TE BEDRYF EN TE ADMINISTREER?

[25] Soos reeds vermeld in paragraaf 9.2 hierbo, aanvaar die respondent vir doeleindes van beregting van hierdie saak, dat die outeursreg in die

PKNS by die applikant berus.

Die gevolg hiervan is dat die respondent se bevoegdheid om die stelsel te gebruik nie voortspruit uit die outeursreg daarvan, wat by die respondent sou berus volgens die antwoordende eedsverklaring nie. Die bevoegdheid van die respondent, indien enige, om die stelsel te bedryf en te beheer moet dus 'n ander grondslag, of basis, hê. Dit is daardie vraag wat nou ondersoek moet word.

[26] Die beginpunt van die ondersoek wat nou plaasvind is natuurlik die bepaling van die skriftelike kontrak van 3 Maart 1978 waarna hierbo verwys is in paragraaf [12].

[27] In die voorrede, of aanhef, van die kontrak word dit geboekstaaf dat die applikant 'n 'praktyknommerstelsel' ontwikkel het en dit self administreer en dat ander mediese skemas met die toestemming van die applikant daarvan gebruik maak teen vergoeding. Dit word ook geboekstaaf dat dit in belang van al die mediese skemas is wat onder VVMS 'ressorteer' dat daar 'n sentrale oorkoepelende mediese praktyknommerstelsel in gebruik moet wees'. Daarop volg dan die volgende paragraaf:

'NADEMAAL dit as dienstig beskou word dat 'n stelsel soos voormeld by 'n sentrale en amptelike liggaam gesetel moet wees en nie soos tot dusver die geval was deur een skema naamlik SOMS, (die applikant) beheer en gadministreer moet word nie.'

[28] In klousules 1 tot 5 van die ooreenkoms word dan gehandel met die oorname, wat kosteloos sou wees, van die PKNS deur die VVMS.

Klousule 6 van die ooreenkoms bepaal dat kopiereg in die stelsel aan die applikant behoort 'en te alle tye in SOMS sal bly berus'.

Klousule 8 van die ooreenkoms is vir doeleindes van hierdie saak van deurslaggewende betekenis. Die klousule lui soos volg:

'Die stelsel as sodanig mag nie deur VVMS verkoop of op welke wyse of vir welke doel ook al vervreem of van die hand gesit word nie; met dien verstande dat indien VVMS sou ophou om te bestaan of vir welke rede ook al dit onmoontlik sou vind om met die administrasie van die stelsel voort te gaan, dit sonder versuim aan SOMS die eerste keuse sal gee om die stelsel terug te neem. Beide partye hiertoe besef die waarde van die stelsel en verklaar dit as hulle begeerte dat die stelsel nie tot niet moet gaan nie maar moet bly voortbestaan.'

Volgens klousule 9 van die kontrak sou die VVMS van gebruikers van die stelsel, mediese skemas, kon verg om toetreegelde te betaal sowel as diensgelde. Die applikant is egter vrygestel van die betaling van toetreegelde en sou ook nie diensgelde betaal vir solank as wat dit die VVMS behaag nie.

Hierdie gelde moes aangewend word ter bestryding van die VVMS se kostes om die stelsel in stand te hou en om dit te administreer. Die

VVMS moes ook 'n aparte rekening aanlê waarin die inkomste en uitgawes verbonde aan die stelsel aangeteken word. Ingevolge klousule 10 van die ooreenkoms het die VVMS onderneem om die stelsel 'behoorlik en doeltreffend te bedryf en in stand te hou'. As dit nie gebeur het nie, het die applikant die reg verkry 'om die stelsel terug te neem' sonder om enige vergoeding aan die VVMS te betaal. As daar by terugname van die stelsel 'n tekort in die rekening wat aangelê moes word, gevind is wat ontstaan het as gevolg van 'nalatigheid of wanbestuur' dan moes die VVMS die tekort aansuiwer.

[29] Dit is gemeensaak op die stukke dat die PKNS nie aan die applikant aangebied was voor of na die VVMS op 1 Januarie 1994 opgehou het om te bestaan nie.

[30] Die applikant het ook op 22 Januarie 1980 'n gebruikersooreenkoms met die VVMS aangegaan. Die applikant kon kosteloos van die PKNS gebruik maak soos wat bepaal was in klousule 9 van die ooreenkoms van 3 Maart 1978.

[31] Die vraag is nou wat die effek was daarvan dat die VVMS op 1 Januarie 1994 opgehou het om te bestaan sonder dat aan die applikant die geleentheid gebied was om die administrasie van die PKNS te hervat.

[32] Namens die applikant het mnr Ginsburg SC, wat tesame met mnr Swart verskyn het, betoog dat die bevoegdheid, of reg, wat voor 1 Januarie 1994 in VVMS gesetel was om die PKNS te bedryf en te administreer, tot 'n einde gekom het toe die VVMS op 1 Januarie 1994 opgehou het om te bestaan. Die betoog was dat dit duidelik uit klousules 8 en 10 en die aanhef van die kontrak blyk dat die applikant die bevoegdheid, of reg, om die stelsel te bedryf en te administreer net aan 'n bepaalde instansie wou verleen wat oor sekere eienskappe of hoedanighede beskik het, naamlik wat 'n sentrale en amptelike liggaam' was. Die VVMS was so 'n liggaam gewees. Andersins, het mnr Ginsburg betoog, was die bedoeling duidelik dat as daardie liggaam nie meer sou bestaan nie, die applikant weer beheer daarvan sou neem tensy die applikant anders besluit. Dit was die wyse of meganisme waarop die applikant kon verseker dat die stelsel behoue bly en bly voortbestaan. Dit pas dan ook in by klousule 10 waarvolgens die applikant die stelsel kon terugneem as die VVMS dit nie behoorlik onderhou nie.

Die betoog was verder dat die VVMS, of enige ander instansie, gevolglik nie eensydig en sonder applikant se medewerking en toestemming sy regte en bevoegdhede kon oordra aan iemand anders nie.

Ek is van oordeel dat die bepalinge van klousule 7 ook steun verleen aan hierdie betoog. Die klousule bepaal dat die VVMS die 'gebruik wat van die stelsel gemaak word' streng moet beheer en moet toesien dat die stelsel 'uitsluitlik aangewend word vir die bevordering van die

doelstellings van mediese skemas'. Hierdie bepalings pas ook in by die gedagte dat nie net een mediese skema die stelsel moet beheer nie, wat dalk subjektief en partydig kan wees nie, maar dat 'n sentrale en amptelike liggaam' dit moet beheer. Dit pas ook in by klousule 10, want as die VVMS nie die gebruik van die stelsel 'streng beheer' nie dan slaag hy nie daarin om dit 'behoorlik en doeltreffend te bedryf' nie. Dan kan die applikant die stelsel weer terugneem. Die bedoeling spreek dan ook hieruit dat slegs die VVMS die stelsel moet bedryf en administreer.

Die gevolgtrekking uit die voorgaande is dan, soos ook aan die hand gedoen deur mnr Ginsburg, dat die applikant weer op 1 Januarie 1994 die bevoegdheid gekry het om die PKNS te bedryf en te administreer. [33] In paragraaf 10.3 van die vestigende eedsverklaring sê die deponent, mnr La Grange, wat die hoof uitvoerende beampte van die applikant is sedert 1 Januarie 1996, dat die applikant erken dat dit 'moontlik die respondent stilswyend kon lisensieer het om dele van die applikant se outeursregwerk (die PKNS) te reproduseer en/of aan te wend'. Hierdie moontlikheid kon ontstaan het, sê La Grange, omdat die applikant nooit beswaar gemaak het teen die respondent se gebruik en administrasie van die PKNS nie.

Die applikant se prokureurs het gevolglik op 30 Julie 2001 aan die respondent se prokureurs geskryf en hulle meegedeel dat vir sover daar sprake kon wees van 'n stilswyende lisensie aan die respondent om die stelsel te gebruik, die lisensie beëindig word op 30 November 2001. Die respondent se prokureurs is verder meegedeel dat enige gebruik van die stelsel daarna deur die respondent sal neerkom op 'n skending van kopiereg.

[34] Namens die applikant is dit betoog dat bogemelde siening van die applikant en sy prokureurs inderdaad korrek is.

Die betoog was verder dat die respondent dus sedert 1 Desember 2001 die applikant se outeursreg skend en dat die applikant dus geregtig is op die regshulp aangevra in die kennisgewing van mosie.

[35] Namens die respondent het mnt Fitzgerald SC betoog dat die besondere feite van die onderhawige geval van die uiterste belang is. Hy het in hierdie verband daarop klem gelê dat dit sedert 12 Maart 1993, toe die bepalings van Wet 23 van 1993 in die *Staatskoerant* afgekondig was, aan die applikant en al die ander betrokkenes bekend was dat die VVMS sal ophou om te bestaan op die datum wat die wet in werking tree en dat, volgens artikel 24(2)(b) van die wet, die bates, ens van die VVMS sal oorgaan op 'n instansie wat deur die Minister van Gesondheid aangewys sou word. Die wet het op 1 Januarie 1994 in werking getree volgens Proklamasie 69 van 1993 wat op 2 Augustus 1993 gepromulgeer is. Op 12 Januarie 1994, soos reeds vermeld, het die Minister van Gesondheid die respondent se voorganger in titel, wat op

7 Junie 1993 as 'n vrywillige vereniging tot stand gekom het met die doel om die VVMS te vervang, aangewys as die instansie op wie die VVMS se regte, ens oorgaan. Daarna, het mnr Fitzgerald beklemtoon, was daar 'n paar geleenthede waarop die oorgang van bates, laste, regte en verpligtinge weer ter sprake gekom het. Dit het telkens gebeur toe die respondent se voorganger in titel se konstitusies verander is en ander entiteite tot stand gekom het soos wat hierbo verhaal is. Die applikant, wat tot 31 Desember 2001 'n lid van die respondent was, het nooit beswaar gemaak daarteen dat die daaropvolgende entiteit die PKNS bedryf en administreer nie. Die applikant het selfs, soos La Grange self in paragraaf 7.8 van die vestigende eedsverklaring sê, jaarliks ledegelde aan die respondent betaal sedert die totstandkoming daarvan in 1999. Die respondent sê dat 'n gedeelte van daardie gelde vir die administrasie van die PKNS bedoel was.

Die onafwendbare gevolgtrekking wat hieruit gemaak kan word, aldus mnr Fitzgerald, is dat artikel 24(2)(b) van Wet 23 van 1993 tot gevolg gehad het dat met die verdwyning van die VVMS en die totstandkoming van die vrywillige vereniging, ook bekend as VVMS, of 'RAMS', die 1978 ooreenkoms bloot voortbestaan het tussen die applikant aan die een kant en die (nuwe) VVMS aan die ander kant, en later die opvolgers in titel, insluitende die respondent, van die (nuwe) VVMS. Anders gestel, het mnr Fitzgerald betoog, het die 1978 ooreenkoms nooit by die punt gekom waar klousule 8 daarvan ter sprake gekom het nie omdat die (oorspronklike) VVMS nie opgehou het om te bestaan soos gekontempleer in klousule 8 nie. Daar kan dus, en kon nooit, sprake daarvan wees dat 'n reg van eerste weiering vir die applikant ontstaan het nie. Die 1978 ooreenkoms bestaan dus vandag nog en die respondent administreer die PKNS uit hoofde daarvan.

Mnr Fitzgerald het verder aangevoer dat die brief van applikant se prokureurs van 30 Julie 2001, wat gesê het dat die stilswyende lisensie op 30 November 2001 sal verval, steun bied vir sy argument. In die laaste paragraaf van die brief sê prokureur Job dat 'All our client's rights, including those in terms of the 1978 contract between our client's predecessor SOMS, and RAMS, are reserved.'

As die 1978 ooreenkoms dan nie meer bestaan het in Julie 2001 nie, het mnr Fitzgerald betoog, welke regte van die applikant, wat daaruit sou voortspuit, kon voorbehou word?

'n Tweede brief wat sy argument steun, het mnr Fitzgerald aangevoer, is die brief wat deur mnr La Grange self geskryf is op 13 Augustus 2001 aan die Registrateur van die Raad. Die brief handel oor 'n besoek wat die Registrateur op 2 Augustus 2001 aan die applikant gebring het en mnr La Grange stel nou die applikant se siening van sake oor die geskil met die respondent, op skrif.

In die brief sê mnr La Grange ook die volgende:

‘Information provided to us by individuals also opens the door for us to cancel the original agreement with RAMS in terms of breach of contract. This scheme, however, opted to deal with this issue in a responsible manner due to the consequences involved for the whole industry.’

Mnr Fitzgerald het betoog dat as die 1978 ooreenkoms dan op 1 Januarie 1994 sou verval het, dan is dit onverklaarbaar dat La Grange nog die moontlikheid van kansellasië daarvan in gedagte kon gehad het in Augustus 2001. Hy kon slegs die bepalings van klousule 10 van die ooreenkoms in gedagte gehad het toe hy geskryf het dat die applikant ook die ooreenkoms sou kon kanselleer, het mnr Fitzgerald betoog.

[36] In die alternatief tot die voorgaande betoog het mnr Fitzgerald aangevoer dat in die lig van die tydsverloop sedert Maart 1993, en die gebeure sedertdien soos hierbo verhaal, die afleiding gemaak kan word dat ’n stilswyende lisensie deur die applikant aan die respondent, en sy voorgangers, verleen is om die PKNS te gebruik. Die bepalings van die stilswyende lisensie sou minstens die inhoud van klousules 8 en 10 van die 1978 ooreenkoms bevat. As dit so is, kon die applikant se prokureurs nie die lisensie beëindig, of herroep, in Julie 2001 nie, want nie een van die omstandighede vir terugname van die stelsel deur die applikant wat daarin vermeld word, het tot stand gekom nie.

[37] Mnr Fitzgerald het verder betoog dat dit bevind behoort te word dat die applikant afstand gedoen het daarvan om hom te beroep op die feit dat die VVMS op 1 Januarie 1994 opgehou het om te bestaan. Hierdie bevinding behoort gemaak te word, aldus die betoog, juis vanweë die besondere verloop van sake in hierdie saak en die feit dat die applikant nooit beswaar gemaak het teen die bedryf van die PKNS na 1 Januarie 1994 deur die respondent en sy voorgangers in titel nie. In die alternatief, het mnr Fitzgerald betoog, is die applikant estop, of belet, om hom daarop te beroep dat die VVMS op 1 Januarie 1994 afgeskaf is en die applikant aanspraak kon maak op teruglewering van die PKNS. As laaste uitweg, so is betoog, behoort bevind te word dat die applikant sy aanspraak op teruglewering van die PKNS na 1 Januarie 1994, na verloop van drie jaar verjaar het ingevolge die bepalings van artikel 11(d) van die Verjaringswet, 1969.

[38] Die betoog namens die respondent dat die 1978 ooreenkoms eenvoudig voortbestaan het en dat dit ingevolge artikel 24(2)(b) van Wet 23 van 1993 op die nuwe VVMS oorgegaan het is daarop gebaseer dat die ooreenkoms eers tot ’n einde sou kom indien die applikant die keuse uitoefen om die administrasie van die PKNS te hervat. As die applikant nie daardie keuse maak nie, so lui die betoog, word die ooreenkoms nie geraak nie en bestaan dit voort. Die regte en verpligtinge voortvloeiend daaruit vir die VVMS kan dus ingevolge artikel 24(2)(b) van Wet 23 van 1993 oorgedra word aan die (nuwe)

VVMS en daarna aan die regsopvolgers van daardie instansie.

[39] Ek is van oordeel dat daar nie meriete in die hoofbetoog namens die respondent is nie.

Dit is geïkht reg dat klousule 8 uitgelê moet word as deel van die kontrak as geheel wat die konteks vorm waaronder die bedoeling van die partye bepaal moet word. Kyk *Coopers & Lybrand and Others v Bryant* 1995 3 SA 761 (A) op 767E 768E.

As 'n mens die 1978 kontrak ontleed dan is dit baie duidelik dat die partye begaan was oor, eerstens, die voortbestaan van die PKNS en, tweedens, dat die VVMS, wat 'n amptelike liggaam was, die stelsel sou administreer tot voordeel van al die mediese skemas wat lede was van die VVMS. Juis omdat die VVMS 'n statutêre organisasie was wat 'n sentrale en amptelike liggaam' was kon dit toesien dat 'n sentrale oorkoepelende mediese praktyknommerstelsel in gebruik moet wees' tot voordeel van mediese skemas. Dit is dan ook juis om daardie rede dat die voortbestaan van die stelsel verseker was soos wat klousule 8 boekstaaf. Om hierdie kernbedoeling van die partye verder te verskans moes die VVMS dus nie toegelaat word om die stelsel nie 'behoorlik en doeltreffend te bedryf en in stand te hou' nie, soos wat klousule 10 bepaal, en dit kon ook nie toegelaat word om die stelsel te verkoop of te vervreem of van die hand te sit nie, soos wat klousule 8 bepaal nie. Die stelsel moes dus slegs onder die beheer van die VVMS wees. Dit is dan teen hierdie agtergrond dat die bepaling in klousule 8 dat die stelsel aan die applikant aangebied moet word as die VVMS ophou om te bestaan, en die bepaling in klousule 10 dat die applikant die stelsel kan terugneem, gesien moet word. Die boodskap wat oorgedra word is duidelik. As die VVMS sou ophou om te bestaan en as die VVMS die stelsel nie behoorlik bedryf nie, kan die stelsel nie voortbestaan nie. Om die ondergang van die stelsel te voorkom moet die applikant die geleentheid gegee word om dit terug te neem. Anders gestel, die stelsel gaan tot niet, saam met die VVMS as dit ophou bestaan, of as die applikant dit nie terugneem kragtens klousule 10 nie. Die enigste redding is die applikant. As die applikant die stelsel terugneem, hetsy kragtens klousule 8 of klousule 10, sal dit voortbestaan, anders nie.

Hierdie vertolking van die 1978 ooreenkoms strook dan ook daarmee dat die applikant die kopiereg behou het in die stelsel en die feit dat hy die stelsel ontwikkel het en dit tot 1978 self administreer het soos wat die voorrede boekstaaf. Die applikant was die skepper van die stelsel en as eienaar van die outeursreg daarin, wat normaalweg die reg of bevoegdheid om dit te gebruik sou insluit, kan dit tog seker die reg of bevoegdheid hê om self te besluit of die stelsel maar tot niet moet gaan, as die VVMS ophou om te bestaan of as die VVMS dit nie behoorlik onderhou nie. As die applikant dus die stelsel wil laat voortbestaan dan moet hy dit terugneem kragtens klousule 8 of klousule 10.

Dit is gemeensaak, soos reeds gesê, dat die stelsel nooit aan die applikant aangebied was kragtens klousule 8 nie en dat die applikant nooit 'n keuse uitgeoefen het om dit terug te neem nie. Die noodwendige gevolg was dat die reg of bevoegdheid om die stelsel te administreer op 1 Januarie 1994 beëindig was toe die VVMS opgehou het om te bestaan. [40] Volgens die applikant se stukke het La Grange nie geweet wat die presiese inhoud van die 1978 ooreenkoms was nie. Hy was wel bewus van die algemene terme daarvan. Hy was nie betrokke by die onderhandelinge tussen die partye wat op die sluiting van die kontrak in Maart 1978 uitgeloop het nie. Die kontrak kon ook nie in die kantore van die applikant gevind word nie totdat die applikant se personeel na nuwe kantore verhuis het in 2000 en die kontrak toe opgespoor was. Dit het 'ongeveer tussen Mei en Augustus 2000' gebeur. Die inhoud daarvan het toe tot La Grange se kennis gekom.

Namens die respondent is dit betoog dat die feit dat La Grange nie van die inhoud van die 1978 kontrak bewus was nie, nie afbreuk doen daaraan dat die reg om die PKNS te gebruik op 12 Januarie 1994 op die (nuwe) VVMS oorgegaan het nie. Dit was betoog dat kennis van die inhoud van die 1978 kontrak aan die applikant toegedig moet word. Dit was ook betoog dat minstens mnr Kobus van Zyl, wat La Grange se voorganger was, van die inhoud van die kontrak bewus was omdat hy 'n lid van die applikant se Beheerkomitee was in die tydperk voorafgaande die sluiting van die kontrak en in 1978. Die feit dat 'n kontrak met die VVMS gesluit sou word en wat die inhoud daarvan sou wees is by meer as een geleentheid op vergaderings van die applikant se Bestuurskomitee en sy Beheerkomitee bespreek.

Die applikant het by die verhoor van die saak 'n eedsverklaring van mnr Van Zyl aan die hof voorgelê. Die respondent het nie teen die voorlegging daarvan beswaar gemaak nie. Mnr Van Zyl sê daarin dat hy homself nooit op die hoogte gestel het van die presiese inhoud van die kontrak nie. Hy was slegs bewus van die algemene terme daarvan. Hy sê verder dat hy later, toe die ooreenkoms nie opgespoor kon word nie, aanvaar het dat dit verlore geraak het.

Daar bestaan geen rede om die getuienis van La Grange en Van Zyl te betwyfel nie. Gevolglik kan daar nie bevind word dat die applikant, deur middel van hierdie twee here, in 1994 toegestem het daartoe, of berus het daarin, dat die 1978 ooreenkoms bly voortbestaan en oorgedra word aan die (nuwe) VVMS en, in later jare, aan dié se resgopvolgers nie.

In elk geval, die 1978 ooreenkoms het volgens my bevinding hierbo, verval op 1 Januarie 1994 ooreenkomstig die bedoeling van die kontrakterende partye op 3 Maart 1978. Die enigste relevansie wat kennis van die inhoud van die kontrak aan die kant van die applikant se amptenare kan hê is dat dit en hul gedrag, hul stilswye, moontlik kan dui

daarop dat 'n nuwe stilswyende kontrak tot stand gekom het tussen die applikant en die (nuwe) VVMS en later ook dié se regsopvolgers. Ek sal later met daardie aspek handel.

Die getuienis van La Grange en Van Zyl lui ook die doodsklok van mnr Fitzgerald se argumente oor afstanddoening en estoppel. As die here nie geweet het wat die kontrak bepaal nie kon hulle nie doelbewus 'n keuse of eleksie uitoefen om hulle nie te beroep op die applikant se regte nie en kon hulle ook nie 'n voorstelling maak teenstrydig met die werklike posisie nie. Bowendien, die pot kan die ketel ook nie verwyd nie. Destyds was minstens mnre Ernstzen en Leveton betrokke by die onderhandelinge wat uitgeloop het op die sluiting van die 1978 ooreenkoms. Die twee here het namens die VVMS aan die onderhandelinge deelgeneem. Die kontrak is ook deur mnr Ernstzen onderteken namens die VVMS. Mnr Ernstzen was deurgaans daarna betrokke by die verloop van sake. Hy was die voorsitter van die respondent se voorganger in titel, die VVMS vanaf 1975 tot 1979 en weer vanaf 1981 tot 1986. Op dieselfde basis as wat mnr Fitzgerald betoog het dat die applikant se amptenare geweet het, of geag te word te geweet het, wat die bepalinge van die 1978 kontrak was, kan gesê word dat die respondent en sy voorgangers se amptenare en bestuurslui geweet het wat die kontrak bepaal. Die respondent en sy voorgangers het immers hul reg om die PKNS te gebruik, aan die kontrak ontleen. Hulle het geweet, of moet geag word te geweet het, dat die stelsel volgens klousule 8 van die kontrak aan die applikant aangebied moes word voor of op 31 Desember 1993. Hulle het ook geweet, of moet geag word te geweet het, dat dit nie gedoen is nie. Telkens daarna toe 'n ander regsopvolger tot stand gekom het, het hulle oor dieselfde kennis beskik. Kan dit nou gesê word dat hulle deur die applikant se stilswye mislei is om te dink dat die applikant toestem, of daarin berus, dat die kontrak voortbestaan? Die antwoord is klaarblyklik ontkennend.

[41] Die argument dat die applikant moontlik 'n stilswyende lisensie aan die respondent verleen het om die PKNS te gebruik, moet nou oorweeg word.

Namens die applikant is dit betoog dat die feit dat die nuwe VVMS en sy regsopvolgers al die jare die PKNS gebruik het sonder enige beswaar aan die kant van die applikant moontlik daarop kan neerkom, juridies gesproke, dat die applikant 'n stilswyende lisensie aan die nuwe VVMS en sy regsopvolgers verleen het om die stelsel te gebruik. Dit is ook wat La Grange sê in paragraaf 10.3 van die vestigende eedsverklaring.

Die respondent se reaksie hierop in paragraaf 73.2.1 van die antwoordende eedsverklaring is dat wat die applikant sê 'a blatant and *ex post facto* attempt on the part of the applicant (is) to justify respondent's use of the PCNS subsequent to 1994.'

Ten spyte van hierdie siening van die respondent het mnr Fitzgerald betoog, in die alternatief tot sy hoofbetoog, dat as daar wel so 'n lisensie verleen is dan sluit die terme daarvan minstens klousules 8 en 10 van die 1978 ooreenkoms in. Die betoog was verder dat die bewyslas op die applikant rus om die terme van die lisensie te bewys. Die applikant het weer betoog dat die bewyslas op die respondent rus om die terme van die lisensie te bewys. Namens die respondent is dit verder betoog dat in die lig van die besondere geskiedenis van die verloop van sake sedert 12 Maart 1993, toe Wet 23 van 1993 gepromulgeer is, die hof tot die gevolgtrekking behoort te kom dat minstens klousules 8 en 10 van die 1978 ooreenkoms deel gevorm het van die stilswyende lisensie wat verleen is. Dit is ook wat die respondent sê in paragraaf 73.2.2 van die antwoordende eedsverklaring.

Die feit dat die applikant se prokureurs in hul brief van 30 Julie 2001 die respondent se prokureurs meegedeel het dat die lisensie beëindig word op 30 November 2001 het die respondent se advokaat genoep om toe te gee dat as die hof in die guns van die applikant bevind dat 'n lisensie verleen was en dat dit herroep of beëindig kon word op 'n wyse anders as wat klousules 8 en 10 van die 1978 ooreenkoms bepaal, die tydperk van vier maande 'n redelike tyd was wat aan die respondent gegun was.

[42] Die eerste vraag is dan welke gevolgtrekking gemaak kan word uit die feit dat die respondent en sy voorganger in titel sedert Januarie 1994 en tot 2000 die PKNS gebruik het sonder beswaar van die kant van die applikant.

'n Gerieflike aanknopingspunt is die standpunt weergegee in paragraaf 68 op p64 van *The Law of South Africa* ('LAWSA') First Reissue, Vol 5 Deel 2, naamlik:

'The Act prescribes no formalities for the granting of a nonexclusive licence. Indeed, it specifically states that such a licence may be written or oral, or inferred from the conduct of the parties. It goes on to add that a nonexclusive licence may be revoked at any time, but a licence granted by contract shall not be revoked ... except as the contract may provide or by a further contract. Besides being somewhat contradictory, the provision appears unnecessary, as, apart from licences issued in pursuance of an order of the Copyright Tribunal, the granting of any licence, ... is inevitably the consequence of a contract having terms with which (be they original terms or some variation) any subsequent revocation of the licence must obviously accord.'

Die statutêre bepaling wat hier ter sprake is, is artikel 22(4) van die Wet op Outeursreg, 1978, Wet 98 van 1978.

[43] Na aanleiding hiervan het die respondent se advokaat betoog dat daar 'n nuwe stilswyende kontrak tussen die applikant en respondent (en sy

voorgangers) tot stand gekom het ingevolge waarvan die respondent geregtig was om die PKNS te gebruik. Omdat die 1978-kontrak die beginpunt was in 1994, was die betoog voorts dat die inhoud van daardie kontrak oorgeneem is en geïnkorporeer was in die nuwe kontrak.

Die respondent se advokaat het steun vir sy betoog probeer vind in beslissings wat handel met die vraag wanneer 'n stilswyende kontrak tot stand kom en, tweedens, wat die inhoud daarvan sou wees. Die respondent se advokaat het verder betoog, met 'n beroep op *Trident Sales (Pty) Ltd v A H Pillman & Son (Pty) Ltd* 1984 1 SA 433 (W) op 441D G; *Putco Ltd v TV & Radio Guarantee Co (Pty) Ltd and other related cases*, 1985 4 SA 809 (A) op 827G 828B en *Munn Publishing (Pvt) Ltd v Zimbabwe Broadcasting Corporation* 1995 4 SA 675 (ZSC) op 681A ev dat die applikant die hof daarvan moet oortuig dat die lisensie beëindig kan word na redelike kennisgewing daarvan. In aansluiting by die faktore vermeld in die *Putco* saak op 827H I het mnr Fitzgerald betoog dat dit nie van die applikant en die respondent of sy voorgangers vereis was om nou saam te werk nie of om wedersydse vertroue in mekaar te hê nie. Daar is dus nie enige rede om te wil aanneem dat die partye bedoel het om hulle vir 'n onbepaalde tydperk kontraktueel aan mekaar te verbind nie. Die gevolg is dat daar nie 'n basis is vir die bevinding dat die lisensie na redelike kennisgewing beëindig kan word nie. Die hof behoort dus te bevind, aldus die betoog, dat die lisensie slegs ooreenkomstig klousules 8 en 10 van die (1978) ooreenkoms beëindig kon word.

[44] Dit is korrek om te sê dat 'n stilswyende ooreenkoms wat deur die gedrag van partye tot stand kom 'n nuwe ooreenkoms is. Kyk *Golden Fried Chicken (Pty) Ltd v Sirad Fast Foods CC and Others* 2002 1 SA 822 (SCA) op 825D F; *Nedcor Bank Ltd v Withinshaw Properties (Pty) Ltd* 2002 6 SA 236 (C) op 248G.

Alvorens 'n hof egter sal bevind dat daar 'n stilswyende kontrak tot stand gekom het moet die hof egter, volgens die tradisionele en geïkete benadering, daarvan oortuig wees dat daar sodanige feite is wat redelikerwys nie anders vertolk kan word as dat 'n stilswyende kontrak tot stand gekom het nie. Kyk *Nedcor Bank, supra*, op 247B G; *Golden Fried Chicken, supra*, op 825D en *Charles Velkes Mail Order 1973 (Pty) Ltd v Commissioner for Inland Revenue* 1987 3 SA 345 (A) op 357H I.

Welke terme van die vorige kontrak opgeneem is in die nuwe stilswyende kontrak is nie altyd maklik bepaalbaar nie en sal afhang van die getuienis voor die hof. Kyk *Nedcor Bank, supra*, op 248H I; *Golden Fried Chicken, supra*, op 825F I, 826D E.

[45] As 'n mens na die feite in die onderhawige geval kyk dan is ek nie daarvan oortuig dat bevind kan word dat hier 'n kontrak op die voetspoor van die 1978 kontrak in Januarie 1994, of daarna, tussen die applikant en die nuwe VVMS tot stand gekom het nie. Weliswaar het die

nuwe VVMS voortgegaan om die PKNS te gebruik en het die applikant nie beswaar gemaak daarteen nie. Aan die ander kant, egter, sê nie een van die deponente tot die eedsverklarings dat óf die applikant óf die nuwe VVMS, of sy regsopvolgers, bewus was van die bepalings van die 1978 kontrak nie. Soos reeds aangetoon, het ek nie rede om La Grange en Van Zyl se getuienis oor hul kennis van die kontrak te verwerp nie.

Die mees waarskynlike afleiding, wil dit my voorkom, is dat al die betrokkenes aanvaar het, verkeerdelik natuurlik, dat die aanwysing van die nuwe VVMS deur die Minister van Gesondheid op 12 Januarie 1994, die effek gehad het dat die nuwe VVMS nou ook die reg het om die PKNS te gebruik. Volgens artikel 24(2)(b) van Wet 23 van 1993 moes die Minister voor die aanwysing oorleg pleeg met die persone wat voorheen betrokke was by die VVMS as lede. Daar is geen sweempie van getuienis in die stukke dat die Minister voor 12 Januarie 1994 met die applikant oorleg gepleeg het nie. Die applikant was 'n lid van die VVMS gewees. Die brief van die Minister van 12 Januarie 1994 bevat ook nie so 'n aanduiding nie.

Gevolgtlik, as die applikant en die VVMS in Januarie 1994 onder 'n verkeerde indruk verkeer het oor die effek van artikel 24(2)(b) van Wet 23 van 1993 kan dit nie 'n basis vorm vir 'n bevinding dat daardie twee partye 'n (nuwe) ooreenkoms gesluit het deur hul gedrag nie.

[46] Indien my gevolgtrekking in die vorige paragraaf verkeerd is, is daar egter sekere optredes van veral die respondent wat my in elk geval daartoe noop om tot die gevolgtrekking te kom dat daar nie 'n stilswyende kontrak, of lisensie, tot stand gekom het nie.

Die eerste faktor is die feit dat die respondent nie 'n aparte rekening aangelê het soos wat klousule 9 van die 1978 kontrak vereis het nie. Dit blyk uit paragraaf 85.2 van die applikant se repliserende eedsverklaring. Hierdie is 'n aspek wat nie ligtelik afgemaak kan word nie. Dit hou verband met klousule 10 van die kontrak. As die respondent die PKNS nie behoorlik bedryf nie kan die applikant die stelsel terugneem volgens klousule 10 en enige tekort in die rekening as gevolg van nalatigheid of wanbestuur, moet dan deur die respondent aangevul word. Dit kan tog nooit bevind word dat gesien die waarde van die stelsel, die partye nie klousule 9 in die nuwe ooreenkoms wou inkorporeer nie.

Die tweede faktor is dat die respondent die houding ingeneem het, minstens in 2000, dat die kopiereg in die stelsel by hom berus. In die konsep gebruiksooreenkoms wat die respondent in September 2000 aan die applikant vir ondertekening voorgelê het word dit in klousule 7.1 uitgespel dat kopiereg in die PKNS by die respondent berus. In die antwoordende eedsverklaring is ontken dat die kopiereg by die applikant berus. Die punt is egter toegegee deur respondent se advokaat en is tans nie 'n geskilpunt nie.

In die respondent se prokureurs se brief van 28 November 2001 aan

die applikant se prokureurs, word die respondent se standpunt en siening van sake uiteengesit. Daarin word gesê dat die partye bedoel het dat die 1978 ooreenkoms van beperkte duur sou wees waartydens die applikant die respondent se vermoë om die PKNS te bedryf sou beoordeel. Dit word verder gesê dat die applikant tevrede was met die wyse waarop die respondent (se voorganger natuurlik) die stelsel bedryf het en dat die (1978) ooreenkoms toe verval het met die gevolg dat kopiereg van die stelsel by die respondent (sy voorganger) berus het.

Die standpunt van die respondent tans is natuurlik die teenoorgestelde. In paragraaf 16 van die antwoordende eedsverklaring word gesê dat die respondent se prokureur die situasie verkeerd verstaan het toe hy geskryf het dat die 1978 ooreenkoms van beperkte duur sou wees. Die korrekte posisie, sê die respondent, is dat die partye bedoel het dat die 1978 ooreenkoms ewigdurend sou wees ('endure in perpetuity') en slegs beëindig kon word kragtens klousules 8 en 10 daarvan. Juis om by hierdie standpunt aan te pas word daar groot gewag gemaak daarvan in die antwoordende eedsverklaring dat klousule 8 van die 1978 ooreenkoms gerektifiseer moet word deur in klousule 8 daarvan die woorde 'sonder 'n regsopvolger' in te voeg na die frase 'indien VVMS sou ophou om te bestaan'. Die aanspraak op rektifikasie is natuurlik ook laat vaar deur respondent se advokaat.

Die feit dat die kopiereg in die PKNS by die applikant sou bly berus volgens klousule 6 van die 1978 ooreenkoms is een van die belangrikste, indien nie die belangrikste, aspekte waarmee gehandel word in daardie ooreenkoms. Die standpunt van die respondent in die konsep gebruikersooreenkoms is direk in stryd daarmee. Hoe het dit gebeur dat hierdie verandering plaasgevind het? Die respondent verduidelik dit nie. Die verskil toon onteenseglik aan dat dit onhoudbaar is om aan te voer, of te bevind, dat die partye stilswyend 'n ooreenkoms gesluit het oor die gebruik van die PKNS deur die respondent.

Die probleem word nog verder gekompliseer deur die feit dat daar van tyd tot tyd ander entiteite in die plek van die (nuwe) VVMS gekom het. Mnr Ginsburg het betoog dat daar dan telkens as daar 'n ander regsopvolger vir die (nuwe) VVMS na 1993 tot stand gekom het, opnuut 'n (stilswyende) ooreenkoms tussen die applikant en die regsopvolger van die (nuwe) VVMS tot stand moes gekom het. Dit moes dan noodwendig so gebeur het want, as klousules 8 en 10 van die 1978 kontrak telkens deel gevorm het van elke nuwe stilswyende kontrak moes die applikant, die nuwe entiteit en sy regsopvolger daarvoor ooreengekom het, want verpligtinge is ook oorgedra na die nuwe entiteit, die regsopvolger, en nie slegs regte, die reg om die PKNS te bedryf, nie. As dit so is, en ek is van oordeel dat die betoog korrek is, dan raak dit nog meer onverklaarbaar hoe dit ooit moontlik was vir die respondent om in die gebruikersooreenkoms die standpunt in te neem

dat kopiereg in die PKNS by die respondent berus.

Die onvermydelike gevolgtrekking is dus dat geen stilswyende ooreenkoms tussen die betrokkenes tot stand gekom het soos wat respondent se advokaat betoog het nie. Die toegewing wat die applikant gemaak het, naamlik, dat 'n stilswyende lisensie verleen is aan die respondent berus ook op 'n foutiewe grondslag.

[47] My bevinding is dus dat die respondent nie kontraktueel of andersins geregtig is om die PKNS te bedryf en te gebruik nie. Dit volg dus noodwendig dat die respondent deurlopend, op 'n daaglikse basis, die applikant se kopiereg skend.

[48] Indien selfs hierdie gevolgtrekking van my verkeerd is en daar wel 'n stilswyende lisensie verleen is aan die respondent, dan sou die applikant steeds, soos tereg deur mnr Ginsburg betoog is, die lisensie met redelike kennisgewing kon beëindig soos wat gedoen was. Kyk *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd, supra* op 292B E; Dean: *Handbook of South African Copyright Law* op 1 84 tot 1 85.

Die bevinding is dan nog steeds dat die respondent deurlopend vanaf 1 Desember 2001 die applikant se kopiereg skend.

Verjaring

[49] Namens die respondent was dit ook betoog dat die applikant se aanspraak om die administrasie van die PKNS te hervat, verjaar het ingevolge artikel 11(d) van die Verjaringswet, 1969, lank voordat die aansoek geloods was.

Die betoog het maar ook as grondslag, soos die verwere van afstanddoening en estoppel, die uitgangspunt dat die applikant nie nou kan terugval op die afskaffing van die VVMS in Januarie 1994 nie en die gevolge daarvan op die 1978 kontrak.

Daar is geen meriete in hierdie betoog en verweer nie. As die respondent die applikant se outeursreg skend, soos wat ek bevind het dit doen, dan is die respondent nie geregtig om die PKNS te gebruik nie en kan die applikant die stelsel gebruik en administreer. Dit is een van die komponente van die applikant se reg as kopiereghouer om die PKNS te gebruik en dit kan hy doen ter uitsluiting van ander volgens artikels 23 en 6 van die Wet op Outeursreg, 1978.

Die applikant se remedie

[50] In paragrawe 1 en 2 van die kennisgewing van mosie vra die applikant dat 'n interdik teen die respondent toegestaan moet word.

Daar kan geen twyfel wees dat 'n interdik in die onderhawige geval 'n gepaste remedie is vir die applikant nie. Kyk *Dean*, aangehaalde werk op 1 72/3.

Namens die respondent is dit betoog dat 'n interdik nie verleen behoort te word nie omdat dit ontwrigting in die praktyk sal meebring met die prosessering van rekenings en eise van diensverskaffers wat

weer tot nadeel van nie alleen diensverskaffers sal lei nie, maar ook tot nadeel sal strek van individuele lede van mediese skemas. Dit was ook betoog dat die applikant nie aangetoon het dat dit deur die Raad goedgekeur sal word ingevolge die regulasies as 'n instansie wat die PKNS kan bedryf nie.

In elk geval, so is betoog, het die hof 'n diskresie om 'n interdik toe te staan of nie. In die lig van die feit dat die Raad nou die respondent goedkeuring verleen het ingevolge die regulasies om die PKNS te bedryf tot 1 Junie 2006 behoort die hof, so is verder betoog, sy diskresie in die guns van die respondent uit te oefen. Die applikant kan steeds van alternatiewe remedies gebruik maak soos, byvoorbeeld, om skadevergoeding te eis.

[51] Nie een van hierdie argumente het meriete nie. Die applikant se saak op die stukke is dat dit ten volle by magte is om die PKNS te bedryf en dat dit oor die nodige hulpmiddele beskik om dit te kan doen. In elk geval maak dit vir meer as 'n jaar nie meer van die respondent se dienste gebruik nie.

Wat die ontwrigting in die praktyk betref wil ek verwys na die Raad se standpunt oor die voortgesette bedryf van die PKNS deur die respondent. Die Raad het sekere riglyne neergelê aan die hand waarvan besluit word of aan 'n instansie goedkeuring verleen moet word om die PKNS te bedryf. Een van daardie riglyne is dat die instansie die eienaar van die kopiereg in die stelsel moet wees of oor 'n lisensie moet beskik om die stelsel te gebruik. Die respondent voldoen nie daaraan nie.

In die Raad se brief van 15 Augustus 2001 aan die applikant word gesê dat as die respondent nie meer die PKNS kan gebruik nie en nie 'n alternatiewe stelsel in die plek daarvan kan stel nie, die voorwaardes waarop goedkeuring aan respondent verleen is om die stelsel te bedryf nie aan voldoen sal word nie en dat die goedkeuring dan sal verval. In 'n tweede brief van 20 Januarie 2003 gerig aan die respondent, sê die Raad dat van die respondent, in die lig van die hangende hofgeding, verwag word om 'n gebeurlikheidsplan daar te stel sou die hof teen die respondent beslis.

Dit is dus duidelik dat dit nie soseer die hofbevel sal wees wat tot ontwrigting aanleiding sal gee nie maar die feit dat die respondent nie voldoen aan die voorwaardes waaronder goedkeuring verleen is vir die bedryf van die PKNS nie.

Dat die applikant aan die gewone vereistes voldoen wat vir die toestaan van 'n interdik gestel word, is duidelik. Die betoog van mnr Fitzgerald dat die applikant nie bewys het dat die Raad die applikant sal goedkeur om die PKNS te bedryf nie, kom neer op die stel van 'n addisionele vereiste wat nie aanvaarbaar is nie. Die goedkeuring al dan nie van die Raad is iets wat binne sy diskresie lê. Die applikant kan dus nooit bewys dat die Raad goedkeuring aan hom sal verleen nie.

Die verste wat die applikant kan gaan is om te bewys dat hy wel oorweeg kan word deur die Raad as 'n geskikte entiteit om die PKNS te administreer. Dit het die PKNS op die stukke wel gedoen vir sover hierdie aspek wel relevant mag wees.

Koste van twee advokate

[52] Die applikant vra dat die koste van twee advokate aan hom toegeken word. Mnr Fitzgerald het geen beswaar daarteen geopper nie. Ek is van oordeel dat die applikant geregtig was om twee advokate aan te stel. Die koste van twee advokate sal dus toegestaan word.

Bevel

Vir die voorgaande redes maak ek 'n bevel soos volg:

- (1) Die respondent word verbied om die applikant se outeursreg in sy praktykkodenommerstelsel (hierna genoem 'die PKNS'), soos beskryf in paragraaf 5 van die funderende eedsverklaring van Andries Mathys la Grange, te skend deur, sonder die vergunning van die applikant, die PKNS in enige wyse of vorm te reproduseer, of om 'n aanwending van die PKNS te maak, of om 'n aanwending van die PKNS te reproduseer op enige wyse of vorm, of om enige ander persoon dit te laat doen.
- (2) Die respondent word verbied om die PKNS te versprei vir doeleindes van reproduksie en/of om andersins vir reproduksie beskikbaar te maak, hetsy in geheel of gedeeltelik, deur sy webwerf www.bhf.co.za of enige ander webwerf, of andersins.
- (3) Die respondent word beveel om aan die applikant te oorhandig alle databasisse wat die PKNS inkorporeer en alle skendende kopieë daarvan in sy besit of onder sy beheer.
- (4) Die respondent word beveel om die koste van hierdie aansoek te betaal, insluitende die koste van twee advokate.

HELM TEXTILES (PTY) LTD v ISA FABRICS CC

TRANSVAAL PROVINCIAL DIVISION

HARTZENBERG J

28 JUNE 2004

A fabric containing a design which is used for production of a utilitarian item cannot be classified as an artistic work. The test as to whether or not the item so produced is a utilitarian item is an objective test.

Helm Textiles (Pty) Ltd designed and manufactured textiles which were used in the manufacture of such items as furniture, curtains and partitions. The textile designs were translated into weave patterns for the purposes of producing a woven picture. This was done by putting the weave pattern onto graph paper, which was then transformed into a punch card readable by a machine which wove the textile. The pattern of the fabric was no larger than a square centimetre repeated over and over again.

ISA Fabrics CC sent samples of its textiles to China and then ordered textile products from there which were direct copies of its designs. Helm Textiles notified ISA of its claim to copyright in the designs, whereupon ISA ceased to import the textiles but denied that Helm Textiles held copyright in the designs. ISA contended that the designs were not artistic works and they denied that Helm Textiles had a range of products different to other textile products on the market. ISA alleged that designs similar to those produced by Helm Textiles had been used in the industry before Helm Textiles produced its own ones and they were, in any event, so simplistic that they did not qualify as artistic works.

Helm Textiles claimed that ISA was infringing its copyright in the textile designs and brought an application claiming relief.

Held—

Helm Textiles had to prove that it held copyright in the original works. These were the fabric made up by the yarn woven together and ultimately forming a three-dimensional object. As artistic works, they would therefore have to be classified as works of craftsmanship.

If they were produced mainly or solely for utilitarian purposes, they would be excluded from copyright protection. The test whether or not they were produced for such purposes is an objective test, for example whether or not a purchaser of the item buys it for a utilitarian purpose or for its aesthetic quality. In the present case, the fabrics could not be classified as works of craftsmanship and therefore were not artistic works.

Even if this conclusion was wrong, section 15(3A) of the Copyright Act (no 78 of 1978) applied because the fabrics were used for the production of upholstery for use in utilitarian items.

The application failed.

Hartzenberg J:

[1] The applicant alleges infringement of copyright and passing off. The respondents deny that the alleged copyright exists, that the applicant owns copyright or that they have passed goods off as those of the applicant. The objects of the alleged copyright are ‘artistic designs’

embodied in certain of the applicant's textiles. The applicant seeks final relief alternatively interim relief pending the outcome of an action to be instituted by the applicant against the respondents.

[2] Although there are five respondents it is no longer in dispute that the second, third, fourth and fifth respondents are related entities, controlled by the same person. Of them, it is only against the third respondent that the applicant seeks relief. The applicant has given formal notice that unless the second, fourth and fifth respondents oppose the application, no relief is sought against them. The relief sought is against the first respondent, an importer and distributor of textiles, and the third respondent, one of the first respondent's clients that supplies office furniture.

[3] The applicant company designs and manufactures textiles, in Johannesburg and distributes them throughout South Africa. The textiles are used inter alia in the manufacture of furniture, curtains, partitions etc. The managing director of the applicant is one Lochmann who deposed to the affidavits filed on behalf of the applicant. He trained and qualified as a textile engineer in Austria and has been involved in the textile industry since 1968. He was the managing director of a textile weaving company, Superweave (Pty) Ltd (Superweave), until 1992 when he left that company and created the applicant.

[4] The textile products that are the subject of the application are ROYAL SPRINKLE, ROYAL DOT, HUNTER SPRINKLE, BLUE TWEED and MAROON DOT ('the original works'). Lochmann states that he created the DOT, SPRINKLE and TWEED textile designs during March/April 1993 in the course and scope of his employment with the applicant. The applicant was a small company. He did almost everything personally including the design of new products in order to establish a range of products for the applicant that was different from other textile products, then on the market. The original works are lines of textiles used in the furniture upholstery industry.

[5] A textile design picture is translated into weave patterns in order to facilitate the conversion into a 'woven picture'. Initially one has to determine the type of raw material that will be used, the type of machine, the number of colours the machine can handle, the fabric performance criteria and other relevant factors. The weave pattern is put on graph paper. To render it recognizable to the machine a punch card, containing the pattern has to be created. The punch card causes the machine to weave the required pattern. Weave pattern graph papers and punch cards have to be replaced from time to time due to wear and tear.

[6] According to Lochman he created the original works by putting the pictures of the weave patterns that he had in his mind onto graph paper

and then onto punch cards. He is no longer in possession of the original graph papers but attached a 1994 reproduction graph paper of the SPRINKLE design, and a 1993 graph paper of the TWEED design. He gave instructions that shade cards be printed to Interphotoset (Pty) Ltd, on 26 July 1993 and maintains that that would only have happened after the original works had been finalized. He attaches shade cards and points out that SPRINKLE, DOT and TWEED appear thereon. During 1993 by using the DOT and TWEED designs he created colour combinations called MAROON DOT and BLUE TWEED. ROYAL DOT was introduced during July 1994 and HUNTER SPRINKLE and ROYAL SPRINKLE during 1995. The textile designs and names have remained consistent over the years. He was at all relevant times a South African citizen, domiciled in South Africa and employed by the applicant and accordingly states that he believes that the applicant is the owner of the copyright in the works.

[7] He says that it took considerable time and effort to design the original works. He thinks that he spent five days per design. He acquired the skill to create the designs through his training and experience over the years. The designs were not copied from other designs and are distinctive. The designs have resulted in the products becoming the applicant's best sellers. Over the last three years the approximate sales of the five products at ±R30 per metre were:

BLUE TWEED	- 36 441 running metres
MAROON DOT	- 30 094 running metres
ROYAL SPRINKLE	- 52 000 running metres
ROYAL DOT	- 40 000 running metres
HUNTER SPRINKLE	- 35 000 running metres

[8] Lochmann states that he believes that the first respondent sent samples of the applicant's best sellers to China and placed an order for copies thereof. It imports sells or offers for sale and the third respondent sells and offers for sale textile products that are direct copies of the original works ('the offending works'). Examples of the offending works called MIDNIGHT DOT (a copy of the applicant's ROYAL SPRINKLE), MIDNIGHT SPRINKLE (a copy of the applicant's ROYAL SPRINKLE), GREEN SPRINKLE (a copy of the applicant's HUNTER'S SPRINKLE), ATLANTIC TWEED (a copy of the applicant's BLUE TWEED) and MAROON DOT (a copy of the applicant's MAROON DOT) are attached. According to the third respondent's attached shade chart the third respondent sells the offending works under the same names as the first respondent except that it sells MAROON DOT as BURG DOT.

[9] The applicant's attorneys notified the respondents by letter that the

applicant claims ownership in the copyright of the original works. Whilst denying the copyright the first respondent has indicated that it has, as a precaution, ceased to import the offending works pending finalization of this case. According to Chadwick of the first respondent, the first respondent only imported 10 176 metres of the offending fabric. It is alleged that the first respondent suffered considerable damages as a result thereof and that its turnover figures declined by approximately 50%.

[10] In respect of the allegation of passing off the applicant relies on the quantity of fabric sold over the last three years. It is alleged that the applicant's products are primarily used in the office furniture market, that an office designer or interior decorator will usually be in possession of the applicant's sample cards and will ask that furniture be manufactured using one of the applicant's products and that when a company wants to update its office wherein the applicant's products had been used originally it will again ask for the applicant's product. It is submitted that as a result of the enormous use of the applicant's products over the last eight to ten years the names and designs of the products have acquired an 'enormous' reputation and goodwill vesting in the applicant. It is feared that the respondent's actions will result in deception or confusion and that members of the public, office designers and interior decorators, when confronted with the offending fabric will think that it emanates from the applicant.

[11] The respondents deny that the applicant is the copyright owner of the original works but admit that they form part of the applicant's DIAMOND range. They admit that they import, offer for sale and sell the offending works. They form part of the first respondent's MIRAGE range. They admit that they have not been authorized by the applicant to do so but deny that they were aware that their actions constituted copyright infringement. They deny that the applicant has a reputation in the original works. They admit that they sent samples of the original works to China and had it copied.

[12] It is the respondents' case that the works are not artistic works as contemplated by section 7 of the Copyright Act (no 98 of 1978) ('the Act') read with the definition of artistic works in the definition section of the Act. They deny that the applicant had a range of products different to other textile products on the market. In support of the latter stance they have annexed colour photographs of the CLASSIC fabric range of Superweave indicating that some of the original works appear thereon under a different description. They refer to a colour/pattern card of Göcke Textiles CC and indicate that some of the original works appear thereon under different names. They refer to the first

respondent's colour/pattern card and indicate that it reflects that all the offending textiles appear thereon and that the BURGUNDY and the ATLANTIC BLUE are exactly the same except for an additional dot in the case of BURGUNDY and additional stripes in the case of ATLANTIC BLUE. One of the respondent's contentions is that the fabric similar to the original works were freely available in the market before March/April 1993. They rely on an affidavit by one Hill who is a textile engineer and the Managing Director of, it would seem, an English textile manufacturing company. He states that his company was asked to produce similar fire retardant fabric than the five products in dispute because the South African industry could not do so. He makes the bald statement that he came across products like the original works long before March/April 1993. He states that 'spot' and 'sprinkle' are plain in terms of design content and reproducible without any design training. He states that the five designs in question are purely a variation on a simple theme with many look alike features.

[13] They further attached a colour/pattern chart of a Chinese entity. Chadwick obtained it at a trade fair during March 1999. At the same show he obtained a colour/pattern chart of Siltex S A. He also refers to the dust cover of a book bought at Exclusive Books, in Brooklyn Mall Pretoria on 12 October 2003 that depicts a 'SPRINKLE' textile. He states that businessmen involved in the textile industry regularly attend textile trade shows, of which there are about fifty per annum. He states that textiles with dots, lines (named sprinkles by the applicant) and tweed are so commonplace that they are ubiquitous. Relying on a remark by Hill he states that a plain weaving is the simplest form of weaving, one up and one down interlacing. A twill weave is slightly more complicated in that it has for example a one up and two down or one up and three down interlacing. It is alleged that the pattern chart (punch card) contains the weave pattern but not the colours that will be used. Fabric of many different colours can be made with the same pattern card. It is done by trial and error. Normal procedure is to create standard 'warps' (various vertical columns of standard uniform colours) with 'wefts' (the colours added horizontally in dots or stripes) and to compare the end results. The contention is that dots and stripes are so commonplace in the market place that nobody can claim copyright in it. Chadwick states: 'The designs in issue in this application cannot be more simple and require no original thought or design' One can talk of creative input if a drawing of a design has been made. He is not surprised that Lochmann cannot produce drawings. The pictures in his mind that he transferred to graph paper are so simplistic that they don't qualify as pictures at all. When blocks are coloured or marked with a

cross it indicates that the warp yarn passes on top of the weft yarn for one or more insertions.

[14] As to the allegations in respect of passing off it is stated that there is no possibility of confusion as the fabric is sold only to informed manufacturers of office furniture, as the width of the respondent's textiles is 152cm as opposed to 128cm in the case of the applicant's. Reliance is placed on an affidavit of one Howes the managing director of an office furniture factory who states that the respondent's fabric is different from that of the applicant, in that it is made from different yarn, is wider, is flame retardant and looks and feels different. Would-be purchasers will have sample cards with code numbers eliminating any possibility of confusion.

[15] In the replying affidavit the applicant makes it plain that its case is based first and foremost on the prototype pieces of textile (Maroon dot etc.) but in a secondary manner on both the punch card and the graph paper version of the designs, each being independent original artistic works. It is stated that the applicant makes no claim to any exclusive right in the manner of weave embodied in the original works. It is also stated that the applicant does not claim copyright or any exclusivity in any colours or even combination of colours. Its claim to copyright 'is focussed on the particular combination, collocation and selection of each of the individual features which make up each of the original works, including the style of weave'.

[16] The applicant also deals with all the examples of similar textiles that according to the respondents were on the market before and at the time when Lochmann created the original works and in virtually every case shows conclusively that the samples supplied by the respondent date from well after March/April 1993 In regard to the passing off issue the applicant took the stance that it is not necessary for it to adduce instances of actual confusion as the correct criterion is the likelihood of confusion. It denied that codes and colour charts will negate the likelihood of confusion arising between the parties' respective products in the market place.

[17] Because of the admission by the first respondent that it sent samples of the applicant's textiles to China and had them copied before ordering the products and selling it in the country and further because of the view that I take in respect of the applicant's claim to copyright, it is not necessary for me to deal with the question whether the respondent copied and reproduced the applicant's products nor is it necessary to deal with the question whether there were similar products before and at the time when the applicant created the original works or the issue whether all the original works were created by Lochmann for

the applicant and whether some of them had not been created for Superweave. It is evident that the first respondent copied the original works and traded in reproductions thereof. For the purposes of this judgment it is irrelevant whether there were similar products on the market at the time of the creation of the original works or not, just as it is irrelevant whether Lochmann created some of the original works for Superweave and not for the applicant because, in my view, the original works are not ‘artistic works’ as defined in section 1 of the Act, not eligible for copyright in terms of section 2 of the Act and not entitled to any exclusive rights in terms of section 7 of the Act.

[18] The applicant’s claim to copyright in the graph of the weave pattern and the punch card, in my view, only arises once it is established that it has copyright in the fabric itself of each of the lines of fabric comprising the original works. As it does not claim exclusivity in the weave pattern, the graph on which the weave pattern is based, can hardly be entitled to any exclusivity just as the punch card that will instruct the machine to weave the pattern cannot by itself be entitled to copyright protection*.’

[19] The definition of ‘artistic work’ in section 1 of the Act is as follows:

- ‘ “artistic work” means, irrespective of the artistic quality thereof-
- (a) paintings, sculptures, drawings, engravings and photographs;
 - (b) works of architecture, being either buildings or models of buildings; or
 - (c) works of craftsmanship not falling within either paragraph (a) or (b)’

[20] Because it is also important for the purposes of section 15(3A) it is necessary to reflect on what the fabrics are. They are basically pieces of cloth. They consist of strands of yarn that have been woven vertically and horizontally, and sometimes diagonally, into a fabric. The yarn in all of the original works is fairly thick, with the result that final product is a thick piece of cloth, not less than two or three millimetres thick. Moreover the samples indicate that the materials are not pieces of cloth on which designs have been superimposed. Whatever designs there are, are woven into the fabric and form part of the fabric. The result, without doubt, is that each one of the materials is a three-dimensional object.

* In *Lerose Ltd. v Hawick Jersey International Ltd* 1974 RPC 42 Whitford J held that the applicant had copyright in a ‘point pattern’ that instructed a knitting machine to knit a particular pattern. The drawings carried more than the pattern it also contained ‘hieroglyphics’ that enabled the machine operator to set the machine in such a way that the correct materials could be fed into it.

They have length, width and height. They can only fit into the definition of ‘artistic work’ as works of craftsmanship.

[21] The original works are mass produced and sold mainly to the furniture manufacturing industry in large quantities. The ‘pattern’ of each one of these fabrics comprise no more than a square centimetre. Every piece of material consists of a very simple pattern that has been repeated over and over. ROYAL SPRINKLE has a dark blue base with alternating lines of light blue and grey dots ± 5 millimetres from each other going horizontally through it in such a way that the dots also form diagonal lines. ROYAL DOT also has a dark blue base with maroon and darker blue dots in alternating lines in such a way that the dots also form diagonal lines. HUNTER SPRINKLE is a green version of ROYAL SPRINKLE. The dots are a lighter and darker shade of maroon. MAROON DOT has a maroon base with dark and light blue dots. BLUE TWEED consists of alternating double lines of maroon and a lightish blue with diagonal lines of approximately the same blue through it. All the materials are nice materials the way materials go but whether they fall in the category of artistic craftsmanship eligible to copyright protection is another question.

[22] In order to answer that question it is necessary to bear in mind that they are not paintings, sculptures, drawings, engravings, photographs or works of architecture falling under (a) or (b) of the definition of ‘artistic work’ in the Act. They can only qualify for copyright protection under (c) of the definition. In a discussion under the heading Craftsmanship in the *University of Queensland Law Journal* Vol.13 (Dec.1984) pp. 206-218 R G Kenny at p.207 said the following:

‘The structure of the definition of “artistic work” has been one source of uncertainty. Copyright may subsist in those items encompassed by paragraphs (a) and (13) of the definition viz.. a painting, sculpture, drawing, engraving photograph building or model of a building regardless of whether the work is of artistic quality. On the other hand, a work of ‘artistic craftsmanship’ will be an ‘artistic work’ for the purposes of the Act* if it falls outside the scope of those enumerated objects. However there is no provision that copyright will subsist in such a work whether it is of artistic quality or not. The focus of the enquiry is different, therefore depending upon the part of the definition of artistic work’ which is under consideration. Only with a work of “artistic craftsmanship” is there a positive duty to analyse artistic merit. In other words the form

* The Australian Copyright Act, 1968.

of the work is under scrutiny for paragraphs (a) and (b) of section 10, without reference to qualitative considerations. For paragraph (c) it is to both form and artistic content that the attention turns.’ (My emphasis)

[23] That approach recognizes that articles made mainly or solely for utilitarian purposes are normally excluded from copyright protection. For the purposes of this judgment it is not necessary again to list what crafts there are and which of them fall in the category wherein a craftsman may create an ‘artistic work’ of craftsmanship in terms of the act. Van Dykhorst J in *Bress Designs (Pty) Ltd v G Y Lounge Suite Manufactures (Pty) Ltd*^{*} had occasion to deal with this aspect. He came to the conclusion that a M-shaped lounge suite was primarily utilitarian and not ‘a work of artistic craftsmanship’. After referring to Prof Copeling’s test to ascertain whether an object is ‘a work of artistic craftsmanship or not’^{**} and comparing it to a test propounded by Pape J in *Cuisenaire v South West Imports Ltd*^{***} he said

‘I ... hold that for an article to be a work of artistic craftsmanship its main object should be artistic and not utilitarian.

I differ from the views of both Pape J and the author that one has to look at the object the creator had in mind. In my view the test should be objective: does the article fall within a class which can be described as works of artistic craftsmanship, ie works generally made by artistic craftsmen with an aesthetic rather than a utilitarian end in mind. To apply a subjective test would create uncertainty....’

[24] As support for his contention he relied on observations made by Lords Reid, Morris and Simon in *George Hensher Ltd v Restawile Upholstery (Lancs) Ltd*^{****} What was said by Lord Reid is in my view very apposite:

‘A work of craftsmanship suggests to me a durable useful handmade object and a work of artistic craftsmanship suggests something, whether of practical utility or not, which its owner values because of its artistic character.’

[25] I agree with Van Dykhorst J that an objective test is to be applied and that articles that are primarily utilitarian do not qualify for copyright protection. A useful test could be to determine with what object in mind a notional purchaser of the article buys it. If he buys it for

* 1991 (2) SA 455 (W)

** LAWSA Vol 5 par. 336

*** [1968] 1 Ex CR 493 at 514

**** 1974 FSR 173 and also 1975 RPC 31

a utilitarian purpose, and even if it is aesthetically pleasing, it does not fall under (c) of the definition. If, on the other hand, he buys it as a collector's piece, it will probably fall under (c). I can hardly imagine a buyer of upholstery material for office furniture who would regard the upholstered furniture as objects of art because of the material. Although it is not relevant when one applies an objective test it is also interesting to look at Lochmann's purpose when he created the materials ie to establish a range of products for the applicant that was different to the other textile products on the market, then. In my view the original works are not works of artistic craftsmanship in terms of the Act.

[26] Even if I am wrong I do not think that the applicant is entitled to copyright protection due to the provision of section 15(3A) of the Act. It reads:

'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 the 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 the authorized reproductions primarily have a utilitarian purpose and are made by an industrial process.

[27] Mr Michau argues that the respondents are not entitled to rely on the provisions of section 15(3A) because the point was never raised in the affidavits and was first raised in argument. If all the relevant facts are before the court the court cannot refuse to consider the argument merely because the point was first raised in argument. If however the respondents did not alert the applicant to this defence and in the process the applicant failed to deal with pertinent issues of fact that may influence the decision of the court then I shall assume, without deciding the point, that the court must disallow the respondents to rely on this point. The argument is that there are issues that have not been canvassed in the papers ie 1. what the primary use of the products are, 2. whether the respondents made the reproductions from authorized reproductions and 3. whether the people in China who made the reproductions simply made three-dimensional reproductions or whether there were intervening two-dimensional reproductions.

[28] It is abundantly clear from the papers what the primary object of the products is. It is upholstery material of which at least 30 000 running metres each have been sold as such. It is common cause that the respondents sent of the applicant's material to China to have it copied. It is clear that the applicant by manufacturing and selling its materials

manufactures and sells authorized reproductions in terms of the provisions of the section. There cannot be any doubt that the offending reproductions were made from authorized reproductions. As to the question whether two-dimensional reproductions were made in China I fail to see any relevance. The section allows for the sale of three-dimensional products in the country and that is what is sold here. In my view section 15(3A) is applicable. The inevitable conclusion is that the respondents are protected by the provisions of section 15(3A). [29] As far as passing off is concerned, the applicant did not make much of its claim. On the papers there is no single reference to an individual who wrongly thought that the products of the respondents were those of the applicant. Apart from mere speculation the only positive evidence is the evidence of Howes to the effect that the products sold by the respondents differ substantially from that of the applicant and that because of code numbers and the fact that the products are sold to a small market of knowledgeable purchasers there is no possibility of confusion. On the papers there is just no basis to find that the respondents' goods are passed off as those of the applicant, or that there is any possibility of confusion.

The application cannot succeed. It is dismissed with costs.

FREEFALL TRADING 211 (PTY) LTD v PROPLINK PUBLISHING (PTY) LTD

GRIESEL J
CAPE OF GOOD HOPE PROVINCIAL DIVISION
29 NOVEMBER 2005

A marked similarity between two works may in itself indicate copying but will not be sufficient to indicate copying if other factors may be attributable to the similarity. Copyright in a work commissioned by a third party and executed by an employee acting in the course of his employment vests in the third party and not the employer.

Freefall Trading 211 (Pty) Ltd published the Property Trader, a weekly magazine, in the Western Cape. Proplink Publishing (Pty) Ltd published SA Proplink.co.za, a similar magazine, in four other provinces. Both magazines were produced in the same format and both advertised properties for sale on behalf of estate agents, for a fee. Advertisements placed in the magazines by estate agents followed the house style of the particular estate agent.

In August 2005, Proplink expanded its publication area to include the Western Cape. Three of Freefall's senior employees, including its senior designer, resigned and took up employment with Proplink.

Freefall then brought an application for interdicts to restrain Proplink from employing its former employees, to enforce compliance with restraint and confidentiality agreements, and to prevent infringement of its copyright in the designs, layouts and templates of the advertisements appearing in the Property Trader.

Held—

It was not clear that designs, layouts and templates fell within the category of literary or artistic works, as defined in the Copyright Act (no 98 of 1978). However, assuming that they were works to which copyright could apply, the question was in any event, whether the copyright in them vested in Freefall Trading.

There was indeed a marked similarity between the advertisements appearing in the two magazines, but to some extent, this could be attributed to factors other than a direct copying of them. Chief among these was the fact that the advertisements were produced on instructions received from clients who were common to both Freefall Trading and Proplink. The details of such clients would therefore be the same in both magazines, and where the same properties were advertised, their details would be the same.

The evidence showed that the advertisements were placed upon the instruction and authorisation of the estate agents who paid for the advertisements. This meant that the copyright in them in fact vested in the estate agent, and not the magazine publisher. In effect, section 21(1)(e) applied, varying the rule that the copyright in a work made by an author in the course of his employment vests in his employer.

Even if copyright was considered to vest in Freefall Trading, it was clear that production of the advertisements required considerable skill, time, labour and effort. This being so, the same effort would have been required to produce the advertisements appearing in Proplink's magazine, thus establishing a separate and independent copyright in that publication.

The application was dismissed.

Griesel J:

[1] This application came before me in motion court as a matter of urgency. After hearing argument on 17 November 2005, I issued an order on 24 November 2005, dismissing the application with costs. I indicated at the time that written reasons for the order would be furnished in due course. These are my reasons.

Introduction

[2] The applicant publishes and distributes a weekly magazine, *Property Trader*, in the Western Cape. The first respondent publishes and distributes a similar magazine, *SA PropLink.co.za*, in Gauteng, Mpumalanga, North West and Limpopo. During August 2005, the first respondent expanded its business to the Western Cape, thus starting to publish its magazine in competition with the applicant. Both magazines follow a similar format and advertise properties for sale on behalf of estate agents at a fee. Both are distributed through selected distribution points—mainly at shopping centres, supermarkets and cafés—where the magazines are placed in distinctive and readily accessible magazine stands of similar design, from which members of the public can remove copies of the magazines free of charge.

[3] Both publications are published in colour on good quality paper in magazine format. The advertisements are arranged according to the different estate agencies marketing the individual properties and contain photographs of such properties, together with a brief description of each. By and large, the photographs and descriptions are arranged in rows and columns and each agency appears to have its own ‘house style’ insofar as corporate logo, details, colours, fonts and so on are concerned.

[4] The second respondent is the marketing manager of the first respondent. The third respondent was previously employed as the applicant’s senior designer, while the fourth respondent was in charge of the applicant’s distribution. The fifth respondent was likewise employed by the applicant as an assistant to the fourth respondent. The third, fourth and fifth respondents are all now working for the first respondent.

[5] The applicant alleges that the first respondent is, in general terms, competing with it unlawfully; more particularly, the applicant relies on alleged breaches of confidentiality agreements and restraints of trade by the third, fourth and fifth respondents, as well as alleged copyright infringements by the first and third respondents. In the process, so it was argued, the respondents are unlawfully using the applicant’s confidential information as a ‘springboard’ to launch their own competing product. (The applicant originally also relied on alleged passing off, but this part of the claim was abandoned during argument

and requires no further consideration.)

[6] In its notice of motion, the applicant claimed the following final interdicts:

- ‘2. that the first and second respondents be interdicted and restrained from employing the third, fourth and fifth respondents;
3. that the third, fourth and fifth respondents be interdicted and restrained from remaining in the employ of the first respondent;
4. that the third and fifth respondents be interdicted and restrained from breaching the provisions of clause 17 of the confidentiality agreements signed by them on 24 February 2004 and 9 July 2004 respectively;
5. that the fourth respondent be interdicted and restrained from breaching the restraint and confidentiality agreement signed by him on 7 July 2005;
6. that the respondents be interdicted and restrained from infringing the applicant’s rights in and to the copyright in the designs, lay-outs and templates of the advertisements which appear and/or have appeared in the applicant’s magazine [i.e. Property Trader] by either reproducing such advertisements in any manner or form, or making adaptations thereof.’

Copyright

[7] I find it convenient to deal first with the claim based on the alleged infringement of copyright. In terms of the provisions of the Copyright Act 98 of 1978 (the Act), copyright exists, inter alia, in ‘literary works’ and ‘artistic works’, ‘if they are original’*.

[8] Section 21(1) of the Act, so far as is relevant to the present enquiry, provides as follows, under the heading ‘Ownership of Copyright’:

- ‘(a) ...
- (b) Where a literary or artistic work is made by an author in the course of his employment by the proprietor of a newspaper, magazine or similar periodical under a contract of service or apprenticeship, and is so made for the purpose of publication in a newspaper, magazine or similar periodical, the said proprietor shall be the owner of the copyright in the work in so far as the copyright relates to publication of the work in any newspaper, magazine or similar periodical or to reproduction of the work for the purpose of its being so published, but in all other respects the author shall be the owner of any copyright subsisting in the work by virtue of section 3 or 4.
- (c) Where a person commissions the taking of a photograph, the

* Section 2(1) of the Act.

painting or drawing of a portrait, the making of a gravure, the making of a cinematograph film or the making of a sound recording and pays or agrees to pay for it in money or money's worth, and the work is made in pursuance of that commission, such person shall, subject to the provisions of paragraph (b), be the owner of any copyright subsisting therein by virtue of section 3 or 4.

(d) Where in a case not falling within either paragraph (b) or (c) a work is made in the course of the author's employment by another person under a contract of service or apprenticeship, that other person shall be the owner of any copyright subsisting in the work by virtue of section 3 or 4.

(e) Paragraphs (b), (c) and (d) shall in any particular case have effect subject to any agreement excluding the operation thereof and subject to the provisions of section 20.'

[9] No attempt was made by the applicant to spell out the category of protected goods into which such 'designs, layouts and templates' would fall. However, during argument, it was accepted by both sides that it must relate either to 'literary' or to 'artistic works'—if copyright exists at all.

[10] I am not sure that either category is wide enough to accommodate the 'designs, layouts and templates' that the applicant seeks to protect. Likewise, even if such designs etc were to be regarded as 'literary' or 'artistic works', I have grave doubts whether such works can qualify as being 'original'*. Be that as it may, seeing that these points were not specifically canvassed during argument before me, I shall refrain from expressing any final views in that regard.

[11] In the founding affidavit, the applicant based its cause of action in respect of copyright infringement on the following facts:

- (a) The third respondent, who was then employed by the applicant in terms of a contract of service as contemplated in s 21(1)(d) of the Act, was the author of the original works in designing and committing to material form drawings of the layout and design of the various advertisements according to clients' specifications.
- (b) The aforementioned process required 'considerable skill, time, labour and effort'.
- (c) At the time that the third respondent created the original works, she was a 'qualified person' within the meaning ascribed to that phrase in the Act, inasmuch as she was then a South African

* Compare in this regard *Waylite Diary CC v First National Bank Ltd* 1995 (1) SA 645 (A).

citizen and resident and domiciled within the Republic.

(d) Publication of the original works took place when the various magazines published by the applicant were distributed.

[12] In the circumstances, so it was claimed, the applicant is the owner of copyright in the original works. The corresponding advertisements appearing in the first respondent's magazine constitute infringing copies of the original works in terms of s 23(1), read with s 7, of the Act inasmuch as they constitute reproductions or adaptations of the original works authored by the third respondent and in which the applicant owns copyright.

[13] The applicant relied on a comparison between some of the advertisements appearing in the publications of the applicant and the first respondent respectively. It was submitted that the advertisements show a 'marked similarity' to one another, thus justifying the inference that the third respondent had simply copied the applicant's advertising material by means of its templates.

The third respondent denied that she had used the applicant's advertisements or templates to design the first respondent's advertisements. The respondents contended that similarities between the respective advertisements of the applicant and the first respondent are to be expected, especially in view of the following facts and circumstances:

- (a) The third respondent is the designer who is responsible for the design and layout of most of the advertisements published by the first respondent's magazine. She was also responsible, prior to her resignation, for the advertisements published in the applicant's magazine.
- (b) The same software package, CorelDRAW® (erroneously referred to in the papers as Coral Draw) was utilised to produce both sets of advertisements. It is freely available off the shelf in the computer trade and is used internationally for graphic design, page layout, digital imaging, etc.*
- (c) The advertisements are produced on instructions received from clients who are common to both the applicant and the first respondent. It stands to reason, therefore, that all details relating to such clients will inevitably be identical insofar as inter alia corporate logo, colours and contact details are concerned. (These assertions are amply borne out by some of the examples to which the respondents referred in their answering affidavits.)
- (d) What is more, where the same estate agent advertises in both

* Cf <http://www.corel.co.uk>.

publications, the properties offered for sale in the respective advertisements will in most cases be the same, with the inevitable result that the contents of the advertisements will be identical. In short, the advertisements look the same, not because the third respondent copied the applicant's advertisements, but because the estate agents involved want them to look the same.

[14] In these circumstances, the respondents argued that there was no causal connection between the alleged infringement and the original work. They relied in this context on *Dexion Europe Ltd v Universal Storage Systems (Pty) Limited**. Based on the facts summarised above, I agree with the submission on behalf of the respondents.

[15] The respondents in any event denied that the applicant is the owner of copyright in the published works. They contended that, because the estate agents commission the applicant to create advertisements and pay for such service, the estate agents consider these advertisements to be their property. In support of this contention, the respondents relied on tacit agreements to this effect between the publishers of the property magazines (the applicant and the first respondent respectively) and the estate agents. They alleged that, if the applicant were to say to the estate agents that ownership in their advertisements vested in the applicant, most estate agents would not continue advertising in the applicant's magazine.

[16] This evidence by the respondents was not challenged or refuted on behalf of the applicant. It is not inherently improbable, so as to warrant its rejection merely on the papers; on the contrary, in my view, it would amount to sound business practice for an estate agent to retain ownership of copyright in its own advertising material. Section 21(1)(e) of the Act specifically envisages a situation where the parties may, by agreement, vary the consequences contemplated by the other provisions of s 21(1). In the circumstances, I have not been persuaded that the applicant is the owner of the copyright in the material in question.

[17] Even if the applicant's argument regarding ownership were to be accepted, it carries within it the seed of its own destruction: The applicant claims that its original advertisements were produced by the third respondent by means of a process requiring 'considerable skill, time, labour and effort'. On the respondents' version (which must be accepted for purposes hereof, in accordance with the *Plascon Evans* rule**), the identical process is followed in producing the advertisements

* 2003 (1) SA 31 (A) para 4.

** *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* 1984 (3) SA 623 (A) at 634H-I.

for the first respondent's magazine. It follows that, in creating the advertisements appearing in the first respondent's publication, the third respondent is not infringing the applicant's copyright, but is establishing independent copyright in respect of the advertisements in the first respondent's publication.

[18] In this regard, the learned authors of *Lawsa** refer to the example of two authors who, working independently of one another, arrive at the same result. In each instance, the author will obtain protection accorded to an original copyright work. By the same token, the third respondent—through her efforts—can establish copyright for both employers in the advertisements in the two separate magazines.

[19] In these circumstances, I conclude that the applicant has not made out a case for protection in terms of the Copyright Act.

The Employment of the Third and Fifth Respondents

[20] I now turn to consider the position of the third and fifth respondents. Both of them signed identical 'confidentiality agreements' with the applicant's predecessor-in-title on 24 February 2004 and 9 July 2004 respectively. Clause 17 of both agreements (referred to in prayer 4 of the notice of motion) reads as follows:

'17. Restraint of trade/unfair competition

In accepting employment with the Company you specifically agree to and undertake that during and after termination of your employment, you will not in any way disclose to any person, unless authorised to do so by the Company, whether directly or indirectly any information relating to the company or any secret or confidential information that may have come into your possession while you were employed, for a period of 12 months from termination.'

(On 7 July 2005, the fourth respondent signed a similar employment contract, containing an identical confidentiality clause, save that the applicable period in his case is three years, instead of 12 months. In addition, the fourth respondent also signed a restraint agreement. His position, therefore, stands on a somewhat different footing from that of the third and fifth respondents and will be considered separately later.)

[21] It is evident from the wording of clause 17 that, notwithstanding the heading, the clause does not contain a 'restraint of trade' in the conventional sense; it merely prohibits unauthorised disclosure of 'any information relating to the company or any secret or confidential information'. Thus, there is nothing in their employment contracts that precludes the respondents from being employed by another employer or even from competing with the applicant. In the absence of an

* 5 *Lawsa* (2ed s.v. Copyright) para 18.

enforceable restraint agreement, it must follow that the relief claimed in prayer 3 of the notice of motion cannot be granted against the third and fifth respondents.

[22] The corollary is that the relief claimed against the first and second respondents in prayer 2, likewise, cannot be granted insofar as the third and the fifth respondents are concerned: if they are not contractually precluded from working for anyone else, it follows that neither the first respondent nor the second respondent is precluded from employing them. (The position might have been different, had the first or second respondents incited or enticed the other respondents to breach their employment agreement with the applicant*. On the evidence before me, however, the applicant has not made out such a case.)

[23] I accordingly turn to consider whether the relief claimed in prayers 4 and 5 can be granted against any of the respondents, before considering the position of the fourth respondent separately.

The Design Issue and the Third Respondent's Position

[24] As mentioned above, the applicant's case against the third respondent is based on the enforcement of the confidentiality clause quoted above. The inherent difficulties in endeavouring to police an order restraining an ex-employee from disclosing confidential information are well known. The position was succinctly summarised by Lord Denning MR in *The Littlewoods Organisation Ltd v Harris*** as follows:

'It is thus established that an employer can stipulate for protection against having his confidential information passed on to a rival in trade. But experience has shown that it is not satisfactory to have simply a covenant against disclosing confidential information. The reason is because it is so difficult to draw the line between information which is confidential and information which is not; and it is very difficult to prove a breach when the information is of such a character that a servant can carry it away in his head. The difficulties are such that the only practicable solution is to take a covenant from the servant by which he is not to go to work for a rival in trade. Such a covenant may well be held to be reasonable if limited to a short period.'

[25] The difficulties alluded to by Lord Denning are amply illustrated by the facts of this case. The 'confidential' information that the applicant seeks to protect relates to the design and layout of the

* Cf eg Van Heerden & Neethling Unlawful Competition 258; *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd and Others* 1981 (2) SA 173 (T) at 202G-H.

** [1978] 1 All ER 1026 (CA) at 1033.

advertisements that appeared in Property Trader. In this regard, the applicant alleged that the third respondent ‘had access to all of the clients’ requirements regarding the presentation, their names and logos, the preferred method of setting out their advertisements, the general layout of the advertisements such as borders, shading, lines to indicate tables and columns, etc. All of this information was stored on templates. The templates were not made available to clients.’ (While it was originally suggested on behalf of the applicant that the third respondent might have appropriated the actual templates containing the clients’ requirements in respect of their advertisements, this suggestion has been conclusively refuted by the respondents and has not been pursued on behalf of the applicant.) The question, therefore, is simply whether the information regarding the clients’ requirements qualifies for protection in terms of the confidentiality clause quoted above.

[26] The question as to whether or not information made available to an employee during the course of his or her employment is confidential is a matter that must be decided on the facts of each case. In *Townsend Productions (Pty) Ltd v Leech** the court accepted the following three requirements for information to qualify as confidential, quoting with approval from Van Heerden & Neethling**:

‘First of all, and this is really self-evident, the information must not only relate to, but also be capable of application in, trade or industry. Secondly, the information must be secret or confidential. The information must accordingly--objectively determined--only be available, and thus known, to a restricted number of people or to a closed circle; or, as it is usually expressed by the Courts, the information “must be something which is not public property or public knowledge”. Thirdly, the information must, likewise objectively viewed, be of economic (business) value to the plaintiff.’

[27] In the course of argument before me, the respondents also referred extensively to the decision of the Court of Appeal in *Faccenda Chicken Ltd v Fowler****. In that case, the respondent (Fowler), together with eight of his colleagues, left the employ of the appellant company (Faccenda) and opened a competing business, specialising in the sale and delivery of fresh chickens in the Midlands of England. Faccenda claimed that the respondents had improperly used confidential information obtained during their employment in order to compete with it. The information that Faccenda sought to protect was listed under five

* 2001 (4) SA 33 (C) at 53J-54B.

** Op cit at 225. See also [1997] 1 All SA 616 (W) at 623g-624a.

*** [1986] 1 All ER 617 (CA).

headings: (1) the names and addresses of customers; (2) the most convenient routes to be taken to reach the customers; (3) the usual requirements of individual customers, both as to quantity and as to quality; (4) the days of the week and the time of day when deliveries were usually made to individual customers; (5) the prices charged to individual customers*.

[28] The claim was dismissed by the trial court. In dismissing the appeal, the Court of Appeal summarised the relevant principles relating to the law of confidentiality in the context of the relationship between employer and employee**. In considering whether the information in question could properly be classified as ‘confidential’, the Court of Appeal regarded the following factors as relevant: (a) the nature of the employment; (b) the nature of the information itself which, while not properly described as a trade secret, is of such a highly confidential nature as to require the same protection as a trade secret *eo nomine*; (c) whether the employer impressed upon the employee the confidentiality of the information; (d) whether the information in question can be easily isolated from other information which the employee is free to use or disclose. On the facts of that case, the court held that none of the information relied on fell within the class of confidential information which an employee is bound not to use or disclose after his employment has come to an end***.

[29] I am mindful of the caveat expressed on several occasions by our courts as to reliance on English authorities dealing with confidential information. Nevertheless, as pointed out by Stegmann J in *Meter Systems Holdings Ltd v Venter*****, such authorities can be of ‘considerable assistance’ in analysing and solving a similar problem on the principles of our law.

[30] Applying these principles to the facts of this case, I am of the view that the applicant has failed to establish the requisite degree of confidentiality in respect of the information in question. In the first place, the applicant’s clients’ preferences regarding the design and layout of their advertisements are apparent from the advertisements that appear weekly in the applicant’s magazine. It has thus become a matter of public knowledge, thereby losing any quality of confidentiality that it might have had. Secondly, as explained by the third respondent, the information alleged to be confidential was obtained by her directly from

* At 622a-b.

** At 625d-627g.

*** At 629b.

**** 1993 (1) SA 409 (W) at 427E-I.

the estate agents in question. It is fallacious for the applicant to claim in this context that the estate agents were its clients—as if it had some exclusive right to them. The fact of the matter is that those agents were simultaneously also the clients of the first respondent. They are and have always been entitled to place their property advertisements in whatever publication or advertising medium and in whatever format that they may prefer. Thus, information relating to their requirements does not, in my view, qualify as confidential.

[31] In these circumstances, it cannot be found that the third respondent has acted in breach of the confidentiality clause in her employment agreement.

Distribution Points—Fourth and Fifth Respondents

[32] The case against the fourth and fifth respondents is based on the premise that information relating to the applicant's distribution points—their location as well as the connections with retailers established in connection therewith—constitutes confidential information in the hands of the applicant, which it is entitled to protect against rival traders.

[33] Although it has been suggested that the fourth and fifth respondents took a copy of the applicant's distribution list with them when they left the applicant's employment, the respondents have denied that this is the case. The fourth and fifth respondents accordingly claim that they are entitled, in their current employment with the first respondent, to utilise the information relating to the applicant's distribution points which they acquired during their former employment with the applicant. The applicant contended, on the other hand, that it is entitled to protect such information, which it regards as confidential.

[34] As far as the issue of confidentiality is concerned, the same considerations discussed above* apply. In addition, strong support for the respondents' stance is to be found in the judgment of the Court of Appeal in *Roberts v Etwell's Engineers Ltd*** , where Lord Denning MR said:

‘It is settled law that a servant, having left his master's service, may, without fear of legal consequences, canvass for the custom of his late master's customers, whose names and addresses he has learned during the period of his service, so long as he does not take a list of

* Supra paras et seq.

** [1972] 2 All ER 890 at 894. Quoted with approval in *Freight Bureau (Pty) Limited v Kruger & Another* 1979 (4) SA 337 (W) at 341E-F. See also *Meter Systems Holdings Ltd v Venter & Another* supra n 15 at 428F and *Faccenda Chicken Ltd v Fowler & Others* sn 11 at 625f-g.

them away with him... All the more so, an agent may do so, especially when the customers have been introduced by the agent himself. In the absence of express restriction (which must be reasonable) he cannot be restrained from canvassing the customers for a new principal.’

[35] Applying the above test for confidentiality, I am of the view that the information relating to the applicant’s distributors does not qualify for protection.

Fourth respondent—Restraint of Trade

[36] This brings me to the case of the fourth respondent, who has, in addition to the confidentiality clause, bound himself in terms of a restraint of trade agreement, which reads as follows:

‘Restraint

3.1 The employee undertakes and warrants in favour of the Company ... that, for as long as he is employed by the Company and for a period of three (3) years from the termination date, he will not anywhere in the prescribed area being the Republic of South Africa be directly or indirectly interested, engaged, concerned or employed ... in any Company, firm, business undertaking, concern or other association of any nature which carries on business directly or indirectly in competition with any part, aspect, or facet of the business carried on by the company during the period during which he is employed by the Company.’

[37] Although the above restraint, on the face of it, appears to be unreasonably wide, both as far as area and duration is concerned, the fourth respondent has confined his defence to the principle that enforcement of the restraint would be unreasonable because it does not serve to protect an interest worthy of protection.

[38] It is settled law that a restraint is unenforceable as being contrary to public policy if the effect of enforcing the restraint would be unreasonable*. The reasonableness of a restraint is assessed with reference to the broad interests of the community and the interests of the contracting parties inter se. When assessing whether the enforcement of the restraint would be unreasonable as between the contracting parties inter se, there are three questions to be asked:

- (a) Does the employer have an interest that deserves protection after the termination of the employee’s services?
- (b) If so, is the ex-employee’s conduct endangering that interest?
- (c) If so, does the employer’s interest—viewed qualitatively and

* Cf *Basson v Chilwan and Others* 1993 (3) SA 742 (A) at 767C-768E.

quantitatively—match up to the employee’s interest in not being rendered inactive and unproductive?

If the answer to the third of these questions is in the negative (in other words, if the employee’s interest outweighs the employer’s), the enforcement of the restraint will generally be unreasonable and therefore contrary to public policy. This is a question of judgment, based on the facts of the case.

[39] The interests of employers which have traditionally been found worthy of protection have generally fallen into one of two categories, viz trade secrets and trade connections*. I have already found that, on the facts of this case, there can be no suggestion of trade secrets (or even confidential information) regarding the applicant’s distribution points. As for the applicant’s trade connections, this again relates to the same distribution points, with the added dimension of the personal contact of the fourth (and fifth) respondents with managers and owners of businesses at which the applicant’s magazines are distributed.

[40] In *Walter McNaughtan (Pty) Ltd v Schwartz*** the court dealt with the requirements before a protectable interest in customer connections can be established and held as follows:

‘A protectable interest in the form of customer connections does not come into being simply by having contact with an employer’s customers. What is required is the establishing of relationships of such a nature that the employee could easily induce customers to follow him or her to a new business. Whether such relationships have come into being is a question of fact and depends on the nature of the employee’s duties; his personality; the frequency and duration of the contact with customers; where such contact take place; what knowledge he gains of their requirements and business; the general nature of their relationship (including whether an attachment is formed between them, the extent to which customers rely on the employee and how personal their association is); how competitive the rival businesses are; in the case of a salesman, the type of product being sold; and whether there is evidence that customers were lost after the employee left.’

[41] On the facts of this case, the applicant does not sell anything to the owners of the various distribution points, nor does he buy anything from them. The applicant simply approaches the owner of a particular retail outlet for permission to display its magazines in stands supplied by the applicant itself. These ‘customer connections’ with such distribution

* *Basson v Chilwan and Others* (supra) at 770C-E.

** 2004 (3) SA 381 (C) at 390D-G (other case references omitted).

outlets do not strike me as the type of interest that would ordinarily be capable of protection by means of a restraint agreement. In any event, there is no evidence that the applicant has suffered any loss of business or turnover as a result of the entry into the market by the first respondent. Moreover, the fourth and fifth respondents denied that they have the required influence over managers and owners of the businesses at the distribution points.

[42] In the circumstances, the applicant is not, in my view, entitled to enforce the restraint in question against the fourth respondent.

Unlawful Competition

[43] What remains is a somewhat nebulous claim based on the generic delict of unlawful competition. In the founding affidavit only one aspect of the conduct of the respondents was dealt with under this heading. This relates to the claim that the first respondent's magazine is the same as the applicant's magazine, only substantially cheaper. ('Selfde as Propertytrader, maar teen ongelooflike lae tariewe.')

[44] In argument, however, it was submitted that all the aspects dealt with above (save for that of copyright infringement) are properly categorised as unlawful competition. The applicant argued that the respondents' conduct amounted to a 'springboard' to launch their own product.

[45] The applicant's argument calls to mind the remarks of Schutz JA in *Payen Components SA Ltd v Bovic CC** where the court held as follows:

'Unlawful competition should not be added as a ragbag and often forlorn final alternative to every trademark, copyright, design or passing off action. In most such cases it is one of the established categories or nothing.'

[46] In my view, this is particularly apposite on the facts of the present case. I have held that the respondents' conduct complained of does not amount to infringement of copyright, breach of restraint or of confidentiality, or to passing off. Whether it amounts to unlawful competition need not be decided, because it is clear that, even if the conduct amounted to unlawful competition, it cannot justify any of the relief claimed in the notice of motion.

Conclusion

[47] For the reasons set out above, I concluded that the applicant is not entitled to any of the relief claimed. In the premises, the application was dismissed with costs.

* 1995 (4) SA 441 (A) at 453G.

DISNEY ENTERPRISES INC v GRIESEL N.O.

DANIELS J
TRANSVAAL PROVINCIAL DIVISION
7 SEPTEMBER 2004

An attachment order ad fundandam jurisdictionem made upon allegations that the respondent has infringed the copyright of the applicant may depend on evidence that the respondent has instigated or instructed the infringement, without giving evidence of any subjective knowledge of infringement on the part of the respondent.

The executor of the estate of the late S Ntsele obtained an ex parte order attaching the assets of Disney Enterprises Inc. The attachment was effected ad fundandam jurisdictionem, its intention being to bring an action against Disney for copyright infringement. Griesel alleged that Disney caused certain cinematograph films to be made in the United States of America, and distributed in South Africa copies thereof.

In an application to set aside the attachment, Disney alleged that it was the owner and licensor of the copyright in the film, and the production, manufacture, copying and distribution of the film was undertaken by various licensees of Disney, all of whom were its subsidiaries. Griesel did not dispute these allegations.

Griesel alleged that it had made out a prima facie case against Disney entitling it to a continuation of the attachment order it had obtained.

Held—

Copyright can be infringed by a person who causes another to do a restricted act without the authority of the copyright owner. It is therefore possible for an infringement to take place not only by the person who copies the protected work but also by the person who instigates or instructs the copying of that work.

Disney contended that, for it to be held liable for copyright infringement, it had to be shown that it had subjective knowledge of the copying, and that no evidence that it had such knowledge had been presented. However, at this stage, it was sufficient for Griesel to depend on the various licensing agreements and the obligations imposed by Disney on its subsidiary licensor, in order to establish a prima facie case against Disney.

Having established a prima facie case, Griesel had been entitled to the attachment ad fundandam jurisdictionem. The attachment order was confirmed.

Daniels J: The applicant seeks an order recalling and setting aside an order sought ex parte and granted by Swart J on 29 July 2004 attaching certain assets belonging to the applicant ad fundandam jurisdictionem. No reasons were furnished by Swart J and none were called for. At this stage the onus is upon the first respondent to show upon the affidavits filed in the ex parte application and in the present application that it was and still is entitled to the relief sought.

It was said in *Simon N.O. v Air Operations of Europe AB* 1999 (1) SA 217 (A) at 228 that ‘the remedy of attachment ad fundandam jurisdictionem was an exceptional remedy, and one that should be applied with care and caution. Once all the requirements for attachment had been satisfied, however, a court had no discretion to refuse an

attachment.’

At the same time it was explained that an applicant had obviously to establish that he or she had a prima facie cause of action, although open to doubt, and this requirement was satisfied if an applicant showed that there was evidence which, if accepted, would establish a cause of action. The mere fact that such evidence was contradicted would not disentitle an applicant to the relief sought, not even if the probabilities were against him. It was only where it was quite clear that the applicant had no cause of action, or could not succeed, that an attachment had to be refused. (228B/C-C/D)

The accepted test for a prima facie right in the context of an interim interdict was to take the facts averred by the applicant, together with such facts set out by the respondent that were not or could not be disputed, and to consider whether, having regard to the inherent probabilities, the applicant should on those facts obtain final relief at the trial. The facts set up in contradiction by the respondent should then be considered and, if serious doubt was thrown upon the case of the applicant, he or she could not succeed. (228F/G-H/I)

It was contended on behalf of the applicant that the first respondent failed to make out a prima facie case for the relief sought by reason of the following:

- 1 the first respondent was not appointed as executor by the Master of the High Court. Accordingly he did not have, and does not have authority to represent or act on behalf of the estate of the late Mr Solomon Ntsele (also known as Linda);
- 2 the applicant did not infringe nor did it cause the infringement of the copyright allegedly vesting in the first respondent.

The first respondent’s appointment as Executor

I do not intend dealing in any detail with the arguments presented by counsel. Suffice it to say that however one views the matter, the fact remains that Griesel purports to act on behalf of the estate. It is the estate ‘represented by...’ whoever, that will be cited as the plaintiff in the matter. The Master and or the magistrate regard Griesel as the duly appointed representative of the estate and they will individually or collectively look to him for reporting on the estate, and to account for the assets recovered. The first respondent was appointed in terms of reg. 4(i) of the regulations published under GN R200 of 6 February 1987, to represent the estate. It is true that he is not named ‘executor’ of the estate but this does not detract from the fact that he was appointed ‘...to represent theestate, to assume responsibility for the collection of the assets, to pay all claims to the value of the assets in the estate ...and to award the balance of the estate, including the immovable property if any, to the rightful heir(s)’, which is exactly what an executor does.

Whether Griesel is called an agent or executor cannot impact upon his entitlement to institute the action. If the applicant has a problem with the appointment such as it is, but which is prima facie proper and regular on the face of it, it can bring a substantive application to have it set aside. The Master will obviously be joined as a respondent and he or she will be able to explain the manner in which the Act is applied and the measures taken to implement the Moseneke judgment in a practical and sensible manner.

At this stage of the proceedings and having regard to the test to be applied, the court is to be satisfied that Griesel has shown, no more than prima facie, that he as the representative of the estate is entitled to recover whatever is allegedly due. That much he succeeded in doing. The applicant's alleged infringement

The first respondent's case appears from paragraph 12 of his proposed particulars of claim. The essence of his case is that the applicant caused certain cinematograph films to be made in the United States of America, that it made or caused to be made multiple copies of that film and distributed or caused to be distributed in South Africa copies, videotapes and DVD discs thereof. The first respondent will have to prove these allegations at the trial. At this stage he need only show a prima facie case 'although open to doubt'. With this end in view he need go no further than to show that there is evidence, which if accepted, would establish a cause of action.

The applicant's case is that no such a case was made out, and that no such a case is 'made out in the matter now before me. The Copyright Act of 1978, section 23 thereof, provides as follows -

'23. Infringement.

(1) Copyright shall be infringed by any person, not being the owner of the copyright, who, without the licence of such owner, does or causes any other person to do, in the Republic, any act which the owner has the exclusive rights to do or to authorize.'

It is the applicant's case that it was at all relevant times the owner and licensor of the copyright in the relevant cinematograph film and that it was never a producer or distributor of the film, neither in South Africa nor elsewhere. The production and manufacture, copying and distribution was undertaken by the various licensees, all of whom incidentally are its subsidiaries. It is alleged that the first respondent through his attorney should have been aware of that fact. I do not believe that the testimony of the applicant is seriously disputed by the respondent. This, however, is not the end of the matter.

The first respondent's case is not of the limited extent it may appear to be. It was common cause between the parties that copyright can be infringed by a person who causes another to do 'a restricted act without

the authority of the copyright owner'. Accordingly copyright can be infringed by both the actual perpetrator and the person who instigates or instructs the doing of that act. Upon the authority of *Bosal Africa (Pty) Ltd v Grapnel (Pty) Ltd* 1985 (4) SA 882 (C) and *Esquire Electronics Ltd v Executive Video* 1986 (2) SA 576 (A) the applicant submitted that some subjective knowledge of the unlawful act was required in order to hold the instigator liable. There was, however, no evidence that the applicant did so knowingly at any stage or that it was knowingly personally involved in any copying.

The respondent confirmed and repeated in his answering affidavit that it was not his case that the applicant was itself actively involved in the alleged infringement, but that it is involved to the extent that by granting a copyright license to the second defendant in the infringement action, it 'caused, authorised, aided or abetted the second defendant to make reproductions: The respondent obviously does not have evidence, at this stage at least, directly linking the applicant to the alleged infringement of the copyright by its subsidiary in South Africa. These are early days. At this stage the applicant appears to rely upon the existence of the various licensing agreements and the obligations imposed by the applicant licensee upon its subsidiary licensor to exploit and promote the license to its full extent, the argument also being that this had to be so since the applicant was sharing, on the probabilities at least, in the income generated by way of royalties. This approach and argument is certainly not without merit. He needs do no more than to establish a prima facie case. I am satisfied upon the argument presented that such a case had been made out. I prefer to believe that Swart J was similarly not unimpressed and that this led him to grant the interim relief. It follows that the application must fail on the second ground also.

The applicant finally criticized the granting of the order on the ground that the respondent failed to disclose material facts which might have influenced the court in arriving at the decision arrived at. It was suggested that the respondent should have disclosed:

- ! the initial debate surrounding the question of the respondent's appointment as executor in the deceased estate of the late mr Ntsele (Linda);
- ! the 1983 assignment of copyright by the late Regina Ntsele and her receipt of substantial royalties;
- ! the 1992 assignment of the copyright by the late Solomon Ntsele's daughters;
- ! the 1994 documentation relating to the registration of the applicant's copyright, including the statement of case prepared by the first respondent's attorneys which demonstrated that the

applicant was neither a producer nor a distributor of cinematograph films and never made or reproduced the film here involved.

1 The respondent's appointment

I have dealt with the debate surrounding the respondent's appointment. There was no reason to embark upon an extravagant explanation to warrant the allegation that he was the duly appointed executor in the estate. The document he relied upon was attached to the founding affidavit. Nothing more was required at that stage.

2 The 1983 and the 1992 assignment of the copyright.

Awareness on the part of the then presiding judge of these alleged or purported assignments would have had little effect upon his decision. In this regard I refer to the first respondent's answering affidavit at pp 394 and further, read with that of attorney Dean at pp 504 -509. At best there might have been a suggestion, extremely remote I suggest, that a court might have adopted the attitude that there might have been uncertainty, but having regard to the test to be applied, it would nevertheless have granted the order sought.

3 The non-disclosure of the 1994 documentation.

I need go no further than to say that the applicant might have had a case if it was the respondent's case that the applicant as the principal party infringed the copyright by itself producing, manufacturing, copying and distributing the film here involved. We know that the respondent alleges that the applicant 'caused, authorised, aided or abetted the second defendant to make reproductions of the film. Once this is understood the complaint must fall away.

The court in any event has an overriding discretion to grant or deny relief to a litigant who might be guilty of a failure to disclose material or relevant facts. The principle is well established that it is the duty of a litigant who approaches the court *ex parte*, to disclose to the court every circumstance which might influence the court in deciding to grant or to withhold relief. Among the factors which the court will take into account in the exercise of its discretion to grant or deny relief to a litigant who has breached the *uberrima fides* rule are the extent to which the rule has been breached, the reasons for the non-disclosure, the extent to which the court might have been influenced by the proper disclosure in the *ex parte* application, the consequences, from the point of view of doing justice between the parties, of denying relief to the applicant on the *ex parte* order, and the interests of innocent third parties, such as minor children, for whom protection was sought in the *ex parte* application. (*Cometal-Mometal SARL v Corlana Enterprises (Pty) Ltd* 1981 (2) SA 412 (W) at 414 G-H). Having regard to the facts at my disposal and then in particular the comprehensive explanation offered

by attorney Dean and the first respondent, I would in any event exercise my discretion in favour of the respondent.

It follows that the application cannot succeed. Although it can be argued that the applicants were ill-advised in launching this application and that costs should follow the result, the fact remains that the applicants may be successful in the main action on the very grounds here debated. I would prefer to order the costs of this application to be in the cause. This does not involve attorneys Spoor & Fisher, against whom no order of costs is made.

The following order is made:

- 1 The application is dismissed.
- 2 Costs are to be costs in the cause.

THE COMMISSIONER OF THE SOUTH AFRICAN REVENUE SERVICE v SHOPRITE CHECKERS (PTY) LTD

FOURIE J

CAPE OF GOOD HOPE PROVINCIAL DIVISION
27 FEBRUARY 2004

Counterfeit goods cannot be seized in terms of the Counterfeit Goods Act (no 37 of 1997) without the furnishing of information to the satisfaction of an inspector to the effect that the goods are prima facie counterfeit.

The Commissioner of the South African Revenue Service seized and removed certain goods which were imported into South Africa by Shoprite Checkers (Pty) Ltd. The Commissioner alleged that the goods were counterfeit goods and he acted in terms of the Counterfeit Goods Act (no 37 of 1997).

The Commissioner alleged that he was satisfied that the goods were counterfeit because of the allegations made in an affidavit received from the complainant's attorney. The affidavit confirmed that the complainant was the owner of certain trademarks and that the goods were in fact counterfeit.

Shoprite brought a counter-application directed at securing the release of the goods.

Held—

The Act authorises the Commissioner or an inspector appointed in terms of the Act, to seize and detain alleged counterfeit goods if he is satisfied on reasonable grounds that the goods are prima facie counterfeit or that an offence has been committed. A complainant is required to furnish information to the satisfaction of the inspector to the effect that the goods are prima facie counterfeit.

The requirement that an inspector should be satisfied that reasonable grounds exist should be strictly complied with. In the present case however, this had not taken place. The affidavit submitted by the complainant's attorney gave no information or particulars to show that the goods were counterfeit. The mere say-so of the complainant through its attorney was insufficient to set out such grounds.

The Commissioner was ordered to release the goods.

Fourie J: The applicants in case number 9251/2003 and case number 9444/2003 have applied for relief against the respondents in terms of the Counterfeit Goods Act (no 37 of 1997) ('the Act').

The respondents gave notice of their intention to oppose both applications, such notice having been given on 14 November 2003 and 3 December 2003, respectively.

On 18 December 2003 the first respondent gave notice and filed affidavits in support of counter-applications in both matters. For the sake of convenience I continue to refer to the parties as they are referred to in the main applications.

In the main applications the applicants seek, firstly, an order in terms of section 6(4) of the Act confirming the search, seizure, removal,

detention, collection and subsequent removal to the counterfeit goods depot, of certain alleged counterfeit, goods which were imported 'into South Africa by the first respondent. Secondly, an order is sought declaring the said goods to be counterfeit, and thirdly, an order authorising the delivery of such goods to the owners of the intellectual property rights, the subject matter of which has been unlawfully applied for those goods, irrespective of the outcome of the applications.

In the counter-applications the first respondent seeks orders directing the applicants to immediately release the said goods seized, detained and removed by the applicants in terms of the Act, to the first respondent. In its founding affidavits in the counter-applications the first respondent has not only set out the grounds upon which it alleges that the seizure of the said goods is null and void by virtue of the applicants' failure to comply with the requirements of the Act, but also deal with the merits of the main applications by answering the allegations in the founding affidavits of the applicants.

In its notices of counter-application, the first respondent gave notice of its intention to bring the counter-applications as matters of urgency and the Registrar accordingly placed the counter-applications before me for adjudication on the date indicated in the counter-applications, ie 24 December 2003. After hearing argument I reserved judgment until today, 29 December 2003. In view of the fact that this judgment is given in the recess it is not as detailed as I would normally have preferred it to be. As I have mentioned, only the counter-applications and not the main applications have been enrolled for hearing.

During argument I enquired from Mr Sholto-Douglas who appeared for the respondents, what impact the granting of orders in the counter-applications would have upon the main applications. He submitted that a finding in favour of the first respondent in the counter-applications would also appear to dispose of the main applications. He accordingly asked for orders granting the counter-applications and dismissing the main applications, alternatively, only orders granting the counter-applications. Mr de Villiers Jansen, who appears for the applicants, was of the view that only the counter-applications were to be dealt with in this hearing.

Having regard to the manner in which these matters have been brought before me I am of the view that only the counter-applications have been enrolled for hearing on an urgent basis by the first respondent and that the main applications are not to be adjudicated. This raises the question whether, having regard to the common law rule that a claim and counter-claim, and, accordingly also, an application and counter-application, should be adjudicated *pari passu*, it would be proper for me to adjudicate upon the counter-applications only. Erasmus: *Superior*

Court Practice at B1-52 states that the court has a discretion to depart from this general rule. Herbstein and Van Winsen: *The Civil Practice of the Superior Court of South Africa* (4th ed.) at 357 agree with the view of Erasmus and state that ‘the Court has a wide discretion’. In *Truter v Degenaar* 1990 (1) SA 206 (T) at 211E-F, Van Dijkhorst, J said that the court has a wide discretion in this regard and that ‘die goeie redes wat ’n Hof daartoe bring om dit uit te oefen nie vooraf vatbaar vir definisie is nie.’

Having given the matter serious consideration, I have concluded that it would be proper for me to adjudicate upon the counter-applications separately, even though my findings may, to a certain extent, impact upon the relief sought in the main applications. At the outset, however, I wish to stress that in deciding the counter-applications I do not make any finding as to whether the relevant goods are counterfeit or not. I should also mention that the main reason why I have decided to adjudicate upon the counter-applications is that considerations of public interest in the proper and lawful execution of their duties by government officials in terms of the Act, dictate that the issues in the counter-applications should not stand over for hearing in the usual course, which would probably only be three or four months hence.

The first respondent has raised several grounds in its founding affidavits to the counter-applications upon which it relies the allegation that the seizure of the goods is null and void and that same should accordingly be released. I do not intend to deal with all these grounds, but only with those that I consider to be the main grounds upon which first respondent relies.

Firstly, the first respondent alleges that the failure of the second applicants to obtain warrants authorising the seizure of the goods as provided in section 5(1) of the Act, is fatal. Sub-sections 6(2)(a) and (b) provide circumstances in which the relevant inspector may proceed without a warrant, but it is clear from the founding affidavits deposed to by the second applicants in the main applications that no grounds have been alleged to bring the seizure within the provisions of section 5(2)(b) of the Act. The second applicants do, however, allege that the seizure, removal and detention of the goods occurred with the consent of a person on behalf of the first respondent who is competent to consent thereto with the result that no warrant was required as provided in section 5(2)(a) of the Act.

It is common cause that the person upon whose consent the applicants rely is one Nigel Williams, the freight agent of the first respondent. Mr Sholto-Douglas submitted that the applicants have failed to show that Williams actually consented as required by section 5(2)(a) and that he merely acknowledged receipt by signing the relevant documentation.

However, it is alleged in the founding affidavits in the main applications by the applicants that Williams did consent, which allegation is not dealt with by the first respondent in its affidavits in support of the counter-applications. It follows, in my view, that on the papers before me the applicants have shown that the second applicants were entitled to proceed without a warrant as envisaged in section 5(2)(a) of the Act.

Secondly, the first respondent alleges that the applicants have failed to bring the main applications for confirmation of the seizure, detention and removal of the goods timeously as required in terms of section 5(4)(a) of the Act. This subsection reads as follows:

‘Notwithstanding the provisions of sub-sections (1) and (2) any acts performed by an inspector by virtue of subsection 121 must be confirmed by a magistrate or a judge of the High Court having jurisdiction in the area where the acts were performed on the application of the inspector brought within 10 court days of the day on which those acts were performed.’

In *Mati v Minister of Justice, Police and Prisons, Ciskei* 1988 (3) 5A 750 (Ck), Claassens J exhaustively considered the authorities dealing with the interpretation of the phrase ‘proceedings shall be brought’. I respectfully concur with his interpretation that proceedings are brought by means of the issue of a summons on application and that service thereof is not a requirement. In the instant matters this puts paid to this submission of the first respondent as in both instances the main applications were issued within 10 court days of the first seizure of the goods in terms of the Act. Thirdly, the first respondent alleges that the seizure and detention of the goods is null and void as no facts existed upon which the second applicants, as inspectors, could have concluded that reasonable grounds existed for such seizure and detention.

In both main applications the second applicants allege that they satisfied themselves that the relevant goods were prima facie counterfeit with reference to an affidavit received from one Boshoff, the attorney of the complainant. See for example paragraphs 12 and 13 of the founding affidavit in case number 9444/03 which read as follows:

‘The goods referred to in paragraph 8.2 above were confirmed by the Yuntal Lock Manufacturing Group and its legal representative Mr Quentin Boshoff of the aforementioned firm of attorneys to be counterfeit. In this regard I annex hereto a copy of an affidavit received from Mr Boshoff marked CRH4. On the basis of the aforesaid affidavit was reasonably satisfied that an offence had been committed in terms of the Counterfeit Goods Act. Pursuant thereto on 29 October 2003 a seizure notice was issued. In terms of the provisions of the Counterfeit Goods Act. A copy of this notice is annexed hereto marked CRH5.’

The relevant similarly worded paragraphs in case number 9251 /2003 are paragraphs 7 and 12.

The relevant provisions of the Act and, in particular, sections 3, 4 and 15 authorise an inspector appointed in terms of the Act or the Commissioner for Customs and Excise, as the case may be, to seize and detain alleged counterfeit goods only if he or she is satisfied on reasonable grounds that the goods are prima facie counterfeit and/or that an offence has been committed in terms of the Act. Section 3(2)(a) for example requires a complainant to furnish information and particulars to the satisfaction of the inspector to the effect that the goods are prima facie counterfeit. In my view, the requirement that the inspector has to be satisfied that such reasonable grounds exist should be strictly complied with, especially in a case where the inspector proceeds without the authority of a warrant, to seize and detain the goods as counterfeit. This view is strengthened if one has regard to section 17(2) of the Act which restricts the liability of the State and the inspector to cases of gross negligence or bad faith.

The affidavits filed by Attorney Boshoff in the main applications are similarly worded and fail to disclose any information or particulars to show that the relevant goods are counterfeit. The affidavits allege that the complainant is the owner of certain trademarks and conclude with the following rather incoherent paragraph 7:

‘7. The complainant confirmed that the padlocks, digital images given to my firm are indeed counterfeit and request the Customs authorities to detain it.’

The first respondent has applied for these hearsay allegations to be struck out, but having regard to my view of the matters, it is not necessary to consider the striking out applications. In my view, there has been no compliance at all with the requirement that reasonable grounds for the seizure and detention had to exist. In the affidavits of Attorney Boshoff, on the strength of which the second applicants purported to act, no information or particulars to show that the goods are counterfeit, are given.

At best for the applicants, Boshoff says that the complainant confirmed that the goods are counterfeit. The mere say-so of the complainant through its attorney, cannot, in my view, qualify as sufficient grounds upon which the inspectors could have been satisfied that the goods are prima facie counterfeit and that reasonable grounds for the seizure and detention thereof existed.

It is significant to note that in the email messages which Boshoff sent and received from his client, copies of which are annexed to his affidavit in case number 9251/03, the following appears. Firstly, the email sent by Attorney Boshoff to his client on 15 October 2003 reads

as follows:

‘Dear Des

I have been advised by Customs in Cape Town that they have stopped a container in which they have found padlocks which feature the Tri-circle trade mark. Enclosed please find scanned images of same. The Customs authorities need confirmation as to whether the goods are authorised by client or not. If the goods are not authorised by client the Customs authorities will require an affidavit setting out client’s rights and putting forward reasons why these goods do not constitute authorised use of client’s trade mark whereafter they will provide us with the importer’s details and quantity involved. Due to the time constraints I look forward to receiving your urgent instructions.

The response thereto on 18 October 2003 reads as follows:

‘Dear Quentin Quincy (which I believe is a reference to the entity known as Yuntal Quincy) authorises you to proceed against this company and requests that you do the affidavit on behalf of Yuntal. Yuntal Lock Manufacturing Group also gives you indemnity in this regard.’

This exchange by email shows that no information or particulars were provided to Boshoff by the complainant upon which it can be found that the relevant goods are in fact counterfeit. There is in fact no allegation ‘whatsoever by the complainant that the goods are counterfeit.

It follows, in my view, that the goods were seized, detained and removed without lawful grounds.

The applicants have opposed the counter-applications on two grounds. Firstly, that the counter-applications should not be heard as matters of urgency as the first respondent has been the author of its own urgency. I do not agree. As I have already indicated, considerations of public interest dictate that if there has been an unlawful seizure, detention and removal of the goods, the matter should not be delayed but heard as soon as possible. In addition thereto, it appears from the papers that since the service of the main applications the parties have been involved in negotiations in an attempt to settle the matters, which negotiations subsequently proved to be unsuccessful.

Secondly, the applicants allege that the complainant (the holder of the intellectual property rights) ought to have been joined in the counter-applications. It is trite law that if a third party has a direct and substantial interest in the right which is the subject matter of the litigation, he is a necessary party and should be joined in the litigation. In my view, the complainant does not have such an interest as the real issue in the counter-application is whether there has been a lawful seizure, detention and removal of the goods imported by the respondent.

The complainant, in my view, only has an indirect financial interest in the outcome of the counter-applications and not a legal interest in the subject matter of the counter-applications which could be prejudicially affected by a judgment on the counter-applications.

I accordingly find that there is no merit in the non-joinder defence raised by the applicants.

I accordingly conclude that the first respondent is entitled to the relief sought in the counter-applications. With regard to costs, Mr Sholto-Douglas has submitted that if the counter-applications were to succeed the first respondent should be entitled to its costs. Mr de Villiers Jansen submitted that as the applicants are public officials who discharged their duties in terms of the Act, they should not be mulcted in costs in the event of the court finding that they acted unlawfully.

In my view, it is important to bear in mind that in deciding the counter-applications I have not disposed of the main applications and, in particular, of the cardinal issue, that is whether the goods are counterfeit. If, for argument's sake, it were to be found in the main applications that the goods are in fact counterfeit, this may be an important consideration with regard to the issue of costs, including the costs of the counter-applications. It accordingly appears to me that it would be just if the costs of the counter-applications were to be reserved for later determination, either at the hearing of the main applications or, if the main applications were not to proceed, at a later stage upon the request of either party.

In the result the following orders are made:

1. In case number 9251/2003:

- (i) the applicants are ordered to immediately release the funds seized, detained and removed from container number FMCU257637 by virtue of written notice in terms of section 7(1)(d) of the Counterfeit Goods Act (no 37 of 1997) dated 23 October 2003, to the first respondent;
- (ii) the costs of this application, including the costs of the application to strike out, are reserved for later determination.

2. Case number 9444/2003:

- (i) the applicants are ordered to immediately release the goods seized, detained and removed from container number FMCU2575315 by virtue of written notice in terms of section 7(1)(d) of the Counterfeit Goods Act (no 37 of 1997) dated 29 October 2003, to the first respondent;
- (ii) the costs of this application, including the costs of the application to strike out, are reserved for later determination.

HAUPT v BREWERS MARKETING INTELLIGENCE (PTY) LTD

STREICHER JA
(HARMS JA, MTHIYANE JA, CLOETE JA and LEWIS JA concurring)
SUPREME COURT OF APPEAL
29 MARCH 2006

Copyright may vest in a computer programme even if the programme does not work properly. Copyright may subsist in a work which is a combination of a computer programme and a literary work. In the case of a computer programme the party exercising control over the person who creates the programme is the party in whom copyright vests. Copying of a substantial part of a work takes place if a significant portion is copied, such significance being measured qualitatively as well as quantitatively.

In 1998, at the request of Brewers Marketing Intelligence (Pty) Ltd, Coetzee wrote a computer programme designed to enable the interrogation and manipulation of research data produced by a media research company. The data provided the source material concerning readers, listeners and viewers of various media such as newspapers, magazines and radio stations. The programme made use of a table which contained the questions upon which the research data was obtained. Haupt, the marketing director of Brewers, filled in the data required for this table.

Before completion of the programme, Haupt left Brewers and Coetzee continued the programming work for him. From that point, Coetzee was to receive 20% of the gross proceeds on sales of the programme. The programme was changed so that it accessed data from a separate file rather than from the table which Haupt had earlier completed. Further changes were made which ensured the more efficient access of data from an answers database and a weightings database. Coetzee continued work on the programme and develop it, and did so until October 2000 when he left the country for the United States. The programme was known as the 'Data Explorer' programme.

In July 2001, Coetzee and Brewers concluded an agreement in terms of which Coetzee undertook to provide compiled data to Brewers to enable it to develop a computer programme capable of importing data produced by the media research company into a database, and advise Brewers during the development stage. The agreement was implemented, and Coetzee assisted the Brewers programmer with portions of the source code used in the Data Explorer programme. The programme was named the 'Brewers AMPS' programme.

Most of the database structures used in the Data Explorer programme were identical with those used in the Brewers AMPS programme. The files used for accessing data were largely the same. The source code used for some of the programmes, and for search and graphing functions was largely the same.

Haupt discovered that the Brewers AMPS programme had been created. He brought interdict proceedings to prevent infringement of the Data Explorer programme as well as various files and folders and databases.

Held—

The mere fact that the initial programme did not work properly did not mean that it was not a work in which copyright could not subsist. It was a computer programme as defined in the Copyright Act (no 98 of 1978) even though it sometimes produced incorrect results.

The definition of a computer programme, as given in the Act, requires that there is a set of instructions which when used on a computer directs its operation to bring about a result. The database structures created by Coetzee were

therefore not a computer programme but a literary work, even though a computer might have been used as a tool in their creation. By contrast, the Data Explorer programme and those programmes associated with it were computer programmes as defined in the Act. Accordingly, the works in respect of which copyright could subsist in the present case were a combination of both computer programmes and literary works.

As far as their originality was concerned, there was no question that the converter programme and the tree preparer programme were the products of substantial skill, judgment and labour. It took about six months to create these programmes and it was clear that when the Brewers AMPS programme incorporated them, this resulted in a significant improvement in that programme. The works were therefore original.

As far as authorship was concerned, the evidence showed that at first the control over the creation of the computer programme was exercised by Brewers, but after July 1998, Haupt exercised control. Section 21 of the Act defines 'control' more broadly than the control of an employer over an employee. This was the control exercised by Haupt rendering him the author of the computer programme and literary works.

As far as infringement was concerned, although a limited amount of copying took place, what was copied was qualitatively, albeit not quantitatively, significant. Brewer's own programmer was having difficulty writing the programme. The copied portions therefore constituted substantial amounts of copying.

The interdict was granted.

Streicher JA:

[1] Anton Haupt, the appellant, applied to the Cape High Court for an order interdicting the respondents in terms of the Copyright Act (no 98 of 1978) from infringing his alleged copyright in a computer program known as Data Explorer and also in certain tables (or database structures) and databases. The High Court held that Haupt's claim could not be sustained and dismissed the application. With the leave of this court Haupt now appeals against the High Court's judgment.

[2] Haupt and the second respondent, Christopher Brewer, are brothers-in-law. Brewer used to be the managing director and Haupt the marketing director of Brewer's Almanac (Pty) Ltd ('Brewer's Almanac'). Brewer's Almanac did business as an advertising agency and also disseminated information of use to the advertising industry.

[3] During 1998 the third respondent, Coetzee, was requested by Brewer's Almanac to write a computer program which could interrogate and manipulate what is known as AMPS (All Media Products Survey) data. AMPS data are research results produced by a media research company on behalf of the South African Advertising Research Foundation. AMPS data are based on market surveys done on a six-monthly basis by way of questionnaires and are available in binary column electronic format stored in a UFL file and captured on a compact disc. They enable one to determine, inter alia, who the readers, listeners or viewers of particular newspapers, magazines, radio stations or television programs are and who the users of various products are. The

information is useful especially to advertising agencies in the planning of marketing strategies.

[4] Coetzee was requested to write a program that would give the user the ability to select certain questions, extract the answers from the UFL file and display those answers in a meaningful way. He used a computer program called Delphi to write the program which he called Project AMPS. To enable the selection of a question, the questions upon which the AMPS data were based had to be stored in a database. For this purpose Coetzee created a table. This was done by simply asking the Delphi program to create a new table. The program allows one to determine the number of fields required and the extent of the fields. Haupt then undertook the task of filling the table with the questions contained in the questionnaire in respect of the AMPS97b data. Coetzee, in the meantime, wrote a program that could read the data in the binary format supplied. The next step was to create the user interface or front end of the program, that is, that part of the program that determines what a user will see. Coetzee decided that the questions should be displayed in a 'tree' format and used the tree component of the Delphi program for this purpose. He then proceeded to write a program that could read the questions in the table (the questions database), populate the tree when the program was activated, allow the user to select a question and extract, calculate and display the data requested. By 21 June 1998 the program had developed to the extent that a tree could be populated from a questions database, a user could select one of the questions, and an answer, sometimes correct sometimes wrong, could be extracted from the UFL file and be displayed on a monitor.

[5] On 31 July 1998 Haupt and Brewer parted ways and from that date onwards Haupt was no longer in the employ of Brewer's Almanac. Thereafter, Coetzee, in terms of a prior arrangement with Haupt, continued to develop the program for Haupt exclusively. In terms of the arrangement Coetzee was to receive 20 per cent of the gross sales of the program.

[6] The next major development of the program after 21 June 1998 was the incorporation of a 'tree preparer' program. Every time the program was loaded it took time to populate the tree from the questions database. To overcome this problem Coetzee wrote a program called the tree preparer program which could, from the questions database, prepare a tree populated in the format required and then save it in a tree.txt file. He took out the link to the questions database and thereafter the tree.txt file, instead of the questions database, was used to populate the tree. Haupt testified that this development took place after 31 July 1998. His evidence in this regard was not disputed. However, when Coetzee testified he suggested that the development might have taken place before 31 July 1998. According to him he established that he started

working on a tree preparer program on 5 or 6 July 1998. He could not say when he completed the writing of the program but could say that it would have taken him about six hours to do so. In my view Coetzee's belated and half-hearted suggestion that the program might have been written before 31 July 1998 is not sufficient to cast doubt on Haupt's evidence in this regard. Coetzee also wrote a program which could search the tree view of the questions. It was not suggested that this was done before 31 July 1998.

[7] The data in the UFL file was not sorted and every time a question was selected a search had to be done through the whole of the file. Quick access could, therefore, not be gained to a particular sector of the data. To overcome this problem Coetzee created an answers database and changed the existing program so as to pre-sort the answers contained in the UFL file and to order and index them in a table or database structure created as in the case of the questions database structure. Once this had been done the program had to be changed again so as to look for an answer to a selected question in the answers database instead of the UFL file. This procedure had to be followed in respect of each set of AMPS data as it became available. The development took place at the beginning of 1999. At that time Coetzee also created a weightings database. This was necessary because respondents to the questionnaires have a weighting which is used to determine their actual representation in the relevant population. Subsequently various other database structures were added to the Data Explorer program.

[8] Every six months when new data was received the Data Explorer program had to be changed from reading the answers file to reading the UFL file and once this had been done it had to be changed back again. To obviate these changes Coetzee, in June 2000, created a new program (the converter program), separate from the Data Explorer program, to do the conversion from the UFL file to the answers file. Coetzee described the effect of the development as follows: 'So that meant that I could leave the Project AMPS program pristine, every time a conversion came I could just do my conversion with a separate program and finished, I didn't have to remember what I'd changed and all that kind of stuff.' He referred to the program as the Project AMPS program although, by that time, the name of the program had been changed to Data Explorer.

[9] Coetzee left for the USA in October 2000. Before he did so he worked full time for a period of two months on the further development of the program. During this period Haupt paid him R20 000 per month. It was at this time that a new graphing tool was added to the program. This was done by purchasing a graphic server which was commercially available and by incorporating it into the Data Explorer program.

[10] The AMPS data referred to as Teen98, Child99, AMPS99a,

AMPS99b and AMPS2000a were all processed by Haupt and Coetzee and marketed by Haupt together with the Data Explorer program. In respect of each set of data a tree.txt file was compiled by the tree preparer program from the questions table filled by Haupt and the data contained in a UFL file was converted to an answers database and a weightings database.

[11] On 26 March 2001 Coetzee, who, at that time, was still in the USA, made contact with Brewer by e-mail stating inter alia that he had heard little or nothing from Haupt. This led to the following letter from Brewer to Coetzee on 4 May 2001:

‘Dear Byron, . . . There’s something I’d like to discuss with you - but it MUST be kept strictly confidential and just between you and me - for obvious reasons. I have been asked by several agencies to get busy on other database products, some of which would be impractical, but more recently SAARF asked me if I would be able to produce a ‘Brewers AMPS Data Program’. Let me say straight off that I have absolutely NO intention of developing a program for this - but I WOULD be interested in coming to an arrangement with you where we would use the program you wrote to convert the SAARF data (we would then develop the front-end to make it look nice as well as looking like our other products). I . . . also believe there is room for another player in the market (Anton is obviously doing exceptionally well - in fact he seems positively RICH) and you, yourself, would not be compromised. I’ll make that a little clearer if I can: I need to use the program you wrote in order to import SAARF (AMPS) data into a Brewer’s database (which Hank will write). For this you will earn a ‘royalty’ or ‘commission’ on sales. . . . So here’s my question to you: **Are you interested in allowing me to use your program for converting SAARF (AMPS) data into a database (which we will write) in return for a royalty?** . . . Whichever is the answer, please DO NOT discuss this with Anton. There is nothing devious in my saying that - it’s just that I don’t want to create any family stress or tension (especially if your answer is ‘no’). There is no other reason for me not wanting Anton to know. If we do go ahead then (if necessary) I’ll explain it all directly to him. There is absolutely nothing underhand about you and I discussing this. . . .’

[12] Negotiations between Coetzee and Brewer ensued culminating in a written agreement on 2 July 2001. In terms of the agreement they agreed that Brewer’s Marketing Intelligence (Pty) Ltd, the first respondent, would develop the program, that Coetzee would provide compiled (converted) data to the first respondent to enable the first respondent to develop the program, and that Coetzee would co-operate and advise the first respondent during the development stage.

[13] The first respondent employed one Hank Bento to write the

program which became known as the Brewer's AMPS program. While doing so Bento was in frequent contact with Coetzee for assistance. Coetzee regularly gave advice to Bento and from time to time sent him portions of the source code of the Data Explorer program. The source code for the search function and also the source code required to incorporate the graphics server were so sent to Bento. In both instances this was done because Bento struggled to do the programming. Referring to an e-mail in terms of which he sent the code in respect of the graphics server to Bento, Coetzee testified: '[W]hat has happened here is Mr Bento has installed the graphing package, he's never seen it before, and he's tinkered with it a bit and he's realised that there's a lot more to this than just simply installing it, he now has to write code around it in order to use it, so he has contacted me, I'm not sure how, either with MSN or by e-mail, and said, listen, Byron, how did you use this, what, can you shortcut me on this, please, and so I said, I sent him an e-mail with the exact code that is in Project AMPS that I wrote around using the graphic server previously, and it's about just over two pages long, the code.' Bento conceded that he made use of these source codes.

[14] At that time, the latest AMPS data, namely AMPS2000b, had not been converted by Coetzee for Haupt. The first respondent acquired this data, Brewer filled a questions table with the questions in respect of the AMPS2000a data, sent the data (contained in a UFL file stored on a compact disc) together with the questions database so created to Coetzee, and Coetzee converted the data 8 from the UFL file to an answers and weightings database. Coetzee, by using the tree preparer program, also created a tree.txt file and returned the conversions and the tree.txt file to the first respondent. In addition Coetzee supplied the Teen98, Child99, AMPS99a, AMPS99b and AMPS2000a databases which had previously been created for the Data Explorer program, as well as the relevant tree.txt files, to the first respondent.

[15] The first respondent marketed the Brewer's AMPS program together with all the aforesaid converted data and the tree.txt files. The existence of the program was discovered by Haupt when he investigated why his Data Explorer program, which was being used by Nasionale Pers, was not functioning properly. He established that the malfunctioning was caused by the presence of a similar program, namely the Brewer's AMPS program.

[16] Haupt thereupon applied for an Anton Piller order and for an order interdicting the respondents from infringing his copyright in the Data Explorer program and various files and folders including the aforesaid databases. By this time Coetzee had returned to South Africa. The *Anton Piller* order was granted and the respondents were called upon to show cause why an interdict should not be granted against them.

[17] On 29 May 2002 the interim interdict against the respondents was

discharged and, by consent, the following order was made in respect of the application for an interdict:

‘3 The final interdict prayed for by the Applicant is to be dealt with as follows:

- 3.1 Determination of the final interdict is referred to trial on 4 November 2002;
- 3.2 The Applicant is ordered to deliver his supplementary replying affidavits if any by no later than Thursday 20 June 2002;
- 3.3 It is ordered that the affidavits, filed and to be filed, in the present matter are to stand as pleadings; 9 3.4 The Uniform Rules of Court pertaining to trial actions are to apply to the present matter.

4 Costs are to stand over for later determination.’

[18] This order should never have been made. The affidavits together with the annexures comprised 330 pages in which the issues were not properly defined. The problem could have been alleviated had the parties held a pre-trial conference as required by para 3.4 of the order but that was not done either. As a result the parties plunged into a trial without a proper appreciation of what the issues were. The trial commenced on 26 February 2003 and the respondents closed their case on 24 February 2004 after a number of postponements. No less than 33 court days were taken up. A lot of time and energy were spent at the trial on the question as to the shareholding in Brewer’s Almanac and on the question as to whether the relationship between Haupt and Brewer, while they were employees of the company, was similar to the relationship between partners. It has now been conceded by all the parties concerned that those disputes were irrelevant. An inordinate amount of time was also spent on the question whether it was Brewer or Haupt who first had the idea to write the program, and as to the relative contributions of Brewer and Haupt to the writing of the Project AMPS program. Again these issues were irrelevant as it is common cause that Haupt and Brewer were acting in their capacities as employees of Brewer’s Almanac. The parties got so entangled in irrelevant issues that the real issues, such as the nature of the works in respect of which copyright was being claimed, whether the works were original and who the author for purposes of the Act was, received scant attention.

[19] In terms of Uniform rule 6(5)(g) a court may, where an application cannot properly be decided on affidavit, refer the matter to trial with appropriate directions as to pleadings or definition of issues, or otherwise. In this case, as would be the case in most applications that

are referred to trial, it was essential that the issues be defined*. Had it been done, a lot of time, energy and costs could have been saved. The order referring the matter to trial was not made by the trial judge. However, when the matter was allocated to him, he should have insisted on a proper definition of the issues.

[20] The evidence adduced at the trial established that nine out of ten database structures used in the Brewer's Amps application were identical with database structures used in the Data Explorer application; that the answers and weightings databases used in the Data Explorer application were supplied to clients who used the Brewer's AMPS program; that the tree.txt files in respect of the Teen98, Child99, AMPS99a, AMPS99b and AMPS2000a data used in the Brewer's AMPS application corresponded 99%, 100%, 57%, 96% and 96% respectively with the corresponding tree.txt files used in the Data Explorer application; that the source code of the tree preparer and converter programs used by Coetzee for the Brewer's AMPS program corresponded 93 per cent and 84 per cent respectively with the tree preparer and converter programs used by him in respect of the Data Explorer program; and that the source code in respect of the search and graphing functions in the Brewer's AMPS program corresponded 83 per cent and 26 per cent respectively with the source codes in relation to these functions in the Data Explorer program.

[21] The High Court did not distinguish between the computer programs and the databases. It held that Brewer's Almanac was the author of the Project AMPS program in that the company in general had overriding control of the creation of the program. In regard to the developments of the program post 31 July 1998 the High Court said that it was apparent that they were improvements and refinements of the existing Project AMPS program. It held that by expending time and effort on the improvement of the program, Haupt did not, in some way, become the holder of the copyright. According to the High Court it was not Haupt's case that one (or more) of the developments that occurred after 31 July 1998, of which he was the author, satisfied the originality requirement of the Act and attracted copyright in its own right. In respect of the converter program the High Court held that, at best for Haupt, he could claim to be the coauthor with Coetzee in respect of the changes that were made after July 1998. For these reasons the High Court dismissed Haupt's application.

[22] Haupt contends that the High Court erred and that he was entitled to an order interdicting the respondents from infringing his copyright in

* The appropriate order in this case would have been one directing that the notice of motion should stand as a simple summons, that a declaration be filed within a fixed time and that the Uniform Rules dealing with pleadings and the conduct of trials would thereafter apply.

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- (a) The Data Explorer program including the search instructions, the graph instructions, the converter program and the tree preparer program;
- (b) Various structures of databases such as the questions.db, the answers.db and the weightings.db; and
- (c) The questions, answers, weightings and tree.txt compilations in respect of the Teen98, Child99, Amps99a, Amps99b and Amps2000a data.

[23] Haupt submitted that the High Court erred in finding that the Project AMPS program, as it existed on 31 July 1998, constituted a computer program eligible for copyright in terms of the Act. He submitted that this was the case because it produced incorrect results and because 'sections of the raw data' could not be read at all. I do not agree. A computer program is defined in section 1 of the Act as 'a set of instructions fixed or stored in any manner and which, when used directly or indirectly in a computer, directs its operation to bring about a result'. It does not require the result to be correct. As at 31 July 1998 the Project AMPS program did bring about a result, sometimes correct, sometimes wrong. It did, therefore, qualify as a computer program eligible for copyright.

[24] The High Court was apparently of the view that Haupt could not acquire copyright in the Data Explorer program inasmuch as the program was an improvement and refinement of the Project AMPS program. It erred in this regard. If a work is eligible for copyright an improvement or refinement of that work would similarly be eligible for copyright, even if the improved work involved an infringement of copyright in the original work, if it satisfies the requirement of originality*. That will only be the case if the improvement or refinement is not superficial. The alteration to the original work must be substantial**. See in this regard *Interlego A G v Tyco Industries Inc* [1989] AC 217 (PC) at 263 where the Privy Council said in respect of an alteration to an artistic work:

'There must in addition be some element of material alteration or embellishment which suffices to make the totality of the work an original work. Of course, even a relatively small alteration or addition quantitatively may, if material, suffice to convert that which is substantially copied from an earlier work into an original work. Whether it does so or not is a question of degree having regard to the

* See s 2(3) of the Act which provides: 'A work shall not be ineligible for copyright by reason only that the making of the work, or the doing of any act in relation to the work, involved an infringement of copyright in some other work.'

** *Biotech Laboratories (Pty) Ltd v Beecham Group PLC* 2002 (4) SA 249 (A) at 257 H-I.

quality rather than the quantity of the addition. But copying, per se, however much skill or labour may be devoted to the process, cannot make an original work.'

[25] The High Court also erred in holding that it was not Haupt's case that one or more of the developments after 31 July 1998 satisfied the originality requirement of the Act and attracted copyright in its own right. Haupt specifically claimed copyright in respect of the various databases. He may have approached the case on the basis that the converter and tree preparer program were part and parcel of the Data Explorer program but the question as to whether he was entitled to copyright in respect of these programs was canvassed to no lesser extent than in respect of the other components of the relevant software.

[26] In terms of section 2(1) of the Act literary works and computer programs are works that are eligible for copyright if they are original. Other works that are eligible for copyright are not presently relevant.

[27] Subject to certain qualifications copyright is, in terms of section 3 of the Act, conferred on the author of a work eligible for copyright. In section 1 of the Act 'author' is differently defined in respect of literary works, computer programs, and literary works or computer programs which are computer-generated. It follows that, in order to determine in whom the copyright in respect of the various works vested, it is necessary to first determine whether the works we are concerned with are literary works, computer programs, computer-generated literary works or computer-generated computer programs and to then determine whether they are original and who the author of the relevant work is.

The nature of the works

[28] As stated above a 'computer program' means a set of instructions fixed or stored in any manner and which, when used directly or indirectly in a computer, directs its operation to bring about a result (s 1 of the Act). It is common cause that the Data Explorer program (including the search instructions and the graph instructions) and also the converter program and the tree preparer program are computer programs. All of them consist of a code containing a set of instructions which, when used in a computer, directs its operation to bring about a result.

[29] A literary work includes, irrespective of literary quality and in whatever mode or form expressed, tables and compilations, including tables and compilations of data stored or embodied in a computer or a medium used in conjunction with a computer, but not a computer program (section 1 of the Act).

[30] In respect of the database structures Haupt contended that they were computer programs while the respondents contended that they were literary works. According to the evidence adduced at the trial a database structure does not consist of a set of instructions. It consists of

a table with a certain number of columns which may vary in width. The database structures are therefore literary works for purposes of the Act. [31] The Act does not contain a definition of ‘computer-generated’. In my view a work only qualifies as having been computer-generated if it was created by a computer in circumstances where there is no human author of the work. If there is a human author the work is computer assisted and not computer-generated. That is the meaning ascribed to ‘computer-generated’ in section 178 of the Copyright, Designs and Patents Act, 1988 of the United Kingdom. It also accords with the recommendation of the Australian Copyright Law Review Committee in respect of computer software protection*. That is also the meaning ascribed to ‘computer-generated’ in *Payen Components SA Ltd v Bovis CC* 1995 (4) SA 441 (A) at 450D-G although the court was not dealing with the meaning of ‘computer-generated’ in the context of the Act.

[32] The structures for the various databases were created by Coetzee. Although he made use of the computer program Delphi to do so they were not generated by a computer: the computer merely assisted him in creating them. It is he who decided on the number of columns, their width and the field names. The creation of such a table is no different from the creation of a document by utilising a word processor. In such a case the computer is used as a tool**. The bare databases so created, therefore, did not qualify as computer-generated literary works.

[33] In the case of the answers, weightings and tree.txt databases it does not make sense to separate the structures of the databases from the compilations***. The databases were created by Coetzee as a composite unit and their structures were significant parts of such units. They determined how the data was to be ordered in order to be utilized by the Data Explorer program. In the circumstances the answers, weightings and tree.txt databases were created by Coetzee with the assistance of the converter and tree preparer programs ie they were not computer-generated.

[34] The position is different in the case of the questions database. The structure of the database was created by Coetzee and the compilation of the questions within that structure was done by Haupt. They were literary works by definition and were not computer-generated.

Originality

* See Ricketson *The Law of Intellectual Property: Copyright, Designs and Confidential Information* para 14.30. See also Dean *Handbook of South African Copyright Law* para 4.8.

** Laddie, Prescott and Vitoria *The Modern Law of Copyright and Designs* 2 ed para 20.60.

*** Cf *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273 (HL) at 276-277.

[35] There is no definition of ‘original’ in the Act. That the work must originate from the author and not be copied from an existing source is clear but that is not to say that every work which is not copied would qualify for protection in terms of the Act. In this regard the High Court would seem to have accepted and the respondents submitted that a ‘minimal degree of creativity’ was required to satisfy the originality requirement. They relied on the judgment of the Supreme Court of the USA in *Feist Publications Inc v Rural Telephone Service Co Inc* 449 US 340 (1991) at 345 and 348. However, the originality requirement in the Act was also a requirement in the Copyright Act (no 63 of 1965), which was repealed by it, and there is no reason to believe that it was intended to have a meaning different from the meaning it had in the repealed Act. The repealed Act was based on the Copyright Act of 1956 of the United Kingdom which had a similar originality requirement. For this reason ‘original’ in the repealed Act was probably intended to have the meaning it had been held to have in the United Kingdom. There, creativity is not required to make a work original. Save where specifically provided otherwise, a work is considered to be original if it has not been copied from an existing source and if its production required a substantial (or not trivial) degree of skill, judgment or labour*. In Canada ‘original’ has likewise been interpreted so as not to require creativity. In *CCH Canadian Ltd v Law Society of Upper Canada*** it was held:

‘[A]n original work must be the product of an author’s exercise of skill and judgment. The exercise of skill and judgment required to produce the work must not be so trivial that it could be characterized as a purely mechanical exercise. While creative works will by definition be ‘original’ and covered by copyright, creativity is not required to make a work ‘original’.’***

* *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273 (HL) at 277 to 278; 281 to 282; 287; and 292; *Autospin (Oil Seals) Ltd v Beehive Spinning* [1995] RPC 683 (Ch) at 694 (30-45). Laddie, Prescott and Vitoria *The Modern Law of Copyright and Designs* 2 ed para 2.56 p47; and Garnett, Davies and Harbottle *Copinger and Skone James on Copyright*, 15 ed para 3.128 p119. See also *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* 1987 (2) SA 1 (A) at 22H- 22B in which it was held that ‘originality’ in terms of the 1911 British Act required original skill or labour..

** [2004] 1 S.C.R. 339 para 25; 2004 SCC 13 (Canlii).

*** It should be noted that no mention is made of labour. In para 24 it is said: ‘The ‘sweat of the brow’ approach to originality is too low a standard’. In this regard the Canadian law differs from our law and the law of the United Kingdom as also the Australian law. See *Waylrite Diary CC v First National Bank Ltd* 1995 (SA) 645 (A) at 652G-653C and in respect of the Australian law Ricketson *The Law of Intellectual Property: Copyright, Designs & Confidential Information* para 7.35 and 7.60 where it is said: ‘[I]f the expression in question represents the independent application of knowledge, judgment, skill or labour

[36] There can be no question that the converter program and the tree preparer program were the products of substantial skill, judgment and labour. It took Coetzee about six months to get the converter program right while the writing of the source code of the tree preparer program would have taken him about six hours. The fact that Bento could not himself create a similar tree preparer program but had to rely on Coetzee's assistance is in itself an indication that the writing of the program required substantial skill, judgment and labour. There can also be no doubt that the writing of the source code for the search and the graph instructions required substantial skill, judgment and labour. They were made available to the first respondent because Bento was struggling to write the code. That the incorporation of these functions into the Data Explorer program brought about a significant improvement is evidenced by the fact that both Haupt and the respondents considered it necessary that these functions be incorporated into programs such as the Data Explorer and Brewer's AMPS programs.

[37] It is, in the light of what follows, not necessary to decide whether the databases, database structure and questions compilations were 'original'. I shall, therefore, merely assume that they were original.

Author

[38] As stated above 'author' is differently defined depending on the work that is eligible for copyright. In the case of a literary work 'author' means the person who first makes or creates the work; in the case of a computer program 'author' means the person who exercises control over the making of the computer program; and in the case of any of these works having been computer-generated 'author' means the person by whom the arrangements necessary for the creation of the work were undertaken.

[39] The databases and database structures are literary works which were not made or created by Haupt. Haupt, therefore, does not own the copyright in these works. He was entitled to use them because of a tacit licence from Coetzee. The questions compilations on the other hand were created by Haupt and on the assumption that they were original he acquired the copyright in them.

[40] The High Court held that Brewer's Almanac exercised control over the making of the Project AMPS program but did not consider the question of control in respect of the developments to that program after 31 July 1998. Had it done so its reasoning would have led it to conclude that Haupt controlled the making of the program after 31 July 1998. That is so because, on the evidence, the relationship between Haupt and

on the part of the author, this will be sufficient for the statutory requirement (of originality).' Whether we should in due course follow the Canadian approach need not be decided now.

Coetzee was the same as the relationship between Brewer's Almanac and Coetzee in respect of the making of the program.

[41] In section 21 of the Act specific provision is made in respect of works made in the course of an author's employment by another person. A distinction is thus drawn in the Act between 'control', in the definition of 'author' in respect of a computer program, and 'control' by virtue of a contract of employment. 'Control', in the definition, must therefore have been intended to have a wider meaning than 'control' in the employment situation, that is, a person may because of his control over the making of a computer program be the author of that program even if the creator of the program is an independent contractor*. According to the Shorter Oxford Dictionary 'to control' means 'to exercise restraint or direction upon the free action of' and 'control' means 'the fact of controlling, or of checking and directing action'. In this case Haupt instructed Coetzee as to the end result that was to be achieved, Coetzee then did the technical work required to achieve that end result and from time to time effected improvements. However, Coetzee was all along in constant contact with Haupt and he accepted and executed detailed instructions from Haupt. As he progressed he submitted his work to Haupt for it to be checked and approved by him. In the properties section of the Data Explorer program Coetzee indicated that the copyright was owned by Softcopy, the name under which Haupt was trading. The allegation by Haupt in his founding affidavit that it was always agreed between the parties that Haupt was the owner of the program was not disputed. This being the understanding between the parties, Haupt could at any time direct in which direction the development of the program should proceed or could terminate further development if he wished to do so. Haupt was, therefore, in a position of authority over Coetzee insofar as the development of the program was concerned. He was in command and Coetzee subjected himself to such command. It is true that Haupt was in no position to instruct Coetzee as to how, technically, to achieve his requirements but I agree with the High Court that one does not need to be a computer programmer to be able to control the writing of a computer program. For these reasons I am of the view that Haupt controlled the writing of the computer programs written after 31 July 1998.

[42] It follows that the copyright in the Data Explorer program, which included the search instructions and the graph instructions and also the copyright in the converter and the tree preparer program, vested in Haupt.

Infringement

* Ricketson *The Law of Intellectual Property : Copyright, Designs & Confidential Information* para 14.180.

[43] The respondents contended that, in the event of it being held that the copyright vested in Haupt, they did not infringe such copyright. Section 23(1) provides as follows: ‘Copyright shall be infringed by any person, not being the owner of the copyright, who, without the licence of such owner, does or causes any other person to do, in the Republic, any act which the owner has the exclusive right to do or to authorize.’

[44] Section 11B provides that copyright in a computer program vests the exclusive right to reproduce or to authorize the reproduction of the computer program and to do certain other acts not presently relevant in respect of the computer program in the Republic. It is, however, not only the reproduction of the entire work that would constitute an infringement. In terms of section 1(2A) the reproduction of a work is, unless the context otherwise indicates, to be construed as a reference to the reproduction of a substantial part of the work.

[45] The first respondent reproduced part of the Data Explorer program in its Brewer’s AMPS program and Brewer caused it to do so. The respondents submitted that such reproduction was not substantial. However, where a part of a work is reproduced the question whether a substantial part had been reproduced depends much more on the quality than the quantity of what had been taken*. It is true that in this case only 26 per cent of the graphic component and 83 per cent of the search component, consisting of 63 lines of several thousand lines of source code, had been copied but then those lines were copied because Bento found it too difficult to write them himself. These components were clearly considered to be a valuable ingredient of the program by both Haupt and the respondents. For these reasons, the copying referred to, in my view, constituted the reproduction of a substantial part of the Data Explorer program. It follows that the first and the second respondents infringed Haupt’s copyright in the Data Explorer program.

[46] The respondents agreed that the Brewer’s AMPS program would be marketed in South Africa and that Coetzee would receive a royalty of 15 per cent of the full sales price of each sale. Coetzee assisted the first and second respondents in infringing the appellant’s copyright in the Data Explorer program by providing the source code in respect of the search function and also the source code required to incorporate the graphics server. In the premises Coetzee made common cause with the first and second respondents and co-operated with them in so far as the infringement by them of the appellant’s copyright in the Data Explorer program in South Africa is concerned. By doing so Coetzee himself

* See *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273 (HL) at 276 quoted with approval in *Biotech Laboratories (Pty) Ltd v Beecham Group PLC and Another* 2002 (4) SA 249 (SCA) para 9. See also *Jacana Education (Pty) Ltd v Frandsen Publishers (Pty) Ltd* 1998 (2) SA 965 at 972G-J.

infringed the appellant's copyright in the Data Explorer program in South Africa*.

[47] The tree preparer program and the converter program do not form part of the Brewers AMPS program. They were in possession of Coetzee and were used by him to create tree.txt, answers and weightings databases in respect of the AMPS2000b data. In doing so neither he nor any of the other respondents did, or caused any other person to do, any act as contemplated in section 11B which Haupt as owner of the copyright had the exclusive right to do. Haupt was unable to advance any basis for his contention that his copyright in respect of these programs had been infringed.

[48] Haupt's case is that his copyright in the questions compilations done by him was infringed in that each one of them 'was reproduced in first respondent's program in the exact same manner and form and thereafter sold by first respondent to its clients'. The case is not borne out by the evidence. As I understand the evidence the compilations were no longer required after the tree.txt files had been created.

[49] The order in terms of which the matter was referred to trial was made by consent. All the parties are, therefore, to blame for the fact that the trial lasted 33 court days as a result of various irrelevant issues having been canvassed. In the circumstances I consider it just and equitable that Haupt, who should have succeeded in the High Court, should have been deprived of 50 per cent of his costs.

[50] Haupt also appealed against the costs order made by the High Court in respect of two interlocutory applications, one on 11 September 2002 and the other on 11 November 2002, relating to discovery. In respect of the first of these applications the High Court ordered that the costs would be costs in the cause. In respect of the latter application the High Court considered it reasonable that the parties bear their own costs. Haupt could not point to any irregularity or misdirection and could not submit that a court, acting reasonably, could not have made these costs orders. In the circumstances this court cannot interfere with them**.

[51] In the result the following order is made:

- 1 The appeal is upheld with costs, including the costs of two counsel.
- 2 The order by the High Court is set aside and replaced with the following order:
 - '1 The respondents are interdicted from infringing the applicant's copyright in its computer program known as 'Data Explorer'.
 - 2 The respondents are ordered to deliver up within 7 days all

* Cf *Morton-Norwich Products Inc and Others v Intercen Ltd* [1978] RPC 501 at 514(40) - 516(40).

** *Attorney-General, Eastern Cape v Blom* 1988 (4) SA 645 (A) at 670D-F.

infringing copies of the work to the applicant.

3 The respondents are ordered, jointly and severally, to pay 50 per cent of the costs of suit, including:

3.1 The qualifying fees of Mr Marius Bosman;

3.2 The costs of the Anton Piller application, including the costs of the supervising attorney and experts used therein.

3.3 The costs of the application on 11 September 2002.'

STIFF v REID-DALY

MALAN J
WITWATERSRAND LOCAL DIVISION
16 MAY 2004

An artistic work in which copyright vests may be produced using source material provided that the work consists in the production of something new. Evidence that a work has been copied will not be countered by evidence of the existence of source material independently produced if it is clear that there were later amendments incorporated in the alleged infringing work identical to those in the copyrighted work and which could not have been part of such source material.

Stiff produced maps which were reproduced as illustrations in a book, *Selous Scouts Top Secret War*. She also produced organograms depicting the organisational structure of resistance movements referred to in the book. She hand-drew both the maps and the organograms.

Reid-Daly published a book, *Pamwe Chete - the legend of the Selous Scouts*, which contained maps and organograms essentially identical to those published in *Selous Scouts Top Secret War*.

Stiff contended that the maps and organograms published in Reid-Daly's book were copies of her own. She pointed out that various mistakes on her maps were repeated in those published in *Pamwe Chete*. Reid-Daly contended that these works were not Stiff's original work and that he and two other parties, drew the maps originally, and handed them to Stiff.

Stiff brought an action against Reid-Daly claiming an interdict restraining him from infringing her copyright in the maps and organograms reproduced in *Selous Scouts Top Secret War*.

Held—

The maps were artistic works, as defined by the Copyright Act (no 98 of 1978). Whether or not they were original was to be determined by an examination of whether the work involved in producing them entailed the creation of something new, and not just the reproduction of existing maps.

The evidence showed that Stiff had in fact produced something new, even though she had used the Rhodesian Land Tenure map to produce the maps. Her evidence indicated that she had used that map as source material but had added her own work, such as the boundaries of operational areas, the routes of raids, the areas infiltrated by resistance movements and their positions at the date of ceasefire. On the other hand, the evidence submitted by the defendants failed to show that its maps had been originally produced at the time initially asserted. The defendants' evidence appeared to have been amended to account for an alleged updating of the maps incorporating features of them that appeared in those published in *Selous Scouts*. The defendants had also been unable to explain the repetition of obvious errors in the maps.

Stiff was therefore entitled to the interdict she sought, and an enquiry determining the damages suffered.

Malan J:

[1] This case concerns the question whether the first defendant infringed the plaintiff's copyright in certain maps and diagrams that appeared in *Selous Scouts Top Secret War* (hereafter referred to as '*Selous Scouts*') which was written by the first defendant 'as told to Peter Stiff', the plaintiff's husband (herein referred to as 'Stiff'). Copyright in the text is held by one Gideon Henry Erasmus (1982):

'The reproduced oil paintings. The *Selous Scouts* and Fireforce -

Rhodesian Light Infantry, and all maps and diagrammes annexed L1 to L7 and L9 to L18 by Francis Lategan (the plaintiff) and licensed for reproduction in Galago editions only.’

[2] The plaintiff, then Francis Lategan, made an oil painting of a well-known Selous Scout, Chris Gough, in ‘tracking gear’. Gough also gave evidence on behalf of the first defendant. This oil painting appears as C1 in *Selous Scouts* and also on the dust jacket of the book. Another oil painting appears as C5 in the book depicting a Rhodesian Light Infantry Fireforce. Her case is further that she had hand-drawn the maps listed as L1, L3-L13 and L15-L18 in the book. The originals of these maps were produced by her and testified to by both her and Mr Stiff as Exhibits A14 to A22 and A24 to A27. She and Mr Stiff had also compiled two organograms depicting the Zanja/Zanu arid Zipra organisational structures. The original hand-written organograms as well as the later typed versions that were sent to the book’s type setters were also produced and testified about. The hand-written organograms are in both her and Mr Stiff’s handwriting. These organograms appear in the book as L2 and L14 and the originals appear as Exhibits A13 and A23 respectively. The respective exhibits referred to above and relating to the disputed maps as contained in Exhibit A, constituting the plaintiff’s bundle, in each instance contains the original drawing, a transparency thereof, a copy of the corresponding illustration as contained in *Pamwe Chete* and an overlay of the *Selous Scouts* map or illustration over the *Pamwe Chete* similar map or illustration. In each of the aforesaid instances the similarities are such that the one must be a reproduction of the other. The plaintiff’s contention is that the *Pamwe Chete* maps are copies of her artistic works. The plaintiff has produced original drawings of all the maps in question and compilations of the two organograms.

[3] The first defendant disputes the originality of the maps and diagrams and alleges that he with the assistance of Warren and Gough, two former members of the *Selous Scouts*, drew the maps and handed the originals to the plaintiff and her husband and that the plaintiff copied them when producing the maps and diagrams that appeared in *Selous Scouts*. In addition, the first defendant claims that the copyright, if any, vests not in the plaintiff but in her employer.

[4] A schedule of the disputed document; setting out the works contained in *Selous Scouts* and *Pamwe Chete* with the Exhibits relied upon by the parties is annexed to this judgment.

B Ownership in the Copyright

[5] The plaintiff is a businesswoman who was a director of Galago Publishing (Pty) Ltd at the relevant time, the publishers of *Selous Scouts Top Secret War*, of which her husband was the managing director. There was never a partnership in existence between her and Stiff. Whatever

copyright he had in their published works belonged to him and hers to her as was the case with all the other authors writing for Galago (Record 187). Stiff's evidence is that he and his wife were the joint owners of Galago and were equal shareholders in the limited liability company (Original Record 78). The Stiffs were also employed by Galago but all the illustrations the plaintiff made was under her own copyright just as Stiff retained copyright in his writings, the company had no copyright and it was so indicated in the publications, not only in *Selous Scouts* but also, for example, in *Warfare by Other Means*, another book written by Stiff (Realtime Record 91). The plaintiff did the artwork for *Selous Scouts* and reserved the copyright in her work by means of a copyright indication in the book. Given the facts that the plaintiff expressly indicated her reservation of copyright in the published work, that she and Stiff were the only shareholders and directors of Galago and that they were the only persons who acted and could act on its behalf my conclusion is that, despite the existence of a contract of service and the plaintiff's employment by Galago, the operation of section 21(1)(d) of the Copyright Act (no 98 of 1978) had been excluded by an agreement to that effect. Copyright in the disputed maps and diagrams, subject to my remarks on originality hereunder, therefore vests in the plaintiff.

C Plaintiff's Case

[6] The plaintiff's evidence is set out in Record 3: 185 (02.05.03), 237-279 (05.05.03); 4:280-299 (05.05.03); 4:299-319 and Stiff's in Realtime Volume: 7-119 (04.03.02); 3-75 (29.04.03); 75-120, Record: 1-91 (29.04.03). 2:92-184 (30.04.02).

Her evidence commenced with L1, the map of the then Rhodesia. Her drawing is based on the Rhodesian Land Tenure map and shows the different operational areas. She used a grid to reduce the Land Tenure map to a smaller size and by hand inserted the boundaries in the corresponding blocks on the grid. She called her map her interpretation of the boundaries of Rhodesia but in the process made certain errors such as the extended tip of Lake Kariba ('Kariba's tail') and her omission of the Tuli Circle on her drawing. In fact, she said, that she was unaware that the Tuli Circle formed part of Rhodesia and only learnt that during the course of the trial. Once she had prepared the map the place names (typeset by the printer) were inserted on it: originally far more names were inserted but some were eliminated later to avoid the map being cluttered. This map was traced by her and used in all the other maps of Rhodesia in the book. Because It was not possible to trace with complete accuracy there are smaller differences in all her maps of Rhodesia.

The maps were hand drawn on Ozatek, ie transparent paper with a film on it, by using a Rotring pen and using Letraset letters to insert the words used. Letraset is a sheet containing letters in different fonts that

can be transferred to the maps. This explains why her letters or words are not always straight and uniformly placed. The scales she used on the maps are not necessarily accurate and is her ‘guesstimate’.

She compared her map of Rhodesia with the one that appeared in *Pamwe Chete* and concluded that it was a copy: since it is impossible to trace a map with complete accuracy it had to have been copied by scanning it into a computer. The absence of the Tuli Circle on the corresponding map in *Pamwe Chete* and Kariba’s tail are both significant in *Pamwe Chete*. The positioning of the places are all the same and the same towns are contained in both maps. This is apparent from an overlay of transparencies of the two maps. Many errors as to the positioning of the towns were made in the plaintiffs map and these errors also appear in *Pamwe Chete*. The first defendant’s discovery item A12.16, Stiff testified, could not have been the source of L1 because the outlines of Lake Kariba on it are unclear. The map does not contain the whole of the southwestern part of Rhodesia and, in any event, shows two operational areas named ‘Tangent’. In any event, the evidence of Warren who drew the map of the operational areas was not that he used map A12.16 but that he based his drawing on a school atlas.

[7] The organogram. L2, dealing with the command structure of Zanla/Zanu were compiled by the plaintiff basing it on her and Stiff’s interviews with Hart and Stanton. The original compilation is contained in Exhibit 13.2 of Bundle A that was done in her handwriting. It also contains notes by Stiff. The ‘notes’ in Exhibit 13.1 were given to Stiff by a former special branch officer. It is a typed document with some annotation in pen and deals with the command structure of Zanla. Stiff himself decided to include it in the book but, he said, he received no assistance from the first defendant. The final compilation is in 13.3. Both compilations, ie A13.2 and A13.3, were sent to the printers at the same time. In both *Selous Scouts* and *Pamwe Chete* the organograms contain references to a ‘provincial field political commissioner’ for the three provinces of Tete, Manica and Gaza. However, on the original manuscript prepared by the plaintiff (A13.3) the references are to ‘commissar’ and it was due to a printer’s error that the incorrect designation came to be published in both books. A letter by Stiff to the printers is attached to Exhibit A13.3 giving them printing instructions. The information on the organograms in both books is the same but the layout differs and the printers’ error relating to the ‘political field commissioner’ is repeated in both.

[8] The original of L4, Operation Detachment, was drawn in the same manner, using map A40 as a basis (although the original of L1 might also have been used). The positioning of the dots and dashes indicating the border between South Africa and Rhodesia appear to be exactly the same as in her original drawing as is apparent from an overlay of the two

transparencies of the two maps. The positioning of the towns are also the same although the letter type has been changed. In his evidence Stiff said that he and his wife decided to depict the way in and out on one solid line because the operatives had left mealie meal at the road junctions to assist them in coming back and to assist major Duncan should it be necessary for him to come to the assistance of the troops. Exhibit 14.1, the original map drawn by the plaintiff, contains Stiff handwritten instructions to the printers ('Set this way up in text' with an arrow to indicate the direction). A comparison of the maps in the two books shows that positioning of the towns and the borders (particularly the 'kink' in the border at Malvernia) are the same.

The first defendant discovered item A16.10 as their 'original map for Operation Detachment stamped with the stamp of the Andre Rabe Barracks , dated 30 May 1978. It purports to form part of a debrief report after the raid. The Stiffs, however, denied that they had ever been given a copy of this map. Map A16.11 is the first defendants 1981 'original' map but a comparison of A16.10 shows that it is based on a 1982 map, map A40, which was given to the Stiffs by Gough in 1982 (Record Introduction 6T).

Another map of Operation Detachment was discovered by the final defendant, viz item PC4 in Bundle B.

[9] Map L5 deals with Operation Long John and was drawn by the plaintiff using item A40, the map given to them by Chris Gough, as a basis for the map. Her husband had made a rough sketch of the raid and she had placed the towns of Jorge do Limpopo, Malvernia and Chicualacuala on the map with reference to the railway line. She created the symbols for the power line to Cabora Bassa from Letraset and placed them next to the Rhodesia-Mozambique border. Despite a few differences relating to the North Indicator, the letter type used, the scale etc, the positioning of the towns and the dots and dashes indicating the international borders are exactly the same on the maps in the two books.

Stiff did the research for the map and, although he could not recall who his informants were, mentioned Fitzsimmons, Hart and Gough. His informants did not know exactly where to position Chiwalacuala, Madulo Pan and Jorge do Limpopo but he positioned them on their advice. He said (Record - Introduction 37):

'The general consensus was that Chicualacuala was on the railway line there, my understanding of the railway line, so I was told, it was a railway line with a road next to it but it is effectively a dirt track. And so the route-in really came from the people. They told me how they went in and I related that to Francis and from that she drew it.'

Compared to the *Reader's Digest* map of 1984 the Stiffs had made errors in depicting the towns and borders. These errors also appear on the map In *Pamwe Chete*. When item A15.10, the first defendant's

source map for the operation, is compared his conclusion is that map A15.10 is based on the map disclosed as A40.

[10] L6, the map for Operation Eland, is based on Exhibit A16.1 which was drawn by hand. This is illustrated by the fact that the road past Vanduzi is slightly narrower at this point: she could not draw the road with exactly the same width all the way. From the overlay it appears that the positioning of the towns on the *Pamwe Chete* map is identical to that on the *Selous Scouts* map. The same scale is used and the roads on the two correspond although the international border consisting of dots and dashes is not exactly the same. Stiff got the information for the map from Gough and Ant White (either by telephone or otherwise). The places on L6 were pointed out on map A40 and he relayed this information to the plaintiff. A number of errors were made in compiling the plaintiff's map and they were repeated on the map in *Pamwe Chete*. Other changes also appear on the latter map. His comparison of map A78.10, the map discovered by the first defendant as its source, and showed that it was based on map A40.

[11] L7, the map showing Operation Mardon, is based on item A17.1. She inserted the place names that do not appear on map A40. Because she drew each map originally, the places are not all in exactly the same spot on the different maps; for example, Paluri on L4 and L8; Chicualacuala, Jorge do Limpopo, Madulo Pan, and Mapai on L7 and L9. The same different positioning also appears on the corresponding maps in *Pamwe Chete*. Her map also shows a gap in the border to allow the name of the town, Jorge do Limpopo, to be written in. This same gap appears in *Pamwe Chete* although there was no need for it there because the letter size used was smaller. The road from Jorge do Limpopo to Massangena does not appear on map A40. The overlay between the two maps indicates that the positioning of the towns on the two is the same as well as the road referred to.

Stiff only had, apart from map A40, the information he received from operators to compile the information for this map. The operation was described as a 'flying column attack on Jorge do Limpopo and Massangena' (*Selous Scouts* 231) and refers to an attack by means of an armed vehicle coming back immediately after the attack on the enemy positions in Mocambique. Stiff received the assistance of Gough and Captain Schulenberg in describing the attack. The latter did reconnaissance of the area. Exhibit A17.1 is the original hard copy of the map. The maps, Stiff said, were frequently redrawn after consultations with other persons. On map A40 there was no road from Massangena to Jorge do Limpopo but Stiff had it inserted because someone told him that the road was going straight across from Massangena (1:47) to Jorge do Limpopo over Chigamane and Manila. The letters on the original were done using Letraset and then stuck onto

the map. In the process the 'C' of Chicualacuala came off as is clear from the map on page 231 of *Selous Scouts*. The plaintiff's map was compared with the Rhodesian Land Tenure map dealing with the same area and contains the errors listed in A17.5. In A17.9 the *Selous Scouts* and Pemwe Chete, maps are compared and they are virtually identical: a break has been left in the boundary where 'Jorge do Limpopo' had been written and all the errors on L7 had been repeated. The positions of Chicualacuala and Madulo correspond exactly even though the plaintiffs positioning had been, as she described it 'guesswork' (see A17.10). The first defendant's version, as understood by Stiff (Record Introduction 58) is that map A17.12 was the map that was used by the first defendant in the preparation of *Pamwe Chete*, ie the '1981 original'. Stiff denied that the first defendant had ever given this map to him: if one like that had ever been given to him the plaintiff would not have drawn the originals printed in SS.

[12] L9, the map of Operation Aztec, shows the flying attack by the Selous Scouts on both Jorge do Limpopo and Mapai in Mocambique. The map is based on map A40 to show the international boundaries which are illustrated in map A40 by a dash and two dots but on L9 by a dash and three dots. On the plaintiff's map there are two towns, viz Via Salazar and Malvernia that, according to Stiff, were named in the time of the Federation during a state visit. Stiff testified that on map A40 Chicualacuala is depicted as two towns, Vila Salazar and Malvernia. but that on A18.1 (the plaintiff's original map) Chicualacuala was placed well down off the railway line and below Pafuri. Stiff was told that there were originally two towns called Chicualacuala and they decided to locate the one on the place as indicated on A18.1 which was probably incorrect His instructions to the printer appear on A18.1. Compared to the Rhodesian Land Tenure and the *Reader's Digest* map several errors were made in the plaintiff's original map in the plaintiff's original map has been prepared (see A18.5 and 10). When the maps in the two books are compared a gap in the Rhodesia Mocambique border where the name of Jorge do Limpopo was inserted in the Pamwa Chete map is immediately noticeable. This appears to be due to the fact that when the name of this town was removed and replaced with a smaller letter type the border was not reconstructed. There are minor differences between the two maps but the errors in the *Selous Scouts* map, particularly the one relating to the wrong location of Chicualacuala and Mapai were repeated. The international boundaries on the two maps are depicted in the same way.

The first defendant discovered A18.11 and 12, a top secret debrief report and map of the operation, as its source. The map concerning this operation contains an Andre Rabie Barracks stamp dated 12 June 1977. A18.13 is the first defendant's original document but Stiff denies having

seen it before and noted that 'Jorge do Limpopo' had been inserted in such a way that it filled the gap in the border.

When the map in A18.12, the first defendant's map of the operation is compared with map A40 it shows that they have the same source. This means that A18.12 map with a 1977 stamp was based on a post 1980 map, is the map discovered in A40.

[13] L10, the map of Operation Virile, was drawn in the same way as the other maps. The plaintiff positioned the bridges on information given to her by her husband. Espungabera and Dombe were placed in the middle of the road as on map A40 where Gogol is also placed in the centre. However, on both the *Selous Scouts* and *Pamwe Chete* maps both these towns are placed in the centre of the road. The borderlines correspond to each other, and the bridges and culverts and town placements appear to be the same. Different symbols, however, are used. The plaintiff's original work is A19.1 and the lettering at the top is in Stiff's handwriting. He spoke to Gough to gather the information concerning and probably interviewed several other persons involved. Gough was on the operation and was setting explosives on some of the bridges. The plaintiff used map A40 to illustrate the international boundaries. The position of the bridges was guesswork since the bridges (1, 6, 5, 4, 3, 2) were not indicated on any other map. Compared to other maps certain errors are apparent but when the maps in *Selous Scouts* and *Pamwe Chete* are compared the similarities are obvious: the bridges are in the same position; the international boundary is same etc (see A19.8).

The first defendant did not provide the Stiffs with any maps concerning this operation. The map discovered by the first defendant in A19.10 is dated 3 December 1979 and stamped with the Andre Rabie Barracks stamp but this map is based on map A40.

[14] L11, the map of Operation Turmoil, is based on a map, exhibit A4, given to the Stiffs by Captain Schulenberg, a friend of theirs. The plaintiff produced all the artwork including the symbols for the Canberra and Hunter aeroplanes. The symbol for the flood plains is the plaintiff's own design. She used a Rotring pen to indicate the marshlands around the Kalutu River. The key was done with Letraset letters. Schulenberg explained the operation to both the Stiffs and a rough map was drawn that formed the basis of her original. They might have discussed the final copy with Schulenberg again. It was not possible to draw the map from the photograph (at page 220 of *Selous Scouts*) Schulenberg had given them but he, because he observed the operation from a hill in Zambia (marked 'OP' on the map), explained to them what had transpired. All the information on page 298 of *Selous Scouts* came from Schulenberg. Exhibit A20.1 is the map the plaintiff drew with the printers instructions on it in Stiff's handwriting.

Exhibit A20.8 is an overlay of the *Selous Scouts* and *Pamwe Chete*

maps. The similarities, despite the difference in symbols used and other differences are obvious. The first defendant has discovered the map at A20.9 on which his handwriting appears and which purports to be the original from which the plaintiff drew her map. Stiff denied that the first defendant had given it to him.

[15] L12 deals with the attack on Nkomo's house. Exhibit A 21.1 is the plaintiff's original drawing illustrating the trucks used and lines of fire. The bullets were depicted by upside down exclamation marks and T's to indicate the gates. The Landrovers used were cut from Letraset. There is a note in pencil in Stiff's handwriting giving instructions to the printers. Information for the raid was obtained from Gough and Ant White (the latter was on the raid itself). An aerial photograph of Nkomo's house and the subsequent drawing she made for *I'll See You in November*, a subsequent book by Stiff, show that her drawing was completely inaccurate (Exhibits A21.8 and 7). The drawing in *Pamwe Chete* corresponds to her own although there are some differences as far as the position of the trucks, the layout of the house and outbuildings are concerned. The plaintiff disputed that the first defendant had given her a map of the house and surrounds in 1981.

[18] The map for Operation Miracle, L13, is based on Exhibits A41 and 42, copies of the same military map given to the Stiffs by Gough, setting out the contours, ground positions, landmines, roadblocks etc in the area. Stiff worked on Exhibit A41 and added a solid line on it to indicate a roadblock and inserted the words indicating the 'Madison Square', 'Column HQ' and 'Rhodesian Artillery'. To reduce the detail on the map he used tippex, still visible on Exhibit 41, to delete some contour lines and other detail. His information is based on what Gough told him; the latter went up to Monte Cassino (misspelt 'Casino' by Stiff) and showed the plaintiff on this map what had transpired during the operation. The plaintiff transferred the information he then transferred it to her original, Exhibit A22.1, which also contains Stiff's instructions to the printers. It was her idea to indicate the spot heights by way of a line since it would otherwise have cluttered the map.

The first defendant discovered Exhibit A22.7 as the source of the map in *Pamwe Chete* but, as Stiff testified (Record 1:103), there are obvious differences between the two (ie the routes and tactical information missing are missing from Exhibit A22.7 (eg minefields, guerilla and camp complexes) and the same spot heights do not appear on the first defendant's map (Exhibit A22.7). However, the same spot heights (912 and 824) appear in the maps of Operation Miracle in both books. These heights are important and on page 399 of *Selous Scouts* it is said:

'At first light on the third day after consolidating on hill 774, Lieutenant Simon Willar, callsign 71, set out to clear terrorist heavy

weapons which have been harassing the attackers and moved straight down the ridge line from point 824 to 912 ...’.

Stiff denied that the first defendant’s 1981 original, Exhibit A22.8, was ever handed to him. The first defendant, Stiff said, had at first objected to Operation Miracle being included in the book, because he thought that it had been a bad operation. Stiff disagreed.

From an overlay of the transparencies of the two maps in the two books the plaintiff concluded that the one in Pemwe Chete was copied from hers: although it showed some differences it shows the same spot heights and same line indications and contours.

[17] The Zipra/Zapu Organogram in L14 was produced on an easel with the assistance of Birch (a member of the Special Branch), typed, stuck together and sent to the printer for typesetting. The handwriting on the original is that of both Stiff and the plaintiff. Nothing was received from the first defendant who, Stiff said, did not know anything about it. Exhibit A23.2 contains a letter by Stiff to the printers instructing them to print the organograms. The name of the plaintiff had to be set out on every page. The Stiffs received no organogram from the first defendant and specifically not Exhibit B77, the first defendant’s document. Exhibit E presented to court is not an original but part of the genesis of the organogram (the first defendant’s case) but the plaintiff denied having seen it before. Stiff testified that it was entirely his idea to include the organogram which is contained in the last chapter of the book which Stiff alone wrote. When the organograms are compared they appear to be virtually identical although it is stated in *Pamwe Chete* that the organogram was prepared by ‘Captain Alan Lindner.

The first defendant’s discovery item (Exhibit A23.8) is date stamped 15 June 1979 under the name of the Three Group *Selous Scouts* Andre Rabie Barracks.

[18] L15 is a map dealing with the Zipra Soviet Devised Strategy to capture Salisbury. This forms part of the last chapter of the book written by Stiff alone without basing it on the first defendant’s manuscript. Exhibit A24.1 is the original artwork by the plaintiff containing Stiff’s instructions. It is based on a tracing of her original Rhodesia map (L1) and contains the errors she has referred to, ie Kariba’s tail and the omission of the Tuli Circle. The information for the Soviet strategy was obtained from Birch of the Zipra desk. An overlay of the maps in the two books appears in Exhibit 12.14 and they appear to fit exactly: the gap in the dotted line on the road from Wankie to Kariba (and which the plaintiff ascribed to the dots depicting the road having fallen off) is present in both. Both the tail at the end of Lake Kariba and the omission of the Tuli Circle appear in both works. The road from Wankie to Kariba shows a slight curve south of Kariba’s tail and this is also reflected on Exhibit A24.15 (the first defendant’s ‘original’). For these reasons it

seems unlikely that Exhibit 24.14 (disclosed as the first defendant's source) formed the basis of the map in *Pamwe Chete*.

[19] L16 illustrates Zipra Infiltration in Rhodesia at the end of the war. The plaintiff again traced her own map of Rhodesia (Lt) and that is why there are some slight differences between the two particularly relating to the dots and dashes in the boundary. The handwriting on the original artwork (Exhibit A25.1) is again that of Stiff giving instructions to the printer. Information showing the infiltration came from Birch. The legend underneath the map in *Selous Scouts* reads that those were the positions 'at the end of the war'. In *Pamwe Chete*, however, reference is merely made to Zipra infiltrations suggesting, as Stiff said, that this occurred in June 1979, is six months before the end of the war.

When the maps in the two books are compared (Exhibit A25.12) the two appear to be similar with some differences relating to the type and arrows.

[20] L17 shows the Zanla Positions at the time of the ceasefire. Exhibit 28.1 contains her original artwork with Stiff's instructions to the printers. She drew the different sectors using wavy lines to indicate that the sector borders followed natural boundaries such as rivers. Her map again contains errors like the absence of the lull Circle and Kariba's tail. An overlay shows the similarities in the boundaries although the sector borders are indicated differently and the extent of the invasion varies. The forerunners of the map in *Pamwe Chete* is found in Exhibits 26.11 and 12 and the wavy lines of the *Selous Scouts* map are reflected as bold lines. Stiff said that he received the information from the special branch office, and because he used to be a police officer, the police were happy to talk to him. He could not recall who gave him the information but referred to Hart and possibly Stanton. This map forms part of the chapter written by Stiff alone. Exhibit A28.12 is an overlay of the two maps and the differences and similarities are listed in Exhibit A28.13. Important is that the errors are found in both maps, such as Kariba's tail and the omission of the Tuli Circle.

[21] L18, the Rhodesia Strategy map, is based on the plaintiff's original Rhodesia map and she positioned the bridges on information given her by Peter Stiff. An overlay of transparencies of the two maps shows that the bridges are placed in the same positions, that Kariba's tail appear on both and that the Tali Circle is omitted from both. However, three bridges are omitted from the *Pamwe Chete* map and one, near the Lufua River, is inserted.

Stiff received this information from Birch but no map. The latter described the events to him. Lt Col Garth Barrett who commanded the bridge-blowing operations in Zambia also assisted Stiff.

Exhibit A27.1 is again the original artwork with Stiff's written printers instructions on it Barrett pointed out the blown bridges to Stiff

and the idea behind the operation was described by Birch. Stiff explained to the plaintiff what had been relayed to him.

The maps in the two books appear to match exactly. The roads, drawn by the plaintiff in free hand, follow the same paths. The symbols for the bridges differ but they are in the same positions with the exception at Lufua Bridge. Three explosions on the road from Chirundu to Mazabuka have been omitted in *Pamwe Chete* and explosion on the Lufua Bridge added. A symbol has been added for the Mulungushi dam. The words 'To Malawi' and 'CGT2 Camp' have been added.

The errors on L17 appear on the *Pamwe Chete* map, eg Kariba's tail. Lake Kariba has been inked out on Exhibit A27.9 (the first defendant's discovery item 50). Exhibit 50.1 is an overlay of transparencies of Exhibits 27.6 (the map in *Pamwe Chete*) and Exhibit 50.1. The overlay shows that the two do not correspond.

[22] John Birch (Record 4:216ff) was a detective inspector in the Special Branch at the time of the Rhodesian war and a specialist on Zapo and Zipra. He became involved in Zipra incursions into Matabeleland and as a police officer dealt with captured prisoners questioning them and obtaining information. He dealt with the captured Elliott Sibanda for a period of a year and a half and, on information provided by him, took part in a raid on the Zipra headquarters in Lusaka where a huge amount of intelligence records were captured giving him insight in their organization, strategies etc. Birch contacted Stiff at the request of Hart who told him that the first defendant was writing a book with Stiff as the author and offered his assistance. He met the Stiffs three times and gave his input to the drawing of map L16 (Zipra Infiltration) which he observed in incomplete form at the offices of Galago Publishing. He was with Hart and drew rough arrows on the map indicating the extent of the infiltration at the end of the war (Record 4:322). On his second visit the map had more particulars filled in.

He also assisted in producing map L15 (Zipra Devised Soviet Strategy) although he was not quite sure about it. He thought the planned invasion into Rhodesia by Zipra was a pipe dream and had knowledge of it through the capture of the documents in Lusaka. He explained the planned invasion to the Stiffs.

He also briefly touched upon L18 (Rhodesian Strategy) but Hart was more familiar with the facts and Birch did not give any input in producing it. He was, however, questioned by Stiff about the Rhodesian strategy and provided an input which was partly (such as relates to the blowing up of bridges) reflected in L18 (Record 4:343).

Birch also testified that he assisted the Stiffs in preparing the Zipra/Zapo organogram (L14). He saw the first handwritten drawing at their office on an easel (A23.1). He added some things that were missing and commented on it (Record 4:328). All internal and external reports

concerning Zipra came through his office and he was well aware of its organizational structure. He thought that numerous people had given an input in compiling this document

[23] Hoskin's evidence was hardly contested. He had been employed by Map Studio for some 35 years but was retired at the time he gave evidence. He testified that map A59, a Map Studio publication, was published in April 1982 (Record 4:356) and that map A40 is an extract of map A59 (Record 4:359, 364). From this he concluded that the maps disclosed by the first defendant as B6 (Operation Long John), B8 (Operation Eland), B10 (Operation Mardon), B12 (Operation Aztec) and B14 (Operation Virile) were all based on the 1982 Map Studio map, Exhibit 59 of which Exhibit 401 is an extract. Exhibit A40 or a copy was, as the evidence shows, given by Kriel to Gough in 1982.

D Artistic works

[24] Section 2 of the Copyright Act (no 98 of 1978) provides that 'artistic works' are eligible for copyright 'subject to the provisions of this Act' 'if they are original'. There is no doubt that the maps in which the plaintiff claims copyright are 'artistic works' as defined in section 1(1) of the Act being 'drawings' which is defined in section 1(1) as including 'any drawing of a technical nature or any diagram, map, chart or plan'. No argument was addressed to me as to whether the organograms are 'artistic works'. They may well be 'literary works' but, in view of my conclusion, I need not resolve this issue.

As regards the requirement of originality it is clear that 'the existence of prior material tends also to limit the scope for originality and to require more exacting proof of its existence than is the case with truly original works' (*Jacana Education (Pty) Limited v Frandsen Publishers (Pty) Limited* 1998 (2) SA 965 (A) at 969 D-F). Since the author is defined as 'the person who first makes or creates the work' (section 1(1)) it follows that in order to establish the subsistence of copyright in a 'work' which vests in the 'author' that person must 'create' the work. When read with the requirement in section 2(1) that the work must be 'original' the author must therefore create something 'fresh' and not simply reproduce or copy some existing thing or work, in this case a map or maps.

It is thus necessary to examine the evidence of the plaintiff to determine whether she was the creator of the maps referred to. She said (in relation to L1): 'I drew this map' (Record 3:187 line 26). She agreed that 'there was a source material for this map. It was the Rhodesian Land Tenure map . It was a much larger map but what I did, I reduced the map and what you see there is my interpretation of what Rhodesia looked like at the time with various operational areas' (Exhibit A11). The areas delineated on the map relating to the operational areas were on the map when she received at (Record 3: 188 lines 25-6). She reduced

the map to the size of the map which is L1 in the book and this is her evidence:

‘What I did is I used a grid using basically the same but making smaller and I reduced it and therefore I got basically the same as what we have here but it is not identical because it is not traced. It was done on a grid reducing it.’ (Record 3:189).

She explained how she did this by using a grid in a reduced size and drawing the lines representing borders etc from the Land Tenure map (Record 3:189 lines 20-5). She traced from that basis copies for the other maps (Record 3:192 lines 5-11). She used Letraset to form the names of the towns etc (Record 3:193-4) and put on the scale in kms (apparently incorrect) as an ‘estimate’. She did not include all the names of towns. She made certain errors in the outline particularly relating to Kariba’s tail and the Tuli Circle.

Similarly, as regards L4, she used the Land Tenure Map but with certain differences that she thought arose from copying ‘my own map from my original from which I did, from the map of Rhodesia’ (Record 3:205 lines 15-20). The maps in the L series as regards their borders were not identical because ‘you cannot do it identical by hand. It is humanly impossible to have every line exactly the same length and every dot exactly the same’ (Record 3:208 lines 5-10). These were ‘human errors’. She also made use of Exhibit 40 which is a Studio Map map given to her by Gough (Record 3:210 lines 5-15),

She got other information as to the places where the towns were either from Stiff or ‘operators’ (Record 3:212). While it is correct that ‘copying’ cannot confer ‘originality’ (*Interlego AG v Tyco Industries Inc (PC)* (1989) 1 AC 217 at 259, 260, 262 and 263) the work of the plaintiff involved much more than ‘copying’ the outlines of the map of Rhodesia. She in fact drew the boundaries of the operational areas (L1), the routes of the raids in Operation Detachment (L4), Long John (L5), Eland (L8), Mardon (U), Aztek (L9), Virile (L70), Turmoil (L11), Nkomo’s home (L12), Miracle (L13) and the areas infiltrated by Zipra terrorists (L76), the positions of Zanla at the ceasefire (L17) and the strategy of the Rhodesian forces (L18). Her work involved much more than reducing the size of the maps and leaving out ‘clutter’. Of course, she used existing maps to base her drawings on but the depiction of the routes, positions and location of the towns and villages makes her work ‘original’.

E Defendants’ Case

[25] Neil Kriel, the first witness for the defence, was a major in the *Selous Scouts* and joined them in 1974. His task was to ‘turn’ captured terrorists and infiltrate them among their old comrades. He left the *Selous Scouts* in September 1978 to join the Special Branch but left Rhodesia on 6 February 1979 to reside in South Africa. He testified that

he was familiar with the two organograms B2 and B17, and saw them in 1979.

He was a friend of Schulenberg and they were working together in 1977. Referring to Operation Turmoil he said that map L11 did not exist at the time of the operation and that the raid was executed on the basis of aerial photographs. He took part in this operation and communicated with other operators and with Schulenberg by way of radio. The map in Exhibit A49 is very faint and he testified that he had not seen it before the operation: Schulenberg only had air photographs and was not in possession of this map nor would he draw a map like this one.

Gough had asked Kriel for a map or maps of Mocambique in early 1982. Exhibit A40 is similar to the map that he was supplied with and which he gave to Gough in early 1982.

Kriel also dealt with some of the operations of the Selous Scouts in his evidence.

[28] Ant White (Record 5:426 ff) was a captain in the *Selous Scouts* and met the Stiffs on one occasion. He was shown a map of Nkomo's house which he understood Gough had given the Stiffs. He gave his input regarding the raid on Nkomo's house and the map. He said that the diagram at L12 corresponded with the map shown him including his alterations and suggestions. As far as Operation Eland is concerned White said that he would have been unqualified to give any information to the Stiffs. He was merely a 'bayonet' and took no part in the planning other than normal briefings. He preferred not to comment on the plaintiff's recollection of their meeting.

[27] Clive Warren (Record 5:431) joined the *Selous Scouts* in 1978. He took part in some of their operations. He came to South Africa in 1980 and was employed by the defendant in the security business, initially in End Street but later in Secunda. Because he was an electrician he became involved in the evaluation of the security system. He had access to Sasol's drawing offices and with Gough's assistance drew all the drawings 'from day one'. He took a technical drawing course at school. The defendant asked him to assist with the drawings, maps and diagrammes for the book, and his work on them commenced in early 1981.

His evidence is that the map on L5 (Operation Long John) is similar to his own drawing as reflected on Exhibit FS10. He had some difficulty explaining who the author was and said that it had been the first defendant (Record 5:434). He got it from a debrief map or a section of a map. He was instructed to draw the map so that 'Joe Public' could understand it. He had to leave out irrelevant matter. There may have been maps available at the time but he could not recall exactly which one he used. He could not recall what his source of the Cabora Bassa line was and he drew the pylons by hand. He worked on an A4 sheet that

was reduced by using Sasol equipment. He gave his drawings to Gough and they worked together.

L8, Operation Eland, rang a bell with him. He drew FS11 together with Gough. The thick black line was drawn by hand and the towns, roads, background and boundaries he got from the debrief map. He recognized the blow-up map. There were a number of maps and they had problems with them and he was told that they were getting them from 5 Recce. They were pressed for time. He drew this map around April 1982 but it might have been May (the first quarter of 1982).

L7 (Operation Mardon) is based on his FS10 and was one of the 'rushed or time pressured ones' (Record 5:439). He was given a debrief map, Exhibit 810, relating to Operation Mardon and placed it on a larger sheet to make the drawing.

L9 (Operation Aztek) was also drawn by him. He drew the wavy thick lines on the corresponding Exhibit F51 and he and Gough worked together basing it on a debrief map.

L10 (Operation Virile) is based on Exhibit FS14 drawn by himself with the help of Gough who was on the operation. Gough gave him the information relating to the bridges and culverts. He based it on the maps as accurately as he could. He was given a section of the map from a debrief. FS14 is a blowup section of the map that he got. He had trouble pinpointing the bridges but Gough helped him and indicated them specifically.

L1 is a map of Rhodesia he drew by making use of a stencil of Rhodesia based on a school atlas but he looked at a number of maps and ended up with a plastic stencil that was reduced to the size of Exhibit FS13. He could copy this when producing other maps. He explained Kariba's lair by saying that that part of the lake is congested and full of gorges, slopes and rivers. On the original map there appeared many 'tails' but he could not recall why he drew this one in the way he did (Record 5:444-5). All the operations rooms had maps on their walls and he got the operational areas by working from them {Record 5:445; 6:510}.

Warren testified that he drew his maps one at a time and gave them to Gough and received them back for corrections. Some were done prior to April 1982. He used many pens, Rotring pens, and cut the plastic with a razor. When asked about the dates the maps were drawn he said that a couple were drawn in a hurry but that thereafter there was no need to hurry. He started the work in 1981 and completed it in 1982.

He testified that he drew Exhibit FS9 (Operation Detachment; L4) and that his source was a debrief map (Exhibit B4):

'Ja this was the only one if I recall that we got in that form of map. I do not altogether remember why but I think it had something to do with the source of maps that we were waiting for, but I do recall that

this particular very congested large map was, if I can remember correctly was the only one of its kind that we got in that form' (Record 5:448).

He drew Exhibit FS2, the basis of map L71 (Operation Turmoil), with the help of Gough in an almost freehand manner (Record 5:449). His source was a hand-drawn map (B16). The silhouettes of the aircraft he devised from the Rhodesian Regimental Book and keys etc was given him by Gough and the information supplied by the first defendant

The drawing of L12 (B:FS3; the Attack on Nkomo's House) was done by Gough and Warren had little to do with it except to add a few lines and arrows (Record 5:451).

His evidence on L13 (Operation Miracle: FS4) was that he had a lot of trouble with it due to the congestion of the contour lines. They used a map Gough had (Exhibits A41 and 42) and traced, not all the contour lines, but only some of them.

The Soviet Zipra Strategy map at L15 he based on FS5 was produced by him and Gough using his original stencil and information given by the first defendant (B:20).

L16 showing Zipra infiltrations he based on FS8 which he and Gough drew, the source of which is all sorts of maps pinned in their ops rooms (Record 5:454).

L17 showing Zanla positions as at the ceasefire (8:F58) was again based on maps in ops rooms and a 'smaller one' (Record 5:455) to draw FS8 from.

Warren had no recollection of L18 showing the Rhodesian Strategy. [28] The first defendant (Record 6:541 ff) was a professional soldier who formed the *Selous Scouts* but left Rhodesia in 1980 to start a security firm with a number of former *Selous Scouts* members, including Warren and Gough. He was also involved in the training of the Transkei defence force and moved to Transkei in August 1981. At this time he was approached by two businessmen to write a book about the *Selous Scouts* and eventually agreed to. He started writing the book using material brought down from Rhodesia and a ghostwriter, Christopher Munnion, was later employed. This proved to be unsuccessful and he was approached by Stiff offering to publish the book.

Meetings were held with Stiff which became quite acrimonious but eventually an agreement was concluded showing that the book was written by the first defendant as told to Stiff.

His evidence dealt with Operation Miracle that he initially did not want to include in the book. Copyright in the book was ceded to Erasmus. He produced material for the book to Stiff particularly when he was in Transkei. He, however, saw the final product only when the book was published (Record 6:663) and noticed that copyright in the maps were reserved to the plaintiff.

Referring to the maps in the book, he said that he had an obligation to provide maps etc to enhance the book. At the time he knew that Mugabe would obtain a majority at the election and he assisted in sending sensitive material pertaining to the Selous Scouts to South Africa with the assistance of Duncan and Armstrong. His evidence related to the composite maps of Rhodesia and Mocambique (8:555 ff) is the one used in Operation Detachment (PC4) which was one of the maps stored in the vaults in South Africa. He referred to Operation Miracle as well (6:560) and the map in PC18 that has his handwriting and which was sent to Phalaborwa. The first defendant, however, did not bring any of these maps etc down to South Africa himself but they were 'squirreled down' in furniture vans etc (Record 6:562).

He provided maps etc for the purposes of the book:

'I provided charts, maps and in one instance one of my men provided two maps which he actually carried with him on an operation. We were able to get access to 5 Recce and we obtained updated maps from them which were also used to draw maps for the book'.

His evidence refers to the 1981 and the 1982 maps that were handed to the Stiffs and the difference between the PC and FS series (Record 8:568 ff). The FS series, generally, relate to the drawings done at Sasol (8:570 ff) based on maps originally drawn by him and redrawn by either Gough or Warren. The Mocambique operations were 'transferred' onto 1982 maps at Five Recce (Record 6:577 H; 7:607-8). Some of the maps were given to Stiff in 1981 by the first defendant (Record 7:587; (including the organograms (Record 7:589)) and the others delivered to him by Gough in April 1982 (Long John, Aztec, Mardon, Virile and Eland) (Record 6:582).

[29] Winston Hart (Record 8:738ff) was a member of the British South African Police Special Branch, a detective inspector, who liaised with the Selous Scouts. He was referred to the different maps and organograms in *Selous Scouts*: as far as L1 is concerned he stated that he had no reason to discuss the map with the Stiffs and that, although he recognized the operational areas, he did not know their borders exactly. He met the Stiffs at the request of the first defendant a number of times and provided information, photograph, a cassette tape of a debrief etc to them. He had known Stiff who was also a member of the BSAP. He could not recall whether he was alone at these meetings although he went to the first one on his own. They had a lengthy discussion at that meeting.

He denied any involvement in the compilation of the Zanu/Zanu organogram (L2) although he was aware of it and its content. Organograms of this nature were affixed to the walls of the control rooms of the Selous Scouts.

He took part in Operation Long John (L5) and caused a diversion at

the border near Malvernia. The map was not drawn by him or the Special Branch. He would have been unable to recall the general route in and out. From his cross-examination, however, it became apparent that he had considerable knowledge of this raid.

He also took part in Operation Eland (L6) but again stopped at the border. He discussed the raid with Stiff (Record 8:744-5): 'we did discuss often in detail the cause, - or the reason for the operation and what happened as a consequence but to the map, I would never have been able to draw that ... I suppose I could have told them that the group would have left Penhalonga and say gone in through Umtali, but I certainly did not do that, I was not sure exactly how ...' but did not give him a map or diagram.

He took part in Operation Miracle (L13) and discussed the operation and peculiarities with Stiff but denied drawing the map (see his cross-examination at Record 8:752).

He was aware of the areas shown on L17, the map showing Zanla positions at the ceasefire, but was familiar only with Nehanda and Chaminuka. He did not know the exact boundaries of the areas. The information he furnished the Stiffs was not sufficient to enable them to draw the map.

[30] Major Duncan (Record 9:758) was a member of the Selous Scouts who relocated to South Africa in 1981. At the end of 1979, on the instructions of Combined Operations, they started to put together all the sensitive Selous Scouts documentation. He had to audit the documents and then send them to the South African Defence Force. These documents were taken by aircraft to Five Recce Regiment in Phalaborwa. He said that they had been asked to 'improve the features on the maps and regrettably we could not comply with this, because there was an awful lot of things going on at that time (Record 9:760). One of the maps sent down to South Africa was Exhibit PC4, the composite map.

He commanded Operation Long John and when he was referred to Exhibit B:PC46 (the map that 'would have been ... used' but without the route being indicated (Record 9:766)) pointed out that the 'P' depicting the return route was incorrect (Record 9:765 ff). The map shown to him he described as a 'debrief' map completed after the raid which he identified by virtue of the stamp on it, the words 'Operation Long John' written and the fault relating to the 'P' on it (Record 9:801). He recalled seeing it in 1980 (Record 9:801). He, however, never saw Exhibit B6, the 'updated' map of Operation Long John (Record 9:808).

His evidence also dealt with the name of the Andre Rabie Barracks (Record 9:771ff, 815ff); the organograms (Exhibits B: 2 and 17) which were displayed on the operations boards; the capture of Sibanda and Birch's evidence (Record 9:777ff, 821ff). Duncan's version of the

capture of Sibabda was never put to Birch). Operation Detachment (and Exhibit B:PC4) (Record 9:783); L15 depicting Zipra Strategy (Record 9:789). He did not take part in Operations Eland and Mardon. The information shown on L16 and 17 would be collated by the Special Branch and given to the Selous Scouts (Record 9:786ff).

[31] Charles Krause (Record 9:830 lf) was a member of the Selous Scouts who had moved to Phalaborwa after the war ended. He testified that Kriel had asked him for maps and documents around April 1982. He took part in the attack on Nkomo's house but denied that he gave any information on the attack to the Stiffs or that he had met Stiff before. Under cross-examination he had to concede that Exhibit B4 was not a reduction of Exhibit B4 but a portion of a map that corresponds with it. He could clearly not recall the maps he had seen at Five Recce and was obviously influenced by the Andre Rabie stamp placed on Exhibit PC4 (Record 9:840-1). He could not explain how the stamp came to be placed on extracts of a 1982 map that was supposed to have been brought from Rhodesia to South Africa in 1980 (Record 9:842).

[32] Major Timothy George Bax (Record 9:843 ff) was a member of the Selous Scouts who took part in several external operations including Operation Long John. During the latter part of 1979 he was asked to get sensitive information of their operations together and to bundle them and give them to Duncan. He was aware that these documents would be sent to Five Recce in South Africa. He left Rhodesia in June 1980 and went to Phalaborwa with his family where he was 2iC at the Skiethoek base of the Five Recce regiment. The documents sent down were secured at Five Recce. Bax resigned in 1981 and left to join the first defendant.

His evidence was that the route shown on Operation Long John (Exhibit PC46) was incorrect. The map is stamped 1 July 1978 and would have been placed on it after the raid. Both Exhibit 86 and PC46 have the same date stamp.

After joining the first defendant he was asked by him to proceed to Secunda to check the security drawings done by Warren and Gough. Gough told him that Kriel needed Selous Scouts operational detail to be transposed to a map that Kriel was going to send to Phalaborwa and that Kriel was going to give a copy of the map to Gough (Record 9:866-7) to assist the first defendant in writing his book (10:868). Apparently the map that Kriel was sending 'down' was a civilian map. Bax then suggested that he go to Phalaborwa to ensure that the old Selous Scouts personnel were 'transposing all available operational detail from the Selous Scouts maps onto the map that Kriel had sent down' (10:868). The first defendant had no objection and would facilitate his visit. Having arrived there Nimmo explained to him that he was in the process of transposing the information onto Kriel's map (10:870). He 'distinctly

remembered' having said that the map was a civilian map (10:870). The next day he observed Nimmo and Gordon and others 'transposing' information from Selous Scouts maps onto the map Kriel had given them. He specifically recalled the map of Operation Long John and the error on it (10:870). When he drew Nimmo's attention to it the latter said that he was going to transpose the information exactly as it had been on the Selous Scouts operational map (Exhibit BPC46; 10:871). Nimmo was transposing the information onto Exhibit B6, the map that had come into Nimmo's possession through Kriel. Bax continued (10:872):

'He had at that time even put the Selous Scouts stamp on it and I can distinctly remember joking with Nimmo, why on earth an you putting these stamps onto Kriel's map, that is a Selous Scouts Andre Rabie Barracks stamps, and Nimmo replied that he had been instructed to put every conceivable detail on Kriel's map'.

He testified that he used Exhibit PC4 on Operation Detachment (10:875). The organograms were also updated and a stamp showing the old date was placed on them (Record 10:677). His evidence further related to the formation of an association of former Selous Scouts members of which he was the secretary (10: 877). At their meetings from middle 1982 onwards funds were raised by inter alia selling 'miniaturized' maps (ie those in Exhibit H) of the operational areas (10:879). Bax did not take any maps or documents with him after leaving Phalaborwa.

[33] Fitzsimmons (Record 10:923 ff) was a troop commander in the *Selous Scouts* who took part in Operation Eland. He denied that he gave information to the Stiffs concerning Operation Long John or that he assisted them in drawing a map for Operation Eland. In fact, he testified that he only met them after publication of the book.

[34] Mr and Mrs Harvey's evidence (Record 10:925 and 966 ff) related to the discovery of Exhibit H and his design, layout and printing of *Pamwe Chete*. He scanned the 'original' material for the maps in the book into his computer that the publisher gave him. At first he was handed copies of operational maps but, since it would have taken him too long to prepare them for publication, he approached the publisher for something better to work from. He received Exhibit H during about May of June 1999. After scanning the maps into his computer he would 'tidY up the map, change the scale Indicators, the North indicator and typed in new names after erasing the old ones. He retained the arrows indicating the routes taken during the raids as well as this borders. The font he used was Swiss 721 Condensed. As I will show later he had no knowledge of the source of the maps and organograms he scanned in.

His wife's evidence relate to her discovery of Exhibit H during 2000 among their files.

F Analysis

[35] I have no reason not to accept the evidence of the plaintiff and Stiff and none has been advanced. Their evidence is supported by the ‘original artwork’ produced by the plaintiff and by the objective testimony of Birch and Hoskin and also, in some respects, by White and also Gough. Stiff, obviously, does not get on with the first defendant and he could well have been quick to come to conclusions. He could well have had an axe to grind with the first defendant. This, however, does not detract from the objective evidence showing the origin of the maps and diagrams that appeared in *Selous Scouts* and that was copied in *Pamwe Chete*. The evidence of the Stiffs is supported by the production of the original artwork, the notes and instructions to the printers on them, detail such as the spot heights on the map of Operation Miracle. the use of ‘commissioner’ instead of ‘Commissar’ on one of the organograms, the fact the Stiff alone wrote the last chapter of the book and numerous other considerations I do not find it unlikely that he could not recall all his sources for drawing the routes of the raids or the position of certain villages.

[36] The first part of the first defendant’s discovery consists of, in particular Exhibits B1 to B19 which were referred to as ‘debrief reports’, and which were allegedly produced after each operation’s conclusion as well as alleged ‘debrief maps’. There is also a copy of a map of Rhodesia indicating operational areas, two copies of the organograms in question, a map with the outline of Rhodesia on which the first defendant had indicated Zipra’s invasion strategy (B20), a map of undisclosed origin referring to operations in Zambia (B21) and a typewritten document apparently compiled by one Captain Stanton referring to Zipra areas of inference and infiltration routes (B22).

[37] Evidence by the plaintiff’s expert Mr Haskin. confirms that the ‘debrief maps’ relied on in the instances of Exhibits B8, B8, B10, B12 and B14 were, despite the date stamps thereon purporting to have been made at André Rabie Barracks during 1976 and 1977, in fact annotations on a 1982 Map Studio map. (The Map Studio map in question was later produced as Exhibit A59 of which Exhibit A40 is an extract.)

[38] The defendants’ case as set out by its initial leading counsel, Adv Gautschi SC, during the defendants’ initial application for postponement after having heard the evidence of Stiff, was then as follows:

‘And then in paragraph 5.3, he [the plaintiff’s expert in his Rule 36(9(b))] he deals with a map which was discovered by the plaintiff as discovery item no. 40. And he says that he has perused a copy of the section of the map supplied to him by Mr Peter Stiff..’ (Realtime Transcriptions128).

‘Item 56 is the November 1976 map studio map. Item 40 is the one

which he does not have a copy of. They can't find a copy in the records but he has identified this from a portion, a photocopy portion which has been shown to him, out of Mr Peter Stiff's discovery. Now what a important on that M'Lord, is to bear in mind these things and then Your Lordship will appreciate the significance in a moment ..' (Realtime Transcriptions 127).

'On .. the plaintiff's supplementary discovery, affidavit which is signed 7th September 2001. And in that Your Lordship will see that Item 40 is described as the date is said to be unknown.. Now what happened is the defendant singed a second supplementary affidavit .. she says there in my supplementary, I indicated item 40 as follows: 40 unknown SADF map of South Eastern Africa. Since then more particulars relating to this map have come to my knowledge and item 40 should now read April 1982 section of map studio map entitled South Africa ... etc with an ESPN number.' (Realtime Transcriptions 128).

'Now, the significance of it is the following M'Lord. The Defendants' case is that what happened after, we need to understand from a logical context. Colonel Red-Daly left Rhodesia towards the end of 1979. He commenced with the work on the book in about mid 1980. And in the second half of 1980, he approached Captain Tim Bax. Captain Tim Bax was a former member of the Selous Scouts in Salisbury and Rhodesia and he was at this stage that second in command at 5 Reconnaissance Regiment in Phalaborwa, a South African regiment. Of each operation as it had taken place, Your Lordship will recall from the evidence there was a narrative text report with details of what had happened on the operation and then there was a small map page annexed to it with a diagram in manuscript annotated onto it so the reader can understand what, in broad terms had happened with the details in the narration report.

'Now, what had happened is Major Duncan at their request was instructed to an audit in anticipation of the elections ... and secondly, was in the process of updating the information so that it could be transferred to ... 5 Reconnaissance Regiment in Phalaborwa. And thus it happened that in 1980 the maps which had originally been annexed to the various narrative text of the Operations which had been filed and had been prepared on whatever date it was shown, 76, 77, whenever, these maps were now updated onto updated maps for the South Africans ... now those it was from Captain Bax who was really almost an informal custodian of a lot of Selous Scouts material that Colonel Reid-Daly in the latter part of 1980, we think, about September. October, 1980, inquired whether he could get access to additional material because he had been writing the manuscript for the book of the Selous Scouts. And he went up to Phalaborwa and

obtained from the material which Captain Tim Bax made available a variety of reports. So as it came about, M'Lord, is that Colonel Reid-Daly came in possession of a number of reports which had maps on it which were updated maps, maps on material which we believe came from South Africa, printed map material. Now, given the background, Your Lordship will then appreciate why it was when we got, when we considered the implications of this original expert summary, the fact that it could have been either 65 of 40 meant if the expert of their side conceded it to be 36 as the November 79 map then it was of no particular significance. We could assume, we didn't know precisely what material was copied from but it didn't matter because it was at some stage prior to the 1980 updating of the original maps.' (Realtime Transcriptions 130-132).

The allegation that the 'updating' had taken place in 1980, was repeated:

'They updated it in 1980 and the clerk, not colonel, M'Lord, dispute about it - but the clerks in Salisbury in the intelligence division having transposed the information of the operation onto the map, put the stamp as it was originally with the correct date when the, whenever that map was prepared ... We knew that it had been done in 1980. We knew it had been updated. We knew it had been updated on material which would be user-friendly to the South Africans when it was passed to 5 Recce, 5 Reconnaissance Regiment' (Realtime Transcriptions 137: 9-15, 138: 14-17).

'But what has now happened, M'Lord, is that in the supplementary expert summary, the expert has now changed his mind because it is now no longer either 56 or 40 he now says 40 only. It can't be the November 79 map. Now that makes a big difference to us M'Lord.' (Realtime Transcriptions 138: 21-25).

[39] The defendants' 'difficulty' with the said exhibits being on an 1982 map was explained as follows:

'Because, M'Lord, its April 82 only that would contradict the evidence of Major Duncan who supervised the transposition onto South African map material in 1980.' (Realtime Transcriptions 140).

[40] In addition to the above, the documents later discovered as Exhibits B:FS1-FS14 were repeatedly referred to as the '1981 originals' and put as such to Stiff during cross-examination. In fact it was put that they were all handed over to Stiff on 24 July 1981 (Realtime Transcriptions 94-98; 102-105; and see the complex explanations relating to the PC and FS series in 8:718ff, 723).

[41] Subsequent to the above, counsel was replaced by Adv L Serrurier SC. The defendants' version changed. The first defendant explained that he gave maps that which he had drawn by Messrs Warren and Gough and later produced as items FS2, FS3, FS4, FS5, FSB, FS7, FSB, FS9

and FS13 to Stiff during July 1981 and Items FS1, FS10, FS11, FS12 and FS14 (depicting the cross border Mocambique operations) to Stiff during April 1982. This apparent change, it seems to me, was necessitated as Exhibit 40, on which the annotations depicted in Exhibits A4, A6, A8, A10, A12 and A14 had been noted, was only published in April 1982.

The first defendant explained that the 'composite maps', such as PC4 in the defendants' bundle, were the kind of maps used during operations in the field (Record 7:601). This evidence is contrary to what Kriel testified about, having stated that any such maps would not be and were not used (Record 5:421:8-28; 423:15-25; 7:602).

[42] The first defendant testified that there were composite maps constituting original debrief maps of each operation (7:608:12-21). However, had this been true, it would still offer no explanation as to why a composite map was produced by the first defendant as Exhibit B4 (Operation Detachment) in respect of one of the operations and why 'updated' maps were produced in respect of the other Mocambique operations as set out in Exhibits B6, B8, B10 and B12. Why not discover all the alleged updated maps alternatively all the composite maps? Why 'update' maps at all?

There is no credible evidence that the debrief maps were updated and the 'updating' did not provide information as to where mines were laid as suggested by the first defendant. None of the maps contained that kind of information (Record 6:609:19 - 611:19; 10:888). Nor could Gough in his vague and inconclusive evidence give any example of additional information that existed or could be added to the 'transposed' maps.

[43] The first defendant's evidence also failed to explain why, in his discovery affidavit dated 31 January 2001, the dates of the maps constituting Exhibits B1, B4, B6, B8, B10, B12, B14, B16 and B19 were given as those on the date stamps while, if his later evidence given at the trial is to be believed, he well knew that those maps were updated in April 1982. Not only is his discovery affidavit contrary to what his erstwhile counsel had put to the court, but it is also contrary to his own later evidence. The only explanation for this reference to the dates and the affixing of the later stamps but with the earlier dates could be to create the impression that the maps were indeed older or 'original'. This was indeed the impression which some of the defendants' first witnesses such as Kriel and Ant White had upon looking at the maps. In fact, it was put to Kriel in chief examination that exhibits such as B6 and B8 were in fact debrief maps (Record 5:404-406:2). These exhibits never were debrief maps.

[44] Initially Kriel was also led as if to indicate that a number of maps had been obtained from 5 Reconnaissance Regiment but, even in chief

(Record 5:402-3), his evidence was that he never received these 'blow-up maps' (as he referred to them in Record 5:408:1-4) but he only gave Gough a single map (A:40) after having been requested to obtain maps concerning 'the Mocambique area':

'But you had access to the documents hold at 5 Recce if you wanted them? - Whatever, I wanted, I got. It was as simple as that.

Can I refer you then to item A40, the plaintiff's volume? - In my bundle it is a brown envelope marked 40 on the side- Okay. Similar to the map that was supplied to me.

In what respects was it similar and in what respects different? - I could not tell you. I am not a map expert. It was a South African map, that is the final thing, without having the other one there. I requested this section of the map. I was not interested in anything north of Beira and when I received it this is how I received it. I am not interested whom it came from I just wanted the map.

This is a larger map I think isn't it? - Ja, it must be. I never received that.

But is this a map you got when it was supplied to Mr Gough pursuant to a request from him? - Very similar m this yes. I could not tell if it is the specific map, but yes the map like this was supplied to Chris Gough.

COURT: Arid where did this map come from? - As I say I was not interested where it came from.

Yes but who did you request for it? - Special Forces Headquarters In Phalabowa? - No.

In Harare, in Pretoria? - Correct, ja.

Special Forces? - Ja, it had no operation or need for me to know where it came from. I just needed a map.

This particular one? - Ja and we were, working in actual fact with various bridges and the demolition of various bridges.'

(Record: 5:403-15)

and

'I did not give him these blowup maps. I just gave him the bigger picture map.

Item 407- Item 40, correct.

Thank you M'Lord. No further questions.

(Record 5:408:3-6).

[45] Neither Kriel nor the first defendant (Record 7:607ff; 611-3; 6:618; 8:681-2; 8:689-90 ff) had firsthand knowledge of the placing of stamps updating the exhibits referred to (see Kriel at Record 5:405, 407-8). No-one was called to testify about it. Colonel Reid-Daly also conceded that no attempt had been made at obtaining the alleged originals of either the 'updated' or the 'composite' maps or in establishing what the 'debrief maps were (Record 7:602ff and 617).

The evidence of Major Kriel is in conflict with both that of the first defendant and the two alleged ‘authors’ of the *Pamwe Chete* maps, Gough and Warren. Gough maintained that he had received, not only Exhibit A40 but also the other maps from Major Kriel. His explanation of the reason therefor, namely that the ‘updated and ‘detailed’ information was necessary, was sunk by himself with reference to Exhibit FS9 (Operation Detachment). In respect of this operation he testified, contrary to all the other relevant witnesses of the defendants, that the maps for Operation Detachment had been drawn (and handed over) twice, being in both 1981 and 1982.

The reason for the second drawing of FS9, Gough stated, was that updated information had to be verified. However, he has failed to explain what this ‘updated detail would be with reference to Exhibit B4 and the maps themselves. He similarly failed in respect of Exhibits FS10/B6 and FS12/B10, particularly concerning the location of the towns Chicualacuala, Madulo Pan and Jorge de Limpopo. He also had the difficulty of explaining the information relating to the start of the operation depicted in Exhibit FS11/B8 as the town Penhalonga did not even appear on Exhibit B8, the alleged ‘updated and detailed’ map.

[46] Gough’s evidence as to whether he or Warren drew which map was also contradictory: Warren testified that he had been given ‘debrief’ maps and that he had drawn (in the sequence he was called on to testify) Exhibits FS10, F11, FS12, FS1, FS9 and FS6. Exhibits FS14, FS13, FS2, FS5 and FS8 he drew together with Gough. Exhibit FS3 was drawn by Gough and FS4 he and Gough ‘played around a lot’ with. In respect of FS7 (the map showing the Rhodesian Strategy (L18)) his answer was:

‘No, I do not remember too much about that one’ (Record 5:458:13-14).

Gough’s evidence is to the contrary. According to him (in the sequence he was called upon to testify) Warren did FS11, FS1, FS5, FSB, FS7 and FS8. Exhibits FS10, FS11, FS12, FS14 (and also later, contrary to his prior evidence, FS1) were ‘put together by Clive Warren when we received updated information from Major Kriel.

His explanation of ‘putting together was that they had ‘sourced the information and drew the map’. He could not explain why, at least in respect of Operations Long John (FS10) and Mardon (FS12) the routes depicted were incorrect and did not even follow the narrative sources.

His explanation as to how FS4 (Operation Miracle) came about differ markedly from that of Warren. Gough said a mere reduction was used to obtain the map. Warren said they had difficulty with the map. When confronted with the Stiffs’ sequence of how the map was arrived at, with reference to Exhibits A42 and the changes thereon by Mr Stiff to arrive at A41 and the selection of certain spot heights, his attitude was simply that he doubted whether the Stiffs had drawn a map. He could offer no

explanation when confronted with the original drawn by the plaintiff (Exhibit B22). The first defendants evidence about Operation Miracle and the 'spot heights' is hardly convincing (Record 8:699-70ff).

Gough's evidence that he and Warren had such unlimited access to technology that they could easily reduce maps, such as those contained in Exhibit H, is also contrary to Warren's. Warren testified that all the maps that he had been involved in were drawn on A4 format and he had no idea who would have done or made any copies or reductions thereof. Then there is the added contradiction as to where the maps were allegedly created: in the draughting office or in the caravan park, as testified to by Gough. Gough was careful to avoid the impression that they were doing private work at Sasol premises: only photocopies were made there.

Moreover, contrary to Gough, Warren could not recall some of the alleged 'source documents' such as B4, B19, B20 and B27 (Record: 6:522:1-9; 528:14-21; 532:8-15).

[47] One of the difficulties for Warren and one which he could not surmount, was why, even on his explanation of the use of a plastic stencil and an inverted stencil for Lake Kariba, the maps used in *Pamwe Chete* accord exactly with the maps in *Selous Scouts*, drawn by the plaintiff including the prominent errors such as the 'tail' of Lake Kariba and the absence of the Tuli Circle.

[48] The alleged use of the stencil also could not explain why the dots and dashes used to indicate the borders on the maps used in *Pamwe Chete* correspond exactly with those used in *Sebus Scouts* and drawn by the plaintiff. The absence of an explanation becomes even more prominent when it is noted that the dots and dashes on *Pamwe Chete*'s alleged 'originals' drawn by Warren, do not even accord with the source maps allegedly used by him or with the atlas produced by the first defendant Warren's evidence, at best, in all respects is unconvincing (Record 5:483 ff. 484 ff, 5:505 ff; 6:507 ff, 6:515 ff; 6:522 ff, 6:526 ff; 6:528 ff, 529 ff 533 ff). The most astounding attempt at suggesting a source for a map used by the defendants is apparent from the re-examination of Cough when the Shell Gazetteer road map was produced (Exhibit I) which antedates the existence of lake Kariba as possible source for FS7 (L18). He had to concede that, even on a visual inspection, this map could not and indeed was not the source for said exhibit. This is even dearer on Exhibits A27.9 and A27.10.

[49] Harvey's evidence did not assist the defendants: he stated in his evidence that he was given a number of maps (contained in Exhibit H) by the publisher and deleted the lettering, scale and direction indicators and replaced them with his own but left the borders intact when he scanned them into his computer. He had no knowledge of the source of the maps in the FS series and, compared with the plaintiff's maps, could

not say which were the originals. His scanned copies ended in *Pamwe Chete* (Record 10:953 and 965). Nor could he identify the source of the organograms or explain what had happened to the ones he scanned in. It is indeed strange that the same font was used in Exhibit E by the *Selous Scouts* clerk some twenty years earlier in Rhodesia as in *Pamwe Chete* and in other books Harvey prepared for printing. The organograms in the operational rooms were typewritten (Hart record 8:748)

[50] Apart from the re-examination of Gough referring to the Shell Gazetteer road map, the only other re-examination (apart from the first defendant) of any of the defendants' witnesses was that of Warren. This only amounted to the production of Exhibit G, being his regimental 'silhouettes' booklet and his display of Rotring pens used. None of the other numerous and extensive concessions made during cross-examination of the other defence witnesses were addressed in re-examination at all. In so far as the first defendant is concerned, it is clear that he has an axe to grind with the Stiffs. Apart from this enmity, he was an obstructive witness repeatedly seeking to avoid questions and giving speeches rather than answers. When pressed for detail he became vague, irritated and even at times resorted to an attack at counsel with reference to an alleged absence of knowledge of military matters (see Record: 7:597, 603, 606-8 and 613-816).

[51] A further example of the lack of cogent evidence from the other defence witnesses is that virtually all of them were led in their identification of maps presented to them in evidence in chief with reference to the *Selous Scouts* date stamps affixed thereon, even initially identifying the alleged 1982 'updated' documents as being those originally prepared in Rhodesia on the dates of the stamps (Duncan Record 9:792, 795-6, 800 (relating to Exhibit B:PC46); Krause Record: 9:840-1 and Bax Record: 9:863).

[52] Bax was called as a witness as support for the 'updating' of the maps or 'transposing' of information on them proposition. In chief he initially testified by

way of long-winded speeches rather than answers and with reference to seeing one Nigel Nimmo updating Operation Long John (incorrectly) on 'a' map which was later to become the 'Kriel map'. He remembered 'distinctly', as he was given to expressing himself, observing the very issues in dispute, viz the updating of maps and transposing information onto them (Record 9:855, 860; 10:870-1; 913 (referring to Operation Long John). I find it most unlikely that Bax would have happened to be there to observe the Operation Long John map being 'updated' incorrectly. Why Nimmo would have placed the *Selous Scouts* stamp on and antedated it is even more obscure. Why these stamps would have been brought down to Phalaborwa is left unexplained. Nor can I

understand why errors should be ‘transposed’ to the map Kriel allegedly supplied (Record 10:872-3; 10:903-4). Nimmo did not give evidence and Bax’s statement about what Nimmo had told him (Record 10:870) takes the matter no further. Krause, one of the senior officers who was sent down to Five Recce (Record 9:831) ‘to co-ordinate various stuff that was sent down from Rhodesia ... the archives ... maps etcetera...’ does not refer in his evidence to an ‘updating’ of maps or the ‘transposing’ of information onto them. On the contrary, his evidence is that some of the documents brought down were stamped with *Selous Scouts* stamps without any suggestion that a subsequent stamping took place (Record 9:832).

One should understand Bax’s support for the first defendant against the background of his *Selous Scouts* membership and his loyalty to both the unit and its commanding officer (Record 9:854) whose employ he subsequently entered (Record 9:884), in similar fashion to a number of other defence witnesses (Record 9:864-5; Warren referred to the first defendant as the ‘boss’: Record 5:460). Unexplained is the question why the first defendant did not give evidence of Bax’s trip to Phalaborwa and the latter’s supervising of the updating of the maps or why Warren did not refer to Bax’s trip to Secunda or the selling of maps thereafter (Record 10:884-7). Bax said that he saw Gough working on the maps contained in Exhibit H after June 1982 (Record 10:887) which appears to support the contention that, if Warren and Gough were involved in the drawing of maps, it occurred after June 1982 for the purposes of selling them to former members of the *Selous Scouts*.

When pressed in cross-examination, Bax conceded that he had only seen the ‘updating’ of a single map, had not removed any maps with him, and could only recognise Exhibit A40 (Record 10:889-92; see 902; 907-9). He limited himself with reference to a single map that was to have been given to Major Kriel. Kriel’s evidence is that he received a single map but without any annotations (Record 10:888-9). What makes Bax’s evidence all the more unlikely is that he said that he went to Phalaborwa to renew old acquaintances and to ensure that the Five Intelligence personnel were transposing all available detail from the old *Selous Scout* maps onto the map Kriel had sent down’ (Record 10:868:20-6; 867:1-3, 15-8; 10:888). Kriel had never ‘sent a map down’ but went to obtain one (Record 10:872, 889).

A further explanation for both his evidence and the ‘updating’ of the maps is his evidence that he had seen Gough working on miniatures after June 1982 (that is after the book and the artwork had been completed) and which miniatures were later signed by the first defendant and sold together with other memorabilia concerning the *Selous Scouts* (Record 10:879-81, 887). It needs to be noted as well that the 1982 drawing of the maps and the handing over thereof in two separate batches to Stiff

as testified to by Gough (the defendants' last witness) is quite contrary to what was put to Stiff during cross-examination. It was put to Stiff that the 1981 originals (all fourteen) were handed to Stiff on 24 July 1981 (Realtime Transcriptions: 95:15-98:2; 97:1-15).

[53] In corroboration hereof, a copy of the relevant pages of the first defendant's diary was produced as Exhibit B:PC17. Rather than have the date noted as in a normal diary form in the future noting an appointment and obviously in an attempt at self-corroboration of the first defendants own evidence, the first meeting is noted in journal form with no similar example of any such occurrence otherwise to be found in the diary. Significantly, no similar discovery was made in respect of any 1982 diary. Equally significantly, the first defendant gave no explanation as to what happened to those A4 originals that Warren and Gough had testified about.

[54] I need not belabour the issue but the only indication of the prior existence of the two organograms is the improbable typeset documents on the same scale as in *Selous Scouts* and dated in similar fashion as the 'updated maps' but allegedly having been done on Rhodesia in the 70's. None of the witnesses could also explain the incorrect inclusion of the political field 'commissioner (rather than 'commissar') being a typesetting error occasioned by the Stiffs in producing L2. When one compares this unsatisfactory situation and without any real originals produced by the defendants with the two series of documents of hand-written and typed documents produced by the plaintiffs and confirmed by Birch, the only finding is that the Stiffs documents were the originals. This conclusion applies to all the maps complained of and reproduced in *Pamwe Chete*.

[55] It follows from my observations above that the defendants' case lacks all merit and that no credible evidence have been advanced to support the so-called 'updating' of the maps and the 'backdating' of the stamps. As I have shown, after Hoskin's evidence the defence changed and was adapted to suit his evidence. This warrants a punitive order for costs.

G Order

[58] I make the following order.

- 1 the defendants are interdicted and restrained from infringing the plaintiff's copyright in the original works of the maps and the diagrams reproduced in a book *Selous Scouts Top Secret War* and which are listed in that book as maps and diagrams L1 to L7 and L9 to L18 by making reproductions of the book *Pamwe Chete The Legend of the Selous Scouts*;
- 2 an enquiry shall be held in terms of section 24(3) of the Copyright Act (no 98 of 1978) on a date decided by the Registrar of this court for the purposes of determining the amount of damages or

additional damages payable to the plaintiff and in relation to which the rules of court relating to discovery and trials shall apply;

- 3 the defendants are ordered to deliver up to the plaintiff all infringing copies of *Pamwe Chete The Legend of the Selous Scouts*;
- 4 the defendants, jointly and severally, are ordered to pay the plaintiff's costs of suit including the costs reserved on 6 March 2002 on the attorney and client scale.

SCHEDULE OF DISPUTED DOCUMENTS:

Works contained in <i>Selous Scouts Top Secret War</i>	Works contained in <i>Pamwe Chete - the legend of the Selous Scouts</i>
L1 Map of Rhodesia showing operational areas Top Secret War - p. 16. Exhibits A12 and A52	Map of Rhodesia Pamwe Chete - p. iv Exhibit B1 Exhibit B: F513
L2 Organisation of Zanla Top Secret War - p. 80 Exhibit A13	Pamwe Chete - p. 76 Exhibit B2
L4 Operation Detachment Top Secret War - p. 166 Exhibit A14 and A51	Pamwe Chete - p. 192 Exhibit B6 Exhibit B: FS9
L5 Operation Long John Top Secret War - p. 169 Exhibit A15 and A44	Pamwe Chete - p. 192 Exhibit B6 Exhibit B: FS10
L6 Operation Eland Top Secret War - p.209 Exhibit A16 and A44	Pamwe Chete - p. 230 Exhibit B8 Exhibit B: PCI and FS11
L7 Operation Mardon Top Secret War - p. 231 Exhibit A17 and A45	Pamwe Chete - p. 259 Exhibit B10 Exhibit B: PC3 and FS1
L9 Operation Aztec Top Secret War - p. 275 Exhibit A18 and A46	Pamwe Chete - p. 316 Exhibit B14 Exhibit B: FS14

L10 Operation Virile Top Secret War - p. 284 Exhibit A19 and A47	Pamwe Chete - p. 316 Exhibit B14 Exhibit B: FS14
L11 Operation Turmoil Top Secret War - p. 298 Exhibit A20, A48 and A49	Pamwe Chete - p. 337 Exhibit B16 Exhibit B: FS2
L12 SAS Attack on Nkomo's Lusaka home Top Secret War - p. 366 Exhibit A21	Pamwe Chete - p. 475 Exhibit B3 Exhibit B: FS3
L13 Operation Miracle Top Secret War - p. 399 Exhibit A22	Pamwe Chete - p. 443 Exhibit B4 and B19 Exhibit B: FS4
L14 Organisation of Zipra Top Secret War - p. 400 Exhibit A 23	Pamwe Chete - p. 415 Exhibit B17
L15 Soviet Zipra Strategy Top Secret War - p. 405 Exhibit A24	Pamwe Chete - p. 448 Exhibit B8 Exhibit B: PC1 and FS 11
L16 Rhodesia Map Zipra Infiltrations Top Secret War - p. 209 Exhibit A25	Pamwe Chete - p. 450 Exhibit B: FS8

References to works contained in *Selous Scouts Top Secret War* are (unless specifically otherwise indicated) to the 1982 hardcover edition thereof and reference to items in Exhibit A refer to the whole of the item, including transparencies and comparisons.

LA GROUP LTD v B&J MELTZ (PTY) LTD

VAN ROOYEN AJ
TRANSCAAL PROVINCIAL DIVISION
24 FEBRUARY 2005

An attachment of goods under section 3 of the Counterfeit Goods Act (no 37 of 1997) should not be permitted merely because it is shown that the respondent has infringed the complainant's trade marks. The complainant must show that the respondent has counterfeit goods as defined in the Act.

LA Group Ltd and Polo Management (Pty) Ltd held trade marks in the Polo mark and a Polo horse device relating to the clothes industry. B&J Meltz (Pty) Ltd sold clothes bearing these marks. Meltz contended that the trade marks infringed the copyright of the copyright owner in the United States of America who held the copyright in a Polo player on horseback. It also contended that the use of the marks by LA Group and Polo was associated with the Polo Ralph Lauren trade marks and that a substantial number of members of the South African public were routinely deceived or confused into thinking that their goods were in fact Polo Ralph Lauren goods.

LA Group and Polo filed a complaint against Meltz in terms of section 3 of the Counterfeit Goods Act (no 37 of 1997) resulting in the search and seizure of 10 000 shirts by inspectors of the Department of Trade and Industry. They then applied for an order that the goods seized be declared to be counterfeit goods and that Meltz deliver up all goods identical to them and that Meltz be interdicted from infringing their rights in terms of the Trade Marks Act (no 194 of 1993). Meltz counter-applied for an order that the trade mark registrations be removed from the register of trade marks, alternatively that the registrations be varied by the entry of a disclaimer that the trade mark gave no right to the exclusive use of the word 'Polo' apart from the mark.

Held—

The Counterfeit Goods Act entitles a person to lay a complaint if it is reasonably suspected that an offence in terms of section 2 of the Act is being committed. The Act requires that such a person file an affidavit setting out information and particulars of the alleged offence. It is a hallmark of the Act that actions taken under it should be reasonable, because in some measure, they amount to an infringement of rights and the application of remedies provided for under the Act must be constitutionally justifiable.

Counterfeiting amounts to more than just infringement of a trade mark. However, the essence of the evidence submitted by LA Group when bringing the complaint under the Act was that Meltz had infringed its trade marks. There was no evidence that authentic items had been shown to inspectors of the Department of Trade and Industry.

It was also common cause that the complainant was a shelf company and not a licensee. This meant that the complainant was not an interested person as contemplated by the Act and one to which payment of damages could be ordered, upon it being determined that counterfeit goods had been discovered. The complainant was not a person entitled to lay a complaint under section 3(3) of the Act.

The attachments were therefore invalid and were to be set aside.

Van Rooyen AJ:

[1] This is an application which, in essence, concerns the question

whether the applicants' trade marks (inter alia, the Polo mark and a so-called Polo horse device relating to the clothes industry, class 25 in the register of trade marks) have been infringed upon by the first respondent in terms of the Trade Marks Act (no 194 of 1993) ('TMA') and whether the attachment of about 10 000 shirts from several shops of the first respondent was justified in terms of the Counterfeit Goods Act (no 37 of 1997) ('CGA'). I shall refer to the two applicants as the 'LA Group' and the first respondent as 'Meltz'. The other respondents are involved in the attachment and storing of the goods. I shall return to the role of the Minister of Trade & Industry's employees when I deal with the attachment of the alleged counterfeit goods. The Minister was the second respondent in this matter.

[2] Although Meltz in limine attacked the authority of the second applicant and its mandated deponent, Jonathan Ball ('Ball'), to file this application, I am satisfied that Ball was properly mandated to depose to the affidavit, although probably only on later ratification. The second applicant is a licensee of the first applicant and this was supported by way of a licence agreement. The written record of the agreement was backdated so as to prove this licence. Since licensing need not be in writing to be valid, there is no reason to doubt the validity of the agreement, although it was conceded to have been recorded in writing so as to counter the allegations of Meltz that the second applicant was not a licensee.

Background

[3] On 2 October 2003 representatives of the LA Group made a purchase of an item of clothing at one of the shops of Meltz. This purchase resulted in an affidavit of complaint being filed by Ball on behalf of Polo Enterprises (Pty) Ltd in terms of section 3 of the CGA against Meltz.

[4] This complaint initiated search and seizure warrants that were obtained by inspectors of the Department of Trade & Industry, based on the affidavit of Ball, for the stores of Meltz.

[5] The warrants were obtained on 15 December 2003 and executed by inspectors of the second respondent. The goods seized were then moved to the depots of the third and fourth respondents. More or less 10 000 shirts were attached. They were listed in inventories, mostly in abbreviated form.

Relief sought by applicant

[6] In January 2004 the LA Group filed this application seeking, in essence, the following remedies:

1. that the goods seized in terms of the CGA be declared to be counterfeit goods;
2. that Meltz be ordered to deliver up to the LA Group all such goods

identical or similar to those goods referred to and which were declared counterfeit and which still remain in the possession of the first respondent;

3. that Meltz be interdicted and restrained from infringing the rights of the LA Group in terms of the TMA;
4. that the first respondent be interdicted and restrained from passing off these products for those of the applicants;
5. that the first respondent be interdicted from competing unlawfully with the second applicant by dealing in counterfeit goods bearing the first applicant's Polo trade marks;
6. that an enquiry be held in terms of section 34(4) of the TMA regarding a reasonable royalty, payable to the applicants by the first respondent, or damages that is calculated on the basis of the reasonable royalty which would have been payable by a licensee for the use of the trade marks;
7. that the second, third and fourth respondents be directed to deliver up to the applicants all the counterfeit goods currently retained in the counterfeit goods depots;
8. that Meltz be ordered to disclose within seven days of the date of service of this order to the applicants the name and physical address of the supplier of the counterfeit goods; and
9. that Meltz be ordered to pay the costs of this matter.

Counter relief sought by Meltz

[7] Meltz answered the founding affidavit of Ball and filed a counter-application seeking the following relief:

1. that the trade mark registrations in the name of the first applicant be removed from the Register of Trade Marks in terms of section 24(1), read with sections 10(2)(b), 10(12) and 10(13) of the TMA;
2. alternatively, that the trade mark registrations as set out by the first applicant, be varied by the entry of a disclaimer reading: 'Registration of this trade mark shall give no right to the exclusive use of the word 'Polo', apart from the mark';
3. further alternatively to the above, that the specification of goods for the trade mark registrations as set out by the first applicant be amended by the exclusion from them of 'Polo shirts or Polo neck garments';
4. that the search and seizure warrants be declared to have been issued wrongfully;
5. that the search and seizure warrants be set aside;
6. that the detention, seizure and removal of the goods listed in the inventories be declared wrongful;
7. that the seized goods be declared not to be counterfeit;
8. that the seized goods be delivered by the second respondent to the

- first respondent; and
9. that the court order that the applicants pay damages in an amount determined by the court to the first respondent and pay the first respondent's costs in terms of section 10(1)(c) and/or section 17(1) of the CGA.

Approach to the issues

[8] By dealing with the question whether the attachment in terms of the CGA was legally justifiable, the main issues in the application and counter-application may appropriately be dealt with:

- (1) Do the trade marks validly exist in the light of the argument that they should be expunged or amended?
- (2) If the latter application is dismissed, were the marks infringed upon?
- (3) Even if they were infringed upon, was the attachment justified in terms of the CGA?
- (4) Lastly, what are the remedies?

Should the trade marks of the applicant be expunged or amended?

[9] Meltz seeks to expunge the trade marks relied upon by the LA Group (in addition to other trade marks in other classes, the relevance of which will be dealt with below) in terms of the provisions of section 24(1) of the TMA, as read with the provisions of sections 10(2)(b), 10(12) and 10(13) of the TMA, alternatively he seeks an endorsement against these trade marks in the following terms:

‘Registration of this trade mark shall give no right to the exclusive use of the word ‘Polo’, apart from the mark.’

[10] Section 24(1) of the TMA empowers an ‘interested person’ to apply for the amendment of the trade marks register against an entry wrongly made and/or wrongly remaining on the register. Section 10(2)(b) provides that a trade mark shall not be registered or, if registered, is liable to be removed from the register, if it is:

‘. . . a mark which consists exclusively of a sign or an indication which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or other characteristics of the goods or services, or the mode or time of production of the goods or of rendering of the services.’

Section 10(12) provides that a mark shall not be registered or would be liable to be removed from the register if it is a mark:

‘. . . which is inherently deceptive or the use of which would be likely to deceive or cause confusion, be contrary to law, be contra bonos mores, or be likely to give offence to any class of persons.’

Section 10(13) provides that a mark may be removed if:

‘. . . the manner, in which it has been used, would be likely to cause deception or confusion.’

[11] Apart from attacking the trade marks relied upon by the LA Group in the main application, Meltz also attacks a number of other trade marks registered in classes 9, 14, 16, 24, 25, 26, 28, 34 and 42 of the register. A person is only entitled to rely on the provisions of section 24(1) of the TMA if he or she is an 'interested person'. It was argued by Mr Michau that Meltz had not shown that he is an interested person in regard to the marks other than those in class 25. In *Danco Clothing (Pty) Ltd v Nu-Care Marketing Sales & Promotions (Pty) Ltd* 1991 (4) SA 850 (A) Nienaber JA held that in spite of the general interest which the public has in a correct register, this will not be sufficient to make a member of the public a 'person aggrieved' in terms of the Trade Marks Act 62 of 1963. The applicant will have to be a trade rival or a potential trade rival in the sense of:

'... having at the time of registration some definite and present intention to deal in certain goods or descriptions of goods, and not a mere general intention of extending his business at some future time to anything which he may think desirable' (*JBatt & Company* [1898] 15 RPC 534 (CA) at 538, quoted with approval in *Ritz Hotel Ltd v Charles of the Ritz Ltd* 1988 (3) SA 290 (A) at 308 A and also in the *Danco* case by Nienaber JA at 855F).

Nienaber JA goes on to say at 855H–I that the applicant must establish this as a reasonable possibility and need not do so on a preponderance of probabilities. This means that the onus to prove locus standi will be less of a burden to an applicant than the onus to prove his case on the merits:

'For it is better to hear a man with a bad case than to silence someone with a good case.'

There is no reason why what was held to be relevant in regard to the determination of who an 'aggrieved' person in terms of the 1963 Act is, should not also be applicable to an 'interested person' in terms of the TMA. In the CGA the term is expressly limited in section 3 and I will get back to this aspect when dealing with the complaint filed in terms of the CGA.

Meltz as the respondent in this matter has an interest in the trade marks as to class 25 goods and he has locus standi to be heard on the expungement of trade marks in this class. He did not, however, make out a case that there was a reasonable possibility that he had some definite intention to deal in goods outside class 25. In the light of the conclusion which I have reached on the expungement application, I will, however, assume in favour of Meltz that he has locus standi in regard to the other classes as well.

[12] I will now deal with the basis upon which the expungement was argued by Mr Wheeldon, acting for Meltz. He firstly referred me to

judgments which deal with the nature and function of a trade mark. In *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc H* [1999] RPC 117 (ECJ) at 133 the function of a trade mark in terms of the 1994 United Kingdom Act is set out in the following terms:

‘[T]he essential function of the trade mark is to guarantee the identity of the origin of the marked product to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin. For the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish, it must offer a guarantee that all the goods or services bearing it have originated under the control of the single undertaking which is responsible for their quality . . .’

In the European Court of Justice decision in *Koninklijke Philips Electronics NV v Remington Consumer Products Limited* [2003] RPC 214 (ECJ) the court reiterated that the essential function of a trade mark is to guarantee the identity of the origin of the marked product to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin. For a trade mark to fulfil its essential role, it must offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking which is responsible for their quality.

In *Glaxo Group v Dowelhurst Limited* 2000 FSR 529 (CHD) at 540–541 the judge concluded that the purpose of a trade mark was to convey a message about source and responsibility for quality. The judge stated:

‘A trade mark is a badge, in the widest sense, used on or in relation to goods so as to indicate source. That is to say, it is meant to indicate that goods are goods of the proprietor. This is not the whole of the story. In each case the mark is a sign to the customer, both that the goods are the goods of a particular source (whether he knows or cares what the source is) and that the proprietor of the mark holds himself out as responsible for those goods and their quality. This representation of responsibility for quality is inseparable from the mark’s function as an indication of source. It is possible to look at a trade mark as a sign which is used by the proprietor to mean ‘these goods are from me and are of a quality which I am prepared to stand by’.’

[13] It is Meltz’s contention that the LA Group’s Polo trade marks are not being used in accordance with the true function of a trade mark. In so far as section 10(2)(b) of the TMA is concerned, it was argued that first applicant’s trade mark Polo, which is being used on ‘Polo’ shirts or

‘Polo’ necked garments, is a trade mark which designates a kind of shirt or garment. The trade mark indicates a characteristic of the clothing involved. Section 10(2)(b) and its corollary in section 34(2)(b) are intended to protect the rights of traders, so that traders may continue to use words which indicate the kind or characteristic of their goods. Section 34(2)(b) provides as follows:

‘A registered trade mark is not infringed by –

(b) the use by any person of any bona fide description or indication of the kind, quality, quantity, intended purpose, value, geographical origin or other characteristics of his goods or services, or the mode or time of production of goods or the rendering of the services’ (emphasis added).

[14] Mr Wheeldon argued that it was clearly the intention of the Legislature to prevent the registration of trade marks which designate the kind or characteristics of goods and to ensure that a person does not infringe another’s mark if using a word in a bona fide descriptive sense. The first applicant’s trade mark registrations set out in the counter-application should therefore be removed from the register of trade marks in terms of section 24(1) read with section 10(2). Meltz states as follows in his founding affidavit for the counterclaim:

‘Where a Polo shirt is marked “Polo by Ralph Lauren” the word “Polo” can have no trade significance and it is only the “Ralph Lauren” which is significant. Alternatively the trade marks with Polo should be varied by the entry of a disclaimer reading: “Registration of this trade mark shall give no right to the exclusive use of the word ‘Polo’ apart from the mark”. Further alternatively, the specification of goods for the trade mark registrations should be amended by the exclusion from them of “Polo” shirts or “Polo” necked garments.’

[15] The second leg of Mr Wheeldon’s argument on the counter-application focussed on subsections 10(12) and (13) of the TMA, which provide as follows:

‘The following marks shall not be registered as trade marks or, if registered, shall, subject to the provisions of sections 3 and 70, be liable to be removed from the register:

(12) a mark which is inherently deceptive or the use of which would be likely to deceive or cause confusion, be contrary to law, be contra bonos mores, or be likely to give offence to any class of person;

(13) a mark which as a result of the manner in which it has been used, would be likely to cause deception or confusion.’

He referred to Webster and Page *South African Law of Trademarks* at 6–8 who argue that subsection (12) is:

‘. . . designed largely for the protection of the public against all

forms of deception and it is of great importance. Such deception or confusion need only last for a fraction of time and only one of the persons involved needs to be deceived or confused' (the test is, of course, that of a reasonable probability of deception as opposed to a reasonable possibility – Webster and Page at 6–8).

Section 10(13) 'relates to marks which by reason of the manner of their use have led or would lead to the expectations of the public being unfulfilled'. Webster and Page at 3–77 specifically state that uncontrolled licensing could lead to deception or confusion under this heading, as this could lead to the mark concerned losing its capacity to indicate goods or services of consistent standard of quality, and thereby losing its capacity to distinguish such goods or services.

[16] The LA Group, so the argument ran, had caused deception or confusion through the use of its mark in many ways: uncontrolled licensing in terms of section 24(1) as an entry wrongly remaining on the register; the registered proprietor of the registrations was not, and had never been, in control of the nature or quality of goods; there is no allegation in any of the papers filed by the LA Group that indicates any individual or committee within the Group who is responsible for Polo goods; no stylistic direction, design authority or indeed any structure at all in the LA Group that has, or could have, any bearing at all on the goods to which the LA Group trade marks are applied; no mechanism within the LA Group for monitoring or controlling the quality of the goods which are represented as being those of the LA Group. These aspects were raised by Meltz in his answering affidavit and were not addressed by Ball. The failure of Ball to explain these procedures in the circumstances, justified a conclusion that he is not able to do so. In reply to the averment that second applicant did not have locus standi in this matter since it has not shown that it has a licence from the first applicant, was replied to by an obviously hastily assembled and clumsily backdated alleged 'licence agreement'. This reply illustrates both the failure of the first applicant in this matter and its desperation to cover it up. For the other 12 'licensees', even this attempt is not made. There are references to at least 12 licensees of the first applicant. At no point in the applicant's affidavit is it explained what the relationship is between the first applicant and the licensees. No licence agreements, or any other basis of control, are referred to in Ball's founding affidavit and only in Ball's replying affidavit to the Meltz answering affidavit and in the answering affidavit to the Meltz counter-application, does Ball refer to a licence agreement between the first and second applicant. Mr Wheeldon's submission was, accordingly, that this is a compelling example of uncontrolled licensing.

[17] In the circumstances the trade marks could not be 'capable of

distinguishing' within the meaning of section 9 of the TMA, and must be removed from the Register. Deception and confusion amongst members of the public is further created in that a number of 'reputations' of different parties, but most notably that of Ralph Lauren and the various entities 'licensed' by the first and second applicant, exist. In the counter-application, the first respondent sets out details of the extensive reputation of Ralph Lauren. The Ralph Lauren trade marks are, so the argument ran, well-known trade marks in South Africa by virtue of their extensive use and by virtue of their consequent reputation. The use by the applicants of the Polo trade marks are associated with the Ralph Lauren trade marks and a substantial number of members of the South African public are routinely deceived or confused into thinking that the applicant's 'Polo' goods are in fact Ralph Lauren goods.

[18] Mr Wheeldon further argued that it is alleged by Ball that first applicant and Ralph Lauren entered into a confidential agreement regulating the use of the marks. According to this agreement Ralph Lauren is entitled to use the Polo trade mark in relation to class 3 goods and the applicant is entitled to use Polo in respect of class 25 goods. The Polo/Lauren (USA) Company is, indeed, the registered trade mark proprietor of several marks, in the South African register, bearing Polo in classes other than class 25 and even, in a case or two, in class 25.*

[19] Meltz also averred that notwithstanding that the Polo trade mark is the registered trade mark of LA Group in South Africa, the Polo Ralph

* This note is intended to give a mere overview so as to provide some idea of the registrations, and does not include all the items: Class 3 (perfumery and cosmetics) = POLO RALPH LAUREN; Class 3 (men's and women's cosmetics, toiletries and fragrances) = POLO RALPH LAUREN CREST; class 9 (scientific apparatus and instruments; photographic and cinematographic instruments . . . binoculars . . . sunglasses; . . . water sport equipment . . .) = POLO; class 14 (precious metals . . . jewellery . . . horological . . . instruments) = POLO; class 16 (paper and paper articles . . . cardboard . . . printed matter . . . artists' materials . . . office requisites other than furniture) = POLO; class 18 (leather and imitations of leather . . . travelling bags, umbrellas . . . whips, harness and saddlery; class 24 (tissues, bed and table covers) = POLO; class 25 (shirts) = POLO but with a mark which is on a black background with the word Po/lo with a line to the right through the first o; class 25 (articles of clothing, including boots, shoes and slippers . . .) = POLO COMPANY; class 26 (lace and embroidery, ribbons . . . pins and needles . . . artificial flowers) = POLO; class 28 (games and playthings; gymnastic and sporting articles (except clothing); ornaments and decorations for Christmas trees) = Polo; class 34 (tobacco . . . ; smokers' articles; matches . . .) = POLO; class 42 (manufacturing, sale, distribution, marketing and merchandizing services in the class, the aforesaid services connected with clothing accessories, but excluding services connected with goods in class 3) = POLO.

The LA Group is also the proprietor of several other marks which include the Polo mark in class 25, such as Polo Jeans Co, Polo Sport Co and Polo Press.

Lauren trade marks have a reputation in South Africa through travellers who have encountered the Polo Ralph Lauren trade marks abroad, through the internet and from advertisements which appear in both South African and international magazines circulating in South Africa. An internet search showed, according to Meltz, 265 stores worldwide, the first having been opened in 1971 and the company logo is a Polo player on a horse. Meltz regards the following statement as significant: 'From luggage to perfume to a restaurant, the Lauren brand is on almost everything.'

Several sites were searched and Meltz's conclusion is:

'The above-mentioned sites are freely accessible from South Africa and, therefore, the South African public has access to them . . . [I]t is clear that the South African public can, by using the internet, access websites from which orders can be made and Polo Ralph Lauren merchandise may be purchased.'

In so far as magazines are concerned, several copies with advertisements were annexed to Meltz's affidavit. The distribution figures of *Style*, *Elle* and *Vanity Fair* were confirmed on affidavit. Some figures range between 1000–2000 per month, with some exceptions which show a distribution of just over 300 or 600 per month.

The conclusion which Meltz arrives at is the following:

'It is my submission that the Ralph Lauren trade marks are well-known in South Africa by virtue of their extensive use and by virtue of its consequent reputation. I further submit that the use by the applicants of the Polo trade marks is associated with the Polo Ralph Lauren trade marks. I submit that a substantial number of members of the South African public are routinely deceived or confused into thinking that the applicants' Polo goods are in fact Polo Ralph Lauren goods.'

[20] It was also averred by Meltz that the applicants had infringed upon the copyright of the owner of the copyright in the USA in regard to the Polo player on horseback. They only changed its direction. He submits that the use of this device of the Polo player on horseback is contrary to law, in that it perpetrates a fraud on the public. The device as registered should, accordingly, be removed from the register of trade marks.

[21] Meltz then deals with the word 'polo' which indicates a kind of shirt. He accordingly avers that the mark was wrongly registered. Furthermore he avers that there are not sufficient controls on the quality of the products of the licensees by the LA Group:

'The mark is therefore deceptive as to source and does not indicate a connection in the course of trade between the goods and the first applicant.'

[22] Based on the averments of deception by Meltz in his countering

founding affidavit, it was argued by Mr Wheeldon that the use by the applicants of the Polo trade marks in relation to clothing and use by Ralph Lauren of virtually identical trade marks openly on cosmetics, is calculated to and in fact does cause deception and confusion amongst members of the public because the nature of the goods are similar and the trade channels are the same. Add to this the overlapping advertising, the copying of get-up, the imitation of brand variants, the well-known nature of the Ralph Lauren trade marks and it is difficult to imagine how anyone who has not had the advantage of reading the pleadings in this matter is not confused. Even Mr Wheeldon still found it difficult to tell the one from the other.

Evaluation of expungement argument

[23] In *Danco Clothing (Pty) Limited v Nucare Marketing Sales & Promotions (Pty) Limited*^{*} the appellant's trade mark 'French Connection', registered in respect of clothing, was also the mark of the respondent in respect of cosmetics. The appellant had registered its mark in 1980 in respect of clothing for women and girls and in 1983 amended it to clothing generally. The respondent's mark was registered at the end of 1987, after the application had been launched in 1985. The applicant had to prove that the notional use of the mark 'French Connection' in a fair and normal manner, in the one case by the appellant in respect of clothing, in the other by the respondent in respect of cosmetics, would more likely than not be deceptive or at least confusing in regard to the source of the respective goods. In determining that the likelihood of deception or confusion amongst a substantial number of persons had been established on the probabilities, the court took the following factors into account: the nature of the goods, their respective use and the trade channels through which the goods can notionally be retailed. The Appellate Division, finding that the likelihood of deception or confusion amongst a substantial number of persons had been established on the probabilities, upheld the appeal since the averment of the appellant that, in its experience, the public now^{**} associated a particular brand of cosmetics, perfumery, toiletries or sun-tan preparations with clothing bearing the same trade name, was not qualified or contradicted by the respondent. The argument that since the mark 'French Connection' contained a quasi-descriptive element ('French'), its use in relation to clothing would not deceive or confuse

^{*} 1991 (4) SA 850 (A).

^{**} Affidavits filed on behalf of the appellant stated that members of the public would associate the mark for clothing with the mark for cosmetics, since this widening of the scope of a trade mark to other classes had become a trend with prestige goods.

in its use on cosmetic items, was rejected in the light of the uncontradicted evidence of the appellant. This conclusion was reached in spite of the fact that there was no evidence of actual deception or confusion. However, Nienaber JA remarked at 861D that this was hardly surprising, since the respondent had not marketed its deodorant product through the retail channels used by the appellant.

[24] Procedurally it should be observed that once Meltz launched his counter-application, he should have joined Polo Ralph Lauren as a third respondent in so far as the counter-application is concerned. Since my conclusion on the counter-application does not rest on this procedural point, I will assume in favour of Meltz that Polo Ralph Lauren was joined. This approach would also seem just, since it was not raised during the hearing of this matter. What, however, is crucial to the counter-application is the survey of Bateleur Research Solutions, which was filed by Meltz*, after he had already made the averments referred to above. The survey had been conducted with 150 consumers. The conclusion reached was the following:

‘Eleven international fashion houses were then read to the interviewees and they were asked as to whether they associated the Polo label with any of these fashion houses. 23% of the interviewees stated that they associate the Polo label with Ralph Lauren . . . When presenting the market survey to Webber Wentzel Bowens attorneys I was requested to contact the interviewees who stated that they did not associate the Polo trade marks with any of the fashion houses mentioned and asked them whether they associated the Polo trade mark with an international or a local fashion house. 15 out of the 20 people contacted said that they associated the Polo label with an international fashion house.’

[25] The reports of two experts were filed by the LA Group to counter the survey. I need not dwell on their very critical observations. They both rejected the survey as being of any value in the present counter-application. Prof Francois E Steffens, emeritus professor of Statistics (UNISA) and Senior Statistical Consultant at the Rand Afrikaans University, rejected the survey on the basis that there was no attempt to obtain a random or even a representative sample of consumers in South Africa; the composition of the sample was suspect from a race and gender perspective; the sample only included Whites and Blacks; there was no mention of attempts to verify that the respondents told the truth; how many prospective respondents were rejected on the basis of the screening question before the required

* That the survey would be filed was envisaged by Meltz when he made the averments.

number of suitable respondents could be found; the finding that 100% of the respondents said that they knew the Polo brand was suspect; he doubted whether most consumers associated brand names with particular fashion houses – most consumers will at best know which stores stock their favourite brand; the omission of the name of the LA Group/Polo Management from the list of possible answers is a serious flaw, and could be a source of severe bias in the conclusions; there is no way of quantifying the accuracy of the sample if it is not based on a random sample. He concludes as follows:

‘In conclusion, my assessment of the survey is at best inept and, more probably, misleading.’

The view of Miroslav Canak, an associate of Markinor (Pty) Ltd, is similarly condemning of the survey:

‘. . . the actual results (23%) are only applicable to the particular sample achieved, that is 150 interviews and nothing more . . . Even if the sample was representative, the result applied to the target group is extremely broad and virtually non-conclusive.’

The main question, leaving out the LA Group and Polo Management (Pty) Ltd, which are South African companies, listed only international fashion houses as possible options:

‘We are of the opinion that the question itself was suggestive and provides a limited base for the broad statement that 23% of the South African public associates the mark Polo with Ralph Lauren. The question did not allow for anything but the possibility of the Polo label being associated with international fashion houses.’

[26] I have studied the survey and the two condemning reports closely and have come to the conclusion that the survey does not have sufficient value to support the averments of deception and confusion on a balance of probabilities. The survey is clearly deficient for the reasons mentioned by the experts. I, however, refrain from attaching any weight to the view of Prof Steffens that the survey is ‘more probably, misleading’. There are sufficient other very clear signs that the survey is inadequate to sway the matter in favour of the LA Group. I also do not agree that the averments of Meltz as to inadequate control by the LA Group over its licensees are sufficiently strong to sustain the argument that the Polo mark has lost its distinguishing role or that the LA Group has lost its control over quality control. The fact that Ball did not respond to these allegations by setting out what controls were in place, does not support the argument that Meltz has satisfied the onus which rests on him to prove that the use of the mark is likely to deceive or cause confusion in terms of section 10(12) or would, as a result of the manner in which it has been used, be likely to cause deception or confusion in terms of section 10(13). Meltz would have had to back up

his averments with more than his ipse dixit and the accompanying evidence as to advertising, the internet and the like before a duty arose for the LA Group to respond*.

[27] I considered whether I should not arrive at a conclusion notionally, as was done in *Danco Clothing (Pty) Limited v Nucare Marketing Sales & Promotions (Pty) Limited* (supra). The facts in that matter are, however, distinguishable: the court could firstly rely on a most relevant, uncontradicted and unqualified statement of the appellant that customers would associate the mark in regard with the cosmetics and the mark in regard to the clothing. Furthermore the court also explained why it had ‘hardly (been) surprising’ why there was no evidence as to actual deceit: the respondent did not market its deodorant product through the retail channels used by the appellant. In the present matter it was clear that marketing of shirts by Ralph Lauren would have been through the same channels, in so far as they existed. The attempt by Meltz at backing up his averments by way of the survey was, however, clearly deficient, as mentioned above.

[28] Meltz’s case in terms of section 10(2)(b), which is based on the averment that the Polo mark ‘consists exclusively of a sign or an indication which may serve, in trade, to designate the kind . . . or characteristics of the goods’ also does not succeed. It is true that ‘Polo’ not only refers to the so-called polo-neck shirt but also to a kind of sport. This dual function of the word causes an ambiguity which causes it to rise above the merely descriptive. It no longer ‘exclusively’ consists of a sign or an indication, in trade, to designate the characteristics of the goods.

[29] In so far as distinctiveness is concerned, a trade mark can only lose its distinctiveness if such loss of distinctiveness is as a result of blameworthy conduct on the part of the proprietor**. Meltz has not shown that the trade mark Polo is not distinctive of the first applicant’s marks in South Africa and, in addition, if it has shown this, it certainly has not shown that it is as a result of the blameworthy conduct on the part of the first applicant. Allegations of uncontrolled licensing are not convincing. The LA Group has the right to conclude licence agreements and my general impression of Ball’s affidavits is that, in spite of the error concerning the existence of the complainant in the CGA matter, the Polo business is run as a unit. The evaluation by Deloitte & Touche,

* As to the duties to respond: *Luster Products Inc v Magic Style Sales* CC 1997 (3) SA 13 (A). Ultimately, the inadequate survey led to the demise of the case of Meltz on these grounds.

** *Luster Products Inc v Magic Style Sales* CC 1997 (3) SA 13 (A).

although it was done in 1996, also supports the inference that a holistic approach to the mark is taken by the LA Group. Ultimately, the defective survey is fatal to the expungement claims of Meltz. An inference of blameworthy conduct against the LA Group can also not be drawn from the facts as a whole.

The counter-application for expungement is, accordingly, dismissed with costs.

Infringement of the Polo trade mark and device

[30] For its case on infringement, applicant relies on section 34(1)(a) of the Trade Marks Act (no 194 of 1993) which reads:

‘The rights acquired by registration of a trademark shall be infringed by

(a) the unauthorised use in the course of trade in relation to goods or services in respect of which the trademark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion.’

The only issue, for the purposes of the main application, is whether or not the trade marks found on the shirts being sold by Meltz are marks which are ‘identical’ or ‘so nearly resembling’ the trade marks of the LA Group ‘as to be likely to deceive or cause confusion’.

[31] In *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd** the competing trade marks were Micatex and Mikacote. At 640G–641E Corbett JA (as he then was) stated the test for infringement as follows:

‘In an infringement action the onus is on the plaintiff to show the probability or likelihood of deception or confusion. It is not incumbent upon the plaintiff to show that every person interested or concerned (usually as customers) in the class of goods for which his trademark has been registered, would probably be deceived or confused. It is sufficient if the probabilities establish that a substantial number of such persons will be deceived or confused. The concept of deception or confusion is not limited to inducing in the minds of interested persons the erroneous belief or impression that the goods in relation to which the defendant’s mark is used are the goods of the proprietor of the registered mark, ie the plaintiff, or that there is a material connection between the defendant’s goods and the proprietor of the registered mark; it is enough for the plaintiff to show that a substantial number of persons will probably be confused as to the origin of the goods of the existence or non-existence of such a connection.

The determination of these questions involves essentially a

* 1984 (3) SA 623 (A).

comparison between the mark used by the defendant and the registered mark and, having regard to the similarities and the differences in the two marks, an assessment of the impact which the defendant's mark would make upon the average type of customer who would be likely to purchase the kind of goods to which the marks are applied. This notional customer must be conceived of as a person of average intelligence, having proper eyesight and buying with ordinary caution. The comparison must be made with reference to the sense, sound and appearance of the marks. The marks must be viewed as they would be encountered in the marketplace and against the background of relevant surrounding circumstances. The marks must not only be considered side by side, but also separately. It must be borne in mind that the ordinary purchaser may encounter goods, bearing the defendant's mark, with an imperfect recollection of the registered mark and due allowance must be made for this. If each of the marks contains a main or dominant feature or idea the likely impact made by this on the mind of the customer must be taken into account. As it has been put, marks are remembered rather by general impressions or by some significant or striking feature than by a photographic recollection of the whole. And finally consideration must be given to the manner in which the marks are likely to be employed as, for example, the use of name marks in conjunction with a generic description of the goods'

And at 642C–643A (642E–F is omitted):

'I come now to compare the marks in this case . . . Viewed side by side the marks exhibit similarities and differences. They are both tri-syllabic; they both have as their first two syllables the word "mica". (Though in respondent's case this is spelt "mika", phonetically the words are identical.) On the other hand the only similarity between the suffix "cote" and the suffix "tex" is that they are both monosyllabic . . .

As I have already mentioned, the goods to which Micatex and Mikacote marks were applied, were offered for sale in hardware stores, multiple stores, general dealer stores and similar retail outlets. Potential purchasers include not only persons skilled in the paint trade, such as building and painting contractors, but also persons having specialised knowledge and wanting merely to perform painting work themselves or by means of unskilled employees. I doubt very much whether the former, i.e. persons skilled in the paint trade, will be deceived or confused by respondent's mark Mikacote, but the position of the latter, ie persons having no specialised knowledge is by no means so clear.

In my opinion, the dominant impression or idea conveyed by each of

the marks centres on the word “mica”. “Mica” constitutes in each case the first two syllables of the mark. It is the portion of the mark which makes the initial impact on which stress is laid in pronunciation. It is a known word for a known substance. In the painting trade appellant’s use of the word ‘mica’ in its registered trademark was unique among trade names until respondent commenced using the mark Mikacote. The suffixes “tex” and “cote” make less of an impression, particularly as they appear to be derived from the term “texture coating” or, at any rate would be understood by a substantial number of interested persons as being so derived’.

The court then concludes that a potential customer with no specialised knowledge will be inclined to call it ‘Mica-something’; and that at the very least, the resemblance between the marks is sufficient to cause a substantial number of such customers to be confused as to whether or not there was a material connection between the respondent’s goods and the proprietor of the Micatex mark.

[32] In *Bata Ltd v Face Fashions CC*^{*}, the facts were as follows^{**}:

The appellant, a Canadian company, was the proprietor of several trade marks based upon the word ‘Power’. Thus there was ‘Power’ as well as ‘Power’ and device, both in respect of ‘all footwear’; ‘Power Points’ in respect of ‘articles of clothing including footwear of all kinds’; ‘Power’ in respect of ‘articles of clothing’; and ‘Power’ and device in respect of ‘clothing, including boots, shoes and slippers’. The appellants’ licensee in South Africa used the ‘Power’ and ‘Power’ and device marks on footwear it manufactured and imported for resale in South Africa. It also sold items of clothing on which the marks were displayed. The respondents manufactured and sold clothing under the name ‘Power House’ or ‘Powerhouse’. It was usually, but not invariably, accompanied by a distinctive dog device.

In *Bata* counsel for the appellant submitted that the common element in both marks, the word ‘Power’, was likely to lead to confusion despite the fact that it is used in combination with the word ‘House’ on the first respondent’s clothing. The argument was rejected in the following terms:

‘If full effect is given to this argument it would result in the appellant having a virtual monopoly to use the word ‘Power’ on clothing.

^{*} 2001 (1) SA 844 (A).

^{**} In summing up the *Plascon-Evans*, *Bata* and *Standard Bank* (infra) judgments, I have made use of Raath AJ’s very useful summary of these cases in *Zimbo Spares Co Pty Ltd t/a Motoquip v Car Quip CC* (TPD case 24116/03, handed down in 2004). He kindly made the judgment available to me via the internet and I freely made use of the ‘paste’ function.

According to the evidence, however, there are numerous trademark registrations in South Africa in respect of clothing which incorporate or include the word 'Power'. It is an ordinary word in everyday use as distinct from an invented or made-up word, and it cannot follow that confusion would probably arise if it is used in combination with another word.

What has to be considered, therefore, is whether the notional customer of average intelligence, viewing the marks as a whole or looking at the dominant features of each mark, is likely to be confused or deceived into believing that clothing bearing the words 'Power House' have a connection in the course of trade with the 'Power' trademark. In deciding this issue I have regard only to the respondent's 'Power House' mark without the distinctive dog device. In my view, the common element of the appellant's and the first respondent's marks is of minor significance when the marks are looked at as a whole. It is not possible to ignore the word 'House' in the first respondent's mark. I have considerable difficulty in imagining that the notional purchaser of the first respondent's clothing would focus attention only on the word 'Power'. The word 'House' is as significant as the word 'Power' and the two words used together sufficiently distinguish the first respondent's clothing from that of the appellant.

The result is the same whether the two marks are viewed side by side or in the market place where clothing is sold. The overall impression which is created is that the marks do not resemble each other closely and the average customer would not be confused or deceived into believing that clothing bearing the 'Power House' mark is clothing made or sold by the appellant. Accordingly it has not been established that the marks resemble each other so closely that deception or confusion is likely to arise'

[33] In comparing *Bata* with *Plascon-Evans*, Raath AJ comments as follows in *Zimbo Spares Co (Pty) Ltd t/a Motoquip v Car Quip CC & another* (TPD case 24116/03):

'It is somewhat difficult to fully reconcile this reasoning with the reasoning in regard to the word 'mica' in the passage quoted above from *Plascon-Evans*. On the approach in *Bata* one may have expected an objection to the effect that a monopoly could not be claimed in regard to the word 'mica', being a generic name of a known substance. Perhaps the reasoning in *Plascon-Evans* was swayed by the consideration that appellant's use of the word 'mica' in the painting trade was unique amongst trade names until the respondent in that matter commenced using the mark Mikacote.'

I agree with Raath AJ and when the alleged infringement by US Polo

ASSN is discussed hereunder, the *Bata* approach will be of particular significance.

[34] In *Standard Bank of SA Ltd v United Bank Ltd** the competing marks, which were used in the home loan market, were ‘Equity Access Plan’ by United Bank Limited and ‘Access’ of which Standard Bank was the proprietor. It was argued that once it is indicated that the whole of the registered mark appears in the infringing mark, then, and whatever the context or the other feature of that mark, no inquiry into the likelihood of deception or confusion needs to be undertaken. This approach was based on *Metal Box South Africa Ltd v Midpak Blow-Moulders (Pty) Ltd*** where it was held that an applicant is required to prove:

- (i) the use by the respondent of the applicant’s mark;
- (ii) use as a trade mark;
- (iii) in relation to goods in respect of which the trade mark is registered; and
- (iv) such use being unauthorised.

Mr Puckrin, for Standard Bank, argued that if a defendant’s mark infringed, it did not avail him to show that he has distinguished his mark by additions extraneous to the mark. Schutz J (as he then was) then inquired whether it is possible to distinguish within the mark itself, in the sense that the difference between the two marks is made such that there is no likelihood of deception or confusion (at 788G–H). There was no South African authority on this point. After extensive inquiry into foreign case law, Schutz J concluded as follows at 796 I:

‘. . . Standard does not have an “absolute monopoly” in the sense contended for, that the marks are not identical, . . . and that in order to succeed Standard has to prove the likelihood of deception or confusion.’

The Supreme Court of Appeal in *Bata* (supra)*** supported the above conclusion of Schutz J. After referring to the *Plascon-Evans* test concerning confusion, the learned judge, at 801I–802C held that United Bank had infringed the mark of Standard Bank:

‘Given all these circumstances, do I think that there is a probability that a substantial number of persons will be at least confused, if not deceived? The answer is that I do. Take the case of the man who has watched Standard’s notional television advertisement . . . Suppose that his interest is aroused in the idea propagated as Standard’s

* 1991 (4) SA 780 (T).

** 1988 (2) SA 446 (T) at 449I–J.

*** See para [6] of the judgment.

Access scheme. Suppose that he is thinking of buying a house and taking out a bond. Suppose that a few days later he sees, somewhere, an advertisement for United's Equity Access Plan. Given the facts that he does not have the two marks before him side by side, and that memory is often imperfect, may this not lead him to a United branch to open discussions, or may he not at least be confused? In the case of an individual I see this as perfectly possible. If that be so, it translates itself into a probability that a substantial number of persons will be so confused. When I say of the one individual that it is merely possible that he will be confused, I postulate that at least a majority will not be confused. But it is the remaining minority that will satisfy the test.'

Standard Bank succeeded in its application for an interdict.

Evaluating the marks in the present matter

[35] The LA Group is the proprietor of, inter alia, the following marks which are relevant in the present application and relate to class 25, clothing: Polo in regard to shirts; Polo Company, in regard to articles of clothing, including boots, shoes and slippers; Polo Sport Co (accompanied by the said words in black on a white background with a larger final black background) for clothing, footwear, headgear, accessories for the foregoing; Polo Jeans Co for clothing, footwear, headgear, parts and accessories for the foregoing; Polopress for the same articles; the Polo player horse device running to the left (left from the position of the person who wears the shirt) ; Polo Company with a double Polo player horse device facing right with a banner at the top on which Polo Company appears; a double Polo player horse device facing right.

[36] A few examples of articles seized were attached by way of photographic copies:

- (1) a shirt with US Polo ASSN on its breast with the words, in smaller letters, to the left below it: SINCE 1890;
- (2) a shirt with Polo by Ralph Lauren printed on an attached piece of cloth on the rear neck as well as a card attached by what appears to be a piece of cotton wool; the shirt also displays the horse device of a Polo player on horseback running to the right;
- (3) a shirt with US Polo ASSN on its breast with the words, in smaller letters, to the left below it: SINCE 1890, in this case, however, bearing zig-zag stitches over the words US Polo ASSN; and
- (4) a shirt with collar bearing the Polo by Ralph Lauren with a single horse device facing the right plus a card with the same words plus the horse device facing right.

More examples were also attached by Ball in a later affidavit.

[37] The inventories of articles seized describe articles in what often

appears to be abbreviated form. It is impossible for me to come to any firm conclusion as to whether the inventories include instances of trade marks other than those of which photographs are attached to the papers. I will limit my judgment to those instances.

[38] I shall now apply the criteria which are to be found in the *Plascon-Evans*, *Bata* and *Standard Bank* judgments. Polo* by Ralph Lauren infringes upon the Polo mark. Some customers might know that Ralph Lauren is a company different from the South African proprietors of Polo, but the accent is on Polo and that lies at the heart of the attached articles with this inscription. A substantial number of customers are likely to be confused by the addition of 'by Ralph Lauren', not knowing or at least being confused as to whether all Polo shirts are not from Ralph Lauren. The Polo is dominant in the mark.

[39] As to the horse device, it is irrelevant whether the horse faces the left or the right. Although the registered single horse faces the right, it is unlikely that more than the highly informed would remember this. In essence the single horse device is reproduced and whether it is identical to the registered device or confusingly similar to it, the reproductions in the photographs are sufficient for an infringement. The colour is also irrelevant. It is irrelevant whether the horse device infringes upon the copyright of Ralph Lauren. That is for Ralph Lauren to complain about in a copyright matter, if it wishes to do so. The survey attempting to show confusion was in any case, as has been held earlier, found to be deficient. Instances in the examples where the double horse device is reproduced, also infringe upon the registered double horse device. They are close enough to the registered device to be likely to confuse.

[40] As to 'US Polo ASSN SINCE 1890', I am not convinced that a substantial number of customers are likely to be deceived or are likely to be confused between Polo and this inscription, which has a strong descriptive sense to it. The US combined with Assn distinguishes it from Polo or Polo Company. The mere fact that Polo appears as part of the mark is, in itself, insufficient to be likely to deceive or confuse**. The other words neutralise its impact, which it would have had on its own, as the Polo mark. The addition of Jeans Co does not alter the conclusion. The accent is on Jeans. Although Polo Jeans Co is a registered mark, Jeans Co is a descriptive phrase and can exist on its own without causing confusion with Polo Jeans Co.

The application accordingly fails in so far as the US Assn (which would include Association) related marks are not held to amount to

* The Polo in the examples has a square black line on all its sides.

** See *Bata* (supra).

infringements. Where Jeans Co is added to it or is used as a mark on its own, there is also no infringement. Of course, if a horse device were to appear on such garments, the trade mark will be infringed as a result of that device.

Passing-off

[41] In the light of my findings in regard to the infringements as set out above, I find it unnecessary to deal with the averments of passing-off and unfair competition. An interdict against future infringement will be granted, so as to ensure that further trade-mark infringement does not take place without recourse to the criminal law, by way of a contempt of court order. In so far as US Polo ASSN is concerned, I do not believe that the requirements of passing-off have been met. The mark is sufficiently different from the Polo marks to counter an inference of appropriation of the goodwill of the LA Group. For purposes of establishing passing-off it is, of course, not sufficient to only compare the two marks; a comparison has, for example, to be made between the get-up of the goods as marketed by the LA Group, and the get-up of the Meltz goods*. Although an example or two of the alleged infringing shirts were handed up to me in court, I had no examples of the LA Group's shirts before me so that I could compare the get-up of the products. I am, accordingly, unable to come to any decision on passing-off and this prayer is not acceded to.

Unlawful competition

[42] I also do not believe that a sufficient case has been made out on the grounds of unfair competition. Although the application also included unfair competition as one of the grounds for an order against Meltz, the papers were clearly not focused on this aspect of the case. Ball avers that since the trade marks have been infringed upon, the conduct of Meltz amounts to unlawful competition. The LA Group is already entitled to an interdict as applied for in regard to the infringements. This means that any further trading in goods with the marks held to have been infringing marks, will lead to an application to this Court for contempt of court, if the LA Group chooses to do so. The only further aim which could be attained is to obtain damages for the loss of royalties. I do not believe that a different conclusion could be reached on the US Polo ASSN marks used by Meltz. I have already found that the use of the said mark does not amount to an infringement. The LA Group was, in so far as this mark is concerned, competing within the bounds of the TMA. I am unable to find some additional ground on the papers in common law

* *Adidas Sportschuhfabriken Adi Dassler KG v Harry Walt & Co (Pty) Ltd* 1976 (1) SA 530 (T) at 538–9.

to hold against Meltz on the ground of unlawful competition*. The LA Group has chosen its remedies in the TMA and succeeded in obtaining an interdict against the use of the infringing marks. It will be senseless to also base the interdict on common law. The LA Group has not claimed other damages than royalties in terms of section 34(4) of the TMA.

The attachment in terms of the CGA

[43] The Counterfeit Goods Act 37 of 1997 provides for offences in section 2(1), which range from the production of counterfeit goods to the importation, possession, distribution or exhibition thereof in the course of business. Section 2(2) provides that a person who is so involved is guilty of an offence if at the time of the act or conduct, the person knew or had reason to suspect that the goods to which the act or conduct relates, were counterfeit goods; or the person failed to take all reasonable steps in order to avoid any act or conduct of the nature contemplated in subsection (1) from being performed or engaged in with reference to the counterfeit goods. At least negligence would, accordingly, be the form of mens rea required for the offence. Obviously it would also include that the person should reasonably have known or should have foreseen the possibility that it was an offence**.

[44] In terms of section 3*** of the CGA any person who has an interest

* See Neethling, Potgieter and Visser *Deliktereg* (2002) at 336 et seq; Van Heerden and Neethling *Unlawful Competition* (1995) 2–3.

** Cf *S v De Blom* 1977 (3) SA 513 (A) at 533E.

*** ‘3(1) Any person who has an interest in protected goods, whether as the owner or licensee of an intellectual property right in respect of the protected goods or as an importer, exporter or distributor thereof (including the duly authorized agent or representative or the attorney of any such person), who reasonably suspects that an offence referred to in section 2(2) has been or is being committed or is likely to be committed by any person, may lay a complaint to that effect with any inspector.

(2) (a) The complainant must furnish information and particulars, to the satisfaction of the inspector, to the effect that the goods with reference to which that offence allegedly has been or is being or is likely to be committed, prima facie, are counterfeit goods.

(2) (b) For the purposes of paragraph (a), the complainant may furnish to the inspector a specimen of the alleged counterfeit goods or, if not reasonably possible, sufficient information and particulars from which the essential physical and any other distinctive features, elements and characteristic of the alleged counterfeit goods may be ascertained, and sufficient information and particulars as to the substance and extent of the intellectual property right, the subject matter of which has allegedly been applied to the goods alleged to be counterfeit goods, and as to the complainant’s title to or interest in that right, and, where the alleged counterfeit goods are calculated to infringe an intellectual property right that subsists in respect of or has been applied to protected goods contemplated in paragraph (a) of the definition of ‘protected goods’ in section 1(1), also a specimen of the relevant protected goods.

in the protected goods can lay a complaint, if he reasonably suspects that an offence in terms of section 2 of the Act is being committed. Such a complaint is laid with a duly appointed inspector in terms of the CGA terms of section 3(1) of the Act. Section 3(2)(a), and more particularly, 3(2)(b) of the same Act sets out the information and particulars required for the complaint. This includes not just information ‘from which the essential physical and any other distinctive features, elements and characteristics of the alleged counterfeit goods may be ascertained’ but also ‘sufficient information and particulars as to the subsistence and extent of the intellectual property right’ as well as ‘the complainant’s title to or interest in that right’. This information is required as the inspector has to satisfy herself, before she can proceed in terms of section 4(1) of the said Act that: a person laying the complaint is *prima facie* entitled to do so; the goods claimed to be protected are *prima facie* protected goods; the intellectual property right, the subject-matter of which is alleged to have been applied to the offending goods, *prima facie* subsists; and the suspicion on which the complaint is based appears to be reasonable in the circumstances*.

[45] The same affidavit is also employed to obtain a warrant in terms of section 6 of the CGA. Section 6 refers to a warrant as contemplated by section 4(2) read with section 5(1) of the same Act. Such a warrant may be issued by a High Court judge in chambers or a magistrate within his or her jurisdiction. The warrant will only be issued if it appears that there are reasonable grounds for believing that an act of dealing in counterfeit goods has taken or is taking place.

[46] From the wording of the CGA it would appear that the Legislature anticipated the fact that it was granting intrusive remedies to the proprietor or licensee of a trade mark and that the application of such

(3) In relation to a complaint that has been laid, an inspector must take appropriate steps in terms of and subject to section 4(1), if reasonably satisfied –

(a) that the person having laid the complaint, *prima facie* is a person who, in terms of subsection (1), is entitled to do so; and

(b) that–

(i) the goods claimed to be protected goods, *prima facie* are protected goods; and

(ii) the intellectual property right, the subject matter of which is alleged to have been applied to the offending goods, *prima facie* subsists; and

(c) that the suspicion on which the complaint is based, appears to be reasonable in the circumstances.

(4) The preceding provisions of this section do not preclude an inspector from taking any appropriate steps in terms of section 4(1) on his or her own initiative in relation to any act or conduct believed or suspected to be an act of dealing in counterfeit goods, provided the requirements of that section are met.’

* S 3(3) of the CGA.

remedies would have to be constitutionally justifiable*. In an attempt to balance these remedies certain checks and balances were introduced to protect traders against the unconstitutional use of such remedies. In this regard the constant use of the word ‘reasonable’, when referring to decisions that the complainant, the inspector and the judge or magistrate have to take in the process, sets the threshold that any proprietor must overcome before it is entitled to enjoy the remedies. Obviously these persons can only come to a reasonable decision if they have all the relevant information before them. It cannot be argued that a decision was reasonable if relevant information was not considered, because it was not placed before the decision-maker. For this reason the Act sets out the minimum requirements for the complainant’s affidavit. If they are not met, the decision cannot be reasonable and must be treated as void as it does not comply with the requirements of the Act. Of course, the CGA allows such discretion to be exercised on a prima facie view of the facts. ‘Prima facie’, however, could never mean that a relevant fact must not be brought before the inspector and judicial officer.

[47] The above situation is similar to the one that exists where a party approaches a court on an ex parte basis. In this regard Le Roux J in *Schlesinger v Schlesinger*** quoted the following from Herstein and Van Winsen *The Civil Practice of the Superior Courts of South Africa* (2 ed) at 94 with approval:

‘Although, on the one hand, the petitioner is entitled to embody in his petition only sufficient allegations to establish his right, he must, on the other, make full disclosure of all material facts, which might affect the granting or otherwise of an ex parte order.

The utmost good faith must be observed by litigants making ex parte applications in placing material facts before the court; so much so that if an order has been made upon an ex parte application and it appears that material facts have been kept back, whether wilfully and mala fide or negligently, which might have influenced the decision

* See *Janse van Rensburg N.O. v Minister of Trade & Industry N.O.* 2001 (1) SA 29 (CC) at para [36]; the judgment of the Supreme Court of Appeal in *Pretoria Portland Cement Co Ltd v Competition Commission* 2003 (2) SA 385 (A) is particularly instructive as to the powers of search and seizure of the Competition Commission, which is also an investigative entity, comparable to the CGA inspectors. In *Investigating Directorate v Hyundai Corporation* 2001 (1) SA 545 (CC) it was held that, in the absence of an explicit requirement of reasonable suspicion it was implied, that before the magistrate could issue the warrant, he must have a reasonable suspicion. Also that the search and seizure would be carried out in accordance with the provisions of the Constitution. Also see para [40] of the *Hyundai* judgment as to what would be expected of a constitutional search and seizure.

** 1979 (4) SA 342 (W) at 348.

of the court whether to make an order or not, the court has a discretion to set the order aside with costs on the ground of non-disclosure. It should, however, be noted that the court has a discretion and is not compelled, even if the non-disclosure was material, to dismiss the application or set aside the proceedings.’

[48] The learned judge then continues at 349 with the following summary regarding ex parte applications:

‘1 In ex parte applications all material facts must be disclosed which might influence a court in coming to a decision;
2 the non-disclosure or suppression of facts need not be wilful or mala fide to incur the penalty of rescission; and
3 the court, apprised of the true facts, has a discretion to set aside the former order or to preserve it.’

The learned Judge sets forth a two-step enquiry to decide whether an order has to be set aside at 348:

‘The enquiry thus falls notionally into two parts namely, first, whether material facts were undisclosed and, secondly, whether a court should exercise its discretion in favour of the applicant . . .’

After having considered the authorities the learned Judge concludes as follows at 350B:

‘It appears to me that unless there are very cogent practical reasons why an order should not be rescinded, the court will always frown on an order obtained ex parte on incomplete information and will set it aside even if relief could be obtained on a subsequent application by the same applicant.’

And at 352C–D:

‘I respectfully associate myself with the learned Judge’s censure that a litigant who approaches a court ex parte is not entitled to omit any reference to a fact or attitude of his opponent which is relevant to the point in issue merely because he is not prepared to accept the correctness of it.’*

[49] In terms of the CGA ‘counterfeiting’ is defined as follows:

‘(a) means, without the authority of the owner of any intellectual property right subsisting in the Republic in respect of protected goods, the manufacturing, producing or making, whether in the Republic or elsewhere, of any goods whereby those protected goods are imitated in such manner and to such a degree that

* Also see *HR Holfeld (Africa) Ltd v Karl Walter & Co GmbH* (1) 1987 (4) SA 850 (W); *Rosenberg v Mbangi (Azaminle Liquor (Pty) Limited intervening)* 1992 (4) SA 331 (E); *MV Rizcun Trader* (4); *MV Rizcun Trader v Manley Appledore Shipping Ltd* 2000 (3) SA 776 (C).

those other goods are substantially identical copies of the protected goods;

- (b) means, without the authority of the owner of any intellectual property right subsisting in the Republic in respect of protected goods, manufacturing, producing or making, or applying to goods, whether in the Republic or elsewhere, the subject matter of that intellectual property right, or a colourable imitation thereof so that the other goods are calculated to be confused with or to be taken as being the protected goods of the said owner or any goods manufactured, produced or made under his or her licence; or

(c) . . .

However, the relevant act of counterfeiting must also have infringed the intellectual property right in question'

[50] The Act defines 'counterfeit goods' as follows:

'goods that are the result of counterfeiting, and includes any means used for purposes of counterfeiting';

'protected goods' means—

- (a) goods featuring, bearing, embodying or incorporating the subject matter of an intellectual property right with the authority of the owner of that intellectual property right, or goods to which that subject matter has been applied by that owner or with his or her authority;
- (b) any particular class or kind of goods which, in law, may feature, bear, embody or incorporate the subject matter of an intellectual property right only with the authority of the owner of that intellectual property right, or to which that subject matter may in law be applied, only by that owner or with his or her authority, but which has not yet been manufactured, produced or made, or to which that subject matter has not yet been applied, with the authority of or by that owner (whichever is applicable).'

[51] In *AM Moolla Group Ltd & others v GAP Inc** Harms JA is particularly critical of the definition of 'counterfeit goods' and says at paragraphs [6] and [7]:

'As indicated, the Act prohibits certain acts in relation to 'counterfeit goods' but, although it to some extent follows the wording of footnote 14, it does not distinguish clearly between piracy and counterfeiting in the technical sense. Instead, both are referred to as counterfeiting. In the definition of 'counterfeiting' the Act has also

* [2004] JOL 13268 (A).

changed the wording of the footnote* in such a manner as to make the definition unintelligible . . .

[7] There are serious shortcomings in the definition. First, the definition tends to equate trade mark infringement with counterfeiting, something contrary to TRIPs** and something completely unnecessary. Counterfeiting, as mentioned, is a fraudulent imitation. The use of the term ‘calculated’ is especially confusing in this context because it has a special meaning in trade mark law, meaning ‘likely’. Why a developing country such as ours should give greater trade mark protection via criminal sanctions than, for instance, the European Community, is not readily apparent. The greater problem though, which is not a matter of policy but one of interpretation, is the meaning of the proviso. What TRIPs did was to define counterfeit trade mark goods (I paraphrase) as goods with marks identical to registered trade marks and which cannot be distinguished from the original and ‘thereby’ infringe a trade mark. The definition in the Act, on the other hand, by means of the proviso, does not draw a conclusion of infringement but adds an additional requirement of infringement (by the use of ‘however’ and ‘also’). To explain by way of an example: the Trade Marks Act (section 34(10)) requires, for infringement, use in the course of trade, obviously in this country since trade marks are territorial. Must that, too, be established in addition to the acts proscribed in section 2(1) of the Act under consideration? If it must, it would mean that transshipment would not amount to a prohibited act because the goods would then not be the result of ‘counterfeiting’ . . .

[8] In the light of the conclusion I have reached it is not necessary to try to solve these problems.’

[52] For the solving of the present dispute it is necessary to interpret ‘counterfeiting’. I agree that the definition is poorly drafted. I nevertheless have to do the best I can with it since it cannot be presumed

* (Fn 14 of TRIPs): ‘For the purposes of this Agreement: (a) ‘counterfeit trademark goods’ shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation; (b) ‘pirated copyright goods’ shall mean any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation.’

** The GATT agreement on Trade-Related Aspects of Intellectual Property Rights.

that the legislature enacted a meaningless provision. A starting point is the definition of ‘counterfeit goods’, which is defined as ‘goods that are the result of counterfeiting’. The ‘goods’ are the end product of counterfeiting. ‘Protected goods’ are goods which feature, bear, embody, or incorporate the mark with the authority of the owner of the mark*.

Whatever one would wish to say about the poor drafting, my conclusion is that counterfeiting is more than mere infringement of a trade mark and that the additional wording referred to must also be shown, on a prima facie level, to exist before any action may be taken by an inspector with whom the complaint was filed and the court which issues the search and attachment warrant.

[53] I have studied the document filed by Ball for the consideration of the inspectors as well as the documents prepared by the different inspectors. Ball firstly states his experience in the clothing trade and then lists the registered trade marks involved. He states that:

‘. . . complainant is entitled to restrain the use of a trade mark which constitutes a reproduction, imitation or translation of the well known trade mark in relation to goods or services which are identical or similar to the goods or services in respect of which the trade mark is well known and where such use is likely to cause deception or confusion.’

He states that he has examined a sample purchased as a test purchase of a woman’s T-shirt and confirms that the product does not emanate from the complainant or from any of its authorised licensees or distributors. He further confirmed that none of the complainant’s licensees have any products manufactured in Mauritius (the shirt indicated Mauritius as the country of manufacture). He confirmed that the shirt was counterfeit since it was of inferior material and of poor

* Future goods are not relevant here, so the second part of the definition need not be quoted.

If the mere infringement of the trade mark were to have been the only test, the Legislature could readily have said so without much ado. However, there is an addition (referred to as the ‘additional wording’ hereunder) in each part of the definition, which requires either ‘imitation in such a manner and to such a degree that those goods are substantially identical copies of the protected goods’ or ‘so that the other goods are calculated to be confused with or to be taken as being the protected goods of the said owner or any goods manufactured, produced or made under his or her licence’. And to crown it all, the section adds the sentence:

‘However, the relevant act of counterfeiting must also have infringed the intellectual property right in question.’

quality, that Meltz is not a licensed dealer of Polo goods and no licensee manufactures product in any category in Mauritius. He was also advised that persons who deal in counterfeit goods were contravening the CGA. Further details do not take the matter further than infringement and the acts prohibited by the CGA. The following words denote the trend of the statement:

‘The respondent, in the course of trade for the purpose of dealing in those goods, infringed against the complainant’s intellectual property rights as aforesaid and constitute goods that are the results of counterfeiting within the meaning of the Counterfeit Goods Act.’

[54] The statements prepared by the different inspectors are, in essence, limited to statements that there has been a trade mark infringement. The warrant then states that authority is granted to enter the store and inspect and search for suspected counterfeit goods and for any other evidence of dealing in counterfeit goods. There is an authorisation to be accompanied by and assisted by knowledgeable persons in this search and attachment.

[55] In *Pharmaceutical Manufacturers Association of SA: In re Ex parte President of the Republic of South Africa** Chaskalson P (now CJ) states that the exercise of public power is regulated by the Constitution:

‘One of the constitutional controls referred to is that flowing from the doctrine of legality.’**

This approach is based on the rule of law which, as stated by O’Regan J in *Dawood****, requires that rules be stated in a clear and accessible manner. A warrant which grants authority to invade the right of privacy of a trader must be based on the jurisdictional facts necessary to permit the magistrate to issue that warrant. The importance of the information provided, is also accentuated in the judgments quoted above in regard to ex parte applications. At the heart of the supporting statements was an allegation of infringement of trade marks. There is no evidence that a shirt produced under the licence of the LA Group was shown, by way of

* 2000 (2) SA 674 (CC), 2000 (3) BCLR 241 (CC) at para [17].

** Also see *Fedsure Life Assurance Ltd v Greater Johannesburg Transitional Metropolitan Council* 1999 (1) SA 374 (CC), 1998 (12) BCLR 1458 (CC); and *President of the Republic of South Africa v South African Rugby Football Union* 2000 (1) SA 1 (CC), 1999 (10) BCLR 1059 (CC) at para [148] where it was held that the holder of public power must act in good faith and not misconstrue its powers.

*** *Dawood v Minister of Home Affairs; Shalabi v Minister of Home Affairs; Thomas v Minister of Home Affairs* 2000 (3) SA 936 (CC) para [47]; also compare *Investigating Directorate: Serious Economic Offences v Hyundai Motor Distributors (Pty) Ltd* 2001 (1) SA 545 (CC) para [24].

comparison, to the inspectors or the magistrates involved. The authorisation of accompanying experts did not solve the deficient statements and warrants. There should have been prima facie evidence of counterfeiting as defined in section 1 of the CGSA. The only evidence was that of prima facie trade-mark infringement and broad references to counterfeit goods. On this ground alone the attachment was invalid.

[56] In addition, the attachment is also invalid for a further reason. It was common cause that the complainant was a shelf company and that it was not a licensee. Ball stated that this was a bona fide error and I have no reason not to believe him. An interlocutory application by Meltz heard by me six weeks after the first hearing of this application, applied for the admission of the testimony of especially Ball at the criminal trial of Meltz in terms of the CGA Act. The intention was probably to show that he was not properly authorised and that the complainant was not a licensee. I rejected this application on the basis, as argued cogently by Mr André Gautschi SC, that even if I were to allow such testimony to be placed before me, the testimony in a different trial was not admissible*, unless the LA Group agreed to its admission. There was no such agreement.

[57] The question is whether the requirement that the complainant must be an interested person is not a mere technical point and that it would amount to an injustice to base the invalidity of an attachment in terms of the CGA on this obvious bona fide error. Section 3 of the CGA explicitly requires the complainant to be a person who has an interest in protected goods, whether as the owner or licensee of an intellectual property right in respect of protected goods or as an importer, exporter or distributor thereof (including the duly authorised agent or representative or the attorney of any such person). That the requirement is not a mere academic one clearly appears from section 10(1)(c) of the CGA. This subsection provides that a court may order (obviously in a case where the attachment is set aside by a court) that the complainant pays damages, in an amount determined by the court, to the person from whom those goods were seized and pays that person's costs. The inspector must establish whether the complainant is prima facie a person who is entitled to lay a complaint in terms of section 3(1). In none of the inspector's statements placed before the magistrates, is it stated that the inspector is reasonably satisfied (in terms of section 3(3) of the CGA) that the person is prima facie entitled to lay the complaint. As it turned out, the complainant was not so entitled. The mere reference in the

* See *African Guarantee & Indemnity Co Ltd v Moni* 1916 AD 524.

inspector's statement that the application for a warrant is based on information provided on affidavit is insufficient. Some form of additional proof should have been provided by or required from Ball. This is fatal to the legality of any further action taken by that inspector or a magistrate when issuing a warrant.

The attachments were, accordingly invalid and are set aside. Each one of the two grounds is sufficient to have nullified the attachment.

[58] Since more than mere infringement of a trade mark is required for counterfeiting, I find it impossible to come to a decision whether the goods were counterfeit goods on the papers. Much more than that would be required: the get-up of the infringing goods would, for example, have to be studied as well as how close the infringing goods resembled the get-up of the goods of the LA Group.

Examples of the latter were, in any case, not made available to the court. In fact, Ball conceded that the goods were of a quality inferior to that of the LA Group. This might have been a factor in deciding whether the goods, on the face of it, were counterfeit.

[59] In conclusion it should be mentioned that in the light of the long period of (invalid) attachment, I regard it as unfair to order that the infringing goods be delivered up to the LA Group. The goods will be handed back to Meltz and he will be allowed to distribute such goods without the offending marks. In this sense he will, to my mind, be fairly compensated for his losses. For the same reason I will not order that an inquiry as to royalties be held.

Order

[60] The following is ordered:

- (i) The counter-application for the expungement of the Polo marks is dismissed with costs.
- (ii) The applications for the declarator that the following marks* have infringed the POLO trade marks, and the interdict restraining the first respondent from future infringement of the said marks, is upheld with costs in the following instances:
 - (1) Polo or POLO as such;
 - (2) the single or double horse device in any of the forms as are to be found in the annexures** to the papers illustrating the attached garments; and

* I have limited my findings to visual instances of the Meltz garments in the annexures and have not based it on the lists of attached garments, since the abbreviated forms do not provide sufficient evidence of the marks on the garments.

** JB38, J69, J73, J75, J76, J80, J81, J86, J93, J94, J96; also at 799, 802, 805.

- (3) Polo by Ralph Lauren or POLO by Ralph Lauren* or any combination of Ralph Lauren with POLO or Polo or polo;
- (iii) US Polo Association since 1890, US Polo ASSN**, and US Polo ASSOC have not infringed the POLO marks. This also applies to the combination thereof with Jeans Co*** ****.
- In this respect the application is dismissed with costs.
- (iv) The application (prayers 1, 2 and 8) for the declarator that the attachments were valid, that the goods were counterfeit and must be delivered up to the applicants, is dismissed with costs. The attachments are all set aside.
- (v) Prayers 4, 5, 6 and 7 are dismissed with costs, except in so far as prayer 5 does not refer to dealing in counterfeit but has a bearing on Ordinary trade mark infringement, which is, in any case, covered by the interdict in (ii) above.
- (vi) The attached goods are to be returned to the first respondent subject to the condition that it may not in any manner distribute or hold for distribution any articles so returned with any inscription or tag which bears any of the marks found to have amounted to an infringement in terms of (ii) above.
- (vii) Prayer 9 is dismissed. No order as to costs.
- (viii) Prayer 10 is dismissed in so far as the costs incurred by the applicants in removing and storing the counterfeit goods is concerned. Otherwise the costs orders apply as stated in this order.
- (ix) No order as to costs is made against respondents 2, 3 and 4.

* As eg in JB37; J71 and J69; also at 800, 802.

** As in J97, J98, J99, J100, J101, J102, J103, J104, J110, J111, JB34, JB36.

*** J95.

**** Any instance in clothing, however, where the horse device is also present would amount to an infringement of the horse device mark.

COMMISSIONER FOR SOUTH AFRICAN REVENUE SERVICE v STERLING AUTO DISTRIBUTORS CC

SMIT J
TRANSVAAL PROVINCIAL DIVISION
13 OCTOBER 2005

Detention of goods suspected of being counterfeit may be effected by an official of the Department of Customs and Excise provided that the official has reasonable grounds for his suspicion. Such grounds may include a party's allegation that its intellectual property rights have been infringed in the counterfeit goods.

In May 2003, a container belonging to Sterling Auto Distributors CC was stopped by officials of the Department of Customs and Excise when it arrived at Durban harbour from Taiwan. After the container was stopped, it was stored and then opened. Samples of its contents were extracted—these being motor car parts apparently for Mercedes Benz and BMW motor vehicles—and sent to attorneys acting for those brands.

A forensic specialist in counterfeit goods confirmed that the samples were counterfeit. An appointment was made for the examination of the rest of the goods in the container but before this could be effected, Sterling brought an urgent application for an order declaring that the container was not being lawfully retained in terms of the Customs and Excise Act (no 91 of 1964) and/or the Counterfeit Goods Act (no 37 of 1997) and that the container be released to it. BMW and Mercedes brought formal complaints against Sterling in respect of the goods and they were then removed to a counterfeit goods depot. Sterling brought a second urgent application against the Commissioner for the South African Revenue Service for the release of the goods.

BMW and Mercedes brought an application for leave to intervene and introduce further evidence, and appealed the grant of the order sought in the first urgent application.

Held—

There is a crucial distinction between the detention of goods on one hand, and the seizure and detention of goods on the other. BMW and Mercedes contended that the container was detained and not seized and detained.

Sterling contended that because the goods were seized and detained, it was deprived of its property and its constitutional right not to have its property rights arbitrarily infringed was violated. The seizure and detention was therefore unlawful.

Sterling's argument could however, not be sustained. The official acting on behalf of the Commissioner for the S.A. Revenue Service acted under powers granted in the Customs and Excise Act which in sections 88(1) and 113A(1) makes provision for the detention of goods prior to actual seizure. An official is entitled to detain goods in order to determine whether or not they are counterfeit as contemplated in the Counterfeit Goods Act, and this is what the official had done. The investigation into whether or not the rest of the goods in the container were counterfeit had not been completed by the time Sterling brought its application.

Sterling also contended that BMW and Mercedes had not shown that they held any underlying intellectual property right as required by the Counterfeit Goods Act in order to effect a detention under that Act. The Act however, includes rights in respect of a trade mark contemplated in section 35 of the Trade Marks Act (no 194 of 1993) and this included the well-known marks of BMW and Mercedes. These parties had alleged that their trade marks were used on the detained

goods and it was not possible to reject that allegation in an urgent application without the benefit of full evidence on the matter. The customs official had himself not made a determination on the matter but was entitled to detain the goods because his suspicion that they were counterfeit was based on evidence presented to him and was reasonably formed.

The application and appeal succeeded.

Smit J: This is, first of all, an application ('the application') by Bayerische Motoren Werke Aktiengesellschaft ('BMW') as first applicant in intervention, and Daimler Chrysler Aktiengesellschaft ('Mercedes') as second applicant in intervention who seek leave to intervene as respectively third and fourth appellants in an appeal by the Commissioner for the South African Revenue Service (the first appellant and the second respondent in intervention), the Commissioner for Customs and Excise (the second appellant and third respondent in intervention) and Sterling Auto Distributors CC ('Sterling') (the respondent on appeal and first respondent in intervention) and to introduce further evidence in the appeal allegedly relating to relevant facts that should have been placed before the court a quo by Sterling. Secondly, this is an appeal ('the appeal') against the whole of the judgment and order granted by Patel J granting certain relief in favour of Sterling, leave to appeal having been granted by the Supreme Court of Appeal on petition to it, consequent upon a refusal of such leave from the court a quo. Before dealing with the issues to be decided in the application and the appeal, and in order to be able to do so, it is necessary, in my view, to set out the background to the litigation, more particularly the litigation between BMW and Mercedes one side and Sterling on the other side.

BMW is and has been the designer, developer, manufacturer and marketer of BMW motor vehicles and their components for many decades. These vehicles and their components, have been marketed and sold in South Africa for several decades. It also appears that BMW is the proprietor of various intellectual property rights that subsist in South Africa in relation to BMW vehicles and parts for them.

Mercedes and its predecessor-in-title are, and have been the designers, developers, manufacturers and marketers of ranges of Mercedes-Benz motor vehicles and their components for many decades and these vehicles and their components have been marketed and sold in South Africa for several decades. Mercedes, is likewise, the proprietor of various intellectual property rights that subsist in South Africa in relation to Mercedes Benz vehicles and parts for them.

Sterling is a close corporation which, inter alia, imports into South

Africa motor vehicle components.

Prior to the present litigation BMW and Mercedes through their attorneys had extensive correspondence with Sterling regarding the infringement of the intellectual property rights of BMW and Mercedes in respect of motor vehicles parts. The correspondence dates back to as early as 22 January 1997 and a letter of demand dated 31 August 2001. In response to the letter, Sterling furnished during September 2001, BMW a written undertaking in terms of which it undertook to cease its unauthorised use of the trade marks BMW, 3 series and 5 series or any confusingly or deceptively similar trade marks and not to use them in future. Similarly, a letter of demand by Mercedes, through its attorneys, was addressed to Sterling on 12 October 2001. On 16 October 2001, Sterling through its attorneys furnished an undertaking to Mercedes ‘not to utilise any numbering system which is utilised by your client, in the marketing of the replacement parts for Daimler Chrysler and Ford motor vehicles.’

On 28 May 2003 a container, belonging to Sterling, containing in excess of 3000 items of motor vehicle spares, arrived at Durban harbour from Taiwan. It was stopped by an official, one Ogle, from Customs and Excise for general customs purposes, as well as for counterfeit checking Mr Bharath, a customs officer in the employ of the South African Revenue Services (‘SARS’) however handled the matter. After the container was stopped it was, at Sterling’s instance, stored at the Green Africa Container Depot, a private warehouse.

An appointment was made with Sterling’s clearing agent and on 4 June 2003 the container was opened. Samples were extracted from the front of the container what purported to be a Mercedes Benz C-class headlamp and a BMW front grill. During the examination a representative of Sterling’s clearing agent, SA Mercantile (‘SAM’), was present and was fully aware of the purpose for which the samples were extracted. A forensic specialist in counterfeit goods, one St John Pitt took the samples to verify whether they were counterfeit. The samples had been sent to Adams and Adams, a law firm that represented BMW and Mercedes.

Adams and Adams, on behalf of their clients BMW and Mercedes respectively, addressed letters of demand to Sterling on 11 June 2003, setting out their intellectual property rights and why they believed the conduct of Sterling was unlawful. On 13 June 2003 attorneys Webber Wentzel Bowens, on behalf of Sterling, replied to the letters of demand denying that the motor vehicle parts were counterfeit and certain proposals were made. Various correspondence ensued between the attorneys representing their respective clients but no settlement could be reached. During the exchange of this correspondence one of the

containers in issue was inadvertently released to Sterling who then disposed of the stock therein contained. As a result of Sterling's conduct a letter was addressed to Webber Wentzel Bowens on 22 July 2003 but, as no response was received, a reminder was again addressed on 20 August 2003. The response then was: 'Our client is not obliged to litigate by way of correspondence.'

On 13 June 2003 Bharath sent a memo to SAM informing them that they would be advised as soon as the samples were analysed.

On 17 June 2003 Bharath was informed by Pitt that both samples received by him had been confirmed to be counterfeit and he received the necessary affidavits and indemnities from Adams and Adams on 19 June 2003. The affidavits were deposed to respectively by D.J. Richardson, the Brand Protection Manager of Mercedes, and C.H. Joy, the Business Development Manager of BMW wherein they stated that in their opinion the relevant parts were counterfeit, both stating the grounds upon which they based their opinion.

A re-examination was booked with the knowledge of Sterling's agent, SAM, and was held on 19 June 2003. A representative of SAM was present at this re-examination. The manager of the container-depot, where the container was held, advised all those present at the re-examination, including Sterling's agent, that because the warehouse was not equipped and too full at the time to fully unpack a container of that size, and due to the fragility of some of the items a full unpack of the container could not be conducted. Photographs were taken and the container was re-sealed Bharath informed SAM to move the container to New Pier Warehouse, a State warehouse, where it could be unpacked under customs control. The container has, however, not been moved as requested so that it may be unpacked, an inventory made and samples sent to the relevant parties for confirmation as to whether they are counterfeit or not.

On 19 June 2003 a messenger from SAM collected the affidavits of D.J. Richardson and C.H. Joy, referred to hereinbefore, as well as a memorandum confirming the re-examination of 19 June 2003, stating that a full unpack was required to separate the items confirmed to be counterfeit, confirming why a full unpack could not be conducted at the container depot and advising SAM to apply for the release of the container from the container depot and have it moved to a state warehouse where it could be unpacked under customs control.

Sterling launched an urgent application ('urgent application') on 11 July 2003 for, inter alia an order declaring that the container is not being lawfully or properly retained in terms of the provisions of the Customs and Excise Act (no 91 of 1964) ('CEA'), and/or the Counterfeit Goods Act (no 37 of 1997) ('CGA') and that the goods contained in the

container be released to Sterling. It is noteworthy that, in view of the events as set out above, the relief was sought and obtained on an urgent basis without any notice to BMW and Mercedes and while certain undertakings as set out above had been given on behalf of Sterling to BMW and Mercedes. SARS, however, was oblivious of these facts until the application came to light.

The urgent application was served on the first and second respondents in that application (who is one and the same person and a senior official in SARS) on 14 July 2003 and was set down for 14:00 on Friday, 18 July 2003. SARS' opposing affidavit was only deposed to in Pretoria on 18 July 2003, thus leaving SARS with only a couple of court days to respond to the serious allegations in the founding affidavit of the urgent application.

The urgent application came before De Vos J on 18 July 2003 but the matter was postponed sine die due to a lack of urgency. The costs were reserved.

Sterling, however, filed a replying affidavit and a notice of set down on 5 August 2003 for 10:00 on 6 August 2003 ie less than 24 hours notice to SARS. Nevertheless, the court a quo decided that the matter was urgent and heard argument on the merits of the matter. On 26 September 2003 the court a quo delivered judgment wherein it was ordered:

- ‘2. That it is declared that the consignment of motor vehicle parts contained in container number EMCU 9090150 was stopped and detained by M Ogle on 28 May 2003 in terms of the provisions of the Customs and Excise Act 91 of 1964 and/or Counterfeit Goods Act 37 of 1997; and subsequently seized and detained by Ebrahim Bharath on or about 4 June 2003 in terms of Act 37 of 1997 are unlawful. (sic.)
3. That the first and second respondents are directed to forthwith release the consignment of goods, referred to in paragraph 2 above, to the applicant.
4. That the first and second respondents are ordered to pay, jointly and severally, the costs of this application, including the costs of the postponement on 18 July 2003.’

On 28 August 2003, ie after the hearing of the urgent application but during the period when the parties to that application were still awaiting the decision of the court a quo, Webber Wentzel Bowens addressed a letter to the South African Police Service and copied it to the presiding judge in the court a quo. On 18 September 2003 Adams and Adams came into possession of a copy of the letter of 28 August 2003, and then, for the first time, became aware of the urgent application.

An associate of Adams and Adams at the time, attended the High

Court and located the court file in the urgent application in the chambers of the presiding judge. The judge allowed the attorney to read through the file but refused her permission to make copies thereof and he intimated to her, according to her affidavit, 'that it would not be necessary' for BMW and Mercedes to intervene in the urgent application. I interpose to mention that this and another allegation concerning the conduct of the learned judge stand unopposed as the judge obviously has not had an opportunity to answer the correctness of the allegations.

It appears, however, that during his oral judgment on 26 September 2003 the judge stated that 'BMW and Daimler Chrysler had the temerity not to join in this application'. In his final written judgment the judge stated about BMW and Mercedes that '(n)either of them intervened in those proceedings to protect their respective intellectual property rights in the face of importation of the alleged counterfeit goods by the Applicant'.

Subsequent to the judgment being delivered by the court a quo in the urgent application, formal complaints were lodged by BMW and Mercedes against Sterling in respect of the goods in question. The goods were detained and removed to a counterfeit goods depot. Sterling, once more, launched an urgent application for the release of the goods without citing BMW and Mercedes as parties to the litigation. These facts, however, came to the knowledge of BMW and Mercedes and they brought an application for leave to intervene in the second urgent application. Bosielo J granted them leave to intervene and expressed his surprise at the fact that Sterling brought the second urgent application without citing BMW and Mercedes as parties to the litigation. That concludes the chronology of events leading up to the application.

I now turn to consider the relief claimed in the application. As indicated hereinbefore the relief is twofold, firstly leave is sought to intervene in the appeal and secondly, to introduce further evidence.

The right to intervene in proceedings is regulated by the provisions Rule 12 of the Rules of this court. The Rule provides:

'Any person entitled to join as a plaintiff or liable to be joined as a defendant in any action may, on notice to all parties, at any stage of the proceedings apply for leave to intervene as a plaintiff or a defendant. The court may upon hearing such application make such order, including any order as to costs, and give such directions as to further procedure in the action as it may seem meet.'

To intervene, an applicant for intervention must have 'a direct and substantial interest in the subject matter.' (See: *United Watch and Diamond Co (Pty) Ltd v Disa Hotels Ltd* 1972 (A) SA 409 (C) at 416B-C. *Middelburg Rugby Club v Suid-Oos Transvaalse Rugby Unie*

1978 (1) SA 484 (T) at 489D.)

Sterling's attitude on intervention is that there was no reason to join BMW and Mercedes as they at most only had an indirect financial interest in the outcome. They did not have a legal interest in the subject which could be prejudicially affected by a judgment as the application dealt exclusively with the question of whether there had been a lawful seizure, detention and removal of the goods imported by Sterling.

There is, in my view, no merit in this submission. There can be no seizure or detention of goods which are alleged to be counterfeit without such goods being, at least *prima facie*, counterfeit goods. As such the intellectual property rights of BMW and Mercedes strike at the very heart of the matter. It is noteworthy that in the founding affidavit Reddy, on behalf of Sterling, specifically states that the goods are 'not counterfeit goods'. Furthermore the intellectual property rights of BMW and Mercedes formed an important part of the judgment of the court *a quo*. The undertakings given by Webber Wentzel Bowens to Adams and Adams would clearly have clothed BMW and Mercedes with the required legal interest. In terms of the provisions of section 10(1)(a) of the CGA goods that are counterfeit goods can be delivered up to the proprietors of the intellectual property, irrespective of the outcome of the legal proceedings. Equally telling, on this issue, is the criticism, albeit unwarranted, of BMW and Mercedes in not joining or intervening in the urgent application and the fact that Bosielo J in the abovementioned subsequent application clearly recognised the legal interest that BMW and Mercedes had in the litigation.

For these reasons I am satisfied that BMW and Mercedes had a direct and substantial interest in the subject matter.

In terms of section 22(a) of the Supreme Court Act (no 59 of 1959) an Appeal Court is permitted to receive further evidence. The ambit of the section is wide and not subject to any limitations. (See: *S v Swanepoel* 1983 (1) SA 434 (A) AT 439 A-C; *Staatspresident v Lefuo* 1990 (2) SA 679 (A) at 691 C.)

The principles to be applied before receiving evidence on appeal would seem to be that there should be a reasonably sufficient explanation, based on allegations which may be true, why the new evidence sought to be led was not led initially; there should be a *prima facie* likelihood of the truth of the evidence; and the evidence should be materially relevant to the outcome of the trial. (See: *S v de Jager* 1965 (2) SA 612 (A) at 613C-D; *Road Accident Fund v Le Roux* 2002 (1) SA 751 (W) at 753H-J). In the present matter BMW and Mercedes were not parties to the urgent application and were, accordingly, not in a position to place any evidence before the court *a quo*. That, in my view, would not prevent them, once having been granted leave to intervene, to

introduce further evidence before this court. In this regard I also keep in mind, that none of the facts which is sought to be introduced is disputed.

In the urgent application Sterling merely informed the court that the goods were seized and detained by Bharath on 28 May 2003; that Bharath transmitted a facsimile to SAM informing them of such seizure and detention and advising that the goods would be released when samples had been extracted had been analysed; that despite repeated requests by Sterling and SAM, Bharath failed to provide written reasons seizure and detention and that thus they at all times remained in the dark regarding the reasons; that, despite its alleged lack of knowledge as to the reasons for the seizure, Bharath was acting unlawfully for failure to comply with the provisions of the CGA and not the CEA; and that the goods were not counterfeit.

It is significant, however, that Sterling failed to inform the court that a representative of Sterling a person from SAM, was on both occasions present when the container was opened and was fully aware of the nature of the proceedings.

In my opinion, in view of these circumstances, the evidence sought to be introduced is materially relevant to the outcome of the appeal. I am consequently satisfied that BMW and Mercedes are entitled to the relief sought in prayers 1-4 of the application.

I now turn to consider the merits of the appeal.

The crux of BMW and Mercedes' basis for their appeal is the failure of the court a quo to appreciate and draw the crucial distinction between 'detention' and 'seizure and detention'. It was their case throughout that the goods contained in the container were not seized but were only being detained. This distinction is, in my opinion, of great significance in that it vitally affects many of the other grounds of appeal.

Mr Salmon, on behalf of Sterling, however argued that the true crux of the matter is the failure of all the appellants to have appreciated the import and impact of the Constitution of the Republic of South Africa Act (no 106 of 1996), upon SARS' actions, including the purported enforcement of the provisions of the CGA. It is significant, however, that Mr Salmon in his argument before us and in his heads of argument did not deal with what the appellants alleged to be the crux of their case.

What Mr Salmon did argue was that the appellants overlooked the provisions of sections 39, 25 and 36 of the Constitution. The starting point, so the argument went, was the interpretation of the Bill of Rights as provided for in section 39 of the Constitution. Relying on the provisions of section 25 of the Constitution it was further argued that the appellants' primary contention in the appeal—that the goods were detained whilst they were deciding what to do—brings the deprivation

of Sterling's property fairly and squarely within the concept of arbitrariness. If a deprivation was without good reason, follows unfair procedures or was irrational it is 'arbitrary' and therefore unlawful.

But, so the argument concluded, if it is found that the seizure and or detention was not arbitrary, still in terms of law of general application, in casu more particularly the CGA, the seizure and or detention must be consonant with the entrenched right and such statute must be read in the light of the provision of section 36 of the Constitution. Thus the limitation on the right not to be deprived of his property must be '(r)easonable and justifiable in an open and democratic society based on human dignity, equality and freedom, taking into account all relevant facts, including a) the nature of the rights; b) the importance of the purpose of the limitations; c) the nature and extent of the limitation; d) the relation between the limitation and its purpose; and e) less restrictive means to achieve the purpose.'

In the present matter, Mr Salmon submitted. it is clear from the facts that no consideration was given at all to the entrenched right and no facts were at the disposal of appellants that could have allowed such consideration. Consequently, the conduct was without good reason, was irrational and therefore arbitrary and was also in conflict with the correct constitutional application of the general law.

Considerable reliance was placed on two Constitutional Court judgments, the first being the judgment in the case of *Janse van Rensburg N.O. v Minister of Trade and Industry N.O.* 2001 (1) SA 29 (CC), and the second, the unreported, as at present, decision in *Laugh It Off Promotions CC v South African Breweries International (Finance) B.V.*, case no CCT42/04 dated 27 May 2005.

At the outset, I must say that the factual background in these two matters, in fact all the cases referred to by Mr Salmon, are so different from the facts in the present matter that a clear distinction should be drawn on the facts. I do not intend analysing all the differences—the facts speak for themselves—but if the ten features set out in the *Janse van Rensburg* case are taken into consideration it clearly appears that completely different circumstances are applicable in the present matter. To my mind the main distinguishing feature in the present case is that Sterling was the author of its own wrong. Furthermore, I am not persuaded that the conduct of Ogle and or Bharath was arbitrary and in conflict with constitutional application of the general law. I will hereinafter more fully consider and weigh up the conduct of the parties.

I should indicate that Mr Salmon during his argument requested an order of constitutional invalidity of section 113A(1) of the CEA. Apart from the fact that there is no merit in the request, this issue was never raised in the papers and the responsible Minister has not been joined as

an interested party.

It was also argued that because Bharath exercised his powers in terms of the provisions of the CGA and not the CEA, while he did not comply with the procedures prescribed by the CGA, his actions were without good reason, followed unfair procedure, were irrational and arbitrary and therefore unlawful. As I will indicate hereinafter Bharath stated that the detention was executed according to certain provisions of the CEA. He went on to declare:

‘26. I refer to what has been stated above and submit that full legal argument will be presented in this regard at the hearing. I was at all times acting in terms of section 88(1)(a), section 106, section 197 and section 113A(1) of the Customs & Excise Act, as well as section 4(1) of the Act.’

In his replying affidavit in the urgent application Reddy does not challenge, the correctness of Bharath’s statement but merely indicates ‘it is remarkable that he did not say so when pressed for the reason for detention or seizure of the applicant’s goods. I deny he was entitled to use the provisions of the Customs and Excise Act as a means of delivering to Adams and Adams the remedies of the counterfeit goods Act without compliance with its terms. I am advised that, in as much as Mr Bharath purports to act in terms of section 4(1) of the Act he is acting unlawfully ...’

Mr Bharath, in my view, acted in terms of the provisions of the CEA and detained the goods to ascertain whether such goods were counterfeit goods as contemplated in the CGA as provided for in section 113A(1) of CEA.

In a further attempt to overcome his, in my view insurmountable, difficulties Mr Salmon argued that the detention of the goods was unlawful for a want of compliance with the provisions of section 113A(3)(a) of the CEA. It was submitted that the goods of Sterling were detained while the commissioner was not indemnified against claims as provided for in section 113A(2)(a). The fallacy of Mr Salmon’s whole argument is clearly demonstrated in this submission. This sub-section also illustrates the necessity to distinguish between the separate procedures of detention and seizure. The words ‘seize or detain’ in this sub-section must refer to the procedure of seizure after the first step of detention has been completed. If this sub-section was intended to provide that indemnity should be provided before the original detention could be carried out it would render the whole procedure ineffective. Who would be responsible for providing the indemnity and how would an officer ever be able to detain goods for purposes of establishing whether such goods are counterfeit goods?

Mr Bharath, the deponent to the opposing affidavit filed in the urgent

application stated:

‘The container was stopped by one M Ogle, an import assessment officer for Customs and Excise. This detention is sanctioned by the relevant provisions of the Customs and Excise Act, namely section 88(1)(a) and section 113A(1) read together with section 4(1) of the Act ..’

Section 88(1) of the CEA provides:

‘(a) An officer, magistrate or member of the police force may detain any ship, vehicle, plant, material or goods at any place for the purpose of establishing whether that ship, vehicle, plant, material or goods are liable to forfeiture under this Act.

...

(c) If such ship, vehicle, plant, material or goods are liable to forfeiture under this Act the Commissioner may seize that ship, vehicle, plant, material or goods.’

Section 113A(1) of the CEA reads:

‘An officer may

(a) detain any goods to ascertain whether such goods are Counterfeit goods as contemplated in the Counterfeit Goods Act, 1997 (Act no 37 of 1997).

(b) Notwithstanding anything to the contrary contained in the said Act, while acting as an inspector as defined in that Act -

(i) seize and detain any goods when requested to do so in accordance with the provisions of section 15 of the said Act whether or not such goods are under customs control;

(ii) seize and detain any goods in accordance with the provisions of the said Act where such officer has reasonable cause to believe that such goods are prima facie counterfeit goods as defined in that Act while such goods are under customs control; or

(iii) seize and detain any goods while such goods are in transit through the Republic or transit goods found in the area of control of any Controller where such officer has reasonable cause to believe that such goods are prima facie counterfeit goods as defined in the said Act.’

From these provisions of the CEA it is clear, my view, that provisions is made for a ‘detention’ of goods prior to actual ‘seizure’, for the purpose of determining or ascertaining whether the goods in question ought properly to be ‘seized’, whether by the customs authorities or another authority administering the legislation in question.

This distinction applies to customs officers whether for the purposes of the CEA or any other law.

Support for this view that detention and seizure are two distinct and separate procedures that fulfil two different purposes was confirmed by the Supreme Court of Appeal in the matter of *Henbase 3392 (Pty) Ltd v Commissioner, South African Revenue Service* 2002 (3) SA 26 (A), in upholding the judgment of the court of first instance in *Henbase 3392 (Pty) Ltd v Commissioner South African Revenue Service* 2002 (2) SA 180 (T). In the latter judgment at page 191 C-F it was held:

‘However, *Deacon*’s case is distinguishable from this particular matter. Not only do the facts differ, inter alia, because the applicant in *Deacon* was an “innocent” individual who purchased an already imported motor vehicle, but also because *Deacon*’s case dealt with seizure in terms of section 88(1)(c) of the Act, whereas the applicants in this particular case seem to rely on section 88(1)(a), as well as other provisions of the Act. In this matter it is therefore detention in terms of section 88(1)(a) which is relevant at least as far as the first respondent’s reliance on that clause is concerned. Detention and seizure or forfeiture, for example in terms of section 87 of the Act, are very different steps as far as the conduct of the respondent is concerned. Whereas it can easily be understood that for example the audi alteram partem principle may or has to be applicable to seizure and forfeiture, the same is not necessarily true regarding mere detention. In terms of sections 87 and 88, detention is the very first step which takes place in order to set in motion a process of establishing whether forfeiture should follow. To require a prior hearing before detention can take place would make little sense, also from a practical perspective. In many situations customs officials would be unable to do anything if they could not first detain certain goods without affording a prior hearing.’

At page 192A-D the learned judge continued as follows:

‘The Constitutional right to administrative action is, like all other rights, subject to limitation provided the limitation is by law of general application and is reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom (in terms of section 36 of the Constitution). To require a prior hearing with regard to detention—as opposed to, for example, forfeiture or even seizure in terms of this Act—would impose on customs officials a procedure so cumbersome that it would be wholly impractical and could render the clause that authorises detention meaningless.’

Even though the court was in that case dealing with detention and section 88(1) of the CEA to my mind the identical legal principles are applicable to ‘detention’ and ‘seizure and detention’ in respect of suspected counterfeit goods, such distinction having been clearly drawn by the legislature in the wording of section 113A(1)(a) and (b) of the

CEA respectively.

Consequently, in my view, a customs officer is entitled, in terms of the CEA to detain any goods as provided for in section 113A(1)(a) in order to ascertain whether they are counterfeit, as contemplated in the CGA. Only after this investigation is completed is the officer bound to either release the goods or seize them on the basis that the investigation has provided him or her with reasonable cause to believe that the goods are at least *prima facie* counterfeit as provided for in section 113A(1)(b).

Section 107(2)(a) of the CEA places a duty on the Commissioner and/or his employees, after goods have been detained, not to allow the goods to pass from customs' control until satisfied that the relevant provisions of CEA or any other law have been complied with.

In the present matter I am satisfied, on all the evidence, that Sterling's goods were not seized, but merely detained, and that this detention was lawful. This is particularly so since the detention had a dual purpose, namely general customs requirements and counterfeit checking. In my view, Ogle and Bharath had the necessary statutory authority to invoke both bases for the detention.

The detention on the ground of counterfeit checking was based on a suspicion that arose due to the facts that parts purporting to be for vehicles such as BMW's and Mercedes' were arriving from the east. It seems to me this ground is not unreasonable. Furthermore Bharath was empowered, in terms of the provisions of section 113A(1)(a) to detain any goods in order to ascertain whether they were counterfeit or not.

Neither investigation was however completed as the container remained unopened until such time as it could be unpacked. Bharath could not be blamed for the fact that the container remained unopened and unpacked as it was not due to his fault. It was due to the fact that Sterling's agent initially requested that the container was to be stored at Green Africa Container Depot, that it was impossible to open and unpack the container at this depot and that Sterling failed to remove or agree to the removal of the container to a suitable depot, despite being requested to do so. Despite this failure Bharath did not act in a high-handed fashion by moving or opening the container without Sterling's consent or co-operation.

Bharath is also, in my view, not guilty of allowing an unreasonable amount of time to pass between the detention and the request and/or the launching of the urgent application. Bharath went so far as to enquire about the progress of the confirmatory affidavits from Pitt and informed SAN in writing that they would be advised as soon as the affidavits arrived.

In view of the fact that the investigation had not been completed,

Bharath did not have any lawful grounds to release or seize the container. He was only in a position to seize the two samples extracted, but in my view it was not unlawful for him not to deal with the container in such a piece-meal fashion.

It is also important to keep in mind that Bharath had ensured, on both occasions that the container was opened, that Sterling's representative (SAM) was present and that he was aware of the reasons for the action taken.

I could find no evidence, and Mr Salmon did not refer me to any, that Bharath acted mala fide in relation to Sterling and the detention is also not unlawful for failure to provide a hearing to Sterling prior to the detention.

Sterling's agents were at all are of the reason for the detention. It is significant that the court a quo, despite having found the goods to have been initially lawfully detained by Ogle, does not identify the event or the point in time that signified the metamorphosis that changed the lawful detention by Ogle to an unlawful seizure of the goods by Bharath. I am satisfied and convinced that the court a quo erred in finding that Bharath had seized and detained the goods and that his conduct in doing so was unlawful.

The court a quo found that there is no or insufficient proof that Bharath is indeed an inspector as contemplated in the provisions of the CGA. This finding is, with respect, clearly wrong in view of the provisions of paragraph b of the definition of 'inspector' in that Act, which defined a customs official as an inspector in addition to inspector appointed or designated in terms of section 22, by the use of the words 'as well as'. Consequently Bharath's actions were not unlawful for his failure to provide proof that he was an inspector. The court a quo also found that Bharath was not an inspector as contemplated in the CGA due to there being no proof that an application by the trade mark proprietor had been made and granted, or a complaint laid entitling him to act in terms of section 15(4) of the CGA and that his actions thus were unlawful. In my view the court a quo erred in coming to this conclusion. Sections 15(1)-(4) of the CGA clearly contemplates the situation where an owner of an intellectual property right makes an application to the court which, if granted, entitles customs authorities to seize and detain counterfeit and suspected counterfeit goods. The distinction between the procedures of detaining and seize and detain, to which I have already referred to hereinbefore, is significant in this regard. Bharath never contended that he had exercised his powers in terms of the of subsection 15(4) of the CGA and had thus seized and detained the goods. The wording of section 113A(1)(a) clearly contemplates that an officer may detain goods in order to enable him to ascertain whether the goods are

counterfeit before an application has been made and granted in terms of section 15 of the CGA. A comparison of the provisions of sections 113(8) and 113A(1)(a) clearly contemplates that an officer may detain goods in order to enable him to ascertain whether the goods are counterfeit before an application has been made and granted in terms of section 15 of the CGA. A comparison of the provisions of sections 113(8) and 113A(1)(a) of the CGA indicates that no similar requirement of a 'request' as appears in section 113(8) is needed for a detention for the purpose of ascertaining whether goods are counterfeit as provided for in section 113A(1)(a). Consequently, in my view, it is only for the purpose of seizing and detaining that a request in terms of section 15 of the CGA is necessary.

The court a quo also found that there can be no counterfeiting in terms of the CGA due to the fact that there is no underlying intellectual property right and moreover the onus of proving same rested on appellant and such onus was not discharged. The definition of 'intellectual property right' in the CGA provides '(a) means the rights in respect of a trade mark conferred by the Trade Marks Act, 1993 (Act no 194 of 1993) *and includes rights in respect of a trade mark contemplated in section 35 of that Act*' (my emphasis). In my view, clearly this will include more especially, well-known marks such as BMW and Mercedes Benz. Apart from this construction of the definition Bharath's uncontested statement was that on 18 July 2003 he received affidavits from Adams and Adams, confirming the subsistence of the intellectual property rights of their clients. I am consequently of the view that the court a quo erred in finding that there can be no counterfeiting in terms of the CGA. It is in any way, precipitous and premature for the court a quo to make such a finding as the question whether the goods are counterfeit or not is the subject-matter of litigation between the intellectual property right owner and the importer and not for the court a quo to decide.

Similarly, it is not the role of customs authorities to make a finding on whether the goods are counterfeit or not, the only question being whether it was reasonable for Bharath to rely on the confirmatory affidavits to detain the container pending further investigation. It appears that the affidavits in question were deposed to by persons in the employ of the relevant intellectual property right owners, who state their positions in the companies, their knowledge and experience and the grounds on which they base their respective opinions that the goods are counterfeit. On this information it was, in my view, not unreasonable for Bharath to base his suspicion on these grounds and his conduct constitutes 'reasonable cause' as required by the provisions of section 113A(1)(b) of the CEA. To the extent that the court a quo required from

Bharath to go further and undertake an enquiry into the complicated field of intellectual property law and the authorities in relation to the 'range of statutory and common law defences', it clearly, with respect, was wrong. No such duty is placed on a customs inspector in terms of the CGA, nor to customs officers in particular as the framework of the CGA is based on the premise that the true debate as to whether goods are counterfeit or not must be determined by a court of law at a later stage.

Finally, in considering the court a quo's judgment in coming to the conclusion that Bharath acted unlawfully, it was found that the affidavits of both Richardson and Joy are substantially hearsay and 'that Bharath in opposing the application on behalf of the respondents, relies on pure hearsay.' The learned judge makes no mention of the fact, and it seems he did not consider the provisions of section 3 of the Law of Evidence Amendment Act (no 45 of 1988). Having regard to all the factors enumerated in section 3(1)(c) of the said Act I am satisfied that the affidavits are admissible, especially in view of the fact that the application was heard by the court a quo on an urgent basis after another court had already almost three weeks before, decided the matter not to be urgent.

For all the reasons set out hereinbefore I come to the conclusion that the court a quo was wrong in holding that Bharath acted unlawful and in granting Sterling the relief it did.

I make the following order:

- 1.1 The first and second applicants in intervention are granted leave to intervene in the appeal as third and fourth appellants, respectively.
- 1.2 First and second applicants in intervention are granted leave to introduce further evidence in the appeal as set out in and annexed to the accompanying affidavits of Jurgen Philipp Fegbeutel, David John Richardson, Ilse Lock and Christopher Karl Job.
- 1.3 The first respondent in intervention to pay the costs of the application, such costs to include the costs consequent upon the employment of two counsel.
- 2.1 The appeal is upheld.
- 2.2 The order of the court a quo is set aside and substituted with an order dismissing the application with costs.
- 2.3 The respondent to pay the costs, such costs to include the costs on the employment of two counsel.

KING v SOUTH AFRICAN WEATHER SERVICES

RD CLAASSEN J
TRANSVAAL PROVINCIAL DIVISION
2 MARCH 2007

Copyright vests in an employer in respect of a copyright work made in the course of the employee's employment if the copyright work is created in order to assist the operations of the employer and even if it is created outside of working hours and not under the direction and control of the employer.

King was employed by the South African Weather Services as a weather technician and subsequently as head of the Upington Weather Station. His duties consisted mainly in gathering weather data and transmitting this to the Weather Services head office. Weather Services was an organ of state.

As an employee, King's duties did not involve the writing of any computer programmes. However, he did write computer programmes to assist in the execution of the work done by Weather Services. He did this in his own time and using his own computer. The programmes were used in conjunction with others used by Weather Services and King made adjustments to them at the request of employees of Weather Services in order to render them more compatible to those already used. King received merit awards from Weather Services for his contribution of the computer programmes.

In 2002, King gave notice to Weather Services that he terminated any licence it might have had to use the programmes. He claimed that he held the copyright in the programmes and as such was entitled to terminate their use by Weather Services.

King brought an application for an interdict restraining Weather Services from infringing his copyright in the programmes.

Held—

King did not write the computer programmes under the 'direction and control' of Weather Services as referred to in section 5(2) of the Copyright Act (no 98 of 1978). The section provides that copyright is conferred on work eligible for copyright protection which is made under the direction or control of the state. The question however was whether or not he wrote the programmes in the course and scope of his employment with Weather Services: section 21(1)(d) of the provides that where a work is made in the course of the author's employment by another person under a contract of service that other person shall be the owner of any copyright subsisting in the work.

In writing and implementing the programmes, King had acted to assist himself in his employment. In making them available to colleagues and rendering them compatible with Weather Services' programmes, he acted to the benefit of his employer. In so doing, King was engaged in the business of his employer and assisting in the conduct of its operations. Even though he was not employed as a programmer, his programming was incidental to the work he did and his programming was directed at the more efficient operation of his work.

It was therefore clear that when King wrote the computer programmes, he acted within the course of his employment with Weather Services. He was therefore not entitled to an interdict against Weather Services.

The application was dismissed.

RD Claassen J:

1. This is a trial action where issues of merits and quantum were separated by agreement and consequently by an order of court. Only the merits are in issue today and the matter was set down for about three weeks, but was finished in about two weeks.

2. On 15 May, the plaintiff issued summons claiming the following relief (in respect of the merits only) against the defendant and I quote the relevant paragraphs from the particulars of claim, page 29 paragraph 1:

- ‘1. An interdict restraining the defendant from infringing the copyrights consisting in the computer programmes by reproducing and or making an adaptation thereof and or letting or offering or exposing for hire by way of trade, directly or indirectly copies thereof or of the written weather computer programmes.
 2. An interdict restraining the defendant from causing and or aiding and or abetting third parties from infringing the copyright in the computer programmes by reproducing and or making an adaptation thereof and or letting or offering or exposing for hire by way of trade directly or indirectly copies thereof or of the rewritten weather computer programmes.
 3. An interdict restraining the defendant from rewriting adapting or reproducing either itself or through a contractor or an appointed agent and or causing third parties to do so of the computer programmes.
 4. Ordering the defendant to remove from its data base its computer systems and all computers in his possession or under his control, the computer programmes and the rewritten weather computer programmes.
 5. (Not relevant because it relates to quantum).
 6. Directing the defendant to pay the plaintiff’s costs.’
3. Plaintiff’s cause of action is that he is the author of the computer programmes in respect of which he claims protection; that he wrote/created them in his own time on his own computer and with his own know-how (except for approximately 5% of the so called upper air programmes which he sourced from existing programmes/source codes.) He further terminated any licence the defendant might have had to use same by letter dated 12 June 2002 with effect from 30 June 2002.
4. The plaintiff therefore comes in terms of the Copyright Act (no 98 of 1978) (the Act) for protection as claimed. In this respect it is common cause that he is:
1. A South African citizen
 2. That the works he wants protection for are source codes which are computer programmes and subject to copyright as defined in the

- Act.
3. That he was employed by the defendant at all relevant times.
 4. That he granted the defendant permission to use the programmes.
 5. That no restrictions on the use were explicitly stated.
 5. The defendant raised several defences to this claim.
 - 5.1 First and foremost is the claim that plaintiff wrote and developed these programmes within the course and scope of his employment with the defendant and therefore the defendant is the owner of the copyright therein alternatively under the direction and control of the defendant as an organ of state within the meaning of section 5(2) of the Act.
 - 5.2 It is denied that the programmes were (truly) original works and alleges that parts of the programme are copies of pre-existing works.
 - 5.3 As from December 2003 none of the plaintiff's programmes were in use at the defendant and therefore no infringement has occurred, if at all since that date.
 - 5.4 The plaintiff granted defendant an irrevocable licence to use such programmes (be it tacitly, explicitly or by implication).
 - 5.5 The notice of termination did not give defendant a reasonable time, therefore the cancellation/termination was invalid.
 6. During the trial the plaintiff and a Mr L Botha gave evidence on behalf of plaintiff and four people gave evidence on behalf of the defendant, all present or former employees of the defendant and at times colleagues of the plaintiff in the defendant's employ. It must be stated that in argument neither counsel made any critical comments regarding the credibility of any witness and I think correctly so. Mr King (the plaintiff) and Mr Schulze (on behalf of the defendant) were both evasive in their answers at times but in the final analysis nothing turns on that. It can be stated with a fair amount of certainty that most of the material facts were not greatly disputed so as to impinge on anyone's credibility.
 7. Both counsel argued their cases to the full extent and provided the court beforehand with comprehensive written arguments augmented by complete sets of copies of the authorities referred to by them. For that they are to be complimented and thanked for their efforts.
 8. As Mr Bester on behalf of the defendant submitted, the one key issue that could be decisive of the case, is the question of the plaintiff's capacity and standing vis-a-vis the defendant in creating these works, ie whether he did so within the course and scope of his employment with the defendant alternatively under the direction and control of the defendant. It will be expedient to deal with this issue firstly.
 9. In this respect many facts and circumstances are either common cause or not really in dispute. I will set out the main facts. (In some cases certain facts will be accepted as such in favour of one or other of the

parties.)

- 9.1 The plaintiff was at all relevant times an employee of the defendant under contract and the defendant was an organ of state.
- 9.2 The plaintiff was appointed firstly as a weather technician and later as head of the Upington Weather Station.
- 9.3 His main responsibilities were collecting and analysing weather data and transmitting them to the defendant's offices in Pretoria and elsewhere.
- 9.4 (I accept) that nowhere in any duty list or job description relating to him or his post, was systems development and/or programming any part thereof.
- 9.5 He did all the writing and development of the programmes (ie source codes and executable files) in his own time at his home and on his own computer, ie he is the author as defined in the Act. (To this extent I also accept that he only tested the programmes on the defendant's computer at his work during office hours).
- 9.6 He never received any specific instruction to write any such programme.
- 9.7 Apart from merit awards and department specific bonuses he was never paid any overtime or other remuneration for any such work.
- 9.8 His programmes were used extensively throughout the various offices and or weather stations of the defendant.
- 9.9 He adapted his programmes at various times to suit and to link to the other programmes in use by the defendant and he did so on request of employees of the defendant (be they higher or lower than himself in rank).
- 9.10 He served on various committees of the defendant dealing with programming and computer systems of the defendant albeit none of those activities was necessarily prescribed or compulsory.
- 9.11 The defendant could not terminate the plaintiff's employment were he to refuse to further write and or develop or adapt or change any of the programmes.
- 9.12 He received his merit awards mainly due to his work with computers and computer systems coupled with his ever willing attitude to help and to assist his colleagues in this regard (for example being willing to be called 24 hours per day for assistance).
- 9.13 In 1985 programming and system development was not a part of his job description (as testified to by Mr Schulze who was one of the directors of the defendant at various times and presently chief director of weather services in the Department of Environment and Tourism).
- 9.14 When the plaintiff applied for and got the post of head of the weather station at Upington in 1996, the job description was

- advertised officially in the press. (See bundle 3 page 1059.) It contained no reference to either systems development or programming.
- 9.15 For purposes of this part of the argument, I also accept that the plaintiff did not write the programmes under the ‘direction or control’ of the defendant. (Refer section 5(2) of the Act.)
- 9.16 The plaintiff obviously qualifies for copyright in terms of section 3 and 4 of the Act, ie requirements relating to nationality, domicile and country of origin.
- 9.17 The personnel administration standards (PAS) as it may have applied at any relevant time, was at all times applicable to the applicant’s employment contract.
- 9.18 By 1997 he had completed writing all his programmes and thereafter only made adaptations to suit the defendant’s systems but without changing the source codes.
10. On the other side of the coin there are however, certain other facts worth mentioning.
- 10.1 In almost all of his merit evaluations he is praised for his valuable contribution he has made to the defendant in respect of the development of its computer programmes and systems.
- 10.2 At various times he was asked to make certain adaptations to his programmes so as to make them compatible with defendant’s other programmes. In this sense it is accepted that such adaptations did not imply any material changes to the source codes but only the form of the output generated thereby.
- 10.3 He was at one stage instructed to discontinue importing any of his programmes into the systems of the defendant. (However due to peer demands he continued doing so after a short while.)
- 10.4 His knowledge, expertise and programmes were used and implemented by the defendant ‘on a decentralised basis’ (ie allowing him to do his computer work from Upington but such works being available to the whole system of the defendant).
11. Apart from the provisions of section 5(2) already referred to, the test for ownership of copyright in a master/servant or employer/employee situation is laid down in section 21(1)(d) of the Act which as far as relevant reads as follows:
- ‘(d) Where... a work (in casu computer programmes) is made in the course of the author’s employment by another person under a contract of service... that other person shall be the owner of any copyright subsisting in the work...’
12. In this respect counsel referred to numerous authorities here and abroad endeavouring to prove that the plaintiff’s situation falls in or out of that definition. As was pointed out by Mr Bester on behalf of the defendant, countries such as Great Britain and the USA, like South

Africa, are signatories to treaties like the Bern Convention and the Agreement on Trade Related Aspects of International Property Law (TRIPS). The purpose of these treaties is to standardise to a reasonable degree copyright statutes and interpretations in the signatory countries. Therefore authorities from those countries are not only of persuasive nature, but are regularly cited and followed in this country. I shall deal with some of the authorities referred to by or on behalf of the defendant which mainly emanate from the USA. However, I shall firstly deal with the South African cases. In this respect I have taken the liberty to quote extensively from the heads of argument of Mr Bester, because having studied the cases, his submissions and quotes give a proper picture of the relevant cases. The first case is *Ngubethole v The Administrator Cape* 1975 (3) SA 1 (A). Mr Bester quotes:

‘In the sphere of vicarious liability the concept of “course of employment” is used as a yardstick for delimiting the master’s liability for the wrongful (ie tortuous or delictual) act, of his servant which injures the third party. It is as Fleming, *Law of Torts*, 4th Edition 322 points out, “an expansive concept which provides ample scope for policy decisions and despite the vast volume of case law, has failed to acquire a high degree of precision”. It would seem that the particular formula “in course of his employment” or as it is sometimes expressed “in the scope of his employment”, which originated in the English law is not always the one used or favoured by our courts. Because of this flexibility or lack of precision in the concept of “course of employment” in the sphere of vicarious liability the courts in this country and also in the United States of America, England and other common law jurisdictions “where the same concept obtains” have devised various tests for determining whether a particular act or course of conduct on the part of a servant falls within or without the course of his employment, that the negligent conduct had occurred while the servant was exercising the functions to which he had been appointed by his master and that the master was vicariously liable. In discussing generally the meaning of the “scope of employment” in relation to instructions given by the master Watermeyer CJ, stated at page 736:

“One is apt when using the expression ‘scope of employment’ in relation to the work of a servant to picture to oneself a particular task or undertaking a piece of work assigned to a servant which is limited in scope by the express instructions of the master and to think that all acts done by the servant outside of or contrary to his master’s instructions are outside the scope of his employment; that such a conception of the meaning of ‘scope of employment’ is too narrow. Instructions vary in character, some may define the work to be done by the servant and others may prescribe the

manner in which it is to be accomplished; some may indicate the end to be attained and others the means by which it is to be attained. Provided the servant is doing his master's work or pursuing his master's ends, he is acting within the scope of his employment even if he disobeys his master's instructions as to the manner of doing the work or as to the means by which the end is to be attained.”

The next case is *Minister of Safety and Security v Luiters* 2006 (4) SA 160 (A), Mr Bester comments that in that case:

‘in order to determine whether an employee had acted in the course of his employment, the court had regard amongst others to the question as to whether there was “a sufficiently close link between employees acts and the employer’s purposes and business”.’

Next is the *Minister of Law and Order v Ngobo* 1992 (4) SA 822 (A) at 827B where the following analysis was used:

‘A critical consideration is therefore whether the wrongdoer was engaged in the affairs of the business of his employer.’

The last one is the case of *Morwear Industries (Rhodesia) (Private Limited) v William Mifchie Irvine* 1960 BP 202 (RPT) 206 GE. The following quote from another case is accepted:

‘In that case the employee was a draftsman. In the present case the respondent seeks to escape the operation of the general rule by taking up the attitude that he was not actually a draftsman but was merely in general control of the drawing department and therefore not being directly responsible for design. He was free to retain any inventions he might make even though connected with his employer’s business. In my view, this contention is entirely fallacious. It could not be doubted that if the respondent found a way of speeding up or improving the method of production in the workshop in applicant’s business, it would be his duty to put that into effect for the applicant by virtue of the position that he held.’

14. In this sense it is clear from these cases, that in the delictual sense of the test

14.1 a fairly flexible approach is adopted

14.2 much will depend on the facts of each case

14.3 in general, where the employee’s actions generally are in line with the employer’s business, enhances it and or facilitates either the employee’s own functioning as an employee or the functions of the employer, it would fall within the course of his employment.

15. The USA cases.

I take again the liberty of quoting from Mr Bester’s heads of argument for purposes of referring to these two specific cases. He has provided me with copies of the judgements, which I have perused and have no hesitation in quoting these from his heads of argument because I am

again satisfied he gives a proper overview of the facts and the findings therein. The first case he refers to is *Gintzmer v Public Health Trust of Miami Dade County* D/8/A the Jackson Memorial Hospital 219F SUPP 2nd Edition 1275 (SD Florida 202002). I quote from paragraph 92.2 of his heads and further:

‘92.2 In this case Gintzmer, the plaintiff and a full time doctor in the defendant’s pulmonary and critical care department, sued the defendant for a determination of the ownership of copyright in a software programme written by him to computerise the defendant’s consultation reports. Gintzmer’s job description did not include or make any reference to computers and computer programming nor was computer programming a requirement for his job. Gintzmer created a programme at home in his own time using the home computer. He then set about making changes to the programme based on tests conducted by him at the defendant hospital using the defendant’s computers.

92.3 The issue to be decided by the court was a determination of who owns the copyright in the programme created by Gintzmer. The parties were in agreement that the standard that governed the inquiry was that:

92.3.1 the author of the programme must be an employee;

92.3.2 the programme must have been prepared in the course of his employment;

92.4 The court found that the programme was created within in the course of Gintzmer’s employment for the following reasons.

92.4.1 Although Gintzmer was hired as a doctor and not as a computer programmer, it does not necessarily follow that the writing of a computer programme was not the type of work that he was employed to do. His job description required ‘skills and administer and direct a critical care unit’ and organising information (by means of a computer programme) into a manageable form would fall under this description.

92.4.2 Once Gintzmer had begun to develop the programme he had informed his supervisor about his activities and he was given praise and guidance for the job.

92.4.3 Gintzmer’s organisation of the hospital information into a computer programme was incidental to his duties of organising and directing the pulmonary care department which were tasks for which he was hired.

92.4.4 Despite the fact that Gintzmer had written the programme at home, he had tested it by conducting a beta phase test at the hospital and had made alterations

there.

- 92.4.5 Despite the fact that Gintzmer had testified that he had created the programmes *sua sponte* and for his own purposes, the programme was written to improve his own and the hospital's job efficiency and was therefore attributably motivated to serve his employer.'

The second case he refers to is *Miller v C.P. Chemicals Incorporated* 808F SUPP 1238 (DSC1993). Again I quote from the heads of argument.

- '92.6 In this case Miller, the plaintiff and the laboratory supervisor with overall responsibility of the quality control laboratory, became concerned about the efficiency of performing manual calculations in the laboratory for in-process adjustments to one of the defendant's commercial products. Miller then wrote a computer programme that computed complex mathematical calculations. The programme simplified his duties and reduced the chance of errors in the calculations. Miller performed most of the work on the programme at home and in his own time.

- 92.7 The court found that he was faced with two key issues namely:

- 92.7.1 Whether the programmes were created by Miller within the course of his employment and
- 92.7.2 Whether there is sufficient writing rebutting the presumption that the employer retains the copyright in work for hire.

The court then found that the programme was created within the course and scope of his employment for the following reasons:

- 92.8.1 Although Miller was not hired for the development of computer programmes he was responsible for the organising and updating of the laboratory. "Thus the development of the computer programmes was at least incidental to his job responsibilities, because it was with the ultimate objective of the principal and an act which is not unlikely that such a servant might do."
- 92.8.2 There was no question that the development of the programme was actuated at least in part, by a purpose to serve the master.
- 92.8.3 The programme was written to simplify Miller's job and to eliminate errors, which was for the benefit of both Miller and the defendant.
- 92.8.4 Each programme written dealt specifically with a product manufactured by the defendant and the ultimate purpose was to maximise efficiency.
- 92.8.5 Although Miller was not assisted by other employees in the development of the programmes and although he did not receive any type of additional compensation for that

work, the driving force was to make the laboratory more efficient and the development of the programmes was therefore clearly incidental to other work performed by Miller.’

16. In contrast to this Mr Michau on behalf of the plaintiff relied heavily on, as he had to, on two main aspects.

- 1 One was the Personnel Administration Standards PAS (applicable to all civil servants).
- 2 The judgment in *Administrator Transvaal v Zenzile* 1991 SA 21 (A).

PAS.

The purpose of PAS is given as follows in chapter K(ii) Personnel Structuring and Remuneration Measures Part One and contained in Annexure B which reads as follows:

‘1. Purpose of personnel administration standard:

Occupationally differentiated dispensations effect no only the remuneration but all elements of service dispensation for a certain occupational class, personnel class or umbrella post class from recruitment selection and appointment to retirement and these are brought together in a personnel administration standard PAS, for each class. The main purpose of a PAS, is to facilitate personnel administration in departments since it contains an item (detailed if it is specific to that class or simply a reference to the measures elsewhere if it applies in general) on every element of the service dispensation and personnel practice effecting that class.’

In spite of Mr Bester’s thoroughly researched arguments to the contrary, I accept for purposes hereof that nowhere in PAS is there any reference to programming or systems development as being part of any job description held by the plaintiff prior to 1997 (at which time, as I said, he had completed writing all the programmes he lays claim to).

17. The *Zenzile* case.

This case dealt with a claim by an employee of the appellant as a result of alleged wrongful dismissal by appellant. The point at issue was whether the audi alterem partem rule was applicable in such a case, where the parties’ contractual rights and obligations were (at least in part) governed by statute and or injected into the contract by statutory provisions. The court found that the civil service code (in this case read PAS) enjoyed paramountcy and the parties cannot contract out of the statutory provisions imparted by such code (at page 34.) In that case the court therefore found that the audi alterem partem rule applied.

18. On the basis of that reasoning by Hoexter JA, Mr Michau submitted that PAS is paramount and no term of contract outside that has any relevance to the situation of the plaintiff vis-a-vis the defendant.

19. Various comments can be raised regarding that submission.

- 19.1 It is clear that *Zenzile* dealt purely with labour law. Furthermore it dealt with a provision in the contract (a right of dismissal) that was 'punitive and disciplinary' in nature. (At page 35). Because of those characteristics the power so granted could and must have been interpreted narrowly rather than expansively. Therefore the court was (with all due respect to that court) in my humble view almost compelled to adhere to the strict terms of the code.
- 19.2 The present case is clearly distinguishable from the *Zenzile* case. Firstly it is not a labour related issue. There is no element of punishment or discipline at stake here. The present case has to do with an objective test as to whether certain employment conditions (in the broad sense) render acts of the plaintiff 'within the course of his employment.'
- 19.3 For those reasons I cannot ascribe the meaning and import of the *Zenzile* case to the present case as submitted by Mr Michau.
20. At this juncture, I might add that looking at the various cases referred to, it seems to me that a distinction might well be drawn between cases dealing with copyright and cases dealing with delict. It would seem to me that in cases of copyright a rather wider than a narrower meaning can be or should be ascribed to the words 'course of employment', because it is not punitive or disciplinary in nature as being saddled with another's wrongful acts.
21. Coming back to the facts of this matter, all the facts set out in paragraph 9 above, clearly show that the plaintiff's acts:
- 21.1 in writing and implementing the programmes, were to assist himself in his own job (as prescribed by his contract).
- 21.2 in making them available to colleagues and
- 21.3 by making them available to and compatible with defendant's systems and requirements were to the benefit and aid of the defendant.
22. In doing so, the plaintiff:
- 22.1 was 'pursuing his master's ends (*Ngubethula supra*)
- 22.2 was 'engaged in the affairs or business of his employer' (*Ngobo supra*).
- 22.3 was 'speeding up or improvising the method of production' of defendant's affairs (*Morwear supra*).
- 22.4 although not necessarily employed as a computer programmer it does not follow that writing such programmes is not the type of work he was employed to perform. (*Gintzmer supra* at 1281).
- 22.5 his programming was 'incidental to his authorised acts' of providing the information so generated by his programmes. (*Gintzmer* at 1281).
- 22.6 'created the work to simplify his job and eliminate errors'. (*Gintzmer* page 1283). And in the same vein, saved an enormous

amount of time and energy for all concerned.

22.7 cannot be heard to say that he was not ‘motivated at least in part to assist’ the defendant. (*Gintzmer* page 1283 and *Miller* page 1243).

22.8 He developed the programmes which were ‘at least incidental to his job responsibilities because he was within the ultimate objective of the principal and an act which is not unlikely that such a servant might do.’ (*Miller* page 1243).

23. From the reasoning set out above, it must become clear that there can be no doubt but plaintiff acted ‘within the course of his employment with the defendant’.

24. In coming to this conclusion, I have not dealt with Mr Bester’s argument that on a proper interpretation of the words ‘course’ of employment, has a wider meaning than ‘scope’ of employment. Although a factor, it seems to me that throughout the case history on these issues, those two terms have been used interchangeably and synonymously.

25. Having come to the conclusion I have, it is clear that all the other disputes and issues fall away, and I do not deem it necessary to deal with them. However, it might be prudent to air my views on one other issue.

26. Licence in respect of copyright.

Section 22(4) of the Act reads as follows:

‘A non-exclusive licence to do an act which is subject to copyright, may be written or oral or may be inferred from conduct and may be revoked at any time—provided that such a licence granted by contract shall not be revoked either by the person who granted the licence or his successor in title except as the contract may provide or by a further contract.’

This section was raised in argument on the question of whether the plaintiff did and was entitled to cancel any licence he might have given to the defendant. It became clear during argument that the meaning of the word ‘contract’ as used in that section is very ambiguous to say the least. Any licence given whether oral, in writing or by conduct, constitutes in general terms ‘a contract’. What is meant by ‘contract’ in this section is not at all clear, ie whether it refers to a written or some formal type of contract, (for example in terms of statutory provisions like PAS and the civil service code), or any other type of agreement. For what it is worth, the only sensible reading of it to my mind, is that it would seem to refer to a formal type of agreement specifically dealing with copyrights and a revocation thereof or at least the basic principles of the termination of a contract. However, it is clearly something that urgently requires the attention of the legislature. 27. Having said what I have in the preceding paragraph, it would seem clear to me that the plaintiff was entitled to revoke any licence he might have given to the

defendant—which to my mind he obviously did albeit not necessarily for commercial use.

28. Costs.

In this case the defendant asked for a special order as to costs regarding the documents compiled and prepared for use during the trial. In terms of the pre-trial minutes, the defendant was to prepare a bundle of documents which would then be amplified by the plaintiff, all being discovered by one or other of the parties. The defendant compiled some 560 odd pages, which were largely contained in an arch lever filed, styled bundle (I). Thereafter and shortly before the trial, the plaintiff made an additional discovery and augmented the defendant's bundle with three more arch lever files, constituting an additional more than 1000 pages. Of these documents, bundle I was extensively used and only a handful of the other documents were referred to in court. On that basis Mr Bester asks that the costs incurred by the copying and preparing of all those documents for the hearing should be paid by the applicant.

29. I tend to agree with Mr Bester's submissions. It was not necessary to flood the court with every available and obtainable document. Parties and more specifically their attorneys and advocates, must advise their clients as to what is really relevant and what is not. There is no problem in discovering all available material, but putting them into a bundle to be prepared for use in court, obviously necessitates making sufficient copies for all the parties as well as the court and the witnesses. Flooding the bundles with more than 1000 pages of unused documents does not seem to me to be proper case management. I would therefore make an appropriate order in that regard.

Finally I make the following order:

1. Plaintiff's claim is dismissed with costs.
2. The costs to the defendant for copying bundles three and four as handed in to court, are to be paid by the plaintiff on an attorney and client scale.

CADAC (PTY) LIMITED v WEBER STEPHEN PRODUCTS COMPANY

SCHWARTZMAN J
WITWATERSRAND LOCAL DIVISION
18 MARCH 2005

An applicant for warrant of search and seizure issued in terms of the Counterfeit Goods Act (no 37 of 1997) must make full disclosure of all facts relevant to the issue of the warrant. The responsibility for the issue of a warrant in terms of that Act lies with the applicant.

For a period of about eighteen months, Cadac (Pty) Ltd marketed and manufactured two kettle grills known as the 'Charcoal Champ' and the 'Charcoal Mate'. In November 2004, it began manufacturing and marketing a kettle grill of a different size, the 57cm 'Charcoal Pro'. The Weber Stephens Products Company contended that this kettle grill infringed its trade mark in a comparable kettle grill, the 57cm Weber Kettle Grill, and that the sale of the Charcoal Pro would result in customer deception and confusion. In November 2004, it demanded that Cadac stop selling the Charcoal Pro. It based its demand on its trade mark in the shape of its kettle grill, and then stated that it would proceed in terms of the Counterfeit Goods Act (no 37 of 1997). Cadac requested that it be given an opportunity to respond to any application made in terms of that Act prior to the issue of any warrant in terms of it.

The kettle grills were spherical pots and lids standing on tripods and used for cooking. Each bore the name of their respective manufacturers.

Weber Stephens' attorney signed an affidavit setting out the grounds upon which it believed that Cadac was contravening the Act. It formulated the allegations into a complaint and secured a warrant to search and seize counterfeit goods found at Cadac's premises. The warrant was authorised by a magistrate and executed by a police officer appointed by the Act to deal with such complaints.

Cadac brought an application for an order setting aside the issue of the warrant and an order that the seized goods be returned, as well as a determination that the goods were not counterfeit and an inquiry into the damages it had suffered.

Held—

In terms of the Act, counterfeiting is defined as 'imitated in such a manner and to such a degree that those other products are substantially identical copies of the other'. The responsibility for seizing and detaining only counterfeit goods lies with the party making the complaint.

If in making an application for the seizure and detention of alleged counterfeit goods, an applicant fails to disclose material facts which might affect the decision to issue the warrant, then a court will set aside the issue of the warrant, unless there are reasons why it should not be. In the present case, Weber Stephens had failed to disclose material facts prior to obtaining the issue of the warrants. It had not referred to the Charcoal Champ and the Charcoal Mate which Cadac had marketed without objection for eighteen months. It had also not disclosed Cadac's defence to the complaint, as well as Cadac's request to be heard before a search warrant was issued. To have afforded it this opportunity would not have frustrated a genuine attempt to invoke the provisions of CGA.

The warrant was therefore incorrectly issued and in consequence, Cadac's goods were wrongfully seized and detained. The warrant had to be set aside and the goods returned to Cadac.

Schwartzman J:

1. The Trade Marks Act gives the owner of a registered trade mark, whose mark is being infringed, the right to approach a High Court for inter alia an interdict, delivery up of the offending material and damages. The Copyright Act, which gives similar protection to the owner of a copyright whose copyright is being infringed also criminalises the breach. One of the objects of the Counterfeit Goods Act (no 37 of 1997) (CGA) that was passed in response to an international effort to curb the importation of counterfeit goods, is to 'further protect' the owners of a trademark or copyright from the unlawful activities of manufacturers, distributors and dealers in counterfeit goods as defined, by giving inspectors appointed in terms of CGA and certain members of the South African Police Services the power to search for and seize counterfeit goods for detention, pending the finalisation of any civil or criminal proceedings that may follow. The seriousness with which the legislature viewed the offence appears from section 19(1) of CGA, which provides that a person convicted of manufacturing, possessing or dealing in counterfeit goods is, in the case of a first conviction and in respect of each article seized, liable to a fine of R5 000 per article, or imprisonment for a period not exceeding three years, or both such a fine and period of imprisonment. In passing, it should be noted that in these proceedings, 1534 articles were seized in the execution of a search warrant issued in terms of CGA.

2. This application has to do with inter alia the circumstances under which a court will

2.1 Order the return of goods seized pursuant to a warrant issued in terms of CGA at the instance of a complainant who is the owner of a registered trade mark.

2.2 Set aside a search warrant issued in terms of CGA.

3.1 The first respondent, an American company, is the registered owner of certain trade marks, relating to the shape and configuration of its barbeque kettle grills. It has made extensive use of its registered trade marks in South Africa through the second respondent, who is the sole South African distributor of what is known as the 'Weber Kettle Grill'.

3.2 About 18 months before this application was launched in December 2004, the applicant, a company that trades nationally under its brand name 'Cadac', manufactured and marketed two kettle grills having a similar shape and configuration to the Weber Kettle Grill. These Cadac kettle grills are known as the 'Charcoal Champ' and the 'Charcoal Mate' respectively. The first respondent has at all times known that these products were being manufactured and distributed nationally. It did nothing to stop the applicant. In November 2004 the applicant manufactured and distributed what it called the Cadac 'Charcoal Pro', a 57cm Kettle Grill.

3.3 On 17 November 2004 Mr CCH Van Rooyen, the first respondent's attorney, telefaxed a letter to the applicant in which a demand was made that the applicant immediately cease the manufacture, distribution and sale of the Charcoal Pro, that it withdraw the product from the market place, and that it cease advertising and promoting the sale of the product. The first respondent's grounds for its demands were that the Charcoal Pro infringed its registered trade mark, that it was virtually identical to a comparable 57cm Weber Kettle Grill, and that the sale of the product would result in consumer deception and confusion. It was also said that the manufacture, sale and promotion of the product amounted to unlawful competition and passing off. In the event that these demands were not complied with, the first respondent threatened to approach the High Court on an urgent basis for the appropriate relief. The letter contained no reference to CGA.

3.4 On 22 November 2004 the applicant's attorney responded to these demands. Reference was made to English authorities to the effect that a shape trade mark, which is co-extensive with itself is unenforceable. Based on these authorities, it was said that the first respondent's trade mark was invalid and vulnerable to rectification in terms of the Trade Marks Act. The writer went on to deny any passing off or any right to the shape and configuration of the 57cm Weber Kettle Grill. Attention was also drawn to a number of competing products having the same shape and configuration that have been consistently marketed in competition with the first respondent's Kettle Grill. In the circumstances, the applicant refused to comply with the first respondent's demands stating that it would seek a costs order against the first respondent should it proceed with the threatened urgent application.

3.5 The first respondent's response was to tell the applicant on 29 November 2004 that in addition to what it had previously said, the applicant was contravening CGA and that the first respondent intended laying a complaint with the police. In the first respondent's answering affidavit, signed on 7 January 2005, it is said that acting on legal advice, it was decided not to proceed with the urgent application based on trade mark infringement and passing off. '(This) was owing in large part to the fact of the impending court vacation'. It was however said that 'trade mark infringement and passing off proceedings will be launched against the applicant shortly'. I heard argument on 25 February 2005, by which date no such proceedings had been launched by the first respondent.

3.6 On 30 November 2004, the first respondent followed up this letter with a letter to most of the applicant's major customers telling them that the applicant's Charcoal Pro Kettle Grill infringed its trade mark. The customers were also told that proceedings were being brought against the applicant in terms of CGA. The letter went on to tell the applicant's

customers that they should immediately stop selling the Charcoal Pro Grill and return all unsold stock to the applicant, failing which the first respondent would lay a criminal charge against the customer for contravening CGA. The effect of this letter on the applicant's major customers was to halt their sale of the applicant's grill over what is known to be the busiest retail trading period.

3.7 The applicant's response to the first respondent's threat to resort to CGA came in a telefax dated 30 November 2004. The first respondent was told that the applicant had a valid defence to the alleged trade mark infringement and that the first respondent was well aware of the nature of the dispute. Any contravention of CGA was denied. The applicant then threatened an urgent application in the event that the first respondent did not withdraw its notice to the applicant's customers and its threat to go to court. In an attempt to protect itself against the consequences of a complaint in terms of CGA, the applicant sent copies of its letter 'to the appropriate authorities who are involved in claims under CGA to alert them to the dispute'. In this letter the addressees were asked to inform Cadac's attorneys of any complaint it may receive so that it could respond before any warrant was issued. The first respondent's complaint that resulted in the seizure of the applicant's products was not received by any of the persons to whom the applicant's attorney wrote its letter.

3.8 On 1 December 2004 the applicant's attorney wrote another letter to the first respondent's attorney in which it set out in considerable detail its grounds for saying that the first respondent's trade mark infringement claim was frivolous. Any contravention of CGA was once again denied. The letter ended by saying that '... in light of the declared dispute, we trust that you will serve a copy of the complaint on our offices simultaneously, together with information as to the relevant authority it is intended for, to allow us to copy (sic fill) them in on the letter and resist your client's complaint'.

3.9 In the first respondent's attorney's reply written on 2 December 2004, it joined issue with the applicant's attorney on the trade mark infringement, passing off and contravention of CGA. It did so in considerable detail. With particular reference to the CGA issue, it advised that 'we are under no obligation to furnish you with a copy of the complaint. We will however furnish you with a copy of the warrant and the complaint once the warrant has been issued'. That day the applicant sent a fax, the concluding paragraph of which reads: 'Our client is entitled to a copy of the complaint in terms of the Constitution and possibly, also the Access to Information Act. Consequently, unless we are notified, at the time of filing, of the complaint, either by way of a copy from yourselves or the authorities, the issue will be brought to the court's attention. Furthermore, we draw your attention to the fact

that you have already undertaken to provide a copy of the complaint or at least notification thereof, and cannot renege on this undertaking. We therefore await your co-operation in this regard'. In a response dated 3 December 2004, the first respondent's attorney said that 'we have undertaken to furnish you with a copy of the complaint once the warrant has been issued. This will possibly happen prior to the actual execution of the warrant'. The applicant's first knowledge of the content of the complaint and the warrant issued in terms of it did not come from the first respondent or its attorney. It learned of it when the complaint and warrant were handed to it at the commencement of the execution of the warrant.

3.10 On 6 December 2004, a professional assistant employed by the first respondent's attorney signed a 10 page 15 paragraph affidavit setting out the grounds on which the first respondent based its complaint that the applicant was contravening the CGA. CGA permits an attorney to depose to a complaint on behalf of a client. What follows is a summary of the affidavit:

3.10.1 After setting out details of the first respondent Trade Mark in the shape of the kettle grill complete with diagrams and a colour photograph, the deponent went on to say that the product had been marketed since 1970 and has been very successful in South Africa.

3.10.2 He then stated that it had come to the first respondent's attention that the applicant is manufacturing and selling a kettle grill that is a copy of the first respondent's product.

3.10.3 A copy of the letter of 17 November 2004 that was sent to the applicant and its attorney is then attached (see paragraph 3.3 hereof). Immediately thereafter it is said that 'It would appear that they (sic the applicant and its attorney) are not willing to adhere to these requests'. Reference is then made to the letter sent to the applicant's customers (see paragraph 3.5 hereof).

3.10.4 After expressing a number of opinions, including an opinion that the applicant is infringing the first respondent's copyright and that the applicant is contravening CGA, the deponent concludes in paragraph 10 that 'the sale and distribution of the counterfeit goods constitutes an act of dealing' in counterfeit goods as well as the fact that these acts constitute an offence in terms of the Counterfeit Goods Act'.

3.10.5 In paragraph 11 it is said that 'I submit that Cadac is very aware of the fact that the kettle grills that they are manufacturing and offering for sale in South Africa infringe on the registered trade marks of Weber Stephen. I also submit that they are aware that by manufacturing and offering for sale the Cadac product in South Africa they are contravening the provisions of the Counterfeit Goods Act, alternatively they should reasonably have known or suspect that by manufacturing or offering for sale these kettle grills they are contravening the provision

of the Counterfeit Goods Act’.

3.11 On 8 December 2004 the affidavit now in the form of a complaint was handed to Inspector Johannes Scheepers, a police officer appointed in terms of CGA to deal with such complaints. Relying on the truth of the affidavit, Scheepers in turn signed an affidavit in support of an application, in terms of CGA for a search warrant of the applicant’s premises. The applicant’s factory is in the Roodepoort magisterial area. Scheepers then went to the chambers of Magistrate Kader that are in the Roodepoort Magistrates Court. After considering the application that included the complaint, the Magistrate who appeared to be satisfied that an act of counterfeiting had taken place issued a search warrant that authorised the search of the applicant’s factory and the seizure of any offending goods.

3.12 On 10 December 2004 Scheepers, accompanied by the first respondent’s attorney and others went to the applicant’s premises. In the course of executing the warrant, a considerable number of glazed and unglazed lids and pots that make up the kettle of the grill were seized and taken away to a designated depot. An inventory listing the goods taken and the address at which they would be stored was handed to the applicant’s representative. A copy was given to the first respondent’s representative.

3.13 On 15 December 2004, the applicant brought this application in which it sought an order setting aside the magistrate’s search and seizure warrant (prayer 2). It also asked for an order for the return of the goods seized (prayer 4), a determination in terms of section 7(4)(a) of CGA that the goods seized were not counterfeit goods as defined (prayer 3) and an inquiry in terms of section 10(1)(c) of CGA to determine the damages it had suffered (prayer 5). The application was argued on 25 February 2005. Judgment was reserved.

4. Before turning to deal with the relevant sections of CGA, it is necessary to briefly describe the competing products. Both kettle grills are spherical in shape. Their principle components are a black pot and a black lid. As already stated, 1 534 pots and lids were seized in the course of executing the warrant. The first respondent’s trade mark is limited to the shape of the product. Both products stand on a tripod. Both have a container underneath the bowl to catch ash from holes in the bowl. Both lids have handles. Prominently emblazoned on each is the manufacturer’s name, ie ‘Weber’ and ‘Cadac’ respectively. Both names are branded product names in the South African market place. Although the two grills look alike, no literate member of the public looking at the two products could ever be confused as to what he was buying. The relevance of this observation is that in CGA the definition of ‘counterfeiting’ means either ‘imitated in such a manner and to such a degree that those other products are substantially identical copies of the

other’ or that the fraudulent imitation must be ‘... calculated to be confused with or be taken as being the protected goods of the said owner...’.

5. The purpose of CGA and the clumsiness with which it was drafted was dealt with by Harms JA on 23 November 2004 in the as yet unreported judgment of the Supreme Court of Appeal in *A M Moolla Group Ltd v GAP Inc* (Case number 543/03)*. What he said was that:

‘[4]... Piracy, which concerns copyright infringement committed knowingly, was criminalised by the Copyright Acts and still is. International concern at counterfeiting and piracy led to certain provisions in the TRIPs agreement, the preamble of which speaks the desire of member states

“to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.”

The agreement requires of member states to provide certain minimum measures for the protection of intellectual property rights but leaves it to them to grant more should they wish to do so. As far as border measures are concerned, art 51 is of significance for present purposes:

“Members shall, in conformity with the provisions set out below, adopt procedures to enable a right holder, who has valid grounds for suspecting that *the importation of counterfeit trademark or pirated copyright goods* may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. ... Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.” (My emphasis.)

[5] In footnote 14, the terms “counterfeit trademark goods” and “pirated copyright goods” are defined in these terms:

“For the purposes of this Agreement:

(a) ‘counterfeit trademark goods’ shall mean any goods, including packaging, bearing without authorisation a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of trademark in question under the law of law of the country of importation;

* Reported at 2005 (6) SA 568 (A) - Ed.

(b) ‘pirated copyright goods’ shall mean any goods which are copies made without the consent of the right holder or person duly authorised by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation.”

[6] As indicated, the Act prohibits certain acts in relation to “counterfeit goods” but, although it to some extent follows the wording of footnote 14, it does not distinguish clearly between piracy and counterfeiting in the technical sense. Instead, both are referred to as counterfeiting. In the definition of “counterfeiting” the Act has also changed the wording of the footnote in such a manner as to make the definition unintelligible. The definition of counterfeiting; to the extent that it deals with the counterfeiting of trade marks, reads as follows:

“Counterfeiting ... means, without the authority of the owner of any intellectual property right [meaning for present purposes, the rights in respect of trade mark conferred by the Trade Marks Act] subsisting in the Republic in respect of protected goods [meaning, if one paraphrases, goods bearing a trade mark registered under the Trade Marks Act], manufacturing, producing or making, or applying to goods, whether in the Republic or elsewhere, the subject matter of that intellectual property right, or a colourable imitation thereof so that the other goods are calculated to be confused with or to be taken as being the protected goods of the said owner or any goods manufactured, produced or made under his or her licence. However, the relevant act of counterfeiting must also have infringed the intellectual property right in question.”

[7] There are serious shortcomings in the definition. First, the definition tends to equate trade mark infringement with counterfeiting, something contrary to TRIPs and something completely unnecessary. Counterfeiting, as mentioned, is a fraudulent imitation. The use of the term “calculated” is especially confusing in this context because it has a special meaning in trademark law, meaning “likely” Why a developing country such as ours should give greater trademark protection via criminal sanctions than, for instance, the European Community, is not readily apparent. The greater problem though, which is not a matter of policy but one of interpretation, is the meaning of the proviso. What TRIPs did was to define counterfeit trademark goods (I paraphrase) as goods with marks identical to registered trade marks and which cannot be distinguished from the original and thereby infringe a trade mark The

definition in the Act, on the other hand, by means of the proviso, does not draw a conclusion of infringement but adds an additional requirement of infringement (by the use of “however” and “also”). To explain by way of an example: the Trade Marks Act (s 34 (10)) requires, for infringement, use in the course of trade, obviously in this country since trade marks are territorial. Must that, too, be established in addition to the acts proscribed in s 2 (1) of the Act under consideration? If it must, it would mean that transshipment would not amount to a prohibited act because the goods would then not be the result of ‘counterfeiting’. On the other hand, why list the proscribed acts in s 2(1), many of which duplicate the requirement of “use in the course of trade”? What then is the sense of the definition in covering goods manufactured “elsewhere” (ie not in this country)? The problems accumulate if one attempts to harmonise the definition with the infringement provisions of s 23 of the Copyright Act.

[8] In light of the conclusion I have reached it is not necessary to try to solve these problems...

I draw particular attention to the court’s finding that the definition of counterfeit goods in CGA is ‘unintelligible’ and that it has ‘serious shortcomings’. For reasons that appear hereafter, I also do not have to solve these problems.

6. The following sections of CGA are relevant to this judgment:

6.1 Section 2 creates the offence of manufacturing, selling and distributing counterfeit goods.

6.2 Section 3 gives a trade mark owner, who reasonably suspects that a person is committing the crime of counterfeiting his product the right to lay a complaint with an inspector appointed in terms of CGA.

6.3 Section 4 empowers an inspector to act on the complaint if based thereon he has reasonable grounds to suspect that a crime has been committed. Among the powers given to an inspector in Section 5 is the right to enter premises, seize the suspect goods, remove the goods and cause them to be detained in terms of CGA.

6.4 An Inspector’s right to search, seize, remove and detain goods in terms of section 4 and 5 is subject to the inspector first obtaining, in terms of section 6, a warrant that will be issued in chambers by a High Court judge or a magistrate who has jurisdiction over the area where the suspected counterfeit goods are to be found. The warrant will be issued ‘if it appears to the judge or magistrate from information on oath or affirmation that there are reasonable grounds for believing that an act of dealing in counterfeit goods has taken or is taking place or is likely to take place...’ (Section 6 of CGA).

6.5 Having seized and removed goods the inspector must, by way of a written notice and within 72 hours, give to the person from whom the goods were taken an inventory of what was taken and the address where

the goods are being stored. A similar notice must be given to the complainant (section 7(1) and in particular section 7(1)(d)).

6.6 In the notice, the complainant must also be told of its right to lay a criminal charge within three days against the person from whom the goods were seized.

6.7 If a criminal charge is not laid within three days, the seized goods must be released (section 9(1)(b)).

6.8 The goods must also be released to the suspect if:

- (a) the State fails to inform the suspect in writing of its intention to institute a prosecution for contravening the Act. This notice must be given within 10 working days of the written notice that informs the suspect of where the seized goods are kept (section 9(2)(a)(i)).
- (b) the complainant fails to give the suspect written notice of its intention to institute civil proceeding founded on the suspect's wrongful act. This notice must also be given within 10 working days of the complainant knowing where the seized goods are kept (section 9(2)(a)(ii)).
- (c) if the criminal or civil proceedings referred to above are not instituted within a further 10 court days (section 9(2)(b)).
- (d) a competent court so orders.

6.9 Without derogating from the above powers, a court may in civil proceedings 'relating to counterfeit goods' order:

- (a) That the goods be delivered up to the owner of the intellectual property if it finds that they are counterfeit goods (section 10(1)(a));
- (b) The goods to be released to any person (section 10(1)(b));
- (c) The complainant pay damages and costs to the person from whom the goods were seized (section 10(1)(c)).

6.10 In terms of section 17 of CGA:

- (1) Any person suffering damage or loss caused by *the wrongful seizure, removal or detention of goods alleged to be counterfeit goods*, or by any action contemplated in section 7 (1) (a), (b) or (c) or (2) wrongfully taken by an inspector with reliance on that section read with section 4 (1), or caused during or pursuant to the seizure, removal or detention of such goods in terms of this Act, will be entitled to claim compensation for that damage or loss which claim, subject to subsection (2), will be against the complainant and not against the State, the inspector or the person in charge of the counterfeit goods depot where those goods are or were detained. (My emphasis.)
- (2) The State or such inspector or the person in charge of the relevant counterfeit goods depot, as the case may be, will be liable in respect of a claim contemplated in subsection (1) only if
 - (a) in the seizure or removal of the alleged counterfeit goods, the

- inspector, or, in the detention and storage of those goods, that person so in charge or the inspector (depending on the circumstances), has been grossly negligent; or
- (b) the inspector or that person so in charge (as the case may be), in the seizure, removal, detention or storage of those goods, acted in bad faith.

7. Bearing the above summary of CGA in mind, I agree that ‘the basic approach of the Act is to impose a relatively low threshold for the availability of relief (and thus to facilitate taking prompt and effective action to curtail dealing in counterfeit goods with a minimum of formalities) and to reduce as far as possible the potential liability of the police or other inspectors in seizing counterfeit goods; the risk of action being taken against police and other inspectors for unjustified seizure and detention of goods is thus reduced. *However, responsibility for the action of seizing and detaining goods is placed squarely at the doors of the complainant. If action is taken without justification, or the position of a dispossessed person is unduly prejudiced responsibility and liability accrue to the complainant.* Be it on his head if he acts in an unjustified, improper or reckless manner in causing the seizure and detention of alleged counterfeit goods. This approach ought to go some way towards dispelling the reluctance of the police to take effective action in intellectual property matters, due to their unwillingness to expose themselves to possible damage claims, and at the same time inhibit intellectual property right holders from acting irresponsibly in enforcing their rights or perceived rights.’ - See Owen H Dean’s article in *SA Mercantile Law Journal* Volume 10, 1998, page 33 at page 56 and 57 (My emphasis.)

8.1 Following the search and seizure of the applicant’s products, Scheepers prepared an inventory detailing the products seized and the address of the depot to which the products were to be taken. This inventory was signed by the applicant’s and the first respondent’s representatives. This document complies sufficiently with the requirements of section 7(d)(i) of CGA. What the notice did not record was that the first respondent had the right, within 3 days of the notice to lay a criminal charge against the applicant. This failure on the part of Scheepers did not prejudice the first respondent, who had initiated the complaint on the advice of an experienced attorney who was aware of the provisions of CGA.

8.2 The right that the first respondent had to lay a charge against the applicant had to be exercised within three days of the section 7(2) notice. As I have said, the notice given to the applicant did not comply with the requirements of section 7(2) as it did not alert the first respondent to the time within which a charge had to be laid. It was submitted that by reason of this failure, the applicant could not claim the

return of the products in terms of section 9(1)(b). Technically, this approach is correct. Regard being had to the first respondent's knowledge, the first respondent was not prejudiced by this oversight.

8.3 Be this as it may, Scheepers gave sufficient written notice to the applicant in terms of section 7(d)(i) of the seizure of the products and where they were to be stored. Within 10 working days of this notice, the State did not inform the applicant of its intention to institute criminal proceedings against it. To date no such proceedings have been instituted. In these circumstances, the applicant is in terms of section 9(2)(a)(i) of CGA entitled to the return of the products seized.

9. This finding suffices to dispose of the relief sought in prayer 4 of the Notice of Motion, which is a claim for the return of the products seized.

10. I turn to consider whether the goods should also be returned if I grant the order sought in prayer 2 of the Notice of Motion, which is for an order cancelling and setting aside the search warrant. If the seizure of goods in terms of CGA was wrongful, the person from whom the goods were seized has a claim against the complainant and not the State for any damages suffered as a result of the wrongful seizure (section 17 of CGA - see paragraph 6.16 hereof). In paragraph 5 of the Notice of Motion, the applicant asks that the enquiry to determine the damages suffered by it be postponed sine die. In paragraphs 76 to 85 of the founding affidavit, the applicant sets out the nature of its as yet uncalculated damages. A pre-condition to a claim for the kind of damages sought by the applicant is that the seizure of the goods must be 'wrongful'. If, in these proceedings, I can find that the seizure of the goods was wrongful, it follows that any goods seized pursuant thereto must be returned to the applicant. As will appear hereafter, the wrongfulness with which I am concerned is not dependent on the answer to the question whether the goods seized were or were not counterfeit. For this reason, I need not deal with the first respondent's submission that, on the paper, there is no basis on which a finding of 'non-counterfeit' can be made.

11.1 The owner of a trade mark, who complains that his mark is being infringed, has, in addition to any common law remedy, the right in terms of section 34 (3) of the Trade Mark Act to approach a High Court for an interdict, delivery up of the offending goods and damages.

11.2 The preamble to CGA states that it is 'aimed against the trade in counterfeit goods, so as to further protect owners of trade marks...'. This further protection comes in two forms. The first, which is indirect, is that a trade mark infringer may be deterred by the substantial penalty a court can impose on conviction (see paragraph 1 supra). The second, which is a direct benefit, is that a complainant is afforded the right, without notice to the alleged infringer, to have the infringing goods seized and kept in a depot pending the outcome of criminal or

civil proceedings contemplated in section 9(2)a of CGA.

11.3 Commercially, this latter remedy would appeal to a person complaining of an alleged trade mark infringement.

11.4 By reason of the far-reaching consequences that can flow from the exercise of the power given to a complainant under CGA ‘(be) it on his head if he acts in an unjustified, improper or reckless manner in causing the seizure and detention of alleged counterfeit goods’ (see Owen H Dean (supra)). Accordingly, the least that is required of a complainant in what is an ex parte application for a warrant is that it disclose all material facts that might influence a judge’s or magistrate’s decision to issue the warrant. It follows that if in such an ex parte application, there is a material non-disclosure for whatever reason that might influence the outcome then ‘unless there are very practical reasons why an order should not be rescinded, the court will always frown on an order obtained ex parte on incomplete information and will set it aside even if relief could be obtained on a subsequent application by the same applicant’ - per LeRoux J in *Schlesinger v Schlesinger* 1979 (4) SA 342 (W) at page 350 A-B.

12.1 In the first exchange of letters, the first respondent and the applicant, acting through their attorneys, drew the battle lines. The first respondent’s threat was an urgent application to the High Court based on the infringement of its trade mark, passing off and unfair competition. The applicant countered by denying the validity of the mark, passing off and unfair competition. Had the first respondent proceeded with its threatened urgent application, that part of its cause of action based on an infringement of its trade mark would have been met with a counterclaim for expungement of the trade mark (see Webster & Page: *SA Law of Trade Marks*, page 12 to 36). The prospects of success of such a counterclaim is an issue that cannot be decided in this application. For purposes of this application, it suffices that I find that were such a counterclaim to succeed, it would be an answer to any complaint in terms of CGA.

12.2 Instead of proceeding with the threatened urgent application, the first respondent counter attacked by threatening to set in motion a CGA prosecution. In a detailed response, the applicant gave reasons why proceedings in terms of CGA were inappropriate. Its attorney went on to say that if the first respondent intended to carry out its threat and by laying a complaint in terms of CGA, then and in attempt to avoid the commercial harm that a CGA warrant could inevitably cause, the first respondent should give an undertaking that it would simultaneously with the service of the complaint on the relevant authority, serve a copy on the applicant so that it could ‘resist your client’s complaint’. The first respondent refused this request. Its attorney however undertook to furnish a copy of ‘the warrant and the complaint once the warrant has

been issued'. The attorney who laid the complaint on behalf of the first respondent has said that a complainant has no control over what happens from the time a complaint is laid to the execution of the warrant. How this undertaking, would, in these circumstances, be honoured is not explained. As already stated, the applicant got no prior notice of the warrant.

12.3 The deponent to the first respondent's answering affidavit has been advised 'that the trade mark issues are because of their complexity perhaps not the proper subject matter for final determination in the present application. These issues should perhaps more conveniently be the subject of fully fledged trade mark proceedings ... which might include a counterclaim for expungement of the relevant trade marks'.

12.4 All of the above add up to compelling reasons for making a full disclosure of all material facts in a complaint that it was known would be relied on by the judge or magistrate before whom it was placed.

13. There was an incomplete disclosure in the affidavit, resulting in the first respondent not making a full disclosure of all material facts. What was not referred to were the two similar, albeit slightly smaller kettle grills, that the applicant had marketed without objection for 18 months. What was not disclosed was the applicant's defence to the complaint—in law it may have been good or it may have been bad—but it remained material to be known to the judge or magistrate. What was also not disclosed was the applicant's request to be heard before a search warrant was issued. To have afforded it this opportunity would not have frustrated a genuine attempt to invoke the provisions of CGA.

14. It was furthermore misleading to say in the affidavit that by distributing its product, the applicant 'knows' or 'should know' that it is contravening CGA. This may well be the first respondent's genuine opinion. To the first respondent's knowledge, this opinion was not shared by the applicant. The judge or magistrate should at the very least have been given an opportunity to consider the parties' contentions.

15. I therefore find that a full disclosure might have influenced the judge's or magistrate's decision. The first respondent has not advanced any compelling or substantial reasons for this failure. In this sense, there was a wrongful seizure, removal and detention of the applicant's goods. It follows that the warrant should, on this ground, be set aside. A consequence that flows from this finding is that the goods seized in terms of the warrant must be returned to the applicant.

16. A considerable part of the applicant's argument was directed at trying to persuade me that the search and seizure warrant was improperly motivated and that for this reason it should be set aside. For this submission, I was referred to *Mackeson v Minister of Information, Immigration and Tourism* 1980 (1) SA 747 (ZR) at page 750H-751D) and to the unreported judgment in the matter of *Sterling Auto*

Distributors CC v Commissioner for South African Revenue Services (TPD, case number 2003/19300 dated 21 October 2003)*. Having already found that the warrant should be set aside and the goods seized on 10 December 2004 should be returned to the applicant, it is unnecessary for me to give consideration to this submission.

17. What suffices for purposes of this judgment is that it should be borne in mind that the far reaching remedies made available to a complainant in terms of CGA are directed at stopping a fraud as a preliminary to criminal or civil proceedings. The object of the Act is not to give a party to a genuine trade mark dispute a weapon to be used in *terrorem* against its opponent.

18. A feature of this application is that by 25 February 2005, which is more than two months after the goods were seized, the first respondent had not brought an application to interdict the applicant's infringement of its trade mark. In turn, the applicant had not brought an application for the expungement of the trade mark. These proceedings cannot be used to decide these issues. Notwithstanding a submission to the contrary by the applicant, it is inappropriate for me to place either party on terms to bring proceedings against the other.

19. In paragraph 3 of the Notice of Motion, the applicant has asked for a determination in terms of section 7(4)(a) of CGA that the seized goods are not counterfeit goods as defined in the Act. Having set aside the warrant and having ordered the return of the goods, it is not necessary for me to decide this issue.

20. In the result, the following order is made:

1. The search and seizure warrant issued on 10 December 2004 is set aside.
2. The third respondent is ordered to forthwith release all goods seized in terms of the warrant and to return such goods to the applicant's premises at Friedlander Street, Stormhill Township, Roodepoort.
3. The enquiry into the damages suffered by the applicant is postponed *sine die*.
4. The first and second respondent are jointly and severally ordered to pay the applicant's costs, including the costs occasioned by the employment of two counsel.

* Reported in *Judgments on Copyright* at JOC 991 (T) - Ed.

FELDMAN N.O. v EMI MUSIC PUBLISHING SA (PTY) LTD FELDMAN N.O. v EMI MUSIC SA (PTY) LTD

**JAJBHAY J
WITWATERSRAND LOCAL DIVISION
5 DECEMBER 2007**

Joint holders of copyright must sue jointly. Allegations of infringement of copyright must contain sufficient detail to enable a defendant to plead thereto. An alternative claim for infringement of copyright should not be inconsistent with the plaintiff's first claim.

Feldman, in his capacity as executor in the estate of the late Brenda Fassie, brought an action against EMI Music Publishing SA (Pty) Ltd and an associated company, for damages for infringement of copyright. He also claimed a statement and debatement of account arising from artist agreements entered into between Fassie and the companies.

In the particulars of claim, Feldman alleged that he brought the action as joint owner of the copyright in certain musical works, the late Brenda Fassie being the co-author and/or co-composer of the works. Feldman alone, and none of the other co-authors and co-composers of the works, brought the action.

Feldman alleged that from 1980, EMI without licence, and whilst the exclusive right to do so vested in the plaintiff and others, reproduced the works, published the works, made an adaptation of the works, and purported to grant licences to third parties to reproduce, publish and make adaptations of the works.

In the alternative, it was alleged that the parties had concluded a written agreement, the effect of which was to assign and make over to EMI all of Fassie's copyright in the copyright works.

EMI excepted to the claim on the grounds that the other co-authors and co-composers were not joined as plaintiffs in the action, and there was no allegation of cession of rights by those parties to him. It also excepted to the claim on the grounds that the allegations failed to disclose sufficient particularity in relation to the alleged infringements of copyright, to enable it to plead properly thereto. A third exception contended that the alternative claim was inconsistent with the first claim.

Held—

Section 21(1)(a) of the Copyright Act (no 98 of 1978) provides that in the case of a work of joint authorship, the ownership of copyright vests in the co-authors of the work. Feldman was therefore to be regarded as the joint owner of the copyright in the works.

Joint owners of property must act jointly and may not act alone. This principle has been established in cases concerned with joint and co-owners and was equally applicable to such cases arising in the context of copyright ownership. Without the joinder of the other co-authors and co-composers, Feldman lacked the necessary locus standi to bring the action. This was not a case where more than one person had joined to create separately identifiable copyright works, as for example in the composing of music and the writing of lyrics for the production of a single work. In the present case, the co-authors and co-composers were indistinguishable and their contributions were inseparable.

As far as the second exception was concerned, the allegations made were vague, lacking detail as to when, in what manner, and in respect of which individual works, each of the separate infringements of copyright were alleged to have taken place. This meant that EMI could only respond with bare denials and there could be no isolation of the issues of dispute between the parties. The allegations were vague and embarrassing and exception could be raised against them.

As far as the third exception was concerned, the alternative claim was contradictory to the first claim in that the first alleged copyright vested in Fassie and the alternative alleged copyright vested in EMI. This meant that EMI could not know whether to meet a case based on ownership of copyright vesting in Feldman, or to meet a case based on ownership of copyright vesting in it.

The exceptions were upheld.

Jajbhay J:

INTRODUCTION

[1] The above matters have been consolidated in the interests of convenience and expediency. The applications come before me as exceptions to the plaintiff's particulars of claim brought in terms of Rule 23(1) of the Uniform Rules of Court. The plaintiff is cited in his capacity as the executor of the Estate Late Brenda Fassie.

[2] The first three exceptions taken in both matters by the excipients are, save for certain minor differences materially the same.

[3] In the action against EMI Music SA (Pty) Limited, under Case No. 06/23130 ('the EMI Music matter'), the defendant took a fourth exception. This revolved around the prescription of the plaintiff's claim. This fourth exception was not pursued by the defendant. I was informed that a plea of prescription may be pursued as a special plea, should the matter proceed.

THE PLAINTIFF'S CLAIMS

[4] The plaintiff claims payment from the defendants for damages resulting from the defendants' alleged infringement of the plaintiff's copyright. The plaintiff further claims a statement and debatement of account from the defendant arising out of certain artist agreements entered into between the plaintiff and the defendant.

COPYRIGHT LAW

[5] The law regulating music in South Africa, as in many other jurisdictions, is largely regulated through copyright law, which in South Africa is a creature of statute: The Copyright Act (no 98 of 1978) ('the Copyright Act'). Works that are eligible for copyright are set out in section 2(1) of the Copyright Act. These include literary works, musical works, artistic works, cinematography films, sound recordings, broadcasts, programme carrying signals, published editions and computer programmes. These works have an impact on the ultimate musical product. In terms of section 6 of the Copyright Act, copyright in a literary or musical work vests in the exclusive right to do or authorise the doing of any of the following acts in the Republic: Reproducing the work in any manner or form; publishing the work if it was not published before; performing the work in public; broadcasting the work; causing the work to be transmitted in a diffusion service, unless such service transmits a lawful broadcast, including the work, and is operated by the original broadcaster, and making an adaptation of the work.

[6] Copyright in literary and musical works lasts for the lifetime of the author and a period of 50 years after the death of the author (section 3(2)(a) of the Copyright Act). Section 21(1) of the Copyright Act

provides for several ways through which copyright in a protected work may be disposed of: assignment, licensing, transmission by testamentary disposition and operation of law as movable property. From the viewpoint of exploitation of the rights, assignment and licensing are the most commonly used methods. By assignment, the author completely divests himself/herself of one or more of their rights under the copyright, so that the assignee no longer has any claim to these rights, nor can he/she perform any of the acts covered by the particular rights without the authority of the assignee. Through licensing of these rights on the other hand, the copyright owner retains ownership of the right and merely allows the licensee to exercise the right without fear of being sued for infringement thereof. The licence may be exclusive or non-exclusive, and the licensee has to pay the owner royalties for the use of the rights.

[7] Copyright is in fact a negative right, in that it is a right of prohibition enforceable against others from performing infringing acts in relation to the work. Therefore, the ability to enforce a copyright through the court is the foundation of such copyright. In terms of section 24(1) of the Copyright Act, the following remedies are provided for in instances of infringement: an interdict restraining the carrying out of the infringing act; damages, or payment of a reasonable royalty; and delivery-up of the infringing copies and plates used or intended to be used for making infringing copies. Section 24(1) of the Copyright Act deals with the action by the owner of the copyright. This subsection, provides that infringements of copyright shall be actionable at the suit of the owner of the copyright.

THE FIRST EXCEPTION

[8] The first exception is identical in both actions. It arises as a result of the fact that the plaintiff sues, in both matters, as 'joint owner of the copyright in the musical works listed on the schedule annexed [to the particulars of claim] marked 'A'.

[9] The allegation of joint ownership of copyright is relied upon by the plaintiff on the following. The listing of the Late Brenda Fassie as co-author and/or co-composer of the various works listed in Annexure 'A' to the particulars of claim. The definition of 'works of joint authorship' (a work produced by the collaboration of two or more authors in which the contribution of each author is not separable from the contribution of the other author or authors) is contained in section 1 of the Copyright Act. The provisions of Section 21(1)(a) of the Copyright Act, states the following:

'Subject to the provisions of this section, the ownership of any copyright conferred by Sections 3 or 4 on any work shall vest in the author or, *in the case of a work of joint authorship, in the co-authors of the work.*' [Emphasis added]

[10] In the circumstances, the plaintiff is to be regarded, for the purposes of adjudicating these exceptions, as the joint owner of

copyright in the works listed in Annexure 'A' to the particulars of claim on the basis of which copyright the claims are brought.

[11] The plaintiff sues alone in these proceedings. There is no allegation of any cession of rights from any of the other co-owners of the copyright in question and none of the co-owners have been joined as plaintiffs.

[12] It is the defendant's contention that the absence of such cession or joinder, founds a proper exception to the particulars of claim on the basis that the plaintiff has failed to join third parties which he was obliged to join, and/or the plaintiff lacks the requisite locus standi to pursue the actions instituted.

[13] It has been determined by these courts that in relevant instances joint owners of property must act jointly—none may act alone. In *Smith v Conelect* 1987 (3) SA 689 (W), at 690H-I, Van Niekerk J said the following:

'See also Herbststein & Van Winsen *The Civil Practice of the Superior Courts in South Africa* 3rd Ed at 167, where the learned authors, referring to the Amalgamated Engineering case (supra), point out that the only cases in which a defendant has been allowed to demand a joinder of a third party as of right are those where the third party has a joint financial or proprietary interest such as joint owners, joint contractors and partners.'

At 691E-F, Van Niekerk J, went on to say the following:

'See *Rahim v Mahomed* 1955 (3) SA 144 (D) at 147B-E where Henochsberg A.J., in considering the necessity of joining co-owners, joint contractors and joint partners litigating, held that:

"The rule is that in such cases the other co-owner, joint contractor, partner or interested party is a necessary party and should be joined in the proceedings, unless the Court is satisfied that he has waived his right to be joined."

The excipient, it was alleged, faces severe prejudice if OEN is not joined since (a) any judgment granted against the plaintiff is not res judicata against OEN; and (b) the excipient cannot bring any counterclaim that it may have against the plaintiff and OEN.'

Similarly, in *Land & Agricultural Bank of South Africa v Parker* 2005 (2) SA 77 (A), Cameron JA (on behalf of a unanimous Supreme Court of Appeal) at paragraph 15, said the following:

'For the Parkers to purport to bind the Trust estate after the son's appointment, without (according to his evidence) consulting him, constituted a further usurpation and a further breach of their obligations under the trust deed. It is a fundamental rule of trust law, which this court recently restated in *Nieuwoudt & Another NNO v Vrystaat Mielies (Edms) Beperk* 2004 (3) SA 486 (A), at para 16, that in the absence of contrary provisions in the trust deed the trustees must act jointly if the trust estate is to be bound by their acts. *The rule derives from the nature of the trustees' joint ownership of the trust property. Since co-owners must act jointly, trustees must also*

act jointly.’ [Emphasis added]

[14] In the above judgment, Cameron JA cited, with approval, the case of *Coetzee v Peet Smith Trust en Andere* 2003 (5) SA 674 (T) where, at 678I- 679A, Van Dijkhorst, J said the following:

‘Mede-eienaars het gesamentlike eiendomsreg, gebruiksreg en beheersreg oor die mede-eiendom. Daar geld nie ‘n meerderheidstem nie. Beslissinge moet gesamentlik en eenparig geneem word om geldig te wees in soverre meer as die pro rata belang van die afsonderlike mede-eenaar betrokke is. Vergelyk Warmelo: *Die Geskiedkundige Ontwikkeling van die Mede-eiendom in die Romeinse en Romeins-Hollandse Reg*’ (1951) 14 THRHR op 256-63, 266-8.’

[15] Consequently, on the authority of the Supreme Court of Appeal a joint owner must join his co-owners as co-plaintiffs in any action instituted to enforce the joint property rights; and, concomitantly, such joint owner lacks the locus standi to sue independently of his co-owners.

[16] In *Collin v Toffie* 1944 AD 456 (A), it was settled that objections of non-joinder may be raised by exception, cf *Smith v Conelect* above at 692C-G.

[17] In my view, the plaintiff has failed to join his co-owners as co-plaintiffs, and he therefore lacks the locus standi to institute these actions. The actions accordingly fall to be dismissed on the strength of the first exception.

THE PLAINTIFF’S CONTENTIONS

[18] Various contentions were addressed on the plaintiff’s behalf, in response to the first exception.

[19] It was contended that the exception taken by the defendant related to locus standi only, and not to non-joinder. Consequently, it was argued, the exception could not be upheld on the strength of the authorities relating to a joint owner’s obligation to join his co-owners to the litigation. Although non-joinder and locus standi are not always inextricably connected, in this instance they are. The plaintiff lacks the locus standi to institute these actions because he has failed to join parties which he was obliged to join. In the circumstances, the complaint relating to locus standi is the same complaint as that related to non-joinder—they are different sides of the same coin.

[20] The plaintiff’s complaint was not (nor could it conceivably be) that the phrase ‘non-joinder’ is missing from the exception. It is trite that exceptions, like all pleadings, are made for the courts, and not the courts for the pleadings. The question to be assessed is whether the substance of the first exception properly identifies the real cause of complaint so that this may be dealt with. In this regard, the exception is explicit. The complaint is plainly made, in as many words, that the joint ownership, in the absence of any allegation of cession of rights, prohibits the plaintiff from suing ‘on his own’. In the circumstances, the plaintiff could have been under no illusion as to the nature of the substantive

complaint. That the label of ‘locus standi’ was used, rather than the label of ‘non-joinder’, is a matter of no substance. As explained above, in this instance, locus standi and non-joinder are different sides of the same coin.

[21] The cases upon which the plaintiff relies for the contention that the exception of non-joinder may only be advanced if it is expressly taken, do not assist the plaintiff. In *Collin v Toffie* (supra), and in the case of *Molteno Bros v South African Railways* 1936 AD 408, at 417, the courts were concerned with an attempt to argue an exception of non-joinder in the context of a practice then engaged in, where exceptions were taken by documents merely alleging that the particulars were ‘vague and embarrassing’, without further explanation. In this regard, in the *Molteno* case (supra) at 417, Wessels CJ said:

‘We think that it is high time that the practise of simply excepting to a declaration that it is vague, embarrassing and bad in law be discontinued in the courts of South Africa and that the exact grounds of complaint be briefly stated by the excipient considers that the declaration is vague, embarrassing and bad in law.’ Here the defendant has set out the substance of its complaint with sufficient clarity.

[22] The plaintiff’s next submission was to the effect that authors such as Dean, *Handbook of South African Copyright Law*, LAWSA and others are of the view that a co-owner may sue alone, without joining his other co-owners. This notion flies in the face of the explicit and contrary approach adopted by Cameron JA in the *Land & Agricultural Bank of South Africa v Parker* matter (supra). Dean explains in his seminal work that

‘... from a procedural point of view, it would be desirable for all co-owners of the copyright to be parties to the proceedings as the co-owners may have an interest in certain of the remedies, for instance, the payment of reasonable royalty’.

[23] Two additional cases were cited on behalf of the plaintiff in support of the contention that co-owners may sue alone. Neither of these cases lends support for that contention: In *Glen v Bickel* 1928 WLD 186, the court was very careful to distinguish joint contractual creditors from joint and several contractual creditors—the latter being permitted to sue alone and the former not. At page 191 of his judgment, Greenberg J said the following:

‘It seems to me therefore that the answer to the question under consideration depends on whether the contract set out in the particulars creates one indivisible cause of action in favour of the respondent and Van Niekerk jointly, or whether each of them can sue for his pro rata share. ... In *Jacobson v Norton* (2M.218, at p 223) the court held that if a promise is made to two persons jointly, each of them is entitled without the concurrence of the other to sue in his own name *for the share of the debt due to him*. ... These authorities

therefore support the view that, in the absence of anything to the contrary in the contract between appellant and respondent and Van Niekerk, the two last mentioned would each have a right of action, independently of the other *for his pro rata share of the monies payable under the contract.*' [Emphasis added]

Similarly, in *Cohen v Lewis* 1939 TPD 49, at 60, Millin J, set out:

'But Mr. Roper says, and this is his next point, that this is not a bond the intention of which is that one of the mortgagees may sue *for his share of the indebtedness*. He says that they should both be before the court. I cannot find anything in this bond to take it out of the ordinary rule that *if an obligation is contracted to two persons jointly, each of them is entitled without the concurrence of the other to sue in his own name for the share of the debt due to him.*' [Emphasis added]

[24] Neither of these authorities deal with questions of co-ownership and undivided shares in property. Instead, they deal only with instances where contractual obligations are owed, pro rata, to two different parties and is authority only for the proposition that in those circumstances, the joint contractual creditors may sue independently of one another for their pro rata share of the contractual obligation.

[25] Similarly, I do not believe that Dean, in *Handbook of South African Copyright Law*, at p 1-30A, offers the support for which the plaintiff contends. At the end of footnote 12 the learned author cites the following:

'In a British case *Robin Ray v Classic FM PLC* [1998] FSR 62 the existence of a veto right on the part of an individual co-owner of copyright, and the concomitant inability on the part of another co-owner of the copyright to exploit the work without the authority of his co-owner, were reaffirmed.'

In the circumstances, these authorities offer no support for the plaintiff's resistance to the first exception.

[26] It was also contended on behalf of the plaintiff that the requirements of the definition of 'Works of Joint Authorship' in Section 1 of the Copyright Act, would not be satisfied, and consequently no joint ownership of copyright would vest, where the contributions of the various parties was capable of being differentiated. In this regard, the example of one person composing the music, and a second person writing the lyrics, was offered. This analogy is not apposite. In both the particulars of claim and in Annexure 'A' thereto, the Late Brenda Fassie is identified as the joint author and the joint composer in respect of the works in question. On these particulars, the contribution of the various parties is consequently indistinguishable and inseparable from the contribution of other co-authors and composers. In the case of works made through a collaboration of two or more 'authors', where the contribution of each author is not distinct from that of the other authors, then the work is one of 'joint authorship'; and all of the authors jointly own the copyright. This means that, where the finished work does not

exhibit distinct works from separate authors, but is seen or experienced as a whole piece, then a work of ‘joint authorship’ would have been made. For example the works of Gilbert and George, Boyd and Evans, Lennon and Mc Cartney, or Gilbert and Sullivan.

THE SECOND EXCEPTION

[27] The second exception relates to the fact that the particulars of claim do not disclose sufficient particularity in relation to the alleged infringements of copyright, to enable the defendant to plead properly thereto.

[28] It must be noted in this regard that, in the EMI Music matter, this was listed as the ‘second ground’ in the exception, while in the EMI Music Publishing matter, this was listed as the ‘third ground’ of exception.

[29] For the sake of convenience, this exception, which is the same in substance in both matters, will be referred to under this head—namely as the ‘second exception’.

[30] Copyright is a technical subject and the claimant is obliged to specify in its pleadings at least in what manner the separate infringements of the copyright are allegedly perpetrated. In matters such as the present, courts should satisfy themselves that a proper case has been pleaded, more so if the subject is technical. In paragraph 4 of the particulars of claim in both matters, the various instances of alleged infringement of copyright are set out.

[31] In the particulars of claim in the EMI Music Publishing matter, the plaintiff formulates the action as follows:

‘4. From and subsequent to 1980, the defendant continuously, until the present time, without the licence of the plaintiff or any of the persons referred to in paragraph 3.1.1 above, and whilst the exclusive right to do so vested in the plaintiff and the said persons:

- 4.1 reproduced the works;
- 4.2 published the works;
- 4.3 made an adaptation of the works;
- 4.4 purported to grant licences to third parties to reproduce, publish and make adaptations of the works.’

[32] No detail is provided to the defendant as to when, in what manner, and in respect of which individual works, each of the separate infringements of copyright are alleged to have been perpetrated. The defendant is simply left to face the allegation that it has breached copyright in every single respect alleged, in respect of every single work on the annexure, continuously (i.e. 24 hours a day), over a 27 year period. To my mind this type of bold allegations in matters such as the present does not allow for the coherent formulation of the cause of action.

[33] In the result, the only response which the defendant could properly furnish to such an allegation, is a bald denial. This is no way advances

the isolation of issues in the dispute between the parties, nor in any way enables the defendant (or the court) to prepare for trial efficiently.

[34] In the circumstances, the defendant is unable to determine the basis and particular actions for which it is alleged to have received the royalties alleged in paragraph 7 of the particulars. The plaintiff, in his turn, expressly disavows any knowledge of what such royalties are. This is precisely the sort of vagueness which leads to embarrassment, which causes prejudice, to which the various well-known authorities refer. See, for example, *Traub v South African Reserve Bank* 1992 (3) SA 208 (T). It is no answer for the plaintiff to say that the defendant is nevertheless capable of producing an unexcipiable plea in response to these allegations. See, *Levitan v Newhaven Holiday Enterprises CC* 1991 (2) SA 297 (C), at 298G-H; and *Traub v South African Reserve Bank & Ano* 1992 (3) SA 208 (T), at 211B-D.

[35] In any event, as stated in Erasmus: *Superior Court Practice*, at p B1- 155:

‘The plaintiff cannot, in answering to the exception, rely on the fact that, apart from the allegations in the summons, the defendant of his or her own knowledge knows what case he or she is required to meet. In the majority of cases the defendant does know, yet this does not disentitle him or her to except successfully where the plaintiff’s case is not conveyed to him or her by the summons with reasonable distinctness. It must be borne in mind that the summons is for the information of the Court as well as of the plaintiff.’ See *Cillier v Van Biljon* 1925 OPD 4 at 9; *Boys v Piderit* 1925 EDL 23, at 24 and 25.

[36] Lastly, it was contended on behalf of the plaintiff that he does not need to know or allege the details of these infringements, since the plaintiff has relied on the provisions of section 24(1B) of the Copyright Act in praying for an enquiry which, it is suggested, will yield all of the required details. This assertion is misplaced. Section 24(1B) of the Copyright Act contemplates and permits an enquiry into the quantum of damages only, and not into the existence of an act of infringement. Proof of infringement of copyright, in respect of which the plaintiff bears the onus, is a pre-requisite to any entitlement to invoke the enquiry provisions of section 24(1B). It is at the level of proof of infringement that the plaintiff’s particulars fail. Consequently, the provisions of section 24(1B) offer no assistance to the plaintiff against this second exception.

[37] In the circumstances, I believe that the second exception ought to be upheld as well.

THE THIRD EXCEPTION

[38] This exception was framed as the ‘third ground’ in the EMI Music matter, and as the ‘second ground’ in the EMI Music Publishing matter. For the sake of convenience, both of these exceptions will be dealt with as the ‘third exception’. However, there are certain differences between the two exceptions which arise in the two actions, and they fall to be

addressed separately.

[39] THE EMI MUSIC PUBLISHING MATTER

[40] In this matter, paragraphs 4 to 12 of the particulars of claim seek to establish a claim based on infringement of copyright vesting in, inter alia, the plaintiff. Thereafter, in paragraph 13 of the particulars of claim, a second claim is sought to be established in which the deceased and the defendant are said to have entered into a written agreement, the effect of which was to 'assign and make-over to the defendant all of [the deceased's] copyright in and to the aforesaid works'. Although the first and second claims are stated to be in the alternative, they are premised upon factual allegations which are mutually contradictory and inconsistent with one another. The first claim is based on copyright vesting in the plaintiff; and the second claim alleges that such copyright vests in the defendant. These are not alternative claims in which different legal conclusions are sought to be advanced on the basis of consistent facts. These are the sort of allegations which are inconsistent with the principle stated in *Leviton v Newhaven Holiday Enterprises CC (supra)* at p 298H ff as follows:

'While it could happen that the only possible response to an embarrassing declaration would be a plea which itself would be embarrassing, I venture to think that a defendant's problem would sooner be inability to foresee how the plaintiff will play his hand at the trial and what must be done to meet it. Prejudice to a litigant faced with an embarrassing pleading must ultimately lie in an inability properly to prepare to meet his opponent's case. Embarrassment may, as in this case, also occur where, although the plea itself might be unobjectionable, the admission of allegations in the plaintiff's particulars of claim or declaration destroy the plaintiff's cause of action. A plaintiff's particulars of claim or declaration must be framed in such a way that an admission by the defendant of the crucial allegations in it contributes to the success of the plaintiff's claim, not to its failure.' See also *Traub v South African Reserve Bank & Another (supra)* at 211C-E.

[41] In the circumstances, plaintiff's particulars of claim in this matter are vague and embarrassing in a way which causes prejudice to the defendant, more particularly in that the defendant is unable to know whether to come to Court to meet a case based on ownership of copyright vesting in the plaintiff, or to meet a case based on ownership of copyright vesting in the defendant, and a consequent claim for royalties and a statement and debatement of account. These two claims are mutually destructive of one another and cannot be sensibly gainsaid.

[42] THE EMI MUSIC MATTER

The substance and legal propositions upon which this complaint is based, are the same as those in relation to the EMI Music Publishing matter. The difference which arises, relates to the nature of the conflict between the first and second claims as pleaded in this matter. In the first

claim, in paragraphs 4 to 12, the defendant is alleged to have breached the plaintiff's copyright in various respects set out more particularly in paragraph 4 of the particulars of claim. These include allegedly unauthorized: reproduction of the works; publication of the works; adaptation of the works; and grant of a licence to third parties to do the aforesaid things.

[43] Claim 2, dealt with in paragraph 13 of the particulars of claim and following, is not stated to be an alternative claim. Despite this, it commences with an allegation that, between 1993 and 2003, the deceased and the defendant entered into various agreements pursuant to which, inter alia 'The defendant would be the sole, exclusive and perpetual owner, from inception, throughout the territory of all recordings embodying the artist's performances which are recorded during the terms of this agreement.'

[44] It is then alleged that such ownership would entitle the defendant to, inter alia

'The exclusive and perpetual right throughout the territories to release, manufacture, advertise, sell, lease, licence, synchronise with any medium or otherwise use or dispose of the masters, video masters and records and videos manufactured from or embodying all or any part of the contents of the masters, video masters, ...'

'The right to release records and videos manufactured from the masters and video masters under the name of EMI [the defendant].'

'The right to sell and exploit records and videos manufactured from the videos and video masters.' and

'The right to authorise others to publicly perform and broadcast records released in terms of this agreement.'

[45] The acts complained of in paragraph 4 of the particulars of claim as infringements of copyright, are substantially indistinguishable from the acts purportedly expressly authorised by agreement, as detailed in paragraph 13.3 of the particulars.

[46] It was submitted on behalf of the plaintiff that the two claims are different, in that the first relates to breach of copyright and the second to 'performance rights' which, it is stated, are different in substance to those constituting copyright. This may be so, but the particulars of claim do not make that sufficiently clear and, on their face, do not distinguish adequately between the acts of infringement complained of in paragraph 4 and the rights allegedly afforded to the defendant by agreement, as detailed in paragraph 13.3. In the circumstances, the defendant is once again faced with mutually incompatible and contradictory factual allegations, in response to which it is unable to prepare properly for the trial or anticipate the case which it is called upon to meet. The legal propositions in relation to the EMI Music Publishing matter as detailed above, are equally apposite here.

[47] In these circumstances, I believe that the third exception should be upheld in both actions.

COSTS

[48] The defendant seeks an order that costs are to be paid *de bonis propriis* by the plaintiff. The reason for this assertion is as follows. The plaintiff has fiduciary obligations towards the beneficiaries of the estate he administers. He has at the same time, seen fit to engage the services of his own firm of attorneys to act on behalf of the estate, and at the estate's expense, in this litigation. This places the plaintiff in an unacceptable position of conflict, which conflict should not be allowed to adhere to the detriment of the estate and its beneficiaries. In the circumstances, the defendants contended that insofar as the litigation results in any adverse costs for the estate, these adverse costs should be borne by the plaintiff personally. A letter to this effect was written by the defendant's attorneys to the plaintiff, to which no response had been received.

[49] In my view, the act complained of, does not for the purpose of the present actions constitute breach of *bona fides*, negligent or unreasonable action, or improper conduct by the plaintiff acting in a representative capacity. In the exercise of my discretion, I can see no good reason to award costs *de bonis propriis*.

CONCLUSION

[50] In all of the above circumstances, my determination is:

1. The particulars of claim in both matters fail to disclose a cause of action for the relief claimed and accordingly the exceptions are upheld with costs.
2. The plaintiff is granted leave to amend the particulars of claim within 21 days from date hereof.

TECHNICAL INFORMATION SYSTEMS (PTY) LTD v MARCONI COMMUNICATIONS (PTY) LTD

**GILDENHUYS J
WITWATERSRAND LOCAL DIVISION
16 MARCH 2007**

Adaptation of a computer programme for use by an end-user by the removal of the licence agreement by the party given the right to copy and distribute the programme for end-users constitutes an adaptation of the programme.

Technical Information Systems (Pty) Ltd developed a computer programme which operated as a telephone call management system for use by customers of Marconi Communications (Pty) Ltd and Telkom Ltd. The programme, known as the Teltrace SOHO system, was supplied by agreement between Technical and Marconi. In terms thereof, Marconi and Telkom were entitled to install the programme on an end-user's computer and required to ensure that the end-user accept the terms of use. As well as the programme, Technical supplied various telephone call management screens, installation and user manuals and telephone call cost tables.

Technical and Marconi also entered into a supply agreement in terms of which Technical undertook to supply buffer boxes for use between a PABX supplied to an end-user and a computer. This also entitled Marconi to install Technical's programme on the computer and supply the associated call management screens, installation and user manuals and telephone call cost tables. Licensing fees were due based on the number of sales of the buffer boxes to end-users. Clause 19.3 of the supply agreement provided that all clauses in the contract either expressed to survive or by implication intended to survive termination of expiry of the contract would continue to survive notwithstanding termination or expiry of the contract.

In March 2005, the supply agreement was terminated. Technical developed the programme further, producing later versions, but Marconi declined use of them and supplied only the earlier version to its customers and its own adaptation thereof. Marconi adapted the earlier version, retaining and reproducing the telephone call management screens, the user manuals and the call cost tables. The call cost tables were adjusted to incorporate Telkom's latest call costs. Telkom made available for download from its website the adapted version of the programme.

Technical downloaded the programme and discovered that its licence agreement was deleted, as was its warranty. The version number for the programme had been changed to that of the later version and the telephone call cost tables had been updated. The installation system requiring the end-user to accept Technical's licence conditions and reminder screens known as 'nag screens', requesting the user to update the software version had been suppressed. Technical's installation wizard used to install the programme on the end-user's computer was deleted and substituted with a different programme installer. In the new wizard, the applicant's identification as the publisher of the programme was deleted and the publisher was reflected as an 'unknown publisher'. On the uninstall window of the programme, Telkom was reflected as the publisher and all information concerning Technical was deleted.

Technical brought an application to interdict Marconi and Telkom from adapting or distributing its programme and associated works.

Held—

Marconi contended that the agreement entitling it to install the computer programme on the computers of end-users did not amount to an agreement

between itself and Technical but between the end-user and Technical. However, even if this was so, Marconi would not be entitled to reproduce or adapt the programme because of the provisions of section 118(a) read with section 23 of the Copyright Act (no 98 of 1978).

Marconi and Telkom contended that they were entitled to adapt the programme and make it available to end-users and that any infringement of copyright was minuscule. However, the removal of the licence agreement was an adaptation of the programme which could not be said to be minuscule, and it constituted a copyright infringement. The same could be said of the nag screens. The removal of the publisher's name infringed its moral right as author of the programme.

As far as the contention that Marconi and Telkom were entitled to adapt the programme was concerned, this depended on a proper interpretation of the supply agreement. This provided that Technical would update the call cost tables whenever necessary, at no extra cost. An end-user would be entitled to update the call cost tables as and when the call tariffs as published by Telkom were changed. Marconi and Telkom were therefore entitled to amend these tables when requested to do so by the end-user, without infringing Technical's copyright.

As far as the programme itself was concerned, Marconi and Telkom contended that clause 19.3 applied and that as the parties contemplated that end-users would continue to need to use the programme following termination of the supply agreement, the right to copy and distribute the programme would survive its termination. However, the probabilities were that the programme was also supplied to new users, and this was indicated by the fact that the installation wizard anticipated both an upgrade and a new installation. There was therefore a reasonable apprehension that the programme was being installed on the computers of new users.

The interdict was granted.

Gildenhuys J:

The parties

[1] This is an application for interdictory and other relief based on infringement of copyright and unlawful competition relating to a computerised telephone call management system. There is also a counter-application for various declaratory orders.

[2] The applicant is Technical Information Systems (Pty) Ltd. The applicant operates a hard and software design and manufacturing business. It develops and supplies telephone management systems. The first respondent is Marconi Communications of South Africa (Pty) Ltd. The second respondent is Telkom South Africa Ltd.

The telephone call management system

[3] The subject matter of the application is a computerised telephone call management system, styled 'Man3000'. The system was subsequently branded as the Teltrace SOHO system. It was developed by the applicant and supplied to the first respondent under contract. The system was in turn supplied by the first respondent to the second respondent. The second respondent then supplied it to its clients, who are end-users of the system.

[4] The system comprises a package of products including a so-called 'buffer box' with peripherals and a compact disk containing:

- executable files comprising the applicant's telephone call management computer programme (the programme);
- various telephone call management screens, including so-called nag screens (the screens);
- installation and user manuals (the manuals); and
- telephone call cost tables (the call cost tables).

These are collectively referred to as 'the works'.

[5] The buffer box comprises a microprocessor, a serial converter, a battery pack, a battery charger and the buffer box itself. The buffer box is installed at the premises of an end-user, interposed between its PABX (through which all incoming and outgoing telephone calls are routed) and its computer. Where the PABX is a JUPITER PABX, the internal functionality of a buffer box is built into the PABX. The buffer box receives data on every telephone call made or received from the PABX and logs the date and time of the call. This data is then transmitted to the Man3000 programme installed on the end-user's computer for processing. If the computer is not immediately accessible, the data is stored in an internal memory bank for later transmission to the computer.

[6] The applicant incorporated 'nag screens' into the programme. After a specified period of time from the date of any upgrade or update of the programme, a nag screen would prompt the end-user initially to contact the second respondent to obtain the next update of the programme. If the end-user failed to react to the first nag screen within a specified period of time (normally three months) a second nag screen would prompt the end-user to contact the applicant to obtain such an update or upgrade. These nag screens were embedded or hard coded into the programme and could not be removed without altering the object code.

[7] The Man3000 programme has the capacity to process call data for 20 000 telephone line extensions, for 20 000 client names with client telephone numbers, for 20 000 account codes, for 2000 exchange lines and for 1000 departments. It can process and store a virtually unlimited number of telephone call records. The programme processes the data to generate reports for the end-user on costs, telephone usage and so on.

The contracts between the parties

[8] It is not disputed that the relationship between the applicant and the first respondent is governed by at least two contracts (a confidentiality contract and a supply contract) as described hereunder. The applicant alleges that there is also a third contract, the so-called licence agreement and warranty conditions (the licence agreement).

[9] The first of the agreements entered into between the parties is the

confidentiality contract. It was concluded between the applicant and the first respondent on 5 December 2001. It regulates the use by the first respondent of confidential information obtained from the applicant. It is recorded in the confidentiality contract and acknowledged by the first respondent that:

- the ‘information’ supplied under that contract includes information of ‘whatever nature’ supplied for the purposes of and relating to the programme;
- any information disclosed or acquired under the contract would remain the property of the applicant;
- save for a licence permitting the proper use of the information, no other licence under copyright is granted, and
- the confidentiality obligations under the contract would continue indefinitely.

The confidentiality contract is of peripheral relevance for the dispute between the parties.

[10] The next contract is the licence agreement. On 30 April 2002, the first respondent wrote to the applicant as follows:

‘As the condition under which we will sell the Teltrace Soho Software to Telkom, and ultimately the conditions that the end user must accept as a condition of use, Marconi Communications hereby agree that the attached Licensing Agreement and Warranty Conditions are acceptable.’

[11] The licence agreement which was referred to, reads as follows (I quote verbatim):

‘Before using this Software, you should carefully read the following terms and conditions. Technical Information Systems proves this Software and licences the use to you, the Customer. Technical Information Systems retains ownership of all rights in the Software and of all proprietary technology embodied therein. You acknowledge that the unauthorised distribution or use of the Software or documentation received from Technical Information Systems will cause material damage to Technical Information Systems. You will assume responsibility for the selection of the programme to achieve the intended results and for the installation, use and results obtained from the Software.

Licence

This licence granted under the Agreement permits the Licensee and its employee who agree to be bound by the terms and conditions of this Agreement to:

- Install the Software onto the End User’s PC. (The Dealer is allowed to install onto multiple computers with the software disks purchased from Technical Information Systems.)
- Once the installation is complete. If all the customer’s extension

names and PABX configuration have been configured, a copy of the Teltrace SOHO Software and the configuration files for backup purposes only may be made for safe keeping by the end user.

The user of the Software or any end-user or any reseller must agree not to disassemble or reverse engineer the Software of any portion thereof. Any attempt to disassemble the object of executable code of this Software is Unauthorised.

Terms

The licence is effective until terminated. You may terminate the licence at any time by destroying the programme along with any copies, modifications and merged portions in any form. It will also terminate upon the conditions set forth elsewhere in this Agreement or fail to comply with any term or condition of this Agreement. You agree upon such termination to destroy the programmes together with all copies, modifications and merged portions in any form.'

The relevance of the licence agreement is that it prohibits any unauthorised distribution, use, disassembly or reverse engineering for the software.

[12] It is in dispute between the parties whether or not the first respondent became bound to the terms of the licence. The first respondent contends that it did not. All it did in its letter of 30 April 2002 was give its stamp of approval to the warranties to be given by the applicant and to the licence terms to which end-users of the programme would become bound.

[13] When the programme is first run (or installed on a computer) a full version of the licence agreement is displayed. The user is required to either accept or to decline the terms of the licence by mouse-clicking on the 'I accept' or 'Yes' button generated on-screen. If the terms of the licence are declined, the programme will not and cannot be installed and the installation will be terminated. However, if the licence is accepted, the installation continues.

[14] The applicant submits that by acceptance through the 'click-wrap' function on the Man3000 programme, every installer and every new user binds itself to the terms of the licence agreement. This would include the first and second respondents. I accept this submission. I find no merit in the respondents' argument that the licence agreement was intended to bind end-users only. It is hardly conceivable that, subject only to the curbs contained in the supply agreement, the applicant intended the respondents to have a free right to reproduce, transmit and adapt the computer programme.

[15] Irrespective of whether the licence agreement is binding on the first respondent or not, it would still be precluded by section 118(a) read with section 23 of the Copyright Act from reproducing or adapting the computer programme in any manner or form, unless it is licensed to do

so by way of agreement.

[16] On 16 June 2002 the applicant and the first respondent concluded a further contract headed 'Agreement for the purchase of Teltrace SOHO buffer boxes and licensing royalties for the Teltrace Software'. It is known as the 'supply contract'. This contract governs the purchase by the first respondent of the applicant's buffer boxes and, in Appendix 2, the payment of 'licensing royalties' for the use of the programme.

[17] The object of the supply agreement is stated in paragraph 2 thereof. Paragraph 2 reads as follows:

'The Supplier [the applicant] agrees to supply the Teltrace SOHO buffer boxes as detailed in Appendix 1, at the prices quoted in said appendix, for re-sale in the Republic of South Africa, according to the terms and conditions of this Agreement.

The Purchaser [the first respondent] agrees to pay to the Supplier licensing royalties as per the fees and agreements detailed in Appendix 2.'

[18] The supply contract entitled the first respondent, each time it sold a PABX for use by an end-user, to install a buffer box between such PABX and the end-user's computer, or if it is a Jupiter PABX, to build the function of the buffer box into the PABX. It also entitles the first respondent to install a copy of the programme onto the end-user's computer.

[19] Clause 12 deals with the duration of the supply agreement. It reads as follows:

'12.1 This contract remains valid from the date of signature of both parties until March 2005.

12.2 The conditions associated with the product warranty will remain valid until the end of the warranty for the last unit delivered, if warranty period for the last unit delivered is later than March 2005 ...'

[20] Appendix 2 to the supply agreement bears the heading Teltrace Soho Software Licensing Agreement. It provides that licensing fees will be due to the applicant based on the number of sales of the first respondent's products making use of Teltrace SOHO software protocols.

[21] Clause 1 of Appendix 2 to the supply contract deals with licences to use the Teltrace Soho software protocols incorporated into the first respondent's products. Clause 1.2 provides as follows:

'One copy of the Teltrace SOHO licence will be deemed to be sold each time a Purchaser's product mentioned above is sold by the Purchaser. The Purchaser will pay TIS (the applicant) a licensing fee for this software whether the software is used or not used.'

[22] Paragraphs 2, 5 and 6 of Appendix 2 are relevant to the dispute between the parties. They read as follows:

'2. TIS will supply the purchaser the Teltrace Soho Telephone Information system software executable programme for use on the

Jupiter and the IMB PABX. TIS will supply a master copy to the purchaser. The purchaser will be able to copy and distribute this software as required. The purchaser will also prepare and distribute user manuals as they require supporting the Teltrace Soho product.

5. As TIS enhances the Teltrace Soho product, TIS will provide all upgrades of the Teltrace Soho software to the purchaser for the duration of this supply agreement at no additional charge. However, if the purchaser requires additional changes to the product (and it is technically possible) TIS will have to charge for these additions.
6. TIS will supply telephone call cost tables for the Teltrace Soho to the purchaser as soon as Telkom publish the new call tariff charges at no extra charge.'

[23] It is common cause that the supply contract terminated in March 2005, after agreement on the terms of its renewal could not be reached. This put an end to the first respondent's right to sell products incorporating the Teltrace Soho software protocols and to copy and distribute the software. It also put an end to the applicant's contractual obligation to supply the first respondent with upgrades to the Teltrace Soho software and with updated call cost tables.

[24] Various upgrade versions of the programme were released by the applicant including Ver.Y04 in November 2004, Ver. 5.01 in January 2005, Ver. 6.01 in January 2006 and Ver. 6.04 in April 2006. Version Y04.11 was the last version supplied to the first respondent by the applicant, and accordingly also the last version supplied to the second respondent by the first respondent.

Copyright in the Teltrace Soho system

[25] It is not disputed on the papers that the computer programme forming part of the Teltrace Soho system was developed by the applicant through its own skills and labour and those of its employees. It is common cause that the applicant is the copyright owner of the computer programme and that is an integral part of the Teltrace Soho system. The particular version of the computer programme which is relevant to this application is Y04.11. The respondents contend that they have a reproduction right in respect of the programme under the supply agreement, and that the reproduction right survived the termination of the supply agreement.

[26] The Teltrace Soho system also incorporates on-line manuals. The respondents accept that these are literary works as defined in the Copyright Act. They contend that pursuant to the supply agreement, they have the right to reproduce the manuals. That right, so they say, also survived the termination of the supply agreement.

[27] A further component of the system is the call costs tables. These tables are included in the data bases of the system and contain compilations of data pertaining to telephone call costs. The respondent

alleges that although the call cost tables and their structure constitute 'literary works' under the Copyright Act, they consist of no more than reproductions of data derived from the second respondent and from other like sources such as cell phone companies, and that they therefore lack originality. The respondents contend that they have every right to reproduce or alter the data bases containing the call cost tables. This is disputed by the applicant.

[28] Lastly, the applicant also relied on the layout of the screens as being 'artistic works'. The respondents do not dispute that the screens are artistic works and that they are original. As in the case of the computer programme, they contend that they have retained the right to reproduce these screens under the supply agreement.

[29] In terms of sections 6 and 7 of the Copyright Act, copyright in a literary work and in an artistic work vests the exclusive right to do or to authorise the doing of inter alia any of the following:

- reproducing the work in any manner or form;
- making an adaptation of the work; and
- doing, in relation to an adaptation of the work, any of such prohibited acts.

[30] In terms of section 118 of the Copyright Act, copyright in a computer programme vests the exclusive right to do or to authorise the doing of inter alia any of the following acts:

- reproducing the computer programme in any manner or form;
- making an adaptation of the computer programme;
- doing, in relation to an adaptation of the computer programme, any of the aforesaid prohibited acts; and
- letting, or offering or exposing for hire by way of trade, directly or indirectly, a copy of the computer programme.

[31] Under section 20 of the Copyright Act, the author of a literary or artistic work or of a computer programme retains the right to claim authorship in the work, irrespective of who owns the copyright. The author of a computer programme or a work associated with a computer programme may not, however, object to modifications that are absolutely necessary on technical grounds or for the purpose of commercial exploitation of the work. An infringement of section 20 is treated as an infringement of copyright.

[32] Section 23 of the Copyright Act deals with infringement of copyright. It provides as follows:

'Copyright shall be infringed by any person, not being the owner of the copyright, who without the licence of such owner, does ... any act which the owner has the exclusive right to do or authorise.'

There is no requirement that the person who does an unlicensed act must ensure that, in doing so, he or she infringes copyright.

[33] Non-exclusive copyright licences, such as that given to the first respondent and to end-users of the programme by the applicant, fall under section 22(4) of the Act, which stipulates that:

‘A non-exclusive licence to do an act which is subject to copyright may be written or oral or may be inferred from conduct, and may be revoked at any time: Provided that such a licence granted by contract shall not be revoked, either by the person who granted the licence or by his successor in title, except as the contract may provide, or by a further contract.’

The alleged infringement of the applicant’s copyright

[34] The applicant alleges that both respondents infringed their copyright in the Man3000 computer programme, in the user manuals, in the call cost tables and in the layout of the screens. According to the applicant, this happened against the background as set forth hereunder.

[35] In January 2005, the applicant introduced a programme registration procedure for its upgrade versions of the computer programme. The registration procedure commenced with its upgrade version number Ver. 5.01, released in January 2005. The first respondent rejected this upgrade and advised the applicant that it would not upgrade end-users supplied by them to this version (version 5.01) but that they would continue to use the applicant’s previous version Y04.11.

[36] After the expiry of the supply contract in March 2005, the first respondent continued to purchase Teltrace SOHO buffer boxes from the applicant, but on an ad hoc basis, each such sale being subject to its own conditions, including (so the applicant says) the licence agreement.

[37] In May 2005, the first respondent reiterated that they are not interested either in the applicant’s programme registration process or in the 2005 version of the programme, and reaffirmed that they would continue the ‘old version 4 software’, referring to the last version supplied to them, namely version Y04.11.

[38] In February 2006, the applicant discovered that the second respondent had made available on its website for download, a ‘version Y06.01’ of the programme (the contested programme). The applicant contends and the respondents deny that the applicant’s copyright is infringed by this. The contested programme is in effect no more than a copy of the applicant’s Teltrace SOHO Y04.11 programme, with certain adaptations made to it. The first respondent changed the object code of the Y04.11 version, so that the programme thereafter showed itself to be version Y06.01. The contested programme retained and reproduced the artistic works, the user manuals and the call cost tables. The call cost tables were adjusted to incorporate the second respondent’s latest call costs. The respondents say that this was done so that its existing customers (the end-users) could update the In Teltrace SOHO systems

which they use for telephone call management. The applicant did not authorise either of the respondents to copy, adapt or distribute the Y04.11 version of the programme, including the artistic and literary works or any part of them, other than in terms of the applicant's licence agreement or the supply agreement.

[39] The applicant analysed the infringing programme and found that:

- the applicant's licence agreement was deleted;
- the applicant's warranty was deleted;
- the applicant's 'click-wrap' licence function was deleted, so that the programme could be installed without the installer and the user binding themselves to the licence agreement;
- the applicant's version number 'Y04.11' for the programme had been changed to 'Y06.01';
- the telephone call cost tables had been updated;
- the applicant's installation wizard (used to install the programme on the end-user's computer) was deleted and substituted with a different programme installer;
- in the new wizard, the applicant's identification as the publisher of the programme was deleted and the publisher was reflected as an 'unknown publisher';
- on the uninstall window of the programme, the second respondent is reflected as the publisher and all information concerning the applicant was deleted;
- the nag screens were suppressed.

[40] On 7 March 2006, a letter of demand was addressed and delivered to the first and second respondents recording the applicant's right in the works and demanding a cessation of their unlawful conduct. By this letter, so the applicant contends, the respondents have been 'fixed' with the requisite 'guilty knowledge' of the unlawfulness of their conduct.

[41] The second respondent thereupon effected certain changes to its web site. As at 20 April 2006, the infringing programme had ostensibly been removed from the web site, which then showed only a contact telephone number for 'Teltrace SOHO support', but when the 'view source' option on the web site is selected, the HTML source code used by the web page designer to create the web page is revealed. The HTML source code says 'Teltrace SOHO support website to be deactivated temporarily please do not delete'. However, a link to the contested programme, then still downloadable, remained. The applicant caused this link to be accessed and the programme to be downloaded from it, and found that it was the contested programme. This link to the contested programme could also be given verbally over the telephone or emailed to anybody who contacts the first or second respondent.

[42] The applicant says that what the first respondent did in response to

this letter of demand is simply ‘to remove the infringing programme from the public eye and to hide it where they thought that it would be visible to the applicant, but where it remains accessible and downloadable’.

[43] The respondents do not dispute the allegations concerning the reproduction, broadcast and transmission of the works and the adaptation of the programme, but argue firstly that they were entitled to act as they did and secondly that the adaptation of the programme was not substantial but miniscule, and therefore does not constitute an infringement of copyright as envisaged by the Copyright Act.

The disputes between the parties

[44] It cannot be disputed, in my view, that the supply contract together with acceptance of the licence conditions through the applicant’s ‘click-wrap’ gave the respondents a valid and binding licence. The applicants contend that:

- the respondents’ conduct as described above was never authorised under either the supply contract or the licence agreement; and that
- the supply contract had been terminated; and that therefore
- the respondents’ conduct falls within the prohibition of section 23(1) and (2) read with sections 6, 7 and 11B of the Copyright Act.

[45] The disputes between the parties are in essence the following:

(a) Does the licence displayed on-screen apply to the relationship between the applicant and the respondents?

(b) Does the applicant have copyright in the call cost tables?

(c) May the first respondent, after expiry of the supply agreement-

- reproduce;
- update; or
- adapt

the Y04.11 computer programme, the literary works, the artistic works and the call cost tables, all forming part of the Teltrace SOHO system?

(d) Are the adaptations made by the respondents to the Teltrace SOHO version Y04.11 computer programme and to the works associated with the programme (as contained in the respondents’ version Y06.10) permissible as being:

- in respect of an insubstantial part of the programme; and/or
- the rectification of an error or errors?

(e) Is the Teltrace SOHO version Y06.10 programme (the contested programme):

- available to and utilisable by the general public; or
- only available and supplied to existing end-users?

(f) Are any of the respondents engaged in unlawful competition with the applicant in respect of their version Y06.10 of the programme and the works associated with the programme?

[46] I turn to the defences put forward by the respondents. They admit

that the software posted on the second respondent's web site as being version Y06.01, is indeed the Teltrace SOHO version Y04.11 of the programme, with the amendments to which I have referred above. The respondents say that the amendments are minor or directed at removing errors, that the call cost tables are not original and therefore not subject to copyright, and that the first respondent was in any event licensed to copy the programme (including the artistic and literary works associated therewith). The respondents therefore contend that the copies are not in any sense infringing copies. Lastly, the respondents say that they have not *sold* any copies of the contested programme. They have only supplied it as updates of call cost tables with the additional changes referred to above—in the first instance by the first respondents free of charge to the second respondent and thereupon by the second respondent to existing end-users, again free of charge.

Are the changes to the computer programme and the associated works minor or directed at removing errors?

[47] The respondents say that its adaptation of the programme entailed changes to only 11 bytes of code from a total of 3 713 204 bytes, which is minuscule and which does not affect the functionality of the programme at all. The applicant alleges that the changes (adaptations) to the programme are substantial, in the qualitative sense. The test for infringement is primarily qualitative, not quantitative. See Dean, *Handbook of South African Copyright Law* (Juta) at 1-38.

[48] Mr Hammerich (a director of applicant) says in the applicant's founding affidavit that the pop-up screens and the 'click-wrap' licence agreement function are crucial components of the programme because:

'These mechanisms to compel a periodic purchase of the applicant's upgrades are therefore, as is the case with many other software companies, crucial components of the applicant's business and without the purchase of which the reputation and integrity of the applicant's progress and even its financial security would be threatened.'

(paragraph 82)

[49] Mr Hammerich continued as follows:

'The most important of these windows so generated in the installation process is the end-user licence display window containing the applicant's user licence agreement. The full version of the user licence is reproduced there and the user is required to either accept or to decline the licence. If the licence is declined, the programme will not be installed and the installation will be terminated. However, if the licence is accepted, the installation will continue, but then of course, the user would have agreed to the applicant's terms of use and would have acknowledged that he/she/it was bound by them'. (Paragraph 100)

The respondents did not dispute any of this.

[50] It is apparent that if the 'click-wrap' licence agreement function is

deleted (as the respondents did) the programme can be run by any user, old and new, without being bound by the applicant's conditions of use as contained in the licence agreement. It matters not whether the 'click-wrap' licence agreement function:

- is a separate programme that runs before, after or in conjunction with the programme; or
- is not a programme in the sense that it does not by itself respond to a set of instructions; or that it
- is only a minute or 'minuscule' part of the programme.

[51] The respondents allege that the removal of the applicant's end-use licence conditions and warranties were insubstantial amendments, having no consequence, because the Y06.01 update of the programme would only be installed at end-users who already have the Teltrace SOHO version Y04.11, and would therefore already have accepted the applicant's licence conditions and have received the benefit of the warranties.

[52] Coetzee says in the respondent's replying affidavit:

'I emphasize that neither the first respondent nor the second respondent has sold any copies of the Y06.01 Teltrace SOHO version. They have only supplied it as updates of call cost tables with the additional minuscule changes referred to above—in the first instance, by the First Respondent to the Second Respondent free of charge, and then similarly, the Second Respondent supplied it free of charge in its EXISTING end-users as was the practice in previous years.' (Paragraph 3.15)

[53] The true question is whether the licence agreement is and was intended to be a critical or essential component of the programme, and whether the deletion thereof by the respondents is therefore a substantial adaptation of the programme. In my view, the removal of the licence agreement is an adaptation of the programme which is not minuscule, and therefore a copyright infringement.

[54] Another alteration made by the first respondent is the removal of the nag screens from the programme. The nag screens were embodied or hard-coded into the programme and could not be removed without altering the object code. It is the respondents' contention that these 'nag screens' constituted a 'bug' in the programme. It contained erroneous information. The end-users were never the customers of the applicant and the applicant was at no time entitled to attract these customers to it. Even if that is correct, it does not transform the nag screens into 'bugs'. In my view, the removal of the nag screens constitutes an adaption of the programme.

[55] All references to the applicant as the publisher of the programme were removed. This encroaches upon the moral right which the applicant has under section 20 of the Copyright Act to claim authorship in the programme, thereby infringing such right and consequently the

applicant's copyright.

[56] The first respondent also substituted the installation wizard, stating that it did not have a licence to avail itself of the installation wizard used by the applicant. The respondents contend that this substitution did not involve an alterations to the programme and is not a matter about which the applicant is entitled to complain. In the light of my findings on what the respondents may and may not do with the programme, this issue has lost its relevance.

Are the call cost tables subject to copyright?

[57] The call cost tables are a series of databases containing compilations of costs pertaining to call costs. They can be modified by means of a text editor. The first respondent updated the call cost tables by changing to the date of the applicable database files.

[58] The first respondents says that in effecting such updates, it did not in any way amend or modify the computer programme itself. The respondents also submit that although these compilations of data are literary works, they are not 'original' within the meaning of the Copyright Act. Furthermore, the respondents disputed that the changes resulted in an adaptation of a substantial part of the databases. In my view, the updating of the bases, even if only a few items were updated, gives the call cost tables validity. In that sense it is substantial. Without it, the call cost tables will be inaccurate and of little use.

[59] The question remains whether or not the call cost tables are 'original' as envisaged in the Copyright Act. To be original, the Copyright Act does not require the work to be new, unique or inventive. As stated by Streicher JA in *Haupt v Brewers Marketing Intelligence (Pty) Ltd* 2006 (4) SA 458 (A):

'... a work is considered to be original if it has not been copied from an existing source and if its production required a substantial (or not trivial) degree of skill, judgement or labour.'

[60] The respondents contend that the call cost tables are not 'original' as they constitute no more than a compilation of information available to the public at large, and are therefore commonplace. A commonplace selection of data cannot be subject to copyright. See *Waylite Diary CC v First National Bank Ltd* 1995 (1) SA 645 (A) at 653 B. The applicant's evidence is that the call cost tables are a compilation of information contained in a series of 'code' books, each with a collection of files controlled by the executable file XY.exe. The files in the code books have a layout, an arrangement and fields which are necessary for the programme to compute call costs and discounts. This is not disputed by the respondents. The respondents merely alleged, baldly, that originality of the tables is a matter of considerable and complex factual dispute between the parties which can only be resolved through oral evidence. In my view, the tables are original as required by the Copyright Act.

Are the respondents licenced to do what they did?

[61] The respondents' justification defence finds its origin in the exception in sections 23(1) and (2) of the Copyright Act, which stipulates that 'without the licence of the owner of the copyright', the reproduction of a work or a computer programme and the making of an adaptation thereof, would be unlawful. It has been held that a copyright licence is tantamount to an undertaking by the copyright owner not to sue the licensee for infringement of his or her copyright. The respondents contend that they are licenced to do what they are doing.

[62] A licence under the Copyright Act can be awarded expressly, or by necessary implication. The respondents say that the reproductions of the works and also the adaptations, to the extent they are not miniscule, are expressly authorised under clause 2 of Appendix 2 of the supply agreement, and that those authorisations survived the expiry of the supply agreement. Alternatively, they say they have been given the authority by necessary implication.

[63] In the unreported case of *Steloy Vlekvrye Presisie Gietstukke v Protex Bestuurskonsultante*, case no. 9827/94 (T), van Dijkhorst J considered an instance where a computer programmer created a computer programme to manage factories. The owner of a factory was given a licence to use the programme. Some time later, the owner of a factory was given a licence to use the programme. Some time later, the owner needed to adjust and update the programme. He could not do so without the source code, which the programme retained. In an urgent application for interim relief, the learned judge found that the factory owner had:

'... 'n onherroeplike lisensie, maar nie-eksklusiewe lisensie, wat nie eintlik verleen is nie, maar verleen is by wyse van noodwendige implikasie, soos blyk uit die feite wat voorgelê is. Die feite synde dat dit onwaarskynlik is dat iemand R300 000 sal spandeer om 'n stuksel te verkry waaroor hy geen beheer het nie en wat hom geheet as in die mag laat van die persoon aan wie hy R300 000 betaal het. Dit is gemeensaak dat die respondent met die bronkode sit. Dit is gemeensaak dat die applikant R300 000 plus betaal het vir die werk en dis gemeensaak dat die applikant se programme nie bygewerk of verstel kan word sonder die bronkode nie. In die omstandighede is dit my mening dat die applikant minstens 'n prima facie saak uitgemaak het dat daar 'n geimpliseerde, nie-eksklusiewe lisensie in sy guns verleen is toe die ooreenkoms aangegaan is, indien op die respondent se weergawe die respondent die houer van die outeursreg sou wees op die betrokke bronkode. Dit maak die applikant prima facie geregtig op die bronkode.'

Although van Dijkhorst J only concluded that only a prima facie right to an implied licence had been established, Ms Jansen (who appeared for the respondents) placed great reliance on this judgment.

[64] The question of whether the respondents were licenced to do what they did, either expressly or by necessary implication, turns on the interpretation of the supply agreement (and possibly also of the licence agreement) considered against the background or the circumstances under which these agreements were concluded. I will therefore have to consider whether each of the acts which the respondents claim they are expressly or by implication licenced to perform, is in fact so licenced. Is there a licence to update the call cost tables?

[65] I will first consider whether any of the respondents has a licence to update the call cost tables. Paragraph 6 of Appendix 2 to the supply agreement provides that:

‘TIS will supply Telephone Call Cost Tables for the Teltrace SOHO to the purchaser as Telkom publish the new tariff charges at no extra cost.’

Whenever the applicant updated call cost tables during the lifetime of the supply agreement, the entire programme including the updates was sent to the first respondent by way of an email attachment. The entire updated programme was then supplied to the second respondent. The second respondent used it to replace the version of the Teltrace SOHO software already loaded onto the computers of end-users, with the new version.

[66] Unless the call cost tables are regularly updated to incorporate the latest tariffs, the programme will become ineffective. As I have said, the tables are unencoded text files which can be modified by means of a text editor, without in any way amending or modifying the Teltrace SOHO computer programme itself. A licence must, in my view, be implied in the computer licence agreement to the effect that the licensee (in casu, the end-user) is entitled to update the call cost tables used in the programme or replace it by its own tables in order to maintain its efficacy, particularly where the licensor no longer provides the requisite updates free of charge as in the past.

[67] The applicant says (in par 107 of the replying affidavit by Mr Hammerich) that:

‘The respondents are not end-users of the Applicant’s programme in the strict sense of the word. Whereas an end-user who had accepted the Applicant’s end-user licence *might well be empowered* under the licence to create the cost tables and effect changes to these call cost tables, the Respondents are not entitled to effect changes to the programme and then to reproduce and supply that changed programme to end-users.’

Insofar as an end-user is entitled to update the data in the call cost tables, it may also employ any of the respondents to do so. That does not however, entitle the respondents to make changes to the programme itself. Nor does it entitle the respondents to update the call cost tables

for unsolicited distribution to end-users.

Is the first respondent licensed to reproduce the computer programme?

[68] The first respondent contends that it is entitled to reproduce the computer programme. It relies on clause 2 of appendix 2 to the supply agreement, which states that the applicant will supply a master copy of the programme to the first respondent, who 'will be able to copy and distribute this software as required'.

[69] Clause 19.3 of the supply agreement reads as follows:

'All clauses in the contract which are either expressed to survive or which are by implication intended to survive termination of expiry of the Contract will continue to survive notwithstanding termination or expiry of the Contract.'

[70] The respondents submit that clause 2 of Appendix 2 'was by implication intended to survive' the expiry of the supply agreement. They say that it could not have been within the contemplation of the parties that the first respondent would never reproduce the programme having regard to the overwhelming likelihood (which the parties must have foreseen at the time when they concluded the supply agreement) that there would be a substantial number of end-users of the telephone management system in existence at the time when the supply agreement would expire. In particular, they say that the right of reproduction is necessary to update the call cost tables, to fix errors and to provide back-up copies. In this respect it must be remembered that the respondents are not end-users of the programme. They have no direct interest to update call cost tables, fix errors or make back-up copies, since they themselves do not utilise the programme for telephone call management purposes.

[71] I have already found that the respondents are entitled to update the call cost tables at the behest of end-users. Such updates can be done through a text editor. It is not necessary to reproduce or adapt the computer programme to achieve the updates.

[72] Should a copy of the programme used by a particular end-user develop an error, it might well be that the end-user has a tacit licence to fix the error. If the end-user has such a licence, the respondents would in my view be entitled, at the behest of the end-user concerned, to fix the error. The respondents did not show that it is necessary to reproduce the programme in order to fix the error.

[73] It is permissible in terms of the licence agreement, once the installation of the software is complete, that 'a copy of the Teltrace SOHO Software and the configuration files for back-up purposes only may be made for safe keeping *by the end-user*'. There is in my view no licence, express or implied, for the respondents to make or keep copies. They gave no valid reasons why they should have copies.

[74] Even if the respondents would have a licence to make copies of the

programme, they would still not be entitled to adapt the programme. The respondents' adapted version Y06.01 constitutes a breach of the applicant's copyright in the programme.

Is the contested programme only given to existing end-users?

[75] The applicant contends that the respondents' allegation that the disputed programme is only made available to existing end-users cannot be believed. They say that if the respondents' intention truly was to make the programme available only to clients who are existing end-users, it begs the question why it was found necessary:

- for the applicant's licence agreement to be deleted from the programme;
- for the applicant's identification in the programme as its 'publisher' to be deleted from the programme; and
- for the applicant's 'nag screens' to be deleted from the programme.

[76] Mr Coetsee says the following in paragraph 13 of the respondents' answering affidavit:

'While certain elements identify the Applicant as the copyright owner of the software, the software is a component of an integrated product. The Call Management System however, included the software, is sold and distributed by the Second Respondent as its own product and branded with its own trade mark. It is known as the product of the Second Respondent.'

This statement creates the impression that the call management system (incorporating the contested software) is still being sold and distributed by the second respondent.

[77] The applicant further points out that the respondents' own installation wizard with which the respondents replaced the applicant's installation wizard, asks the installer of the programme to state whether the installation about to take place is a 'Teltrace SOHO new installation' or a 'Teltrace SOHO upgrade'. These mentioned choices lend support to the applicant's allegation that the programme is in fact sold to new end-users and cast doubt upon the respondents' statement that the programme is only made available to their existing customers for 're-installation'. The respondents explain the provision for a 'new' installation by stating (in paragraph 88.1 of the answering affidavit) that it 'was merely to cater for the situation where the software had to be reinstalled for whatever reason'. A 're-installation', for example to repair a programme, is not a 'new' installation.

[78] Although I cannot, on the papers before me, make a conclusive finding that the contested programme is in fact being sold to new end-users, the above circumstances, in my opinion, supports a reasonable apprehension that it might well be happening.

Enquiry under sections 24(1A) and 24(1B) of the Copyright Act

[79] The applicant seeks a directive for convening an enquiry under sections 24(1A) and (1B) of the Copyright Act, for purposes of determining the amount of damages or a reasonable royalty payable by the respondents to the applicant. The sub-sections read as follows:

Section 24(1A)

‘In lieu of damages the plaintiff may, at his or her option, be awarded an amount calculated on the basis of a reasonable royalty which would have been payable by a licensee in respect of the work or type of work concerned.’

Section 24(1B)

‘For purposes of determining the amount of damages or a reasonable royalty to be awarded under the section or section 25(2) the court may direct an enquiry to be held and may prescribe such procedures for conducting such enquiry as the court considers necessary.’

[80] The relief claimed under these sections were not forcefully argued by Mr Bester (who appeared for the applicant). If the enquiry referred to is intended to be an enquiry by the court, as seems to be the case, it must in my view be initiated by an action, not by an application. See *Morris v Benson and Hedges* 2000 (3) SA 1092 (W) and *Metro Goldwyn-Meyer Inc v Ackerman* [1998] 1 All SA 584 (SE)*. The relief is akin to a claim for damages.

Section 24(1A) refers to an award in favour of a ‘plaintiff’ which indicates that the legislature must have had an action in mind.

Conclusion

[81] I conclude that the entire programme, including the call cost tables, the screens and the manuals is subject to the applicant’s copyright. I am satisfied that the applicant’s copyright has been breached by the respondents. The applicant is therefore entitled to appropriate relief. The relief will have to recognise however, that the respondents may, at the behest of an end-user and on its behalf, perform acts which the end-user is entitled to perform.

[82] The relief which I am about to grant in respect of breach of copyright makes the applicant’s claim for further relief based on passing off and unfair competition unnecessary.

[83] I turn to the counter-application. There will be a declaratory order in the main application on the applicant’s rights. This order will clarify what the respondents may and may not do, and make the relief sought in the counter-application superfluous. I will therefore not make any orders in the counter-application.

[84] I was able to arrive at the conclusions which underpin the order I am about to make on facts which are common cause between the parties,

* See page 558 of this work - Ed..

on statements contained in the respondents' affidavits of which there was no plausible denial. I therefore found it unnecessary to refer any issue to oral evidence, as Ms Jansen urged me to do.

[85] I turn to the issue of costs. The applicant was substantially successful. The counter-application was in my view superfluous, because the relief sought in the main application would, to the extent that it is granted or refused, make it clear to the respondents what their rights are in respect of the Teltrace SOHO system. The declaratory orders prayed for in the counter-application will not provide greater clarity.

[86] The relief which I am about to grant in the main application renders it unnecessary for me to make any order in respect of the striking-out application. The striking-out application is, however, not without merit. In my view, the costs thereof must follow the result of the main application.

[87] For the reasons set out above, I hereby make the following order:

1. Subject to paragraph 2 of this order, the respondents are hereby interdicted and restrained from:
 - a. infringing the applicant's copyright in the following works:
the applicant's telephone call management computer programme;
telephone call cost tables;
help manuals; and
telephone call management screens generated on-screen by the programme
all being components of the applicant's Man3000 telephone call management system branded as 'Teltrace SOHO', by reproducing, publishing, adapting, letting, offering for sale, distributing or in any other manner displaying the works; and
 - b. disassembling or reverse engineering any such works in order to produce infringing works, and distributing or aiding and abetting the distribution of any infringing works.
2. Nothing contained in paragraph 1 of this order will prevent any of the respondents at the behest of an end-user to assist or perform on behalf of such end-user any act relating to the Teltrace SOHO call management system which the end-user is licensed or otherwise entitled to perform.
3. The application for a directive to hold an enquiry under section 24(1A) and (1B) of the Copyright Act is dismissed.
4. The respondents jointly and severally, the one paying the other to be absolved, must pay the applicant's costs, including:
 - a. the costs of the counter-application and the application to strike out; and
 - b. the costs occasioned by the employment of two counsel.

KING v SOUTH AFRICAN WEATHER SERVICES

HARMS JA
(CLOETE JA, CACHALIA JA, LEACH AJA and GRIESEL AJA
concurring)
SUPREME COURT OF APPEAL
27 NOVEMBER 2008

Copyright vests in an employer in respect of a copyright work made in the course of the employee's employment if the copyright work is created in order to assist the operations of the employer and even if it is created outside of working hours and not under the direction and control of the employer.

King was employed by the South African Weather Services as a weather technician and subsequently as head of the Uppington Weather Station. His duties consisted mainly in gathering weather data and transmitting this to the Weather Services head office. Weather Services was an organ of state.

As an employee, King's duties did not involve the writing of any computer programmes. However, he did write computer programmes to assist in the execution of the work done by Weather Services. He did this in his own time and using his own computer. The programmes were used in conjunction with others used by Weather Services and King made adjustments to them at the request of employees of Weather Services in order to render them more compatible to those already used. King received merit awards from Weather Services for his contribution of the computer programmes.

In 2002, King gave notice to Weather Services that he terminated any licence it might have had to use the programmes. He claimed that he held the copyright in the programmes and as such was entitled to terminate their use by Weather Services.

King brought an application for an interdict restraining Weather Services from infringing his copyright in the programmes.

Held—

Assuming that King did not write the computer programmes under the 'direction and control' of Weather Services as referred to in section 5(2) of the Copyright Act (no 98 of 1978) and assuming that he was their author, the question was whether or not he wrote the programmes in the course and scope of his employment with Weather Services: section 21(1)(d) of the provides that where a work is made in the course of the author's employment by another person under a contract of service that other person shall be the owner of any copyright subsisting in the work.

In writing and implementing the programmes, King had acted to execute his employment duties. He would not have done so, were it not for the fact that he was employed by Weather Services. In making them available to colleagues and rendering them compatible with Weather Services' programmes, he acted to the benefit of his employer. In so doing, King was engaged in the business of his employer and assisting in the conduct of its operations. Even though he was not employed as a programmer, he did in fact engage in programming at work and at home. These activities were incidental to the work he did and his programming was directed at the more efficient operation of his work.

It was therefore clear that when King wrote the computer programmes, he acted within the course of his employment with Weather Services. He was therefore not entitled to an interdict against Weather Services.

The application was dismissed.

Harms JA:

Introduction

[1] The appellant, Mr Pieter King, sought to enforce a copyright claim in computer programs against the respondent, the South African Weather Service, in the High Court, Pretoria. His claim on the merits of the case was dismissed. The trial court refused leave to appeal but it was subsequently granted by this Court. In the event, as will appear hereafter, we dismiss the appeal with costs on the ground that King was not the copyright owner.

[2] Mr King was an employee of many years' standing of the Chief Directorate of the Weather Bureau ('the Bureau'), which at all relevant times was a division of one or other state department. The respondent, a juristic person, was formed in terms of the South African Weather Service Act (no 8 of 2001) and it took over all the functions of the Bureau and replaced it as from 15 July 2001. In terms of section 18(1), King automatically became an employee of the respondent. He was essentially a meteorological technical officer in charge of the Uppington office. A dispute arose concerning the source codes of computer programs developed by King, which he refused to hand over to the respondent. This led to his suspension and disciplinary steps on the ground of insubordination. He was subsequently found guilty at the disciplinary hearing and dismissed.

[3] On 12 June 2002, which was during the period of suspension, King sought to draw to the respondent's attention the fact that the programs he had written prior to 7 June 2000 'were not written in the course and scope' of his employment or 'under [the employer's] supervision and control'; instead, he alleged, as the person who exercised control over the making, he was the author. However, on the assumption that he may have authorised the respondent to use his programs, he gave notice of the termination of any licence with effect from 30 June 2002. The respondent did not comply with his demand and about a year later he instituted action claiming an interdict and damages.

[4] In the action, which is the subject of this appeal, King's case was in short that he had created a number of weather computer programs between 1980 and 2002; that they had been written in his own time, at home, to assist him personally in the performance of his duties as employee; that it had not been part of his duties as meteorologist to write computer programs; that he had authorised the respondent by means of a tacit licence to use the programs; that he had withdrawn the licence as from 30 June 2002; but that the respondent was nevertheless 'using' the weather programs to provide specialised weather forecasting and climate information and the like, and also reproduced or adapted them.

Basic copyright principles

[5] Before turning to the particular it may be convenient to set out in general terms certain basic copyright principles because copyright cases are technical

and those relating to computer programs notoriously difficult.¹ It is accordingly necessary, in enforcing any alleged copyright claim, to have regard to all the relevant statutory requirements necessary to establish a copyright claim in the name of a particular claimant, and to determine whether or not copyright infringement had taken place.

[6] Copyright is a creature of statute and has to be found within the four corners of a statute, in particular the Copyright Act (no 98 of 1978).² Certain defined works (of which computer programs are one) are eligible for copyright under the Act. This assumes, however, that the work concerned is 'original' (section 2(1)) and has been reduced to a material form) section 2(2)). In addition, copyright must have been conferred by virtue of nationality, domicile or residence or as a result of first publication (section 3 and 4). It is accordingly of the utmost importance for a copyright claimant at the outset to identify the work or works which are said to have been infringed by the defendant.

[7] Copyright infringement is (subject to an irrelevant exception) actionable 'at the suit of the owner of the copyright' (section 24(1)). It is only actionable at the suit of the author if the author is also the owner.

[8] The word 'author' has a technical meaning; and the author is not necessarily the person who first makes or creates a work. It depends on the nature of the work. In the case of a computer program, the author is 'the person who exercised control over the making of the computer program' (s 1 sv 'author').

[9] The author of a work that attracts copyright is usually the first owner of the copyright (section 21(1)(a)) but that need not necessarily be the case. An exception, which applies to computer programs amongst others, concerns the case of a work 'made in the course of the author's employment by another person under a contract of service': in this event the employer is 'the owner of any copyright subsisting in the work' (section 21(1)(d)). There is another relevant exception that concerns works which were made 'by or under the direction or control of the state' (section 5(2)) – ownership of any such copyright initially vests in the state and not in the author (section 21(2)).

[10] 'Using' a copyright work does not amount to copyright infringement. Primary infringement consists in the performance of an act, in the Republic, which the owner has the exclusive rights to do or to authorize without the latter's consent (section 23(1)). (Secondary infringement is not in issue and need not be discussed.) The exclusive rights of the owner depend on the

¹ *Memory Institute SA CC t/a SA Memory Institute v Hansen* 2004 (2) SA 630 (A); *Haupt t/a Soft Copy v Brewers Marketing Intelligence (Pty) Ltd* 2006 (4) SA 458 (A).

² Section 41(4). Compare *Ashdown v Telegraph Group Ltd* [2001] EWCA Civ 1142; *Butterworth & Co (Publishers) Ltd v Ng Sui Nam* 1987 RPC 104 (Singapore High Court); *Théberge v Galerie d'Art du Petit Champlain Inc* 2002 SCC 34, [2002] 2 SCR 336.

nature of work. In the case of computer programs the important rights are those of reproduction, adaptation and rental.¹

[11] The issues in this case are many. In relation to the issue concerning the subsistence of copyright they concern authorship, originality, and ownership (whether belonging to the author, the employer or the state). In respect of infringement the questions are whether the respondent had the consent (or licence) of the owner; the terms of the licence; the validity of the notice of cancellation; and whether King has established that the respondent had committed any infringing act since the date of revocation of the licence. In view of my conclusion it is unnecessary to resolve all of these issues.

Ownership of copyright: ‘in the course of employment’

[12] For purposes of this appeal I shall assume that King authored, not only in the sense of compiling, but also in exercising control over the making of the weather programs on which he relied – in other words, that he was the author as defined in the Act. I shall furthermore assume that the state is not the owner of the copyright by virtue of the provisions of section 5(2) because the works had not been made ‘by or under the direction or control of the state’.² I accordingly proceed to consider whether, in terms of section 21(1)(d), the computer programs were authored by King ‘in the course of [his] employment by [the Bureau] under a contract of service’. The inquiry is limited to the Bureau (as part of the state) because the works on which King relied were allegedly all made before the respondent had been constituted. In other words, if the works were made in the course of his employment with the Bureau and ownership in the works accordingly vests in the state, King had no rights to enforce against the respondent.

[13] The wording of section 21(1)(d) can be traced back to at least section 5(1)(b) of the British Copyright Act 1911, which was incorporated into our

¹ Section 11B. ‘Nature of copyright in computer programs—Copyright in a computer program vests the exclusive right to do or authorize the doing of any of the following acts in the Republic:

- (a) Reproducing the computer program in any manner or form;
- (b) publishing the computer program if it was hitherto unpublished;
- (c) performing the computer program in public;
- (d) broadcasting the computer program;
- (e) causing the computer program to be transmitted in a diffusion service,

unless such service transmits a lawful broadcast, including the computer program, and is operated by the original broadcaster;

- (f) making an adaptation of the computer program;
- (g) doing, in relation to an adaptation of the computer program, any of the acts specified in relation to the computer program in paragraphs (a) to (e) inclusive;
- (h) letting, or offering or exposing for hire by way of trade, directly or

indirectly, a copy of the computer program.’

² See *Biotech Laboratories (Pty) Ltd v Beecham Group PLC* 2002 (4) SA 249, [2002] 3 All SA 652 (A).

Patents, Designs, Trade Marks and Copyright Act (no 9 of 1916) by means of a schedule, and which formed the basis of copyright law in the British Empire and subsequently in most Commonwealth countries. Except for a short hiatus, the phrase ‘in the course of employment’ has since remained part of our statute law.¹ It is a stock concept in employment law (formerly known as the law of master and servant). The term is unambiguous and does not require anything by way of extensive or restrictive interpretation. A practical and common sense approach directed at the facts will usually produce the correct result.

[14] In the court below and, initially, in the heads of argument King submitted (although not necessarily in these terms) that the phrase meant that the work must have been authored ‘in terms of’ the contract of employment – in other words, unless the employee had to create the work in terms of the employment contract, ownership does not vest in the employer. The submission may have had some merit had the Act provided as section 39 of the British Patents Act 1977 provides, namely, that the employer is the owner of an invention made ‘in the course of’ the ‘normal duties’ of the employee. This provision changed the common-law test,² which does not refer to ‘normal duties’ but it retained the ‘in the course of’ requirement and did not supplant it with an ‘in terms of’ requirement.³ Counsel, wisely, did not persist with the argument but, as will become apparent, King’s evidence was sculptured to fit the proposition.⁴

[15] Copyright law in the USA is somewhat different: it provides that the employer is considered to be the ‘author’ and in consequence the owner of a work made for hire. A ‘work made for hire’ is defined in terms that echo those used in section 21(1)(d) of the Act – it is a ‘work prepared by an employee within the scope of his or her employment’.⁵ The statute does not define ‘scope of employment’, but the US Supreme Court held in *Community for Creative Non-Violence v Reid* 490 US 730 (1989) that Congress incorporated common-law agency principles into the copyright statute and intended to describe the conventional master-servant relationship as understood by common-law agency doctrine. Consequently, to show that the creation of a work was within the scope of the employee’s employment, the employer has to establish that (a) the work was of the type for which the

¹ Discussed in *Biotech Laboratories (Pty) Ltd v Beecham Group PLC* 2002 (4) SA 249, [2002] 3 All SA 652 (A).

² *Liffe Administration and Management v Pinkava* [2007] EWCA Civ 217.

³ Presumably the common-law approach still applies to South African patents since the current Patents Act 57 of 1978 does not deal with patents by employees. The Designs Act 195 of 1993 s 1(1) sv ‘proprietor’ is similar to the Copyright Act.

⁴ See *British Reinforced Concrete Engineering Co Ltd v Lind* (1917) 34 RPC 101 (Ch).

⁵ 17 USC § 201(b) read with § 101.

employee was hired to perform; (b) the employee's creation of the work occurred 'substantially within the authorized time and space limits' of his post; and (c) the creation was 'actuated, at least in part, by a purpose to serve' the employer's interests.¹ The court rejected other tests espoused by earlier courts namely whether the employer retained the right to control the product or actually wielded control over its creation.

[16] Counsel for the respondent relied heavily on US jurisprudence – and there are cases that are, on the facts, hardly distinguishable from those in this case² – but, as Michael D Birnhack recently pointed out, agency law principles, which were developed in the context of tort law, do not necessarily fit the copyright context.³ The same may be said about the argument of the respondent that the tests developed in the framework of vicarious liability should apply. Again, it appears to be wrong to apply delictual 'principles' without more to determine questions of ownership in the arcane area of copyright especially since policy considerations must differ.⁴

[17] Having had regard to a number of judgments,⁵ both local and from elsewhere, it appears to me to be dangerous to formulate generally applicable rules to determine whether or not a work was authored in the course of the employee's employment. It remains by and large a factual issue that depends not only on the terms of the employment contract but also on the particular circumstances in which the particular work was created.⁶ I accordingly turn to a discussion of the salient facts.

The facts

[18] It is convenient to begin with a discussion of the 'business' of the Bureau. By its very nature a weather bureau collects, processes, analyses and stores weather related data. To do this the Bureau developed a Microsoft based Windows automated weather system (WAWS), which contained a

¹ *Avtec Systems Inc v Peiffer* 67 F3d 293, 38 USPQ 2d 1922.

² *Genzmer v Public Health Trust of Miami-Dade County* 219 FSupp.2d 1275 and *Miller v CP Chemicals Inc* 808 FSupp 1238 are particularly instructive.

³ Michael D. Birnhack 'Working Authors' (October 2008) footnote 3. Tel Aviv University Legal Working Paper Series. www.law.bepress.com/taulwps/fp/art97/ (accessed 4 November 2008).

⁴ See, in another context, *Ngubetole v Administrator, Cape* 1975 (3) SA 1 (A) 8G-9F. Also Laddie, Prescott and Vitoria *The Modern Law of Copyright and Designs* (2 ed) vol 1 para 11.37.

⁵ *Trewhella Bros (UK) Ltd v Deton Engineering (Pty) Ltd Stranex Judgments on Copyright* 57; *Stephenson Jordan & Harrison Ltd v Macdonald & Evans* (1952) 69 RPC 10 (CA); *Noah v Shuba* 1991 FSR 14 (Ch); *Morewear Industries (Rhodesia) Pvt Ltd v Irvine* 1960 Burrell's PR 202 (Federation of Rhodesia and Nyasaland).

⁶ Compare *British Reinforced Concrete Engineering Co Ltd v Lind* (1917) 34 RPC 101 (Ch) 109.

broad collection of computer program modules used to capture, process and store weather related data. It is common cause that all the 'infringing' programs were written to conform with and were incorporated into and became an integral part of the Bureau's WAWS. King's programs were, accordingly, directly related to the 'business' of the Bureau. They captured, rectified and transmitted weather data to head office. And, as he reluctantly had to concede, the programs were to the advantage of his employer. Much, though, was made by King of the fact that the Bureau was not a commercial organisation and that the respondent, in terms of its governing Act, has to generate income. As I understand King's point, it is that his tacit licence did not cover commercial use of the programs by the respondent. The licence issue, however, arises only once the ownership issue has been determined. [19] Another important aspect to consider is the nature of King's duties in terms of the employment contract. In this regard the matter must be looked at broadly and not by dissecting the employee's task into its component activities.¹ His duties changed over the years but one would not ordinarily include computer programming as part of the duties of a meteorologist. However, that is not the full picture. As meteorologist King had to collect and collate meteorological data and transmit it to head office for analysis and storing. He developed his programs for this very purpose. Although he may have done it to make his own job easier, he did it because of his employment with the Bureau.

[20] This leads to another and most significant factor. It is clear that but for his employment with the Bureau, King would not have created these works. There is, accordingly, a close causal connection between his employment and the creation of the programs. In other words, his employment was the *causa causans* of the programs. Some of the programs were specifically written for other weather stations of the Bureau at their request and for their use. They were not created for external use by others; instead, they were purely work related. Importantly, the Bureau prescribed the format of the programs and had to approve of them before they could be implemented and used in the system.

[21] Reverting to King's evidence that he was the owner of the copyright because the works had not been prepared in the performance of his duties, the problem is that it is belied by the objective facts. For instance, King prepared quarterly reports about the performance of his duties. They dealt with his merits as employee and they stressed that the major component of his work was programming. A job evaluation investigation in April 2000, with which he agreed at the time, stated that he was responsible for system development

¹ Per Diplock LJ in *Ilkiw v Samuels* [1963] 2 All ER 879 (CA) quoted in *Bezuidenhout NO v Eskom* 2003 (3) SA 83, [2003] 1 All SA 411 (A) para 21, both dealing with tort or delict.

and programming and calibration of the Bureau's automatic weather station network. The estimate was that he was, at the time, spending some 50 per cent of his time on system development and programming.

[22] This also controverts his evidence that he had compiled the programs after hours. Although it must be accepted that his initial programming took place at home it is clear that as time passed he spent increasingly more of his office hours developing programs, to such an extent that he failed to give sufficient attention to his duties as head of the Upington office. In any event, the fact that an employee creates a work at home (or even during office hours at the premises of the employer) is but a factor that has to be taken into account in answering the question whether the work was made in the course of his employment.

[23] Mr King also relied on the Personnel Administration Standard, which contained a personnel standard for a meteorological technician. It did not list computer programming as part of the job description but the document in its terms was not intended to be all-embracing and anticipated that a fuller job description could be issued (as happened) and, as said before, a work may be created in the course of employment without having been created in terms of the contract. In addition, the scope of employment may change explicitly or by implication.¹ Lastly, he relied on an industrial settlement agreement, which provided that the April 2000 job evaluation would be cancelled. The meaning of the settlement agreement need not be considered as cancellation could not change ownership retrospectively.

[24] It is not necessary to deal with the evidence any further. The court below did a careful analysis of all factors relevant to the question and came to the conclusion that the works had been made in the course of King's employment. King's counsel was not able to show that the court below had erred. To the contrary, I am satisfied that the court did not. This conclusion obviates the need to consider the other issues² and the appeal stands to be dismissed with costs.

[25] The following order is made:

The appeal is dismissed with costs.

¹ *Noah v Shuba* 1991 FSR 14 (Ch).

² It may, though, be noted that counsel was unable to point to any evidence which established an infringing act after the date on which the licence was supposed to have ceased. The only evidence related to the use of programs and even WAWS was no longer being used by the respondent at the time of the trial.

McCARTHY LTD v HI-FI CORPORATION (PTY) LTD

PRETORIUS J
TRANSVAAL PROVINCIAL DIVISION
3 SEPTEMBER 2008

An assignment agreement which is terminable on notice and is concluded in order to support a sole distributorship agreement has independent validity and is not a sham agreement merely because it is an adjunct to the distributorship agreement

McCarthy Ltd concluded a distributorship agreement with Yamaha Corporation, Japan, which gave McCarthy the sole right to market and distribute Yamaha amplifiers in South Africa. At the same time, Yamaha Corporation assigned to McCarthy its copyright in South Africa in the part and engineering drawings of which the front panels of the amplifiers were three-dimensional reproductions. The assignment agreement was terminable upon notice by Yamaha.

An amendment to the assignment agreement later provided that the duration of the assignment was the same as that of the exclusive distributorship.

Hi-Fi Corporation (Pty) Ltd imported the amplifiers into South Africa. McCarthy contended that this importation constituted an infringement of its copyright as provided for in section 23(2) of the Copyright Act (no 98 of 1978) which provides that copyright shall be infringed by the importation into South Africa of an article for a purpose other than for private and domestic use, if to the importer's knowledge the making of the article constituted an infringement of copyright.

McCarthy brought an application to stop Hi-Fi Corporation from importing the amplifiers into South Africa.

Held—

Hi-Fi Corporation contended that the assignment agreement was a sham agreement and not intended by the parties to reflect their true intention, because it was concluded only to prevent legitimate trade in genuine Yamaha products.

However, it was clear that the assignment agreement had been concluded in order to support the exclusive distributorship agreement as this was the only way that Yamaha Corporation could ensure that the exclusivity provided for in the distributorship agreement could be guaranteed. The fact that the assignment agreement was terminable on notice did not make it a sham agreement.

The assignment agreement was also not vague so as to render it unenforceable. The application was granted.

Pretorius J: This is an application to prevent the respondent to import certain Yamaha amplifiers to South Africa and thus to prevent the respondent from infringing the applicant's copyright. An amended notice of motion was granted at the outset. A fourth set of pleadings was also served and filed by the respondent without applying to the court for condonation and setting out the reasons for filing the papers.

The applicant became the owner of the relevant copyright subsisting in the part and engineering drawings of which the front panels of these Yamaha amplifiers are three-dimensional reproductions, pursuant to an assignment

agreement entered into between Yamaha Corporation and the applicant.

It is common cause that copyright subsists in the works as it concerns design drawings which, according to the applicant, originally vested in Yamaha, Japan. It is further common cause that the respondent imports these amplifiers.

The applicant relies on a distributorship agreement which was entered into on 1 April 2003 for a period of 3 years, which was extended on 1 April 2006 until 31 March 2009. This agreement was entered into by the applicant and Yamaha Corporation. The parties also entered into an assignment agreement on 8 April 2003, which was extended on 9 April 2004.

The only issue in dispute is the respondent alleges that the assignment agreement in which the applicant became the owner of the copyright in the works relied on is 'not a true out and out assignment but rather a stratagem in order to prevent the legitimate trade in genuine Yamaha products'.

Mr Puckrin, on behalf of the respondent argued that the application should be referred for oral evidence to be heard. This application was first argued by Mr Puckrin, on behalf of the respondent. The respondent argued that the application could not proceed without the applicant's witnesses giving oral evidence regarding the validity of the copyright assignment and being cross-examined.

The court made a ruling not to refer the matter for oral evidence or cross examination without supplying any reasons. I will now firstly deal with the reasons for the ruling.

No mention is made of having the issue of the validity of the assignment referred to oral evidence in the answering affidavits. The first time this question was mooted was on 11 August 2008, in the fourth set of affidavits filed by the respondent. The applicant did not deal with the reference to the hearing of oral evidence in the heads of argument as it only became an issue when the fourth set of affidavits was filed. There is no application for the filing of the fourth set of affidavits. It was filed in the court file without any application to have it admitted. I am not going to deal with the fourth set of affidavits as at the end of the proceedings, Mr Puckrin, for the respondent, requested the court to note that the fourth set of affidavits is part of the file, although neither the applicant nor the respondent relied on the contents thereof during argument. The court ruled that the fourth set of pleadings is on the court file, but is not admitted as evidence and no party placed any reliance on the contents during the hearing of the application.

In *Standard Bank of SA Ltd v Sewpersadh* 2005 (4) SA 148 (C) Dlodlo J found at 154 C-D:

'A fortiori no litigant may take it upon himself to simply file further affidavits without first having obtained the leave of the Court to do so. The Court will exercise its discretion to admit further affidavits only if

there are special circumstances which warrant it or if the Court considers such a course advisable.’

Mr Bowman, for the applicant, indicated to the court that according to the respondents’ practice note the respondent would argue:

‘Kindly take note however that the Respondent will, at the hearing of the matter, as per its heads of argument ask for a referral of certain issues for oral evidence and will ask that the matter not be decided until such oral evidence has been heard.’

This in contrast to where the statement is made in the fourth set of affidavits that

‘The Respondent will, at hearing of this matter, move for an order to cross-examine the witness of the Applicant, and, in particular, Mr Robinson, Mr Nagai and Mr Nakazato’

and

‘The Respondent would also wish to cross-examine Kunihiro Maejima, the Managing Director of Yamaha Corporation, and the person that, ostensibly, signed the assignment agreements on behalf of Yamaha Corporation. Unfortunately, the Applicant has not seen fit to obtain an affidavit from this individual.’

In *Metallurgical and Commercial Consultants (Pty) Ltd v Metal Sales (Pty) Ltd* 1971 (2) SA 388 (W) an order was made that corresponds with the order being sought by the respondent. It must be stressed that the *Metal Sales* case (supra) can be distinguished from the present case as there the two parties who had entered into a contract were locked in dispute regarding the intention of the two parties involved. In this instance the respondent was not a party to the agreement to assign at all. The assignment was between the applicant and Yamaha.

In *Moosa Bros and Sons (Pty) Ltd v Rajah* 1975 (4) SA 87 (D) at 91 G Kumleben J found:

‘On the other hand, the fact that cross-examination may establish the incorrectness of an assertion or the fact that the choice of motion proceedings has deprived a respondent of certain advantages, which would have been available to him in a trial action, does not in itself justify such an order.’

In *Room Hire Co (Pty) Ltd v Jeppe Street Mansions (Pty) Ltd* 1949 (3) SA 1155 TPD Murray AJP found at 1163:

‘(c) he may concede that he has no knowledge of the main facts stated by the applicant, but may deny them, putting applicant to the proof and himself giving or proposing to give evidence to show that the applicant and his deponents are biased and untruthful or otherwise unreliable, and that certain facts upon which applicant and his deponents rely to prove the main facts are untrue. The absence of any positive evidence possessed by

a respondent directly contradicting applicant's main allegations does not render a case such as this free of a real dispute of fact. Or he may state that he can lead no evidence himself or by others to dispute the truth of applicant's statements, which are peculiarly within applicant's knowledge, but he puts applicant to the proof thereof by oral evidence subject to cross-examination.'

The question the court has to decide is whether there is a dispute of fact that can only be resolved once oral evidence have been heard.

The applicant relies on section 23(2) of the Copyright Act which provides:

- '(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;
 - (c) distributes in the Republic any article for the purposes of trade, or for any other purpose, to such an extent that the owner of the copyright in question is prejudicially affected or
 - (d) acquires an article relating to a computer program in the Republic 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.'

In *Minister v Land Affairs and Agricultural v D & F Wevell Trust* 2008 (2) SA 184 (A) Cloete JA states at par 56 page 204:

'It would be essential in the situation postulated for the deponent to the respondent's answering affidavit to set out the import of the evidence which the respondent proposes to elicit (by way of cross-examination of the applicants' deponents or other persons he proposes to subpoena) and explain why the evidence is not available. Most importantly, and this requirement deserves particular emphasis, the deponent would have to satisfy the court that there are reasonable grounds for believing that the defence would be established. *Such cases will be rare, and a court should be astute to prevent an abuse of its process by an unscrupulous litigant intent only on delay or a litigant intent on a fishing expedition to ascertain whether there might be a defence without there being any credible reason to believe that there is one.*' (My emphasis.)

The respondent relies on *Zandberg v van Zyl* 1910 AD 302 at 309 where Innes CJ finds at page 309:

'Not infrequently, however (either to secure some advantage which

otherwise the law would not give, or to escape some disability which otherwise the law would impose), the parties to a transaction endeavour to conceal its real character. They call it by a name, or give it a shape, intended not to express but to disguise its true nature. And when a Court is asked to decide any rights under such an agreement, it can only do so by giving effect to what the transaction really is; not what in form it purports to be. The maxim then applies *plus valet quod agitur quam quod simulate concipitur*. But the words of the rule indicate its limitations. *The Court must be satisfied that there is a real intention, definitely ascertainable, which differs from the simulated intention.* For if the parties in fact mean that a contract shall have effect in accordance with its tenor, the circumstances that the same object might have been attained in another way will not necessarily make the arrangement other than it purports to be. *The inquiry, therefore, is in each case one of fact, for the right solution of which no general rule can be laid down.*’ (My emphasis.)

Dealing with the so-called concealment of the real nature of the contract and the finding by Innes CJ (supra) Watermeyer JA in *Commissioner of Customs and Excise v Randles, Brothers and Hudson Ltd* 1941 AD 369 at 395 and 396 found:

‘I wish to draw particular attention to the words “a real intention, definitely ascertainable, which differs from the simulated intention”, because they indicate clearly what the learned Judge meant by a “disguised” transaction. A transaction is not necessarily a disguised one because it is devised for the purpose of evading the prohibition in the Act or avoiding liability for the tax imposed by it. A transaction devised for that purpose, if the parties honestly intend it to have effect according to its tenor, is interpreted by the Courts. according to its tenor, and then the only question is whether, so interpreted, it falls within or without the prohibition or tax. *A disguised transaction in the sense in which the words are used above is something different. In essence it is a dishonest transaction: dishonest, in as much as the parties to it do not really intend it to have, inter partes, the legal effect which its terms convey to the outside world. The purpose of the disguise is to deceive by concealing what is the real agreement or transaction between the parties.*’ (My emphasis.)

Mr Puckrin, for the respondent, referred the court to *Skjelbreds Rederi A/S v Hartless (Pty) Ltd* 1982 (2) SA 710 (A) to illustrate that the present assignment is a simulated or ‘sham’ agreement and should be handled in the same way as the *Hartless* case. The facts in the present matter is distinguishable from the *Hartless* case as there is no dishonesty between Yamaha and the applicant, the two parties to the agreement, - that much has been conceded by the respondent.

In *Hippo Quarries (Tvl) (Pty) Ltd v Eardley* 1992 (1) SA 867 (A) the court had to decide whether a document, the cession of a trading debt from one associated company to another, was in truth a cession or a sham. Nienaber JA found at p 876 H-I:

'These factors are, of course, all absent in the present case. In my view *Skjelbreds*' case is clearly distinguishable from the present one on the facts and, to the extent that the enquiry into the intention of the parties to the cession is a purely factual one, *the reasoning and the remarks of this Court in Skjelbreds*' case must be confined to cases in which its facts are substantially duplicated.' (My emphasis.)

It is clear in the present instance that the express purpose of the assignment agreement was to enable the applicant to prevent competitors of the applicant to import and sell genuine Yamaha products in South Africa. This assignment agreement protects the applicant in that the applicant is the sole distributor of genuine Yamaha goods in South Africa until the assignment agreement is terminated or reversed. According to the applicant this will happen when the distributorship is terminated or comes to an end.

Mr Puckrin requests the court to find that oral evidence should be led to prove the assignment is a pure sham and that the assignment can be reversed at any time at Yamaha's pleasure. The fact that the assignment can be reversed at any time by Yamaha is admitted. There is thus no factual dispute which can be the reason for making an order that the application should be referred for oral evidence. Mr Robinson, for the applicant, sets out in his affidavit that:

'After the Applicant purchased the Balanced Audio business and assumed the role of the exclusive distributor of YAMAHA products, the Applicant placed great store on giving practical effect to the exclusivity of the arrangement. The Applicant regarded the exclusivity issue as being essential to its entering into a fresh distributorship, arrangement with Yamaha Corporation. *After taking legal advice, both the Applicant and Yamaha Corporation formed the view that the only way in which Yamaha Corporation's obligation to provide exclusivity to the Applicant in the distribution of YAMAHA products in South Africa could be achieved would be for Yamaha Corporation to assign to the Applicant the South African copyright in artistic works, literary works etc embodied in, or associated with, the YAMAHA products imported into South Africa by the Applicant.*

Accordingly, in order to complement the 2003 distributorship agreement, and to be an adjunct to it, the parties entered into an assignment agreement in respect of the copyright in the relevant works.' (My emphasis.)

The respondent's answer in this regard, is that the fact that the assignor

can terminate or reverse the assignment at any time, should be seen as a sham or a ploy by the parties to the agreement.

The applicant, however, argues that without the assignment the exclusive distributorship will fall away. This is also explained in the affidavit of Mr Nakazato, the group manager, sales and marketing department of Yamaha in Japan:

‘Yamaha Corporation has been furnished with legal advice that the only steps which it can take to give effect to, and make good, its obligation to provide exclusivity of distribution of YAMAHA audio visual products to McCarthy Limited is for it to assign to McCarthy Limited the South African copyright in various literary and/or artistic works which accompany, or are embodied in, YAMAHA goods as imported into, and sold in, South Africa. *Yamaha Corporation is concerned that, if it does not meet its obligation to give exclusivity to McCarthy Limited, the entire structure of its chosen form of distribution of its products in South Africa will fall down.*’ (My emphasis.)

Mr Puckrin, in his argument to have the application referred to oral evidence, indicated to the court that due to the fact that no ‘term’ is set out in the assignment, the court has to make the deduction that it may be a ‘sham’ assignment agreement.

He referred the court to *The Shorter Oxford English Dictionary on Historical Principles*, Clarendon Press at page 2265 where ‘term’ is set out to be:

‘A limit in space, duration, etc. That which limits the extent of anything; a limit, extremity, boundary, bound.’

His argument is that as the term is not set out in the assignment agreement it supports the argument that the assignment agreement is a sham. Mr Nakazato explains quite clearly that the assignment is an adjunct of the distribution agreement between the parties and that both the parties will be reinstated in its former position if, and when the distribution agreement comes to an end.

This is exactly what the applicant informed the respondent in a letter to the manager of the respondent as early as 23 April 2003:

‘In terms of section 23(2) of the Copyright Act, for purposes of South Africa, in principle our copyright in the YAMAHA materials is infringed when reproduction of these materials takes place outside South Africa if the maker of the reproductions was not authorised by us to make such reproductions in South Africa. In the circumstances, YAMAHA materials made by Yamaha Corporation in Japan constitute unauthorised reproductions in South Africa of the YAMAHA works. YAMAHA materials made by Yamaha Corporation in Japan are thus infringing copies of the YAMAHA works in South Africa. In support of this

statement we refer you to the case of *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd* 1993 (4) SA 279 (A).’

The respondent reacted by answering the allegation in this paragraph by stating ‘We note the contents of numbered paragraph 6 of your letter under reply and deny the legal conclusion alleged.’

In the letter dated 13 May 2003 the respondent sets out:

‘It appears to us that the assignment agreement is not a true assignment at all but is a sham designed to confer upon McCarthy Limited an artificial locus standi to sue based upon copyright infringement. In this regard, we point out that there is an automatic reversionary clause in the agreement which would indicate that it was not the parties true intention to assign the copyright to McCarthy Limited.’

In *Frank and Hirsch (Pty) Ltd v Roopanand Brothers (Pty) Ltd* 1993 (4) SA 279 (A) Corbett CJ held at p 286:

‘This aspect of s 23(2) was considered by Goldstone J in the case of *Twentieth Century Fox Film Corporation v Anthony Black Films (Pty) Ltd* 1982 (3) SA 582 (W). In this case the Court held:

- (1) that the words in s 23(2), “would have constituted such an infringement if the article had been made in the Republic” applied, and could only apply, to an imported article, ie one not made in South Africa;
- (2) that the hypothesis that the Court is required to make in terms of these words is that the imported article was made in South Africa by the person who made it in fact; and
- (3) that if that person could lawfully have made it in South Africa, there is no infringement of copyright.

(See the judgment at 589H-594H.) It seems to me, with respect, that these propositions are a correct interpretation of the relevant words of s 23(2).’

The respondent did not set out which evidence it might hope to elicit from the witnesses in the replying affidavit as there is no mention of referral to oral evidence in the answering affidavit. The respondent further indicated during argument that it was in agreement with the finding of the court in the *Frank and Hirsch* case (supra), but that the present matter differs as it relies on a sham assignment.

Mr Bowman, for the applicant, argued that Mr Puckrin’s argument in court dealing with the application to have the matter referred for the hearing of oral evidence, differs substantially from his heads of argument in this regard. His whole argument in court dealt with the meaning of ‘term’ and not with the reasons why the application should be referred to oral argument or for cross examination of applicant’s witnesses. I must agree with Mr Bowman that the argument in court did not follow the heads of argument filed by Mr

Puckrin, as he relied in oral argument on the fact that according to the respondent no term was mentioned in the assignment agreement.

In *Minister of Environmental Affairs and Tourism v Scenematic Fourteen (Pty) Ltd* [2005] 2 All SA 239 (A) at par 30 Scott JA held:

‘In the present case the facts in issue are, of course, peculiarly within the knowledge of the Minister and Moolla, and accordingly require careful scrutiny. But, in the absence of any other reason and none has been advanced, *what would have to be established is the existence of reasonable grounds for doubting the correctness of the allegations concerned before a referral for oral evidence would be justified.* As emphasised by counsel for the appellant this in effect means the existence of reasonable grounds for disbelieving the Minister and Moolla.’ (My emphasis.)

The respondent failed to show the court what is concealed or why the court should find that Mr Robinson and Mr Nakazoto are dishonest when they, under oath, declare that the assignment is an adjunct to the agreement. The original assignment agreement was signed on 8 April 2003 and ‘TERM’ was defined as:

‘ “TERM” the duration of the exclusive distributorship for the TERRITORY of the ASSIGNOR’s products by the ASSIGNEE, which shall not be longer than 12 months following the date of the signing of this agreement’

The supplementary assignment was signed on 9 April 2004 - 12 months after the main assignment agreement was signed.

It is clear that this supplementary assignment agreement was necessary to ensure the exclusive distributorship of Yamaha for the applicant as set out by Mr Robinson and Mr Nazakato.

The relevant portion of this supplementary assignment agreement reads: ‘NOW THEREFORE IT IS HEREBY AGREED as follows:

1. Extension of main agreement

Clause 1.5 of the Main Agreement shall be amended to read (and shall be deemed to have done so from the outset) as follows:

“1.5 ‘TERMS’ - the duration of the exclusive distributorship for the TERRITORY of the ASSIGNOR’s product by the ASSIGNEE.” ’

It is clear that without the assignment agreement there can be no exclusive distributorship and I cannot find that oral evidence or cross examination of the witnesses can contribute to the true meaning of the assignment agreement. Mr Robinson clearly states that the only manner in which Yamaha’s obligation to provide YAMAHA products exclusively to the applicant was by entering into the assignment agreement.

I have considered all the arguments, authorities and probabilities and cannot find any reason why, the application should be referred to the hearing

of oral evidence or for cross-examination.

The application relates to section 23(2) of the Copyright Act (no 98 of 1978), as the applicant alleges that the respondent is infringing its right by importing and selling the relevant Yamaha products to the public, whilst these products are three-dimensional reproductions of the relevant drawings which were made in Yamaha's Corporation's factory in Malaysia.

The respondent, on its own admission, import and sell certain Yamaha amplifiers as 'parallel imports'.

The applicant is the owner of the relevant copyright pertaining to the amplifiers. The subsistence of the copyright in the works is not in issue and is common cause between the parties.

The only dispute relates to the assignment agreement as the respondent contend that the relevant assignment agreement is 'not a true out and out assignment but rather a stratagem in order to prevent the legitimate trade in genuine Yamaha products'. This fact leads to the conclusion, according to the respondent, that the applicant did not become the owner of the copyright in the works.

The applicant's case is that the court should have regard to section 22(2) of the Copyright Act and decide that the assignment is valid. The applicant further alleges that the importing and selling of the said amplifiers into South Africa by the respondent, knowing that if those amplifiers were made in South Africa, would infringe the applicant's copyright and would be a contravention of section 23(2) of the Act.

The applicant, McCarthy Ltd, is a South African company, which conducts business in many fields, but also in audio-visual products. The audio visual business is conducted through a division named Balanced Audio at Midrand.

The assignment is limited and is not a general assignment for all Yamaha products distributed by the applicant in the Republic of South Africa. Section 22(2) of the Act provides:

'An assignment or testamentary disposition of copyright may be limited so as to apply to some only of the acts which the owner of the copyright has the exclusive right to control, or to a part only of the term of the copyright, or to a specified country or other geographical area.'

The deed of assignment applies in this particular litigation only to Yamaha RX-V757 and RX-V457 audio-visual amplifiers. In terms of section 7 of the Act even Yamaha Corporation is prohibited to reproduce the relevant works in the Republic of South Africa, whilst the assignment agreement is operative.

The relevant distributorship agreement was entered into by the applicant and the respondent on 1 April 2006 and the Term of Agreement is:

‘Article 17. Term of Agreement

This Agreement shall become effective on and from Effective Date after being duly signed by both parties and shall continue in force to and including March 31st, 2009 for a period of three years. A written notice of intention to terminate this Agreement is sent by either party to the other, by registered airmail, at least thirty (30) days to the respective date of expiration.’

The respondent alleges that article 9(2) of the assignment agreement should raise the court’s suspicion that it is a sham assignment agreement. Article 9 provides:

‘9. Reversion of Rights

9.1 Upon the expiry of the TERM or the ASSIGNOR giving written notice to the ASSIGNEE of the termination of the ASSIGNEE’s exclusive distributorship of the ASSIGNOR’s goods, whichever happen earlier, the RIGHT OF COPYRIGHT shall automatically revert from the ASSIGNEE to the ASSIGNOR and shall become the ASSIGNOR’S property.

9.2 The ASSIGNOR shall be entitled to terminate forthwith this agreement by giving a written notice to the ASSIGNEE whenever the ASSIGNOR desires, and upon the termination, the RIGHTS OF COPYRIGHT shall automatically revert from the ASSIGNEE to the ASSIGNOR and shall become the ASSIGNOR’s property.’

It is clear from the provision that Yamaha may terminate the assignment whenever it so desires. According to the respondent this supports the argument that this is a sham agreement or stratagem to keep the respondent from competing in the open market and that Yamaha will reverse the assignment agreement as soon as the court should grant judgment in its favour.

The applicant, rightly so in my opinion, argues that without the assignment agreement there will be no exclusive distributorship. That is the reason for the first assignment agreement of 8 April 2003 to provide for ‘the duration of the exclusive distributorship for the TERRITORY of the ASSIGNORS product by the ASSIGNEE, which shall not be longer than 12 months following the date of the signing of this agreement’.

Mr Robinson explains:

‘In order to clarify the term of the assignment agreement and to harmonise it with the distribution arrangement between the parties, a supplementary assignment agreement was entered into on 9 April 2006 and a copy of this agreement is annexed to Mr Nakazato’s affidavit as annexure “MK4”.’

Mr Nakazato confirms this:

‘This is in keeping with the principle that the assignment agreement is an adjunct of the distribution arrangement between the parties and it follows

that each of the parties must be re-instated in its former position if and when the distribution agreement comes to an end.’

If the distributorship agreements and assignment agreements which took effect on 8 April 2003 and will be in place until, at least, 31 March 2009 are valid, then it must be clear that the right to the relevant design drawings in South Africa is currently applicable, until termination of the assignment agreement or termination of the distributorship agreement.

The exclusive distributorship will not be able to be enforced without the assignment agreement, as the exclusive distributorship will fall away.

Mr Puckrin referred the court in relation to the meaning of term to *Towert v Towert* 1956 (1) SA WLD 429 where Kuper J found at 433 A-C:

‘In both cases the promise was held to be binding because the time for payment did not depend on the mere will of the debtor but was capable of ascertainment by evidence directed to the means of the debtor from time to time. On the other hand a promise to pay off a substantial sum every year or a promise to pay “when / can” have been held to be too vague for enforcement: *Beretta v Beretta* 1924 T.P.D. 60; *Roberts v Forsyth*, 1948 (3) SA 926 (N). In the instant case the promise depends upon the mere will of the donor - it is quite impossible to fix with any certainty the time when the donation was to be fulfilled or the manner in which it is to be performed. In my view therefore the promise is too vague to be enforced and Mr. Schwarz’s objection must be sustained.’

In *Williams and Taylor v Hitchcock* 1915 WLD 51 the court found that a contract for a debtor to pay ‘until in a financial position to do so’ is too vague and renders the contract void.

In *Murray v Murray N.O.* 1959 (3) SA 85 WLD the court had to decide whether the provisions of an ante-nuptial contract were too vague to enforce and Kuper J at 86 F-G found:

‘In the instant case the husband promised to donate a house at his discretion and as and when convenient to him, and it seems to me to follow that the exercise of the discretion and the choice of a convenient time form part of the very fabric of the contract.’

These cases must be distinguished from the present case, as here the assignment is not dependant on a future event taking place. The exclusive right to reproduce the relevant drawings has already been granted to the applicant and had been transferred by Yamaha to the applicant. The cases mentioned are also distinguishable from the present case as all the abovementioned cases involved the two parties to the contract where one party was disputing the terms of the contract.

In the present instance there is no dispute between the applicant and Yamaha Corporation as to the terms of the distributorship agreements and the assignment agreements - they agree and support one another as to the

intention of the parties when entering into the agreements. Here a third party is placing their intention in dispute. The only ground for this ‘so-called’ dispute is that the term in the assignment agreement is according to the respondent so vague as to render the assignment agreement null and void.

Although the distributorship agreements were ‘non- exclusive’ in the sense that Yamaha could still sell products in South Africa, they had the effect that all ‘parallel importers’ are excluded from importing these products.

Mr van der Walt, on behalf of the respondent, alleged that the agreement is ‘simply a collective effort by the applicant and Yamaha, artificially to prevent the respondent from trading in genuine Yamaha products that emanate from Yamaha’.

It is clearly stated that the assignment was an adjunct to the distributorship agreement between the applicant and Yamaha Corporation. The assignment agreement enabled the applicant to preserve and give effect to the ‘exclusivity’ of the distributorship agreement.

If the assignment agreement is compared to the provisions of section 22(2) of the Act, I cannot but come to any other conclusion but that it expresses the real intention of both parties. One only has to read the contract itself to discern that the term of the assignment will correspond with the term of the distributorship. If both distributorship agreements are read with the initial assignment agreement and the second assignment agreement, the only conclusion the court can reach is that both parties intended to extend the assignment agreement. This assignment agreement is an adjunct to the distributorship agreement, which may terminate on 31 March 2009.

In *Frank v Hirsch* (supra) the fiction created by the Act is explained as follows by Corbett CJ at 286 D-E:

‘It follows, as a logical corollary, that, if the person who made the article could not lawfully (ie without infringing the copyright) have made it in South Africa, a person who, with the requisite knowledge and without licence, either imports the article into South Africa or sells and distributes it here commits an infringement of copyright in terms of s 23(2).’

In the present matter it is clear that the respondent infringed on the applicant’s copyright in terms of section 23(2) of the Act.

The court finds that the applicant has established that the front panels of the relevant Yamaha products are imported and sold in South Africa by the respondent for a purpose other than its’ private and domestic use and that the respondent had the requisite knowledge that it was infringing the applicant’s copyright right when doing so.

The following order is made:

1. The application for referral to oral evidence is dismissed;
2. The respondent to pay the costs, including the costs of two counsel;

3. The respondent is interdicted and restrained from infringing the applicant's copyright in the artistic works attached as annexures YT3, YT4, YT6 and YT7 to the affidavit of Yoshiaki Tsutsui, (at pages 124-135 of the record) ('the artistic works'), by importing, selling, offering or exposing for sale and/or distributing audio-visual equipment embodying works as portrayed in annexures MA1 to MA4 to the affidavit of Masayuki Asano, attached hereto, or any goods embodying works which are reproductions or adaptations of any substantial part of the said artistic works whilst the applicant is the owner of the copyright;
4. The respondent is directed to deliver up to the applicant for destruction all goods embodying works which are unlawful reproductions or adaptations of any of the artistic works, or of any substantial part thereof, the making of which infringed the applicant's copyright or would have done so if such manufacture had taken place in South Africa;
5. The respondent to pay the costs of this application, including the costs of two counsel.

FELDMAN N.O. v EMI MUSIC PUBLISHING SA (PTY) LTD
FELDMAN N.O. v EMI MUSIC SA (PTY) LTD

HURT AJA

(FARLAM JA, BRAND JA, MAYA JA and MHLANTLA JA concurring)

SUPREME COURT OF APPEAL

1 JUNE 2009

A claim by a joint holder of copyright should indicate the basis of the claimant's right to sue alone. A claim for a reasonable royalty based on section 24(1B) of the Act need not specify with particularity the extent of damages so claimed. An alternative claim for infringement of copyright based on contract may be inconsistent with a claim for infringement of copyright based on damages provided that the claims are pleaded in the alternative.

Feldman, in his capacity as executor in the estate of the late Brenda Fassie, brought an action against EMI Music Publishing SA (Pty) Ltd and an associated company, for damages for infringement of copyright. He also claimed a statement and debatement of account arising from artist agreements entered into between Fassie and the companies.

In the particulars of claim, Feldman alleged that he brought the action as joint owner of the copyright in certain musical works, the late Brenda Fassie being the co-author and/or co-composer of the works. Feldman alone, and none of the other co-authors and co-composers of the works, brought the action.

Feldman alleged that from 1980, EMI without licence, and whilst the exclusive right to do so vested in the plaintiff and others, reproduced the works, published the works, made an adaptation of the works, and purported to grant licences to third parties to reproduce, publish and make adaptations of the works.

In the alternative, it was alleged that the parties had concluded a written agreement, the effect of which was to assign and make over to EMI all of Fassie's copyright in the copyright works.

EMI excepted to the claim on the grounds that the other co-authors and co-composers were not joined as plaintiffs in the action, and there was no allegation of cession of rights by those parties to him. It also excepted to the claim on the grounds that the allegations failed to disclose sufficient particularity in relation to the alleged infringements of copyright, to enable it to plead properly thereto. A third exception contended that the alternative claim was inconsistent with the first claim.

Held—

Section 21(1)(a) of the Copyright Act (no 98 of 1978) provides that the ownership of copyright in a work shall vest in the author or, in the case of a work of joint authorship, in the co-authors of the work. Fassie and her co-authors enjoyed protection of their copyright under this section.

The essence of the first exception taken to the claim was that in the absence of an allegation that the other authors had ceded their rights to Fassie, it was not clear upon what basis Fassie had locus standi to sue. The question therefore was not whether or not the other co-authors should have been joined in the action but whether the allegations provided a sufficient basis for Fassie's claim. Since they contained no reference either to a cession of the other co-author's rights in favour of Fassie or an agreement that she would be entitled to all the fruits of the work, they did not. The first exception should be upheld.

As far as the second exception was concerned, there was no basis upon which EMI could insist upon greater particularity as to the extent of damages sustained by Fassie. The reasonable royalty provisions of section 24(1B) were inserted in the Act to cater for the situation where a copyright holder wishes to claim damages which are

as yet undetermined.

As far as the third exception was concerned, Fassie was entitled to rely on mutually inconsistent claims provided that it was clear they were pleaded in the alternative. This was the position in regard to the contractual claim and the claim for damages.

Hurt AJA:

[1] The appellant, who is the executor in the deceased estate of the well-known singer, Brenda Fassie, instituted two actions in the Witwatersrand Local Division of the High Court, claiming relief based on copyright. The defendant in the first action (and the respondent in the first of the appeals) is EMI Music Publishing (Pty) Ltd ('EMI Publishing') and, in the second, EMI Music (Pty) Ltd ('EMI Music'). The respondents delivered notices to cure vagueness and embarrassment in terms of Rule 23(1) of the Uniform Rules of Court and, no response to these notices having been received from the appellant, notices of exception were duly delivered. The cases were dealt with as one by Jajbhay J for the purposes of deciding them. The learned judge upheld the exceptions with costs and gave the appellant leave to amend the particulars of claim within 21 days. This appeal comes before us with the leave of the court below.

THE INFRINGEMENT CLAIMS ('THE FIRST EXCEPTION').

[2] The particulars of claim in each matter commenced with a claim for damages based on copyright infringement. The appellant claimed to have joint ownership of the copyright in 157 works listed in an annexure to the summons. With four exceptions¹ the works listed (being music and lyrics for so-called 'pop songs') are works in which the late Ms Fassie collaborated with others to compose them. They are accordingly works of 'joint authorship' as defined in section 1 of the Copyright Act (no 98 of 1978) ('the Act'). Having made the necessary averments to establish that the works are entitled to copyright protection, the particulars of claim in the EMI Publishing action proceed as follows:

'4. From and subsequent to 1980, the Defendant continuously, until the present time, without the licence of the Plaintiff or any of the persons referred to in paragraph 3.1.1.1 above (*sc* the joint authors), and whilst the exclusive right to do so vested in the Plaintiff and the said persons: [reproduced, published and made adaptations of the works and purported to grant licences to third parties to perform similar acts]²

¹ In which Ms Fassie was stated to be the sole composer/author of the music and lyrics.

² This is a précis of the detailed allegations of conduct which constituted copyright infringement.

5. In the premises, the defendant, during the said period, infringed the copyright in respect of the said works, referred to in paragraph 3 above.
 6. The Defendant at all relevant times bore knowledge of the fact that such conduct constituted an infringement as aforesaid.
 7. The Defendant received royalties for performing the acts set out in paragraph 4 supra.
 8. The damages suffered by the Plaintiff constitute the reasonable royalty that would have been payable by a licensee in respect of the work.
 9. The plaintiff has no knowledge of the extent of the royalties the Defendant received as aforesaid.
 10. In order to determine the amount of a reasonable royalty, having regard to the provisions of section 24(1B) of the Copyright Act, the Plaintiff will seek an order directing that an enquiry be held.'
- [3] The relief sought in respect of the infringement claim is an order for damages equivalent to the royalties which would reasonably have been payable by a licensee of the copyright and an enquiry aimed at establishing the amount of such royalties. There is a further prayer for what are sometimes referred to as 'punitive damages' based on the provisions of section 24(3) of the Act.¹
- [4] The particulars in the EMI Music action are almost identical to those set out above, save that the date of inception of the alleged acts of infringement in paragraph 4 is 1993, the words 'and/or fees' appear after the word 'royalties' in paragraph 7 and the words 'and that the defendant be ordered to pay to the Plaintiff the amount found to be due pursuant thereto' appear after the words 'an inquiry to be held' at the end of paragraph 10. These variations are not material to the issues raised by the first exception in either action.
- [5] The notices of exception taken to the claims based on infringement, after recounting the nature of the copyright relied upon by the appellant, state that:
- '4. The claims pursued by the plaintiff in this action are claims founded upon copyright ownership.
 5. The plaintiff has not indicated that any of the joint authors listed in

¹ 'Where in an action under this section an infringement of copyright is proved or admitted, and the court having regard, in addition to all other material considerations, to

(a) the flagrancy of the infringement; and

(b) any benefit shown to have accrued to the defendant by reason of the infringement,

Is satisfied that effective relief would not otherwise be available to the plaintiff, the court shall in assessing damages for infringement have power to award such additional damages as the court may deem fit.

Annexure A to the particulars has ceded or otherwise made over their copyright to Fassie. It is accordingly unclear on what basis the plaintiff has the requisite locus standi to sue on his own.

6. The particulars are accordingly vague and embarrassing, alternatively lack averments necessary to sustain the cause of action, and the defendant is accordingly unable to plead thereto.’

This will be referred to as ‘the first exception’.

[6] Before dealing with the parties’ respective contentions, it will be convenient to refer briefly to the law concerning joint authorship of works protectable by copyright. Section 21(1)(a) of the Act states that:

‘Subject to the provisions of this section, the ownership of any copyright conferred by section 3 or 4 on any work shall vest in the author or, in the case of a work of joint authorship, in the co-authors of the work.’

Section 3 of the Act confers copyright on, inter alia, any literary or musical work of which the author or any one of the joint authors is a South African citizen or is domiciled or resident in the Republic at the time that the work is composed. It is not in dispute that the late Ms Fassie and her co-authors in this case qualify under the section. Although subsections 22(1) and 22(5) equate copyright to movable property for the purpose of dealing with transmission of the rights by way of ‘assignment, testamentary disposition or operation of law’, there are features of co-ownership of copyright which differ from co-ownership of movables. Thus, for instance, one co-owner of copyright does not have the right, without the consent of the other(s), to exploit the rights comprising his copyright.¹ As to the proportions in which individual co-authors are entitled to share in the proceeds of the copyright, much will depend, in each instance, on the basis on which the co-authors have agreed to collaborate to produce the work. It is clear from the definition of a ‘work of joint authorship’,² however, that in the absence of agreement between the co-authors, the share of each will be an undivided one. In this regard *Copinger and Skone James*³ suggest that the circumstances surrounding the creation of the work will generally be relevant to a decision as to the respective share for which each co-author qualifies. In the absence of clear contrary indications as to the parties’ intention, it is suggested, the co-authors will each be taken to hold an equal, undivided share as ‘tenants in common’. It seems that this is the position under the Act, but it is not

¹ O H Dean *Handbook of South African Copyright Law* p1-30A; K Garnett, G Davies, G Harbottle *Copinger and Skone James on Copyright* 15 ed p 288.

² ‘work of joint authorship - means a work produced by the collaboration of two or more authors in which the contribution of each author is not separable from the contribution of the other author or authors’.

³ *Op cit* pp 287 to 288.

necessary for the purposes of this judgment to investigate this aspect further. What is clear, and what was not in dispute in argument before us, is that one co-author cannot ordinarily claim the whole proceeds of any exploitation of a work of joint authorship. It must follow that, in invoking the provisions of section 24(1A) of the Act as a basis for quantifying his or her claim for damages, a co-author suing individually for damages for infringement or their surrogate under the section will be restricted to the portion of the 'reasonable royalty' to which he or she would have been entitled if the work had been duly licensed.

[7] The debate about the first exception in the court below appears to have focused on a contention that the infringement claims were excipiable because the appellant had not joined the joint authors in the action. Jajbhay J referred to various authorities to the effect that a joint owner should join his co-owner(s) in litigation concerning the joint property. As authority for the proposition that non-joinder may be raised as a matter for exception, the learned judge referred to *Collin v Toffie* 1944 AD 456, and *Smith v Conelect* 1987 (3) 689 (W). Apart from noting that Tindall JA in *Collin* stated that a point of non-joinder may be taken on exception, but only if it is expressly referred to in the exception,¹ it is not necessary to consider whether the decision by Jajbhay J of the first exception on the basis of joinder was correct in law. An excipient is obliged to confine his complaint to the stated grounds of his exception. As in *Collin*, the exceptions here contain no mention of non-joinder. They accordingly fell to be decided on the grounds taken, namely that the particulars did not contain averments which founded the claim for relief. Nor, in arguing the appeals, did counsel for either party present argument based on the ground of non-joinder.

[8] Mr Gautschi, who appeared with Mr Smit for the appellant, submitted that, on a fair reading of the particulars of claim, it was implicit that the plaintiff was only claiming his pro rata share of the 'reasonable royalty' contemplated in section 24(1A). I think that such an interpretation of the particulars would involve more than just a 'fair reading' of the claims – it would involve interpolating presumptions and a measure of speculation into the particulars. On the basis set out in para 7, a plaintiff will not be entitled to the whole of the 'reasonable royalty' accruing from a work of co-authorship unless, at the time of the creation of the work, there was an agreement between the co-authors that the plaintiff was to be entitled to all the fruits of the work or, of course, unless the plaintiff had taken cession of the rights of his co-author(s). The matter is complicated in a case such as this where a substantial number of the works are alleged to be the product of

¹ p 467.

more than two authors. The short answer to the question raised by the exception is simply that the averments in the particulars of claim, read fairly, are silent as to the basis upon which the plaintiff contends that he is entitled to the 'damages' which he claims. As to the claim for 'punitive damages', I consider that such damages would ultimately have to be assessed as a lump sum figure which would have to be shared pro rata by the co-authors. The defendant in this situation would be exposed to substantial prejudice if he were to be ordered to pay the plaintiff the total amount of such damages but still remain exposed to a similar claim by one or more of the other co-authors. The absence of averments relating to the plaintiff's share of the copyright accordingly has the effect of rendering the claim for 'punitive damages' excipiable as well, on the basis submitted in the exceptions.

THE EXCEPTIONS BASED ON VAGUENESS ('THE SECOND EXCEPTION').

[9] Each defendant relied upon an exception based on the contention that the claim for damages was vague and embarrassing for want of particularity as to the royalties allegedly received by the defendants from the acts of infringement. (These will hereinafter be referred to as 'the second exception' in each case.) Jajbhay J upheld these exceptions. In response to the submission on behalf of the plaintiff that section 24(1B) of the Act expressly provides for an enquiry as to what would be a reasonable royalty 'for the purposes of determining the amount of damages', the learned judge said:

'Section 24(1B) of the Copyright Act contemplates and permits an enquiry into the quantum of damages only, and not into the existence of an act of infringement. Proof of infringement of copyright, in respect of which the plaintiff bears the *onus*, is a pre-requisite to any entitlement to invoke the enquiry provisions of section 24 (1B). It is at the level of proof of infringement that the plaintiff's particulars fail. Consequently, the provisions of section 24(1B) offer no assistance to the plaintiff against this exception.'

There was no basis, in the circumstances of these cases, to assess the appellant's prospects of proving what is alleged. The appellant alleged that the respondent, in each action, received royalties from the acts of infringement and that he has no knowledge of their extent. Section 24(1B) was obviously inserted into the Act to cover just such a contingency. I may say that Mr Leibowitz, for the respondents, wisely did not press his contentions in this regard with any discernible degree of enthusiasm. The appeal against the upholding of the second exception in each case must therefore succeed.

MUTUALLY CONTRADICTORY AVERMENTS ('THE THIRD EXCEPTION').

[10] The third basis upon which the exception was framed in each case was the mutually contradictory allegations concerning the current ownership of the copyright. In the EMI Music matter, after setting out, in paras 1 to 12, the claim based on infringement, the particulars contain a second claim, not pleaded in the alternative, in which the appellant relies on the conclusion by Ms Fassie of a number of so-called 'performance agreements'. The claim is that EMI Music failed in its obligations, in terms of these agreements, to render regular, accurate and proper accounts of what it had received and what was due to Ms Fassie and her estate. The notice of exception alleged that the appellant's claim, in para 3 of the particulars, to ownership of the copyright and the allegation in para 12 that there were no licensees of the works was inconsistent with the contention that Ms Fassie had entered into what were effectively assignments and/or licensing agreements. This exception was upheld by the court below but abandoned by EMI Music shortly before the appeal was argued. In the EMI Publishing action the claim for contractual royalties was specifically pleaded in the alternative to the infringement claim. Jajbhay J held that the particulars were vague and embarrassing and that EMI Publishing was prejudiced thereby

'more particularly in that the defendant is unable to know whether to come to court to meet a case based on ownership of copyright vesting in the plaintiff, or to meet a case based on ownership of copyright vesting in the defendant, and a consequent claim for royalties and a statement and debatement of account. These two claims are mutually destructive of one another . . . '.

[11] It is not necessary to refer to authority for the proposition that a plaintiff is entitled to rely on mutually contradictory averments in his particulars of claim, provided that it is clear from the manner of pleading them that he is only relying on the one in the event that the other is not sustainable. In this instance one might well have expected that the claim based on contract would be relied on as the main claim and that the claim for damages would be pleaded in the alternative, eg in the event of the claim on contract failing. But the circumstance that the contractual claim is pleaded in the alternative to that for infringement damages does not detract from the fact that it is clear to the reader of the particulars that the claims are relied upon in the alternative. That the defendant will be required to come to court to meet one of two alternative claims is certainly no basis for a finding that the defendant is embarrassed or prejudiced. This exception should accordingly have been dismissed.

[12] In the result the appeals succeed only insofar as the second and third exceptions are concerned. Mr Leibowitz submitted that since both parties had

had a measure of success in the appeal, there should be no order as to the costs in this court. However, it was necessary for the appellant to come to this court to have the second and third exceptions set aside and on that basis the appellant should have the indemnity of a costs order.

[13] In each case, the following order is made:

1. The appeal against the upholding of the first exception is dismissed.
2. Save as is set out in paragraph 1, the appeal succeeds.
3. The respondent is ordered to pay the appellant's costs of appeal, such costs to include the costs of two counsel.
4. The order of the court below is altered to read:
 - (a) The first exception is upheld.
 - (b) Paragraphs 3 to 12 of the particulars of claim are struck out.
 - (c) The plaintiff is given leave to amend the particulars of claim by notice of amendment delivered within 21 days of the date of this order.
 - (d) Save as ordered in paragraph (a), the exceptions are dismissed.
 - (e) The plaintiff is ordered to pay the costs of the exceptions.
5. The period of 21 days in para 4(c) is to run from the date of delivery of this judgment.

MR VIDEO (PTY) LTD v NU METRO FILMED ENTERTAINMENT (PTY) LTD

HURT AJA

(HARMS DP, LEWIS JA, SNYDERS JA and TSHIQI AJA concurring)

SUPREME COURT OF APPEAL

29 SEPTEMBER 2009

A local distributor of a work in which copyright vests which shows that infringement of the copyright is taking place has locus standi to bring interdict proceedings against the infringer. An order for delivery up of infringing copies may be given in respect of copies lawfully obtained.

Mr Video (Pty) Ltd and the other appellants imported DVDs from the United States of America. The DVDs were zone 1 DVDs. These were DVDs licensed by the copyright holder for viewing in the United States exclusively, and they were encoded so as to operate only on playback machines themselves encoded to play back zone 1 DVDs.

Mr Video and the other appellants offered the DVDs for hire and offered its customers pamphlets on how to decode their DVD players so that they would play the zone 1 DVDs.

Alleging that it was the exclusive licensee of the DVDs, and that the hiring of the DVDs constituted an infringement of copyright, Nu Metro Filmed Entertainment (Pty) Ltd brought an application for an interdict preventing Mr Video from offering the DVDs for hire and delivery up of the DVDs. Nu Metro was the local distributor of the films recorded on the DVDs and the other respondents were the copyright owners.

Mr Video defended the application on the grounds that although its conduct infringed the copyright of the copyright owners, Nu Metro had failed to prove that it was the exclusive licensee of the copyright in the DVDs and that its license agreement did not entitle it to bring the interdict proceedings. It also defended the application on the grounds that Nu Metro was not entitled to delivery up of the DVDs in terms of section 24(1) of the Copyright Act (no 98 of 1978).

Held—

It was not necessary for Nu Metro to prove the existence and scope of the licence agreements because it had established that it was the local distributor of the DVDs and that Mr Video had infringed the copyright of the copyright owners. This was sufficient to establish that it had locus standi to bring the application against Mr Video.

As far as section 24(1) was concerned, Nu Metro contended that the DVDs were lawfully acquired, and there was no evidence that they were infringing copies as provided for in that section. However, Nu Metro's allegation was that the zone 1 DVDs were not lawfully obtainable in South Africa and there was no evidence that their manufacturer had the right to make them in this country. This rendered them infringing copies for the purposes of section 24(1) entitling Nu Metro to an order of delivery up.

The application was granted.

Hurt AJA:

[1] This is an appeal against certain orders granted by Fourie J in the Cape High Court. The appeal is with his leave. For the sake of clarity and because there are a number of parties involved, I intend to refer to them as follows:

(a) to Nu Metro Filmed Entertainment (Pty) Ltd (the first respondent) as

‘Nu Metro’;

(b) to the second, third, fourth and fifth respondents collectively as ‘the Owners’ (a reference to the fact that they are the owners of the copyright in the films with which their application in the court below dealt);

(c) where I refer individually to any of the Owners, I will use an abbreviation of its name, ie ‘Fox’, ‘Disney’, ‘Warner’ or ‘Videovision’;

(d) to all 23 appellants collectively as ‘the Video Group’;

(e) where I refer to the first appellant individually, I shall call it ‘the Franchisor’.

[2] Nu Metro trades in films in the theatrical (cinema) sector of the film market in South Africa and also in the rental and retail sales sector of that market. The Owners are well-known producers and distributors of films in the entertainment field, save that Videovision is not involved in the production of films, but, as a substantial part of its business, acquires by assignment the South African copyright in respect of various films which it distributes in this country. The Franchisor carries on business as a franchisor of businesses, conducted under the name ‘Mr Video’, for the hiring of recorded films to members of the public for home viewing. The Video Group includes 22 of the Franchisor’s franchisees. The application in the high court related to various films in which the Owners claimed to own the copyright. These will be referred to collectively as ‘the films’.

[3] Nu Metro discovered that the Video Group were offering DVD recordings of the films, which they had imported from America, for hire in their businesses. They therefore brought an application for relief by way of interdicts, delivery up of infringing articles and costs, based on the contention that the Video Group’s conduct in offering these imported DVDs for hire constituted an infringement of the Owners’ copyright and an infringement of the exclusive licence rights which Nu Metro claimed to hold as a result of agreements concluded with the Owners. The Video Group opposed the application, disputing the Owners’ claim to be the copyright owners and Nu Metro’s claim to be an exclusive licensee. They admitted that they had imported numbers of DVD recordings of the films from the USA, but disputed the contention that their conduct amounted to copyright infringement. Shortly before the date on which the opposed application was set down for hearing, however, the Video Group conceded that the Owners were, indeed, the owners of the copyright in the films and tendered to submit to the interdicts sought against them and to an order directing them to pay the Owners’ costs.

[4] This tender disposed of some of the issues in the opposed application, and the issues with which Fourie J was required to deal were the following:

- (a) Nu Metro's locus standi to participate in the application, it being contended that Nu Metro had not proved that it held valid licences from the copyright proprietors which entitled it to proceed against The Video Group;
- (b) the Owners' entitlement to an order for delivery up in terms of section 24(1)¹ of the Copyright Act (no 98 of 1978) ('the Act');
- (c) three separate issues as to costs.

Fourie J found against the Video Group on all of these issues. It is these adverse findings that the Video Group have sought to challenge on appeal.

The Locus Standi Issue

[5] The Video Group contended, both in the court below and before us, that Nu Metro had failed to prove that it was the exclusive licensee of the Owners. They also submitted that, on a proper interpretation of the licence agreements which Nu Metro had annexed to the replying affidavit, its rights were not such as would entitle it to restrain the dealing by the Video Group in the imported DVDs to which reference has been made. The argument presented in support of these contentions was complicated but, in my view, futile. I do not think that it is necessary to decide whether the licence agreements are valid or what their scope is. At the lowest level, Nu Metro and the Owners have established that Nu Metro is appointed as the only local distributor of the films. The Video Group have acknowledged that their conduct infringes the copyright of the Owners and is accordingly unlawful. In the premises, Nu Metro was entitled, quite apart from any rights it may have as a licensee, to join in the proceedings to interdict. The challenge to its locus standi must accordingly fail.

The Order for Delivery of Infringing Items

[6] The evidence establishes that copyright proprietors in the film industry have, for the purpose of controlling the distribution of their films territorially, divided the world market into six 'zones' of which zone 1 comprises the USA and Canada, Zone 2 comprises Japan, Europe, South Africa, the Middle East and Greenland and the remaining four zones are situated in other territories in the world and need not be further defined for present purposes. The DVD recordings of films in each zone are electronically encoded. The playback equipment marketed in each zone is also encoded so as to preclude it from playing DVDs which are not encoded for that particular zone. Thus a DVD player sold in South Africa will have a code that enables it to play only

¹ '(1) Subject to the provisions of this Act, infringements of copyright shall be actionable at the suit of the owner of the copyright, and in any action for such an infringement or such relief by way of damages, interdict, delivery of infringing copies or plates used or intended to be used for infringing copies or otherwise shall be available to the plaintiff as is available in any corresponding proceedings in respect of infringements of other proprietary rights.'

DVDs encoded for zone 2. DVD recordings sold or hired out for home viewing in each zone have explicit warnings and reservations of rights on their packaging, advising the user of the copyright limitations to the proposed use and the penalties that may result from misuse.

[7] According to Fox, Disney and Warner, the DVD recordings of the films produced for sale in the USA are all sold and supplied with these 'copyright warnings', inter alia drawing users' attention to the fact that the DVDs are sold for home viewing in the zone 1 territories only. It is common cause, however, that the Video Group, having purchased the American products, offered them for hire from the various outlets operated by the franchisees in the Video Group, and also supplied their customers with a pamphlet describing how local DVD players can be 'decoded' to enable them to play zone 1 films.

[8] The provisions of section 24(1) are quoted earlier in this judgment. The section gives the court a discretion to order that the infringer should deliver up all 'infringing copies'. An 'infringing copy' in relation to a cinematograph film is defined in s 1 of the Act as

'a copy of the film or a still photograph made therefrom; . . . being in any such case an article the making of which constituted an infringement of the copyright in the . . . cinematograph film . . . or, in the case of an imported article, would have constituted an infringement of that copyright if the article had been made in the Republic.'

The Video Group contend that Fourie J erred in ordering The Video Group to deliver up the zone 1 DVDs in their possession or under their control. The argument is that the zone 1 encoded DVDs were acquired lawfully from the USA and that they are, accordingly, not 'infringing copies' as defined. The submission is that, to establish that the zone 1 DVDs are infringing copies, 'it would have been necessary for [Nu Metro and the Owners] to allege and prove that the making of the article in South Africa by the person who as a fact made the article in the USA would have constituted an infringement of the copyright in South Africa'. The Video Group contend that no allegation to that effect has been made in the papers. It is difficult to understand this contention. The very basis upon which the application is brought by the proprietors of the copyright in the films is that zone 1 DVDs are not available for lawful distribution in South Africa. There is no evidence to show that the person who manufactured the zone 1 DVDs in the USA had the right to do so in South Africa. In fact the probabilities are overwhelmingly against such a suggestion. Accordingly, if the DVDs had been made locally by that person, the inference must be that the making would have constituted an infringement. The attitude adopted by the Owners in these proceedings is fully in keeping with that inference. There is accordingly no substance in this contention.

[9] The further submission concerning the order for delivery up is that the court should have had regard to the fact that the zone 1 DVDs were the property of the Video Group and the court should have been reluctant to deprive them of their property rights. Fourie J rejected this submission. He held that the order was necessary in the circumstances to enable Nu Metro and the Owners to monitor and enforce the interdicts. He pointed out that at least 22 respondents were involved and he surmised that the very opposition to the order for delivery indicated a probable intention to deal in the zone 1 DVDs. There is a further consideration which warrants an order under section 24(1) in this case. It is that the infringing DVDs were acquired for an unlawful purpose and there is no lawful use to which they could be put in this country: at any rate, no such use could be suggested by counsel for the Video Group. The history of the Video Group's conduct with regard to its use of the zone 1 DVDs also militates against any suggestion that Nu Metro and the Owners would be properly protected if an order for delivery up was not made. As indicated, this was a matter involving the exercise of a discretion by the lower court. I consider that the learned judge correctly exercised his discretion in favour of the grant of the order for delivery.

Costs

[10] The three orders as to costs made in the court below and challenged on appeal are the following:

- (a) the order that the costs of the application should include the costs of various affidavits aimed at establishing infringing conduct on the part of a number of the Video Group in their respective franchise businesses;
- (b) the order that the Video Group pay Nu Metro's costs in the application;
- (c) the order that the costs of the Owners be taxed and paid on the attorney and client scale.

[11] The Video Group's submission in relation to the costs of the affidavits is that they (the Video Group) had made no secret of the fact that the franchisees were dealing in zone 1 encoded DVDs which they had imported from the USA. Accordingly, so the submission runs, it was unnecessary for Nu Metro and the Owners to produce evidence of individual acts of infringement by individual franchisees. The short answer to this submission is that, until the answering affidavit was delivered, Nu Metro and the Owners had no way of knowing what the Video Group would put in issue. It is significant that the Video Group challenged Nu Metro and the Owners' evidence of the existence of the licensing agreements on the ground that the relevant contract documents were not put up with the founding papers. In those circumstances, it hardly lies in the Video Group's mouths to object to the delivery of affidavits proving individual acts of infringement. The

decision to allow Nu Metro and the Owners these costs was correct.

[12] The order for attorney and client costs was also fully justified. The deponent for the Franchisor is a man with considerable experience in the home entertainment market. There had been a debate (I put in no higher for the purposes of this issue) amongst the Video Group as early as 2006, as to the legality of importing DVDs from the USA for use in the Video Group's businesses. The conclusion then was that such conduct was probably unlawful and the Franchisor had circulated a warning to its franchisees that this was the case. However it seems that the Video Group decided to continue with their conduct and bide their time until faced with an application for an interdict. The flagrant way in which the Video Group arranged to bypass the coding restrictions used by the copyright owners for the obvious purpose of controlling the exploitation of their rights, also has considerable significance in this context. After the application had been brought, and before the answering affidavit was filed, the Franchisor was advised by its attorney that the Video Group had no defence to the application. Nevertheless the Video Group delivered an answering affidavit opposing the relief sought. It was only at the eleventh hour, when the heads of argument were being prepared, that the Video Group capitulated in respect of the copyright owners. The decision by Fourie J to mark his disapproval of this conduct by a special costs award was fully justified.

[13] The award of costs in favour of Nu Metro was warranted on the basis that the opposition to Nu Metro's participation in the application was unsuccessful.

The appeal is dismissed with costs, such costs to include the costs of two counsel.

GALLO AFRICA LTD v STING MUSIC (PTY) LTD

HARMS DP

(NUGENT JA, LEWIS JA, PONNAN JA and CACHALIA JA concurring)

SUPREME COURT OF APPEAL

3 SEPTEMBER 2010

A South African court has no jurisdiction to determine a claim for copyright infringement committed in a foreign country.

Gallo Africa Ltd brought an action against Sting Music (Pty) Ltd alleging that Sting had infringed its copyright in a musical known as 'Umoja'. Gallo alleged that it held the copyright in musical and literary works which made up Umoja.

Gallo's claim alleged that Sting had infringed its copyright by committing acts of infringement in South Africa, and also in nineteen other countries. In respect of the acts of infringement in South Africa, it based its claim on its rights as provided for in the Copyright Act (no 98 of 1978). In respect of the acts of infringement outside of South Africa, it did not rely on the Copyright Act but on the laws of the countries concerned.

Sting raised an exception to the claim for infringement in the foreign countries. It contended that the court had no jurisdiction in respect of those claims because a claim for copyright infringement in a local court had to be founded on the Copyright Act and not on foreign law.

Held—

Intellectual property rights are territorial in nature. This was recognised by Gallo because in respect of its allegation of infringement in foreign countries, it depended on the intellectual property laws of those foreign countries to found its action against Sting.

In accordance with the principle set out in *Eilon v Eilon* 1965 (1) SA 703 (A), in relation to real actions directly raising the title of property, the forum rei sitae has exclusive jurisdiction. The property in question in the present case was the copyright in the musical as established in the foreign countries in question. Irrespective of where the work was created, it was in these jurisdictions that the copyright existed, and it was therefore the courts of those countries that held exclusive jurisdiction to determine Gallo's claim based on that copyright.

It followed that a South African court had no jurisdiction in respect of the claims for infringement allegedly committed in the foreign countries in question.

Harms DP:

[1] This appeal relates to the jurisdiction of a high court to decide matters relating to foreign copyright. The issue was raised by way of exception by the six defendants, the present respondents. The high court upheld the exception, finding that a local court does not have jurisdiction. This court granted leave to appeal after leave had been refused by the court of first instance (Makhanya J).

[2] The five plaintiffs (the appellants) issued summons against the defendants in the South Gauteng High Court. They alleged that they were (by assignment or as original authors) the owners of copyright works consisting of musical and literary works which make up a musical known as 'Umoja'. They further alleged that the defendants had infringed their copyright by performing whole

or part of Umoja, by making recordings and cinematograph films thereof, and by having it broadcasted.

[3] Infringement, the plaintiffs said, had taken place in South Africa since 2001. That is the uncontentious part of the claim and is based on the provisions of the Copyright Act (no 98 of 1978).

[4] The contentious part of the particulars of claim relates to the allegation that the defendants have also committed acts of infringement in a large number of other countries, 19 in all, from Japan in the east to the USA in the west. It is important to stress that in relation to these infringements the plaintiffs did not rely on our Copyright Act but on the copyright laws of each of these countries. The particulars in relation to each country are in similar terms and it would suffice if one country, say, the United Kingdom, is given as an example. The particulars state the following (albeit not in these terms or sequence): the plaintiffs are the authors or owners by assignment of the relevant copyrights for purposes of the UK Copyright Act; these rights exist by virtue of the UK Act; the copyrights have not expired due to lapse of time; they have been infringed; and the plaintiffs accordingly are entitled to claim an injunction, damages and/or royalties to which they would be entitled in terms of the UK Act.

[5] The exception by the defendants raised the question of jurisdiction squarely. It stated that proceedings for infringement of copyright instituted in a local court may only be founded on the provision of our Copyright Act and that in so far as the plaintiffs seek to apply the relevant copyright legislation of foreign states their claim is bad. As mentioned, the court below upheld the exception and set aside the particulars of claim to the extent that they are based on copyright legislation of other countries.

[6] Jurisdiction means the power vested in a court to adjudicate upon, determine and dispose of a matter. Importantly, it is territorial.¹ The disposal of a jurisdictional challenge on exception entails no more than a factual enquiry, with reference to the particulars of claim, and only the particulars of claim, to establish the nature of the right that is being asserted in support of the claim. In other words, jurisdiction depends on either the nature of the proceedings or the nature of the relief claimed or, in some cases, on both. It does not depend on the substantive merits of the case or the defence relied upon by a defendant.²

¹ *Ewing McDonald & Co Ltd v M&M Products Co* 1991 (1) SA 252 (A) 256G-H.

² *Makhanya v University of Zululand* 2010 (1) SA 62 (A) paras 28-36 and 54 read with *Estate Agents Board v Lek* 1979 (3) SA 1048 (A) 1063F-G, *Steytler NO v Fitzgerald* 1911 AD 295 at 314-315, 346-347 and *Gcaba v Minister for Safety and Security* 2010 (1) SA 238 (CC).

[7] The plaintiffs argued that the high court had jurisdiction to hear the foreign infringement claims because (a) the relief sought, namely interdicts and damages, are within the high court's competence; (b) the plaintiffs are incolae of the court below; (c) the defendants are domiciled or resident in South Africa and within the jurisdiction of the court below; (d) s 19(1)(a) of the Supreme Court Act (no 59 of 1959) confers jurisdiction on a high court 'over all persons residing or being in its area of jurisdiction; (e) a court can grant an effective interdict against someone residing within its jurisdiction; and (f) a court can determine through expert evidence what the relevant foreign law is. Some point was also made in relation to the inconvenience of an incola who has to sue in 20 jurisdictions.

[8] In so far as point (b) is concerned, the domicile of the plaintiff never determines jurisdiction and, as to point (f), a court does not necessarily require evidence of foreign law B it may take judicial notice of foreign law 'in so far as such law can be ascertained readily and with sufficient certainty'.³ The inconvenience of having to sue in multiple jurisdictions can also be discounted at this early stage because the rule of jurisdiction for which the plaintiffs contend would also apply in the case of a single infringement by a local incola committed in another country; and the plaintiff may not even be an incola. This is illustrated by the facts in *Lucasfilm Ltd v Ainsworth* [2009] EWCA Civ 1328, a judgment of the Court of Appeal (England and Wales).

[9] The defendants relied heavily on the judgment in that case in which the plaintiff, a US corporation, sued an incola of the UK for a breach of American copyright. The acts were committed in the UK but were considered for purposes of US law to have been committed in the USA. The court refused to entertain the matter, holding that UK courts do not have jurisdiction to hear such a case. I shall revert to this judgment. Although our law relating to jurisdiction is based on Roman-Dutch law as amplified by statute, and not on English common-law this judgment is important because it is recent and also dealt with the issue comprehensively and from a wider perspective. I accordingly do not intend to repeat everything said in that judgment.

[10] Section 19(1)(a) of the Supreme Court Act provides that a high court has jurisdiction 'over all persons residing or being in and in relation to all causes arising . . . within its area of jurisdiction and all other matters of which it may according to law take cognizance.' The section has a long history, which need not be related. However, our courts have for more than a century interpreted it to mean no more than that the jurisdiction of high

³ Law of Evidence Amendment Act (no 45 of 1988) s 10(1).

courts is to be found in the common law.⁴ For purposes of effectiveness the defendant must be or reside within the area of jurisdiction of the court (or else some form of arrest to found or confirm jurisdiction must take place). Although effectiveness ‘lies at the root of jurisdiction’ and is the rationale for jurisdiction, ‘it is not necessarily the criterion for its existence.’⁵ What is further required is a ratio jurisdictionis.⁶ The ratio, in turn, may for instance be domicile, contract, delict and, relevant for present purposes, *ratione rei sitae*. It depends on the nature of the right or claim whether the one ground or the other provides a ground for jurisdiction. Domicile on its own, for instance, may not be enough. As Forsyth (p 164) rightly said:

‘First there is the search for the appropriate ratio jurisdictionis; and then the court asks whether it can give an effective judgment. . . . [and] neither of these is *sufficient* for jurisdiction, but both are *necessary* for jurisdiction.’

[11] The point may be illustrated with reference to *Eilon v Eilon* 1965 (1) SA 703 (A). It was a marital dispute. This court held that since the defendant was not domiciled in South Africa, local courts had no jurisdiction to grant a divorce. However, since he was resident in the country a local court had jurisdiction to grant a judicial separation. A claim for maintenance, being one *ad pecuniam solvendam*, was permitted because such an action is justiciable where the defendant resides. The claims in relation to property situated in South Africa were also justiciable. However, in relation to the claims relating to property situated in Israel, the court held, South African courts had no jurisdiction. The reason was that in relation to real actions directly raising the title of property the *forum rei sitae* has exclusive jurisdiction.⁷ The court rejected the view that the court of the defendant’s domicile had any jurisdiction to determine the rights to immovable property situated in Israel. (At 726H-727B.)

[12] It may be mentioned that this rule does not necessarily apply in respect of immovable property situated within South Africa because a distinction is drawn between the jurisdiction of country state courts and that of South African high courts.⁸ The detail is not germane for present purposes.

[13] The position is not necessarily the same for movables. Although the *forum rei sitae* has, in principle, jurisdiction, this jurisdiction is not necessarily exclusive and the court of the domicile of the defendant may also

⁴ C F Forsyth *Private International Law* 4 ed p 167 fn 64 and 65 for the cases.

⁵ *Ewing McDonald & Co Ltd v M&M Products Co* 1991 (1) SA 252 (A) 259D-E, 260B-E.

⁶ *Veneta Mineraria spa v Carolina Collieries (Pty) Ltd* 1987 (4) SA 883 (A) 893E-894B.

⁷ These rules are based on Voet 5.1.77. See *Rosa’s Heirs v Inhambane Sugar Estates Ltd* 1905 TH 11; *Welgemoed and another NNO v The Master* 1976 (1) SA 513 (T) 522.

⁸ *Hugo v Wessels* 1987 (3) SA 837 (A) 851D-F, 856H-I.

have jurisdiction. This explains, to the extent that it is necessary, the judgment in *Metlika Trading Ltd v Commissioner SA Revenue Services* 2005 (3) SA 1 (A). It dealt with a movable, an aircraft, belonging to an *incola*. This court held that a local court had by virtue of that fact jurisdiction to grant an interdict in personam relating to the use of the aircraft which was overseas. The discussion relating to effectiveness did not impact on this part of the reasoning.

[14] For purposes of, inter alia, jurisdiction in respect of incorporeals our law (like many others), and in spite of possible dogmatic flaws, also distinguishes between movable and immovable incorporeals.⁹ The situs of an intangible 'is to be found where the intangible can be effectively dealt with'.¹⁰ Therefore, and by analogy with movable corporeals, the forum domicilii has jurisdiction in relation to incorporeals.¹¹ And in relation to immovables the rule laid down in *Eilon* would apply.

[15] Intellectual property rights (IPRs) are territorial in nature.¹² As Prof Alexander Peukert explains in a forthcoming publication:¹³

'To begin with, one has to distinguish different aspects of "the" territorial principle in IP. Its fundamental objective dimension means that an IP right is limited to the territory of the state granting it. The exclusive right can only cover activities occurring within the respective territory. No intangible subject matter is protected by one uniform right covering the whole world. Instead, technical inventions, works of literature and arts, signs, etc. are subject to a bundle of possibly more than 150 territorial rights of national or regional provenance. These rights are independent from each other so that an invention, work, etc. may be protected in one country, but in the public domain in another. . . . A comparative study reveals that this objective territoriality has long been accepted in the EU, its Member States like Germany or the Netherlands, other European countries like Switzerland, common-law countries around the globe, Japan, and not least the U.S.'

⁹ Francois du Bois (ed) *Wille's Principles of South African Law* 9 ed pp 412-413, 419-425 (2007); C G van der Merwe *Sakereg* 2 ed pp 36-47 (1989).

¹⁰ *Spier Estate v Die Bergkelder Bpk* 1988 (1) SA 94 (C) 98G-J. Graham Austin *Private International Law And Intellectual Property Rights: A Common Law Overview* para 36 available electronically at www.wipo.int.

¹¹ *MV Snow Delta: Serva Ship Ltd v Discount Tonnage Ltd* 2001 (4) SA 746 (A) paras 9-

14.

¹² Cornish & Llewelyn *Intellectual Property* 5 ed p 26 (2003).

¹³ *Territoriality and Extraterritoriality in Intellectual Property Law* electronically available at <http://ssrn.com>.

[16] Territoriality applies to registered IPRs such as patents¹⁴ and trademarks.¹⁵ It also applies to unregistered rights. For instance, well-known unregistered trademarks are entitled to local protection by virtue of art 6bis of the Paris Convention for the Protection of Industrial Property provided they are locally well known.¹⁶ A comparable instance is goodwill B the plaintiff must have a reputation within the area of jurisdiction of the court.¹⁷

[17] The same applies to copyright.¹⁸ That the plaintiffs appreciated this fact appears from the particulars of claim where the right to copyright and infringement was defined with reference to the laws of each particular jurisdiction. As McEwan J said in relation to the South African copyright in a work authored by an Indian national in India:

‘those rights are property in the Republic created by an Act of the South African Legislature.’¹⁹

The same would, obviously, apply to copyright in the UK.

[18] The Berne Convention for the Protection of Literary and Artistic Works does not affect the position.²⁰ It rests on three basic principles, namely national treatment, automatic protection and independence of protection. National treatment refers to the principle that works originating in one of the contracting states (that is, works the author of which is a national of such a state or works which were first published in such a state) must be given the same protection in each of the other contracting states as the latter grants to the works of its own nationals. Automatic protection means that copyright protection may not be conditional upon compliance with any formality. And independence of protection signifies that copyright protection is independent of the existence of protection in the country of origin of the work. It should also be borne in mind that the convention does not form part of our law but merely places international obligations on governments that have acceded to it. This means that the convention is not directly justiciable in our courts.²¹

¹⁴ *Norbert Steinhardt & Sons Ltd v Meth* [1961] HCA 33 para 7 (Australia); *Plastus Kreativ v 3M* [1995] RPC 438 447 (UK); *Voda v Cordis Corporation* 476 F.3d 887 (USA).

¹⁵ *Victoria's Secret Inc v Edgars Stores Ltd* 1994 (3) SA 739 (A).

¹⁶ *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd* [1996] 4 All SA 1 (A), 1997 (1) SA 1 (A).

¹⁷ *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd* 1998 (3) SA 938 (A) para 20.

¹⁸ *Society of Composers, Authors and Music Publishers of Canada v Canadian Association of Internet Providers* [2004] 2 SCR 427 para 56 (Canada).

¹⁹ *Vagar v Transavalon (Pty) Ltd* 1977 (3) SA 766 (W) 769E. Compare *Appleton v Harnischfeger Corporation* 1995 (2) SA 247 (A) 257D-258D.

²⁰ Christopher Wadlow *The Enforcement of Intellectual Property in European and International Law* p 11-14 (1998).

²¹ *Memory Institute SA CC v Hansen* 2004 (2) SA 630 (A) para 6.

[19] This leads ineluctably to the conclusion that IPRs, including copyright, are immovable intangibles and that, according to the principle accepted in *Eilon*, local courts do not have jurisdiction in respect of foreign copyright issues. In addition, the fact that a work was created in this country is beside the point for present purposes.

[20] The conclusion finds support in Antipodean jurisprudence. In *Potter v Broken Hill Company (Pty) Ltd* [1906] HCA 88 the High Court of Australia had occasion to consider whether a patentee could institute action in the Supreme Court of Victoria by the appellant against a company incorporated and registered in Victoria for the infringement in New South Wales of a New South Wales patent. In order to determine whether the court in Victoria had jurisdiction the High Court considered the nature of the patentee's right. The court held that a patent right was incorporeal personal property and that since a patent monopoly has no effective operation beyond the territory of the state under whose laws it is granted and exercised 'it partakes of the nature of an immoveable as distinguished from a moveable'. Because of this the court held that the *forum rei sitae* had exclusive jurisdiction to decide cases relating to patent infringement. The analogy has been extended to copyright by courts in Australia and New Zealand.²²

[21] The fact that copyright exists without registration is without consequence. Prof Austin explained that

'intellectual property rights exist at the sufferance of the domestic sovereign. With respect to patents and trade marks, whose existence depends on bureaucratic action, this characterisation is fairly clear. Individual copyrights do not depend on state action to come into existence. However, individual domestic copyright statutes still define the circumstances in which copyrights come into existence and the nature and content of authors' rights.'²³

The first sentence requires some modification. As was mentioned in *Lucasfilm*,²⁴

'[s]overeignty in any realistic sense does not come into' registered rights. There is no difference between the grant of a trading licence and a patent

²² *Tyburn Productions v Conan Doyle* (1990) 19 IPR 455; *Atkinson Footwear Ltd v Hodgskin International Services Limited* (1994) 31 IPR 186 (NZ), both referred to in *Lucasfilm* para 157. See also the views of Justice Gummow, 'Introduction' in Rickett & Austin (eds) *International Intellectual Property and the Common Law World* 5 (2000) quoted by Prof Graham Austin *op cit*. The judgment in *KK Sony Computer Entertainment v Van Veen* (2006) 71 IPR 179 (New Zealand) came to a different conclusion by following *Pearce v Ove Arup Partnership Ltd* [1999] 1 All ER 769 but *Lucasfilm* held that *Pearce* had been misunderstood.

²³ At para 21.

²⁴ At para 182 (iii) and (iv).

or trade mark registration. They are all bureaucratic acts by administrative staff in terms of generally applicable laws. Copyright, which does not involve administrative intervention, exists naturally by virtue of local legislation.

[22] *Lucasfilm*, as mentioned, dealt with exactly the same issue that concerns this court. Although UK courts had personal jurisdiction, the question was whether they had subject-matter jurisdiction, ie, whether there was a *causa jurisdictionis*. It is not necessary to traverse all the reasoning which led the court to the conclusion that a UK court did not have jurisdiction to decide a matter involving the infringement of foreign copyright. For present purposes it suffices to point out that the court applied a jurisdiction rule applicable to immovables, which is for all intents and purposes the same as the rule in *Eilon*, to copyright. The rule derives from *British South Africa v Companhia de Moçambique* [1893] AC 602 in which the House of Lords drew a distinction between ‘matters which are transitory and those which are local in nature’, holding that English courts did not have jurisdiction over the latter.²⁵ In this regard it mentioned that its approach coincided with the position under Roman law (at 623-624).

[23] The rule was affirmed in *Hesperides Hotels v Aegean Turkish Holidays* [1979] AC 508 where the rule was said to be that an English court has no jurisdiction to entertain an action for (1) the determination of the title to, or the right to the possession of, any immovable situate out of England (foreign land); or (2) the recovery of damages for trespass to such immovable.²⁶

[24] Although Laddie J²⁷ was not prepared to accept that it was correct to describe IPR as immovables and although the court in *Lucasfilm* did not in so many terms mention that copyright is an incorporeal immovable, such a finding is a necessary corollary of the ratio of this judgment in the context of our law, which is a fusion of Roman and Germanic law.²⁸

[25] The court in *Lucasfilm* also had regard to practical considerations as to why a local court should not exercise jurisdiction over foreign copyright.²⁹ In other words, the court was able to justify its conclusion not only on principle but also on the grounds of convenience and common sense.³⁰ These considerations include the fact that enforcement may involve a clash of the

²⁵ *Lucasfilm* para 140 and 175.

²⁶ *Lucasfilm* para 144.

²⁷ *Coin Controls v Suzo International* [1999] Ch 33 at 44D-E. See also the similar views of Fawcett & Torremans *Intellectual Property and Private International Law* p 280-293 (1998).

²⁸ See the references in fn 9.

²⁹ *Lucasfilm* para 177-181.

³⁰ Compare *Sonia (Pty) Ltd v Wheeler* 1958 (1) SA 555 (A) 562A.

IP policies of different countries; that extra-territorial jurisdiction involves a restraint on actions in another country B an interference which prima facie a foreign judge should avoid; and that it will create too much room for forum-shopping. In addition,³¹

‘it is quite clear that those concerned with international agreements about copyright have refrained from putting in place a regime for the international litigation of copyrights by the courts of a single state. . . . A system of mutual recognition of copyright jurisdiction and of copyright judgments could have been created but it has not.’

Plaintiffs’ counsel did not even attempt to refute the validity of any of these propositions.

[26] It follows that the appeal must be dismissed with costs, including the costs of two counsel, and it is so ordered.

³¹ *Lucasfilm para 179*

CADAC (PTY) LTD v WEBER STEPHEN PRODUCTS COMPANY (NO 2)

HARMS DP

(NUGENT JA, PONNAN JA, SHONGWE JA and R PILLAY AJA concurring)

SUPREME COURT OF APPEAL

16 SEPTEMBER 2010

A claim for damages for wrongful seizure of goods under the Counterfeit Goods Act (no 37 of 1997) may be brought in the same application in which it is claimed that such seizure was wrongful. Such a claim would appropriately be determined separately and following upon an inquiry into damages.

After Cadac (Pty) Ltd successfully applied for the setting aside of a warrant authorising the seizure of its kettle grills^{*}, Cadac took no further formal steps to pursue its claim for an inquiry into damages caused by the wrongful seizure of its goods for a period of three years. It then brought an interlocutory application for directions for the conduct of the inquiry.

Weber Stephen opposed this application on the grounds that a claim for damages could not be brought by way of application proceedings, and on the grounds that Cadac's claim for damages had prescribed.

Held—

Application proceedings are not appropriate for the bringing of illiquid claims such as a claim for damages. However, by bringing its application, Cadac did not seek to achieve an award of damages, but directions as to how to proceed with quantification of its claim for damages. This was little different from applying for an interdict for trademark infringement and an order directing an inquiry into damages. The practice of separating the issues of liability and quantum in other applications and actions could as easily be applied in the present case. Furthermore, section 10 of the Counterfeit Goods Act (no 37 of 1997) provides the basis for a claim for damages in proceedings such as had been brought by Cadac.

As far as the issue of prescription was concerned, prescription in respect of Cadac's claim for damages was interrupted by Cadac's application to set aside the warrant. That application included a claim for damages, a claim which was not premature, and as interruption of this claim took place in terms of section 15(1) of the Prescription Act (no 68 of 1969) the claim had not prescribed. It was not possible to consider this interruption to have fallen away by failure to successfully prosecute the claim, because no event had rendered that result impossible.

The interlocutory application was granted.

Harms DP:

INTRODUCTION

[1] The first respondent, Weber-Stephen Products Co, a US company, is the registered owner of trademarks that relate to the shape and configuration of barbeque kettle grills. Its sole distributor in South Africa is the second respondent, Galactex Outdoor (Pty) Ltd. The appellant, Cadac (Pty) Ltd, also

^{*} The judgment is reported at page 1020 of this work.

manufactures kettle grills and had a kettle grill on the local market for some 18 months when it decided to introduce another model during November 2004¹.

[2] This gave rise to correspondence between the parties in which the respondents (to whom I shall simply refer as Weber-Stephen) alleged trademark infringement, something Cadac denied. Weber-Stephen then alleged that Cadac was guilty of counterfeiting and threatened to lay a charge under the Counterfeit Goods Act (no 37 of 1997). In spite of Cadac's detailed refutation of the allegations the respondents proceeded to lay a complaint without notice to Cadac in terms of section 3 of the Act by means of an affidavit and without disclosing the fact that Cadac had asked for notice and had provided it with a detailed defence.

[3] An inspector appointed under the Act, acting on the correctness of the allegations in the affidavit, applied for a warrant from a magistrate in chambers authorising him to seize Cadac's kettle grills (s 6(1)). The warrant was executed during the Christmas season and kettle grills in the possession of dealers were also confiscated. Cadac alleges that it suffered some loss as a result.

[4] On 13 January 2005 Cadac applied on an urgent basis for a setting aside of the warrant in the light of the underhand manner in which it had been obtained. It also applied for a declaration that the goods seized were not counterfeit and for an inquiry into damages and for costs.

[5] The application was heard by Schwartzman J on 25 February, and in a fully reasoned judgment of 18 March he came to the conclusion that the warrant had been obtained irregularly and he set it aside with costs and ordered the return of Cadac's goods.² Weber-Stephen sought leave to appeal from the learned judge and from this court but without success.

[6] Because of this finding the learned judge thought it unnecessary to express any view about whether or not the Cadac product was counterfeit. This he did in spite of the fact that 'the striking feature about counterfeit cases is that they are legally very simple: they do not involve serious disputes over the boundaries of the trademark owner's rights. In mimicking the goods and the trademarks, the conduct of counterfeiters clearly falls within the ambit of conduct that a trademark owner is entitled to prevent.'³ Counterfeiting involves deliberate and fraudulent infringement of

¹ The third and fourth respondents were inappropriately cited for purposes of the appeal.

² The judgment has been reported: *Cadac (Pty) Ltd v Weber-Stephen Products Co* 2005 Burrell's IP 439 (W). [Also reported at page 1020 of *Judgments on Copyright* - Ed.]

³ Jason Bosland, Kimberlee Weatherall and Paul Jensen 'Trademark and counterfeit litigation in Australia' at www.law.unimelb.edu.au/ipria/publications/workingpapers.html

trademarks⁴ and ‘counterfeit cases involve an infringer attempting to reproduce – and substitute for – the goods (not just the trademark) of the trademark owner.’⁵ That is why the Act is concerned with trademark and copyright infringements that are criminal in nature. The Act does not permit a rights holder to steal a march on an alleged infringer in order to settle a bona fide dispute about the boundaries of rights. Those disputes should be litigated under either the Trade Marks Act or the Copyright Act⁶.

[7] The prayer relating to an inquiry into damages flowed from the provisions of section 17(1) of the Act, which provides that any person suffering damage or loss caused by the wrongful seizure, removal or detention of goods alleged to be counterfeit is entitled to claim compensation from the complainant for that damage or loss. This must be read with section 10(1)(c) which states, inter alia, that a court ‘in any civil or criminal proceedings relating to counterfeit goods’ may order ‘that the complainant pays damages, in an amount determined by the court, to the person from whom those goods were seized and pays that person’s costs.’

[8] The court postponed this prayer sine die. For reasons that are not now germane Cadac did not take further formal steps in relation to the inquiry into damages until three years and two days after the judgment of Schwartzman J when it applied by means of an interlocutory application for directions for the conduct of the inquiry, something not regulated by any court rule. The crux of Weber-Stephen’s answer was a multi-faceted reliance on prescription (in some instances somewhat of a misnomer) and a counter application for an order declaring that Cadac’s claim had become prescribed. Not all were persisted in during the appeal.

[9] One of these arguments was based on the fact that Schwartzman J did not deal with the question whether or not the goods were counterfeit. Weber-Stephen argued in the court below that the provisions of section 10(1)(c) and section 17(1) in those circumstances did not provide a cause of action for the recovery of damages. The cause of action, according to the submission, was dependent on a finding that the goods were not counterfeit. Brett AJ dismissed the argument and Weber-Stephen did not attempt to revive it in this court. It does not appear from the papers that Weber-Stephen has instituted any trademark infringement proceedings against Cadac.

INQUIRY INTO DAMAGES: IS IT PERMITTED?

[10] The first issue to decide is whether the proceedings launched by Cadac for an inquiry into damages is competent because, as was argued by Weber-

⁴ *R v Johnstone* [2003] UKHL 28.

⁵ *Ibid.*

⁶ Trademarks that relate to shape and configuration have their own peculiar problems: *Die Bergkelder Bpk v Vredendal Koöp Wynmakery* 2006 (4) SA 275 (A) para 8.

Stephen, it is not at all permissible to bring an illiquid claim by means of motion proceedings. This much was said by Murray AJP in *Room Hire*⁷. The main reason for the statement is in general terms unobjectionable. It is that motion proceedings are not geared to deal with factual disputes – they are principally for the resolution of legal issues⁸ – and illiquid claims by their very nature involve the resolution of factual issues. The related reason concerns the lack of pleadings⁹. The other objection, namely that motion proceedings give the applicant a procedural advantage because the respondent is not entitled to rely on a bald denial as is possible in trial proceedings and that it would be unfair to deprive the respondent of this advantage, no longer holds water¹⁰. Litigation is not a game.

[11] The fact of the matter is that Cadac does not seek to have its illiquid claim decided by means of motion proceedings and that these objections have no bearing on the matter. What it does seek are directions as how to proceed with the quantification of its claim for damages to which it is entitled by virtue of the statute and the findings by Schwartzman J¹¹. The irony of the objection is that if it had proceeded by way of application for an interdict based on trademark infringement, Weber-Stephen, if successful, would have been entitled to an order directing an inquiry into damages and directions as to the procedures to be followed¹². But since the proceedings by Cadac are not trademark infringement by a quirk of somewhat ossified procedural law the same procedure is said not to be available.

[12] Courts have refused to make orders for an inquiry into damages because the relief, which is found in English procedural law, is not dealt with in our court rules¹³. But, as Nicholas J pointed out in *Harvey Tiling*,¹⁴ such orders have been granted without objection in patent actions at a time when there was no available local rule. And, as he showed, courts are able to craft an appropriate order for an inquiry into damages without the need for a rule. One finds regularly that parties agree or courts order that issues concerning

⁷ *Room Hire Co (Pty) Ltd v Jeppe Street Mansions (Pty) Ltd* 1949 (3) SA 1155 (T).

⁸ *National Director of Public Prosecutions v Zuma* 2009 (2) SA 277 (A) para 26.

⁹ *Montres Rolex SA v Kleynhans* 1985 (1) SA 55 (C) 70B.

¹⁰ *Williams v Tunsdall* 1949 (3) SA 835 (T) 839.

¹¹ The notice of motion was for an order directing an inquiry into the damages due to Cadac, a direction in relation to the procedure to be followed, an order that the respondents pay those damages, and an order in relation to interest.

¹² Trade Marks Act (no 194 of 1993) s 34(4).

¹³ *Atlas Organic Fertilisers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1978 (4) SA 696 (T); *Montres Rolex SA v Kleynhans* loc cit; *Atlas Organic Fertilisers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1978 (4) SA 696 (T); *Haggar Co v SA Tailorcraft (Pty) Ltd* 1985 (4) SA 569 (T) 582A-C.

¹⁴ *Harvey Tiling Co (Pty) Ltd v Rodomac (Pty) Ltd* 1977 (1) SA 316 (T) 328-330.

liability are to be decided first and quantum thereafter. But the present rigid system requires of a plaintiff to particularize its damages when instituting action, sometimes a costly exercise which may prove to have been unnecessary.

[13] I cannot see any objection why, as a matter of principle and in a particular case, a plaintiff who wishes to have the issue of liability decided before embarking on quantification, may not claim a declaratory order to the effect that the defendant is liable, and pray for an order that the quantification stand over for later adjudication. It works in intellectual property cases albeit because of specific legislation but in the light of a court's inherent jurisdiction to regulate its own process in the interests of justice – a power derived from common law and now entrenched in the Constitution (s 173) – I can see no justification for refusing to extend the practice to other cases. The plaintiff may run a risk if it decides to follow this route because of the court's discretion in relation to interest orders. It might find that interest is only to run from the date when the debtor was able to assess the quantum of the claim¹⁵. Another risk is that a court may conclude that the issues of liability and quantum are so interlinked that it is unable to decide the one without the other.

[14] Once the principle is accepted for trial actions there is no reason why it cannot apply to application proceeding. In *Modderklip*,¹⁶ which was brought on notice of motion, this court issued an order for the determination of the quantum of damages based on the formulation used in *Harvey Tiling*. The order of the Constitutional Court was in this regard identical¹⁷. The fact that the order related to 'constitutional' damages does not affect the procedural principle.

[15] There is, without derogating from the foregoing, an additional reason why the procedure is permissible in this case. Section 10 of the Act provides that an order for damages may be ordered against a complainant 'in any civil or criminal proceedings relating to counterfeit goods'. Cadac's application to set aside the warrant was such a proceeding within the meaning of the section, which does not require separate proceedings for the determination of quantum. In the absence of rules regulating these quantification proceedings a court has to prescribe an appropriate procedure.

THE CAUSA OF CADAC'S CLAIM

[16] The issue relating to the nature of Cadac's claim arises from WeberStephen's argument that at the time that the main application was

¹⁵ Prescribed Rate of Interest Act, 1975 s 4 read with s 2A(5).

¹⁶ *Modderfontein Squatters, Greater Benoni City Council v Modderklip Boerdery (Pty) Ltd* 2004 (6) SA 40 (A).

¹⁷ *President of the RSA v Modderklip Boerdery (Pty) Ltd* 2005 (5) SA 3 (CC).

launched the right to damages had not yet accrued and that the proceedings for the recovery of damages (albeit in the form of an inquiry into damages) were accordingly premature. This argument was based on the supposition that the warrant was not void but voidable and that a cause of action for wrongful attachment of goods could only arise once the warrant has been set aside – until then it remains valid. As was said by Trollip JA, until a warrant like the one in the instant case is set aside ‘it continues to have the effect of justifying the proposed attachment [citations omitted] and, without more, the appellant cannot obtain the interdict it seeks.’¹⁸

[17] The learned judge was concerned with an application for an interdict to prevent the police from attaching certain gambling machines. The police in answer relied on a warrant issued by a magistrate. The application, the judge said, could not be regarded or treated as including a claim to have the warrant set aside because there was not a timely attack on its validity (the attack, it would appear, came in the replying affidavit). Without such a claim the interdict could not be granted. This means that the interdict could have been granted if in the same proceedings there was a prayer, which was successful, for the setting aside of the warrant.

[18] The cause of action for an interdict and one for damages are the same. Only the nature of the relief differs. And although there are statements in cases that damages can only be sought after a warrant had been set aside, those statements must be read in context. They dealt with the distinction between malicious attachments and wrongful ones. Because a writ is a defence against a claim based on the former the claim cannot succeed unless the writ is set aside¹⁹. To anticipate reliance on a writ by the defendant a plaintiff must include a claim for having it set aside. Not one ever suggested that two proceedings, one for setting aside and the next for damages, are required. The reason is apparent. The declaration of invalidity operates retrospectively and not prospectively. This means that once a warrant is set aside it is assumed that it never existed and everything done pursuant thereto was consequently unlawful.

[19] I therefore conclude that the claim relating to damages in the application to set aside the warrant was not premature. The notice of motion was a process whereby proceedings were instituted as a step in the enforcement of a claim for payment of a debt²⁰. This means that the running of prescription

¹⁸ *Cresto Machines (Edms) Bpk v Die Afdeling Speuroffisier, SA Polisie, Noord-Transvaal* 1972 (1) SA 376 (A) 395H.

¹⁹ *Hart v Cohen* (1899) 16 SC 363 at 369; *Cohen Lazar & Co v Gibbs* 1922 TPD 142 at 147-148; *Begeman v Cohen* 1927 TPD 674 at 676; *Cole's Estate v Oliver* 1938 CPD 465 at 468.

²⁰ *Cape Town Municipality v Allianz Insurance Co Ltd* 1990 (1) SA 311 (C) 334G-J.

was interrupted in terms of section 15(1) of the Prescription Act (no 68 of 1969)²¹.

FAILURE TO PROSECUTE THE CLAIM FOR DAMAGES

[20] I have mentioned that Cadac had failed to further prosecute its damages claim until it launched the present proceedings on 20 March 2008. Because of this delay Weber-Stephen relied on section 15(2) of the Prescription Act which provides inter alia that ‘the running of prescription shall not be deemed to have been interrupted, if the creditor does not successfully prosecute his claim under the process in question to final judgment.’ The argument was that since Cadac did not prosecute its claim to a final judgment the claim became prescribed. For this proposition reliance was placed on the judgment in *Chauke*.²²

[21] The immediate problem with the argument is this: when did the claim prescribe? Counsel suggested within three years from the judgment of Schwartzman J, but there is no time limit stated in section 15(2) within which the claim must be prosecuted with success. It could just as well have been three days, weeks or months. In any event, Munnik CJ analyzed section 15(2) in *Titus*²³ and came to the conclusion that *Chauke* was incorrect. I can do no better than to rely on his reasoning. He pointed out, with reference to *Kuhn v Kerbel* 1957 (3) SA 525 (A), a case decided under the Prescription Act (no 18 of 1943), that the Act rendered a right unenforceable after the lapse of a certain time, but did not purport to deal with the time within which proceedings had to be concluded. Extinctive prescription, it held, limits the time within which proceedings must be instituted but once instituted its continuance is governed by the rules of court. The reason is that while the initiating step (the issue of process) is within the power of the creditor the subsequent conduct of the proceedings might not be²⁴.

[22] Munnik CJ further held that the introduction of section 15(2) of the 1969 Act did not affect this reasoning. He focussed on the word ‘successfully’ and held that only if a creditor’s claim fails the provision comes into force. The practical effect of this is that, should absolution be granted, the plaintiff cannot be said to have successfully prosecuted the claim to final judgment. The same would apply, he said, if an exception is taken and the plaintiff cannot amend but has to issue a fresh summons (an unlikely event). Another example appears from a later case where a plaintiff withdrew the action in

²¹ ‘The running of prescription shall, subject to the provisions of subsection (2), be interrupted by the service on the debtor of any process whereby the creditor claims payment of the debt.’

²² *Chauke v President Insurance Co Ltd* 1978 (2) SA 947 (W).

²³ *Titus v Union & SWA Insurance Co Ltd* 1980 (2) SA 701 (TkSC).

²⁴ *Sieberhagen v Grunow* 1957 (3) SA 485 (C).

one court in order to institute it in another: since the first summons was not successfully prosecuted it could not interrupt prescription²⁵.

[23] The learned judge concluded (at 704F-H):

‘It is not unreasonable to assume that what the legislator had in mind was the following: It is necessary that there should be finality in litigation. The plaintiff is given a reasonable time within which to institute his action, thereafter he is in the hands of the administration of the Courts. Certain Rules are laid down, time is given in which certain procedures have to be carried out in regard to the pleadings and there is a general provision in every Rule of Court in terms whereof the Court can always extend the time and furthermore he has other factors to contend with . . . which all make it impossible for him to have any direction over the length or duration of the proceedings once he has instituted them.’

[24] This means that the failure to prosecute did not in the circumstances of this case lead to the extinction of the claim by prescription. I do not thereby wish to condone the lackadaisical manner in which Cadac dealt with the matter but, as Munnik CJ said (at 705A-B), the debtor to a certain extent has a say in the running of prescription by enforcing the rules of court. In this case Weber-Stephen could have enrolled the case for dismissal of the postponed relief.

CONCLUSION

[25] This means that Weber-Stephen’s defences to the relief sought were without merit. The parties are agreed that the following order should issue in that event and it is ordered as follows:

- 1 The appeal is upheld with costs, including the costs of two counsel.
- 2 The order of the court below is set aside and replaced with an order in these terms:
 - (a) The interlocutory application is upheld with costs, including the costs of two counsel.
 - (b) The counter-application is dismissed with costs, including the costs of two counsel.
 - (c) The Registrar of the South Gauteng High Court is directed to fix a date for an inquiry to be conducted by way of a High Court trial for the purposes of:-
 - (i) the determination of the amount of compensation to be paid by the Respondents to the Applicant as contemplated in section 10(1)(c) of the Counterfeit Goods Act (no 37 of 1997); and
 - (ii) the payment by the Respondents, jointly and severally, the one paying the others to be absolved, to the Applicant of the amount

²⁵ *Van der Merwe v Protea Insurance Co Ltd* 1982 (1) SA 770 (E).

of compensation found to be due to the Applicant pursuant to the determination, together with interest on such amount at the prescribed rate of interest from the date of such determination until the date of payment and the costs of the determination.

- (d) The Applicant shall within 20 (twenty) days of the date of this order serve upon the Respondents and file a declaration particularizing the damages allegedly suffered by it as a result of the seizure of its goods under the search and seizure warrant issued on 10 December 2004.
- (e) The Respondents, if so advised, shall within 10 (ten) days of the service of the Applicant's declaration, file a plea thereto.
- (f) The Uniform Rules of Court relating to discovery, inspection and all other matters of procedure shall apply to the determination.
- (g) The parties are authorised, on notice to the other parties and should it be required by one or both of them, to make application to the South Gauteng High Court to add to, or vary the above order so as to facilitate the conducting of the determination and generally to make application for further directions in regard thereto.

PUMA AG RUDOLF DASSLER SPORT v RAMPAR TRADING (PTY) LTD

HARMS DP

(HEHER JA, SNIJDERS JA, TSHIQI and R PILLAY AJA concurring)

SUPREME COURT OF APPEAL

19 NOVEMBER 2010

It is not necessary to show that goods alleged to be counterfeit are clones of goods produced by the intellectual property rights owner whose rights are alleged to be infringed in the counterfeit goods.

Rampar Trading (Pty) Ltd imported a consignment of shoes bearing a stripe device which Puma AG Rudolf Dassler Sport alleged was one of its trademarks. Inspectors appointed under the Counterfeit Goods Act (no 37 of 1997) detained the consignment of shoes. Thereafter, they were removed to a counterfeit depot.

Rampar sought an order under section 7(4) of the Act that the goods were not counterfeit and that they be returned to it. Rampar contended that the shoes were not clones of those produced by Puma, and that this meant they could not be counterfeits of Puma's products.

Held—

The elements of counterfeiting are set out in section 1(1) of the Act. Part (a) of that sub-section refers to counterfeiting in the form of copyright piracy and part (b) refers to counterfeiting in the form of trademark counterfeiting. Both parts cover 'protected goods'.

'Protected goods' include either goods bearing the subject matter of the intellectual property rights of the owner, or any particular class of goods not yet manufactured, bearing the subject matter of the intellectual property rights of the owner. The second of these possibilities envisages goods not yet in existence, or notional goods. This means that the goods alleged to be counterfeit need not relate to existing goods, so that counterfeiting may take place without any cloning of goods of the intellectual property rights owner.

Comparing Rampar's shoes with the trademark held by Puma, it appeared that it was calculated to be confused with shoes which might have been produced by Puma, and were therefore counterfeit.

Rampar's application was dismissed.

Harms DP:

[1] The interpretation of the Counterfeit Goods Act (no 37 of 1997) remains contentious but since no visible steps have been taken to solve the problems it remains our duty to interpret it as best we can.¹

[2] The appellant, Puma AG Rudolf Dassler Sport (Puma for short), is a German company with an international reputation in the field of sportswear, including sport shoes. It has, in addition to its Puma word and leaping puma device trade marks, a number of other device trade marks referred to

¹ For an earlier discussion see *AM Moolla Group Ltd v The Gap Inc* 2005 (2) SA 412 (A).

generically, as the form strip device. These are registered in class 25, usually in respect of clothing, footwear and headgear.

[3] The basic form strip device can, in very general terms, be described as a tapering curved stripe running from the upper left to the lower right. If applied to the side of a shoe it conventionally runs from the upper portion of the heel to meet the sole at the middle of the shoe. Two form strip marks (one of which is in issue in this appeal) formed the subject matter of a recent trade mark infringement judgment of this court in *Puma AG Rudolf Dassler Sport v Global Warming (Pty) Ltd* 2010 (2) SA 600 (A).

[4] The respondent, Rampar Trading (Pty) Ltd, is the owner of a chain of retail shoe stores known as Dodo's. It sells generally known branded shoes but also a budget line under its name mark and a device mark consisting of a stylised letter D. The Dodo name has been known for about a century in relation to shoe stores and shoes although the respondent's relationship with the original business is somewhat tenuous.

[5] During September 2009, inspectors appointed under the Act detained a consignment of shoes imported by Rampar on suspicion that the shoes were counterfeit. The shoes, of which there were four types, bear some or other stripe device on the side of the shoe which, according to Puma, infringed one or other of its form strip marks and were indeed counterfeit. They also bear a Dodo trade mark. Rampar's main contention was that stripe devices were only decorative and did not perform a trademark function

[6] Acting on the suspicion (enforced by an affidavit on behalf of Puma) that the goods were counterfeit the police applied for and obtained a search and seizure warrant in terms of s 6 of the Act, and an inspector seized the goods on 28 October 2009, and removed them to a counterfeit depot.

[7] Rampar filed an application in the Durban High Court seeking, first, the setting aside of the warrant and the subsequent search and seizure. This was soon abandoned. It also sought an order under section 7(4) of the Act, namely a declaration that the goods were not counterfeit and for a consequent order that the goods be returned.² This was the case before the court below and, with its leave, the case before us.

[8] The application turned in this regard primarily on two issues. The first, to which I shall refer as the cloning issue, can best be described with reference to a simplified example. A trade mark is registered in class 25 in relation to clothing, shoes and headgear. The rights owner uses the trade mark on shoes only but the alleged counterfeiter uses the identical mark on

² Section 7(4)(a): 'Any person prejudiced by a seizure of goods in terms of section 4(1), may at any time apply to the court on notice of motion for a determination that the seized goods are not counterfeit goods and for an order that they be returned to him or her.'

headgear or on a completely different type of shoe. One can also conceive of a situation where the rights holder has not used the trade mark at all. In these cases the infringer (because it will be trade mark infringement), although using the identical trade mark, did not clone goods bearing a trade mark of the rights holder. Rampar argued that unless trademarked goods have been cloned they cannot be 'counterfeit' within the meaning of the Act and that cloning of the mark itself and used on goods covered by the mark is not enough. What this would have meant in the context of counterfeiting of money notes is that one cannot make a counterfeit R300 note because the Reserve Bank does not produce one.

[9] The court below agreed with this submission of Rampar's counsel and granted an order in terms of s 7(4)(a) without finding it necessary to deal with the second issue namely whether the shoes were counterfeit within the meaning of the definition of 'counterfeiting' in s 1 of the Act. This depends on whether the shoes bore a sufficiently identical trade mark to that of the registered mark. It should be noted that one of the four types has been released from detention by the inspectorate on this ground and that leaves for consideration the other three.

THE FIRST ISSUE: IS CLONING REQUIRED?

[10] The background to the Act was dealt with in *AM Moolla* where it was pointed out that the Act had its genesis in the Trips agreement.³ Although South Africa is party to Trips by virtue of its membership of the World Trade Organisation, the provisions of Trips do not form part of our municipal law. This means that although one would tend to interpret consequent legislation to conform to the provisions of Trips, the legislation on a proper interpretation may nevertheless not comply with the Trips obligations or, on the other hand, have stricter requirements.⁴

[11] The object of the Act is to prevent dealing in counterfeit goods. This object is obtained by prohibiting a number of acts in relation to counterfeit goods, such as (in very general terms) possession, manufacture, sale, exhibition, distribution, importation or export of such goods for commercial as distinct from private or personal purposes (section 2(1)). A person who performs a prohibited act will be guilty of an offence if at the time of the act or conduct, the person knew or had reason to suspect that the goods to which the act or conduct relates, were counterfeit goods; or failed to take all reasonable steps in order to avoid any such dealing from being performed or engaged in with reference to the counterfeit goods (section 2(2)).

[12] The prohibition is directed to the protection of those 'intellectual

³ Agreement on Trade-Related Aspects of Intellectual Property Rights.

⁴ Compare *Gallo Africa v Sting Music* (40/10) [2010] ZASCA 96 para 18.

property rights' ('IPRs') defined in section 1(1) of the Act. These are copyright (in relation to which the term 'counterfeiting' is inappropriate – it should have been 'piracy'), trade marks registered in terms of the Trade Marks Act (no 194 of 1993), unregistered well-known foreign marks that are entitled to local protection by virtue of art 6bis of the Paris Convention,⁵ and certain marks protected by s 15 of the Merchandise Marks Act (no 17 of 1941). For present purposes we are concerned with registered trade marks only.

[13] 'Counterfeiting' is defined in s 1(1) in a somewhat opaque manner but one thing is clear: it is not the same as copyright or trade mark infringement – it requires more. This follows from the proviso to this definition, namely that 'the relevant act of counterfeiting must also have infringed the intellectual property right in question'. And it follows from the fact that the Act did not refer back to or reproduce the definitions of infringement in the IPR statutes. This appears to be logical because 'to counterfeit' ordinarily means to make an imitation of something in order to deceive or to make a copy of something.

[14] The elements of counterfeiting under para (a) of the definition are in logical order: ⁶

- (i) manufacturing, producing or making of any goods
- (ii) in the Republic or elsewhere
- (iii) without the authority of the owner of any IPR
- (iv) subsisting in the Republic
- (v) in respect of protected goods
- (vi) whereby they are imitated
- (vii) in such manner and to such a degree that they are substantially identical copies of the protected goods.

[15] Counterfeiting under para (b), in turn, means: ⁷

- (i) manufacturing, producing or making, or applying to goods

⁵ Paris Convention for the Protection of Industrial Property.

⁶ Section 1: 'Counterfeiting (a) means, without the authority of the owner of any intellectual property right subsisting in the Republic in respect of protected goods, the manufacturing, producing or making, whether in the Republic or elsewhere, of any goods whereby those protected goods are imitated in such manner and to such a degree that those other goods are substantially identical copies of the protected goods.'

⁷ Section 1: 'Counterfeiting (b) means, without the authority of the owner of any intellectual property right subsisting in the Republic in respect of protected goods, manufacturing, producing or making, or applying to goods, whether in the Republic or elsewhere, the subject matter of that intellectual property right, or a colourable imitation thereof so that the other goods are calculated to be confused with or to be taken as being the protected goods of the said owner or any goods manufactured, produced or made under his or her licence.'

- (ii) in the Republic or elsewhere
- (iii) without the authority of the owner of any IPR
- (iv) subsisting in the Republic
- (v) in respect of protected goods
- (vi) the subject matter of that IPR, or a colourable imitation
- (vii) so that the 'infringing' goods are calculated to be confused with or to be taken as being the protected goods of the IPR owner.

[16] The first question is whether paras (a) and (b) are intended to cover both copyright piracy and trademark counterfeiting. (Para (c), which deals with counterfeiting of goods protected under the Merchandise Marks Act can be discounted for present purposes.) The authors of *Webster and Page*⁸ believe quite reasonably that they do. I have to disagree because in my judgment para (a) was intended to deal with piracy while para (b) was intended to deal with trademark counterfeiting. Although both (a) and (b) refer in general terms to 'any' IPR, there are other indications that each is limited to either the one or the other. The words 'substantially identical copies' in para (a) are phrased in copyright terms while the concepts in para (b), 'colourable imitation' and 'calculated to be confused', are cast in traditional trademark terminology. Another indication is the reference to 'applying' to goods in para (b), something that in spite of the definition of 'apply to', cannot refer to copyright but clearly does apply to trade marks. Also, para (b) covers the use of identical marks by the use of the phrase 'the subject matter of that IPR' and it is accordingly not necessary to rely on para (a) to prohibit the use of 'copies' of trade marks. Last, the definition of IPR distinguishes between the three rights, namely trade marks, copyright and merchandise marks, and it is reasonable to assume that the definition of counterfeiting would do the same, although it did not do so in the same sequence.

[17] The next issue concerns the meaning of 'protected goods'. It has two meanings. First, it means –

- '(a) goods featuring, bearing, embodying or incorporating the subject matter of an intellectual property right with the authority of the owner of that intellectual property right, or goods to which that subject matter has been applied by that owner or with his or her authority.'

Applied to trade marks, protected goods are genuine goods that feature the registered trade mark. With reference to the other provisions of the Act it simply intends to protect cloning of goods incorporating the relevant IPR.

[18] The second meaning is –

- '(b) any particular class or kind of goods which, in law, may feature,

⁸ *South African Law of Trade Marks* (4 ed) para 17.5.

bear, embody or incorporate the subject matter of an intellectual property right only with the authority of the owner of that intellectual property right, or to which that subject matter may in law be applied, only by that owner or with his or her authority, but which has not yet been manufactured, produced or made, or to which that subject matter has not yet been applied, with the authority of or by that owner (whichever is applicable).’

[19] Shorn of verbiage para (b) covers any particular class or kind of goods which may bear a registered trade mark, but has not yet been produced or to which it has not yet been applied with the authority of or by the IP owner. In other words, the goods protected by para (b) are not actual goods but notional goods, ie, goods to which the owner could have applied the trade mark. It means that counterfeiting is possible without cloning and the fact that Puma may not have produced a shoe bearing the particular trade mark does not mean that Rampar’s shoes could not be counterfeit.

[20] Confirmation of the fact that the Act contemplates counterfeiting of notional goods is also to be found in section 3(2)(b), which deals with the information a complainant has to supply when laying a complaint. It concludes by requiring a specimen of the relevant protected goods where the IPR ‘that subsists in respect of or has been applied to protected goods contemplated in paragraph (a) of the definition of “protected goods” in section 1(1)’. Significantly, it does not require a specimen in the case of para (b) because one would imagine there cannot be one.

[21] Counsel for Rampar submitted that in spite of the wide wording, para (b) should be read to conform with Trips which, it was suggested, does not require such protection. This, he said, is supported by a statement by the which was quoted with approval by this court in *Cadac v Weber-Stephen* [2010] ZASCA 105 where it was said that ‘counterfeit cases involve an infringer attempting to reproduce – and substitute for – the goods (not just the trademark) of the trademark owner’. A study sponsored by the New Zealand government, for instance, states as follows in this regard:⁹

‘The term "counterfeiting" is generally understood to mean the unauthorised manufacture and distribution of copies of such goods and works which are intended to appear to be so similar to the original as to be passed off as genuine examples. This includes use of famous brands on clothing not manufactured by or on behalf of the owner of the trade mark, and exact copies of CDs containing music or software, which are traded

⁹ AJ Park & Son for the Ministry of Commerce *Consultant’s Report on Theft of Intellectual Property – Piracy and Counterfeiting* para B7 http://www.med.govt.nz/templates/MultipageDocumentPage____1830.aspx (accessed 10 November 2010).

in a form intended to be indistinguishable to ordinary consumers from the genuine product.’

Counsel also relied on a statement in *Webster and Page*,¹⁰ submitting that the authors were of the view that para (b) was intended to protect only famous foreign marks that have not been registered and goods that have been produced elsewhere but not in South Africa.

[22] Whatever the general understanding of the term ‘counterfeiting’ or the motive behind the anti-counterfeiting Trips provisions, the limitation is not to be found in Trips or the clear wording of the Act.¹¹ The extract was quoted in *Cadac v Weber-Stephen* in another context to make a different point. As far as *Webster and Page* are concerned, I believe that counsel misread the learned authors.

THE SECOND ISSUE: ARE THE SHOES COUNTERFEIT?

[23] It follows that in my judgment the court below erred in requiring cloning. It is now necessary to consider the second question, namely whether the shoes were counterfeit. As mentioned above, the answer has to be sought in para (b) of the definition of counterfeiting. In view of the common cause facts the only remaining issue is whether the marks applied to Rampar’s shoes are ‘the subject matter’ or ‘a colourable imitation’ of any of Puma’s registered trade marks. To be ‘the subject matter’ means, as mentioned, that the Rampar mark must be identical to a Puma trade mark. An ‘imitation’, in turn, is by definition a copy, and the adjective ‘colourable’ reinforces the fact that the copy is counterfeit. In other words, the definition says no more than that a counterfeit must be counterfeit. That is why it must be ‘calculated to be confused with’ or ‘taken as being’ the registered mark and why it involves deliberate and fraudulent infringement of trademarks.¹²

[24] This test is not the same as the standard trade mark infringement test of ‘likely to deceive or cause confusion’¹³ but counterfeiting, by its very nature, amounts a fortiori to trade mark infringement. Reference during argument to the test to be applied to determine the likelihood of deception and confusion, confusing similarity, to passing-off principles, imperfect recollection, momentary confusion, the prospective purchaser, that a substantial (ie not negligible) number of people have to be confused, evidence about the public’s perception and how Rampar intended to market the goods was, accordingly, singularly out of place and unhelpful.

[25] My main problem with the manner in which Puma’s case was presented

¹⁰ Para 17.4

¹¹ Whether para (b) can apply to copyright piracy is not clear.

¹² *Cadac v Weber-Stephen* [2010] ZASCA para 6.

¹³ Trade Marks Act s 34(1). Trade mark infringement and not counterfeiting was the issue in *Puma v Global Warming*.

was that it took a bundle of related (some associated) trade marks, referred to them as its form strip mark (in the singular), and then argued that the marks on the Rampar shoes were counterfeit. The heads of argument relied on five marks in relation to three shoes. During argument the number came down to two and when it transpired that one of them had not been registered at the time of seizure, Puma was left with one, called its 'split' form strip which is registered under no 2004/14412.

[26] This trade mark consists of the basic form strip device of a tapering curved stripe running from the upper left to the lower right, but splits into two with an inverted V, widening towards the lower more substantial part. If applied to the side of a shoe it would run (but not necessarily so) from the upper portion of the heel to meet the sole at the middle of the shoe.

[27] There can be little doubt that the white Rampar shoe (C) has a copy of the split form strip device on its inner and outer sides. The strip is in blue and the split is white. This device however has additionally two white strips that run more or less parallel with the strip form thereby framing it. But these stripes make no impression against the white background of the shoe. Rampar sought to distinguish this reproduction of the Puma mark by relying on the presence of a prancing dragon and the Dodo device mark on the heel and the name Dodo Sport on the inside of the shoe. It also said that the mark would have been perceived as decorative and not as a trade mark. I disagree on both counts. The dragon and the Dodo marks are at best subsidiary and they do not touch the essence of the split form strip. One also cannot use a trade mark and then argue that it was used as ornamentation. It could be different if one is dealing with changes to the mark, for instance, if the registered mark consists of three stripes it would be a question of fact whether the use of two or four stripes would be perceived as decorative or as trade mark use but one could not, I would think, use the same argument in relation to the use of three stripes. On the other hand, I could not understand Puma's reliance on the presence of the dragon, which was said to be similar to the prancing horse on the Ferrari mark and which Puma is licensed to use, to establish counterfeiting. It was probably based on a confusion of counterfeiting with passing off.

[28] Shoe B is virtually identical to the one just mentioned but differs, importantly, in colour. It is a black shoe. It also contains the split form device, which is now in black. The V of the split is in white and the outer parallel stripes are in white. In other words, the Rampar shoe contains a counterfeit split form framed in contrasting white. In my judgment the addition of the frame does not change the result. Rampar took the registered mark and in spite of the presence of the frame the mark on the shoe is still 'calculated to be confused with' or 'taken as being' that of Puma.

[29] The third shoe (A) also incorporates the split form but in addition has

an inverted form strip made of a different material at the heel but which appears to be part of the construction of the shoe. It, too, in my assessment, is counterfeit because even with the inverted strip the shoe is still ‘calculated to be confused with’ or ‘taken as being’ that of Puma especially since the inverted device is identical to Puma’s ‘traditional’ strip form.

CONCLUSION

[30] It follows that the court below had erred and that the appeal must be upheld. The following order is made:

‘The appeal is upheld with costs and the order of the court below substituted with an order dismissing the application with costs.’

MINISTER OF TRADE AND INDUSTRY v EL ENTERPRISES

SNYDERS JA

(HARMS DP, HEHER JA, TSHIQI JA and R PILLAY AJA concurring)

SUPREME COURT OF APPEAL

29 NOVEMBER 2010

An application for confirmation of the execution of a warrant obtained for the search and seizure of counterfeit items need not be served on the respondent within the ten day period referred to in section 5(4) of the Counterfeit Goods Act (no 37 of 1997).

Responding to a complaint, the second appellant acting for the Minister of Trade and Industry, formed a reasonable suspicion that EL Enterprises was in violation of the Counterfeit Goods Act (no 37 of 1997). He obtained a search and seizure warrant from a magistrate in terms of section 6 of the Act. While executing the warrant, he found images, positives and screen prints of various registered trademarks.

Without obtaining a warrant, and acting in terms of section 5(2) of the Act, the second appellant then took steps to terminate the acts of counterfeiting and confiscate the goods. The Minister then applied for confirmation of the second appellant's actions, as required by section 5(4) of the Act. This application was served on EL Enterprises more than ten days of the day on which the second appellant acted. The section provides that such an application must be brought within ten days.

Held—

The conditions for the issue of a warrant obtained under section 5(4) are provided for in section 6(1) of the Act. Both sections aim to achieve control over the existence of reasonable grounds required for the search and seizure authorised by the warrant.

Neither section requires that the application be served within the ten day period for confirmation. It is sufficient if the application is brought within that period, but service on the respondent within that period is not necessary.

Snyders JA:

[1] After the second appellant, an inspector in terms of the Counterfeit Goods Act (no 37 of 1997) ('the Act') seized without a warrant suspected counterfeit goods under the control of the respondents, the appellants approached the court below for an order in terms of section 5(4)(a) of the Act, confirming the seizure. The appellants were unsuccessful in their application and their failure turned on the interpretation of the procedural requirements of section 5(4)(a). Leave to appeal was refused by the court below, but was subsequently granted by this court.

[2] Whilst the appeal was pending the parties settled all aspects of their dispute, including costs. Notwithstanding the settlement the appellants pursued the appeal without any further participation by the respondents. The appellants advanced two reasons why they should not fall foul of section

21A(1) of the Supreme Court Act (no 59 of 1959)¹. First, conflicting interpretations were given to section 5(4)(a) in two different judgments in the Pretoria High Court and, second, it is in the interest of future action by the appellants in terms of the Act that clarity be obtained on the correct procedure to be followed². Those two grounds indeed justify the exercise of a discretion in terms of section 21A(1) not to dismiss the appeal on the basis that it will have no practical effect or result³.

[3] The second appellant was at all material times in the employ of the first appellant as an inspector for the purposes of the Act. The second respondent was the proprietor of the first respondent. The powers of an inspector in relation to counterfeit goods are set out in ss 4 and 5. Broadly speaking, they state that an inspector, who entertains a reasonable suspicion that an offence in terms of the Act has been or is being committed, may obtain a warrant in terms of section 6 to enter and search premises, collect evidence, take reasonable steps to terminate the act of dealing in counterfeit goods, seize goods and evidence, and question witnesses.

[4] As a result of a complaint received, the second appellant formed a reasonable suspicion that the respondents were in violation of the Act. On the basis of that suspicion he approached a magistrate on 22 April 2005 and obtained a search and seizure warrant in terms of section 6. The warrant authorized him to enter and search the premises of the respondents and seize 'screen printing plates, boxes, empty or filled that imitates the registered [OMO] trademarks, . . . to such a degree that they are substantial identical copies of the registered trademarks, registered in the name of Unilever PLC. . . .'

[5] Whilst searching the premises of the respondents in terms of the warrant the second appellant found images, positives and screen prints bearing SUNLIGHT and RAJAH trademarks which, according to information available to the second respondent, were registered trademarks of Unilever South Africa Home & Personal Care (Pty) Ltd and Unilever South Africa Foods (Pty) Ltd respectively. Upon finding these images the second

¹ Section 21A(1) reads: 'When at the hearing of any civil appeal to the Appellate Division or any Provincial or Local Division of the Supreme Court the issues are of such a nature that the judgment or order sought will have no practical effect or result, the appeal may be dismissed on this ground alone'.

² The first is the judgment of Poswa J in *Minister of Trade and Industry v EL Enterprises* (15383/2005) [2008] ZAGPHC 130 (6 May 2008) and the second a judgment by Legodi J in *EGL Eagle Global Logistics (South African Proprietary) Ltd v Eagle Logistics CC* (37053/2007) [2008] ZAGPHC 160 (6 June 2008).

³ On the discretion of this court in terms of s 21A(1) see *Land en Landbouontwikkelingsbank van Suid-Afrika v Conradie* 2005 (4) SA 506 (A) paras 6 and 7.

appellant was informed by a representative of the latter two companies that the respondents were not authorized to produce images of the SUNLIGHT and RAJAH trademarks. On the strength of this information he concluded that 'I thus had a reasonable suspicion that an offence was being committed in terms of the Counterfeit Goods Act and that considering the nature of the operation by the Respondent, I should act without a warrant in terms of the Act to terminate the alleged acts of counterfeiting, and seize the goods'.

[6] The second appellant's decision not to first obtain a warrant was motivated by the following facts as stated in his own words:

'I could not leave the premises to approach a magistrate for a warrant because I was the only inspector available at the scene and there were no additional inspectors to secure the goods. It was Friday afternoon at about 16:30 and the chances were slim that a magistrate would still have been available at that hour. I am of the opinion that I had sufficient evidence to proceed without a warrant and that a warrant would have been granted by a magistrate in the circumstances. I am also of the opinion that the delay that would have ensued by me first obtaining the warrant would have defeated the object and purpose of the seizure, and removal and detention of the evidence.'

[7] The second appellant's decision to proceed without first obtaining a warrant fell within the ambit of section 5(2) which reads:

'Subject to subsection (3), an inspector may, during the day, without a warrant enter upon or enter any place, premises or vehicle after having identified himself or herself, and, in accordance with paragraphs (a) to (f) of subsection (1), exercise the powers of seizure, removal, detention, collecting evidence and search contemplated in section 4(1) (a), (b) and (c) (except the power to search any person), as well as the power to take the steps contemplated in section 4(1)(d), if – (a) the person who is competent to consent to the entry and to such search, seizure, removal and detention, gives that consent; or (b) the inspector on reasonable ground[s] believe that - (i) the required warrant will be issued to him or her in terms of section 6 if he or she were to apply for the warrant; and (ii) the delay that would ensue by first obtaining the warrant would defeat the object or purpose of the entry, search, seizure, removal, detention, collection of evidence and other steps.'⁴

[8] The second appellant acted properly within the ambit of section 5(2)(b) and no issue arose concerning that, but having so acted, he was obliged to follow the procedure prescribed in section 5(4)(a):

'(4) Notwithstanding the provisions of subsections (1) and (2)– (a) any

⁴ Subsection (3) excludes the operation of s 5(2) from application to a private dwelling.

acts performed by an inspector by virtue of subsection (2) must be confirmed by a magistrate or a judge of the High Court having jurisdiction in the area where the acts were performed, on the application of the inspector brought within 10 court days of the day on which those acts were performed. . .’

[9] It is the interpretation of this subsection that was in issue between the parties in the court below and that remains the issue before this court. The appellants launched an application on notice of motion within the required 10 day period but only served that application on the respondents after the expiry of the 10 day period. The argument by the respondents was that having served the application outside the prescribed 10 day period the appellants failed to have ‘brought’ it within 10 court days. The court below upheld this argument.

[10] When a warrant is obtained prior to acting in terms of section 5 of the Act, it is to be done in terms of section 6(1):

‘The warrant contemplated in section 4(2) read with section 5(1) will be issued in chambers by any judge of the High Court or by a magistrate who has jurisdiction in the area where the relevant suspected act of dealing in counterfeit goods is alleged to have taken or to be taking place or is likely to take place, and will be issued only if it appears to the judge or magistrate from information on oath or affirmation that there are reasonable grounds for believing that an act of dealing in counterfeit goods has taken or is taking place or is likely to take place, and the inspector seeking the warrant may be asked to specify which of the powers contemplated in section 4(1) is or are likely to be exercised.’

[11] Both ss 6 and 5(4)(a) seek to achieve a control for the existence of reasonable grounds external to the authority that performs the acts of search and seizure. For that reason it is useful to look at the provisions of the two sections together. The interrelationship between the two sections is also evident from the provisions of section 5(2)(b) that authorizes an inspector to act without a warrant as long as he or she has the belief that a warrant will be issued in terms of section 6 if it was applied for. The only significant difference between the two sections is that whereas confirmation of the existence of reasonable grounds is sought in advance of acts of search and seizure in terms of section 6, section 5(4)(a) seeks to ensure that confirmation of the existence of reasonable grounds be obtained after the acts of search and seizure have been completed.

[12] In the context of the facts of this case it is significant to note that the purpose of the two sections does not include notice to any respondent. On the contrary, the nature and purpose of search and seizure in terms of the Act demands that no notice be given. Notice is likely to defeat the purpose of the warrant when the procedure in terms of section 6 is followed and in many

cases the identity and whereabouts of potential respondents are not likely to be known by the time a warrant is sought or acts of search and seizure are performed. More often than not, counterfeit goods are found in a container or warehouse in the absence of any potential respondents or knowledge of their whereabouts.

[13] The wording of section 6 is clearer in excluding the giving of notice to any potential respondent than section 5(4)(a). The warrant in terms of section 6 is issued by a judge or magistrate in chambers on the strength of information on oath or affirmation. Section 5(4)(a) does not refer to the warrant being issued 'in chambers', unlike section 6 requires an 'application' and does not require that the information be placed before the judge or magistrate on oath or affirmation. The essential question is whether these differences in the wording of the two sections justify an interpretation that section 5(4)(a) prescribes formal application procedure on notice of motion with notice to a respondent.

[14] Uniform rule 1 defines 'judge' as 'a judge sitting otherwise than in open court'. This is the first indication that there is no difference in procedure between ss 6 and 5(4)(a).

[15] In section 5(4)(a) the word 'application' is used as the manner in which the inspector is to approach the judge or magistrate. As section 5(4)(a) does not refer to a notice of motion, the procedure that is available in the high court, or a notice, the procedure that is available in the magistrate's court, it suggests that no formal application procedure in terms of the rules of court with notice to any respondent is envisaged⁵. The legislature must have been alive to the distinction between a judge or magistrate on the one hand and a court on the other as well as an application on the one hand and application on notice of motion on the other, as is apparent from the provisions of section 7(4). In terms of section 7(4) a person prejudiced by a seizure of goods in terms of section 4(1) is entitled to apply to court for a determination that the goods seized are not counterfeit goods and are to be returned to that person. Section 7(4) expressly prescribes that the application be one to court on notice of motion, unlike section 5(4)(a). It is during these proceedings that the aggrieved party may attack the legality of the search and seizure proceedings.

[16] For the reasons stated the slight difference in wording between ss 6 and 5(4)(a) do not result in a substantial difference in procedure. The confirmation after the search and seizure is also to be sought from and given by a magistrate or a judge of the high court as opposed to a court. The

⁵ Application procedure in the different courts is to be found in Uniform Rule 6 and Magistrates courts rule 55.

confirmation is to be sought in chambers, on oath or affirmation.

[17] The submission on behalf of the respondent in the court below that the confirmation in terms of section 5(4)(a) is to be sought on notice of motion, issued and served before the expiry of 10 court days from the date of the seizure, for the reasons stated above, should not have been upheld. The appellants issued an application within the required 10 day period. Thereafter the obligation was on the registrar of the court below to place the application before a judge in chambers for confirmation. The Act does not require that the confirmation by the judge or magistrate is to be obtained within the 10 day period and for that reason the fact that it was issued and lodged with the registrar was sufficient in the circumstances. The appellants were not required to give notice to the respondents and that they have done so outside the prescribed 10 day period is not fatal to their compliance with section 5(4)(a).

[18] Although the matter has been settled between the parties an appropriate order must still issue. The following order is made:

- (a) The appeal is upheld;
- (b) The order of the court below is set aside;
- (c) It is declared that an application in terms of section 5(4)(a) of the Counterfeit Goods Act (no 37 of 1997) is not an application on notice of motion addressed to the court which has to be served on the respondent.

GONCHARKO v THE STATE

VAN RIET AJ
(ZONDI J concurring)
CAPE OF GOOD HOPE PROVINCIAL DIVISION
5 DECEMBER 2007

A person who sells products which are the subject of copyright protection and is aware of the possibility that their sale might be unlawful, may be considered to have the mens rea necessary for a conviction under section 27(1)(a) and (b) of the Copyright Act (no 98 of 1978).

Goncharko was charged with contravening section 27(1)(a) and (b) of the Copyright Act (no 98 of 1978) in that he had sold software products which were the subject of copyright at the time.

Goncharko sold the products subject to a disclaimer that the end user should, were he to ascertain that the product was copyright protected, either destroy it or purchase another product. Although he could have ascertained that the products were subject to copyright, he did not do so because he was primarily interested in providing a service and considered it the end-user's obligation to check on the copyright of the product.

Goncharko was convicted of contravening the section, the court having found that he knew the products were subject to copyright protection. Goncharko appealed.

Held—

In accordance with *S v Magidson* 1984 (3) SA 825 (T), it is sufficient for the State to prove that the accused must have realised that it was at least possible that the criminal act was unlawful. This would constitute 'knowledge' for the purposes of showing the accused had the necessary mens rea.

In the present case a person in the position of Goncharko, aware of the possibility that the proposed sale of the software products might be unlawful, was not entitled to pass on the responsibility to check on this to purchasers of the products. It is the sale or trade of such products that is prohibited by the Copyright Act. This applies equally to the seller and purchaser, who both would be guilty of the offence, provided they had the necessary mens rea.

Van Riet AJ:

[1] The appellant stood trial in the Regional Court Cape Town on a charge of the contravention of section 27(1)(a) and (b) of the Copyright Act (no 98 of 1978) in that, in the period during March and May 2001, the accused sold, by way of trade offered or exposed for sale or hire certain products which were the subject of copyright at the time.

[2] On 2 November 2005 the accused was found guilty on the above charge and sentenced to a R5 000-00 or 6 (six) months imprisonment. In addition thereto, the appellant was sentenced to a further 6 (six) months imprisonment, conditionally suspended for 3 (three) years.

[3] On 15 December 2005, the learned Regional Magistrate gave leave to the appellant to appeal to this court on conviction only, hence this appeal against

such conviction

[4] At the commencement of the hearing on appeal the prosecution and the defence agreed that copyright in the Microsoft products reflected on annexure 'A' (only) had been proven by the State, so that this aspect was no longer an issue. They further agreed to provide us with a revised schedule setting out the products in respect of which copyright had indeed so been demonstrated.

[5] I deal with the three bases upon which it was argued on behalf of the appellant that the learned regional magistrate misdirected himself in convicting the accused.

NO CHAIN OF EVENTS

[6] It was argued that there is no proper evidential chain linking the products sold by the accused and/or those which were confiscated, and the discs which were ultimately analysed and testified to by the experts.

[7] For that reason, so it was argued by Mr Bischoff, who appeared on behalf of the appellant, the element of possession which is required for the presumption in terms of section 26(10) of the Copyright Act to arise, had not been proven.

[8] In response thereto, Mr Tarantal for the State, correctly pointed out that there was no need for the State to rely on this presumption, as it had proved, through direct evidence, the sale of the Microsoft products.

[9] Mr Bischoff further argued that there was no certainty that the products sold indeed contained Microsoft computer software (as opposed to, for instance, music) as the purchasers never opened them. During debate, he, however, conceded that, in view of the accused's own evidence (that the discs contained Microsoft computer ware), this was a far fetched and speculative possibility and may be ignored.

ABSENCE OF MENS REA

[10] The main thrust of Mr Bischoff's argument was that the State had failed to prove beyond reasonable doubt, that the accused had the necessary mens rea in order to commit the offence. Put differently, that the state had not shown that the accused knew that the Microsoft products were protected by copyright.

[11] As appears from his judgment, the magistrate held that this element of the offence had been proven on the basis of *dolus eventualis* on the accused's part. In *S v Magidson* 1984 (3) SA 825 (T) Ackermann, J (as he then was), in applying the principles underlying *dolus eventualis* held (at 830C):

‘Nor does the accused have to be certain that what he is doing is unlawful. It is sufficient if he realises that what he is doing may possibly be unlawful and reconciles himself with this possibility.’

At 831 D, with reference to the facts of this case, Ackermann, J held:

‘It is clear from the foregoing that the accused was pertinently put on his

guard, regarding the unlawfulness of his possession of the key rings, ... The conclusion is inescapable in my view that at that stage he must have realised that it was *at least possible that such possession was unlawful,*' (Our emphasis.)

On that basis the accused in that case was held to have had the required mens rea, in the form of dolus eventualis.

[12] In our view, these principles/observations are, likewise, applicable to the present matter in that:

1. As is quite apparent from the 'disclaimer' used by the accused in selling the products, and from concessions made by him in cross-examination, the accused well knew that many products of this kind, including Microsoft products, are protected through copy right. His case was that it was also possible that it might not be protected either because it constituted so-called free ware, or because the rights therein may have been ceded to the webmaster in question. The accused did check on the website that there was no express prohibition against the use of such products, but was also not able to say that it was not so protected. In other words, there was no indication to him as to whether copyright prevailed therein, or not;
2. For that reason, the accused specifically stipulated in the disclaimer that the end user should, were he to ascertain that the product is so protected, either destroy same or purchase another product;
3. It would have been relatively simple for the accused to make inquiries from Microsoft so as to ascertain the true position. He could also have 'run' the discs;
4. It appears from his cross-examination that he did not do so, quite simply because;
'... I was interested on the easiest way to get my service running, so even if I saw this copyright exists somewhere - let the end user, because he is using the software, let him check and make sure if it is protected by copyright or not.'

He also conceded:

'Ja, I didn't really care (whether copyright existed or not).'

5. It is therefore clear that he foresaw the possibility that copyright might vest in the products at the time of his sale thereof, and reconciled himself with this possibility.

[13] In our view, a person in the position of the accused faced with the possibility that the proposed sale might be unlawful is not entitled to pass on the responsibility to check whether this is so to purchasers of the products. It is the sale or trade of such products that is prohibited by the Copyright Act and this applies equally to the seller and purchaser, who both would be guilty of the offence, provided they had the necessary (criminal) state of mind.

[14] We are accordingly of the view that mens rea in the form of dolus eventualis has clearly been demonstrated.

NO SALE BUT RATHER A SERVICE BY THE ACCUSED

[15] This ground of appeal raised in the Heads of Argument, was not proceeded with during oral argument. In our view, the point was sensibly abandoned. The CD's in question were clearly advertised for sale and sold. At the very least there was a trade in the copyrighted products.

[16] In the circumstances I would dismiss the appeal and confirm both the conviction and sentence, save that, by agreement between the appellant and the State, the annexure to the charge sheet is replaced by one reflecting (only) the following computer ware:

- MS WINDOWS 98 ME
- WINDOWS NT4 WORKSTATION
- MS WINDOWS 2000 ADVANCED SERVER
- MS WINDOWS PRO 2000
- WINDOWS XP WHISTLE
- MS OFFICE 2000 PREMIUM
- MS OFFICE 97 PROFESSIONAL
- MS PROJECT 2000
- MS VISUAL BASIC 6 ENTERPRISE

Zondi J:

I agree, and it is so ordered.

ABB AG v HUADIAN SOUTH AFRICA (PTY) LTD

BERTELSMANN J
NORTH GAUTENG DIVISION, PRETORIA
11 MAY 2011

A plaintiff suing for copyright infringement must annex to its summons any written document depicting the work in which copyright is claimed if this is practical. If it is not practical, it must tender to make available for inspection the documents in which it claims copyright.

Abb AG brought an action against Huadian South Africa (Pty) Ltd and a second defendant alleging infringement of copyright in drawings of Medium Voltage Switchgear components. It alleged that Huadian imported into South Africa 3-dimensional reproductions of the components.

Abb's summons contained an annexure listing the drawings. They were identified by a drawing number, a description of the component allegedly reproduced from the drawing, the date of creation and the name of the author.

Huadian excepted to the claim on the grounds that the drawings were not sufficiently identified. Abb gave an undertaking to allow Huadian to inspect the drawings in question subject to appropriate guarantees protecting the confidentiality of their contents.

Huadian proceeded with its exception application.

Held—

Rule 18(6) of the Rules of Court requires that a party relying on a written document to annex that document to its particulars of claim. Abb had not done so, with the result that the particulars of claim did not sufficiently inform Huadian of the case it had to meet.

The more technical the evidence which a plaintiff will rely on, the more it should expand on the particulars necessary for the defendant to be informed of its claim. This principle applied in the present case in which it was clear that the subject of the claim involved technical matters.

It was also clear however, that the undertaking to allow inspection of the drawings would cure the problem created by the insufficiency of the annexure. An amendment to the particulars of claim incorporating the undertaking was therefore allowed.

Bertelsmann J:

1. The plaintiff is ABB AG, a corporation incorporated in terms of German law, having its principal place of business at Kallstadter Strasse 1, 68309 Mannheim, Germany. The plaintiff manufactures and sells power products, including Medium Voltage Switchgear.
2. The first defendant is Huadian South Africa (Pty) Ltd, a company with limited liability duly incorporated and registered in terms of the laws of South Africa with registered office at 29 Kotze Street, Lodeyko, Springs, Gauteng.
3. The second defendant is Ukubona Holdings (Pty) Ltd, a company with limited liability duly incorporated and registered in accordance with the company laws of South Africa with registered office at 31 Angus Crescent,

Longmeadow East, Modderfontein, Gauteng.

4. Both defendants are alleged in the plaintiff's particulars of claim to be importers of Medium Voltage Switchgear.

5. The plaintiff has instituted an action based upon an alleged infringement of copyright that is said to subsist in certain drawings depicting Medium Voltage Switchgear components. Plaintiff relies for its copyright on the fact that the drawings were made by its employees in Germany, or those of its predecessor in title. Germany being a Berne Convention country, the plaintiff is entitled to enforce and protect its copyright in South Africa.

6. It is not in dispute that drawings in respect of which the plaintiff claims to be owner of the copyright are artistic works as intended in section 2(1)(c) of the Copyright Act (no 98 of 1978), ('the Act').

7. The drawings are listed in an annexure to the particulars of claim and are identified by a drawing number, a description of the component allegedly reflected by the drawing, the date of creation and the name of the author thereof.

8. It must be pointed out immediately that the drawings are described in generic and general terms as 'cover', 'withdrawable part', 'spindle' and 'contact system', in some instances retaining the German description without a translation. Some components have been defined, presumably upon the face of the drawing itself, in manuscript that is illegible, thus rendering identification of the component by reference to a written description impossible if reference is made to the annexure to the particulars of claim only.

9. The infringement of copyright that the plaintiff claims the defendants are guilty of is alleged to have been committed by the defendants having imported into the Republic of South Africa for purposes of sale and distribution, reproductions of 3-dimensional forms of the works depicted in the drawings referred to in the Annexure, without a licence granted by the plaintiff or its predecessors in title.

10. The plaintiff therefore claims an interdict against the defendants putting a stop to the unlicensed importation or sale and distribution of the allegedly offending articles, delivery of all copies of such articles and an order directing an inquiry into the damages suffered by the plaintiff, as defined in the Supreme Court of Appeal's decision in *Cadac (Pty) Ltd v Weber Stephen Products Company* [2011] 3 All SA 343 (A), and authorised by section 24(1B) of the Act.

11. The defendants filed an exception to the particulars of claim as presently worded because the particulars of claim do not identify any particular item allegedly constituting unauthorised reproductions.

12. In reaction to the exception the plaintiff gave notice of an intention to amend its particulars of claim. In essence the amendment seeks to

particularise the claim of an infringement of copyright by adding the averment that the latter relates to drawings depicting a cabinet housing the Medium Voltage Switchgear depicted in the drawings. A further averment is sought to be included in the particulars of claim that the defendants imported cabinets containing switchgear (and subcomponents) as depicted in the drawings into South Africa, thereby infringing plaintiff's copyright.

13. The defendants object to the proposed amendment on the grounds advanced in the notice of exception and add an objection against the claim for an interdict on the basis that the plaintiff does not allege that the defendants intend to infringe its copyright in the future.

14. The latter ground of objection was not strenuously advanced and would not on its own justify a refusal of the amendment.

15. The position may be different in respect of the complaint that the plaintiff does not provide any particularity of the items that it alleges are the subject matter of its copyright and does not identify the drawings that it claims ownership of.

16. The plaintiff has not annexed the drawings to its particulars of claim and has not tendered inspection thereof to the defendants in its pleading either. Although the defendants have filed notices in terms of Rule 35(12) and 35(14) to obtain sight of the drawings, these notices were not responded to by the time the application for the granting of the amendment was heard.

17. Mr Bowman SC, on behalf of the plaintiff, argued, however, that the defendants had no leg to stand on as the particulars of claim represented the standard form of the usual particulars of claim in respect of a copyright infringement. He further placed on record that the defendants and their technical advisors would be given access to the drawings, subject to appropriate guarantees protecting the confidentiality of the contents thereof. In the light of this undertaking, he argued, the defendants had nothing to complain of, particularly as they were able to identify from their own records which cabinets they had imported.

18. Apart from these considerations, the drawings were large and bulky and would render the papers unworkable if they were annexed, quite apart from the breach of confidentiality that such disclosure would entail.

19. Although there might be some support found for Mr Bowman SC's argument in *Van Tonder v Western Credit Ltd* 1966 (1) SA 189 (C), which held that calling for inspection of bulky documents not incorporated by reference into the particulars of claim, and not annexed thereto, might constitute a sufficient alternative to a defendant's right to be informed with sufficient particularity of the case it had to meet, this approach does not appear to find favour in the present wording of Rule 18 of the Rules of Court. In respect of contracts, Rule 18(6) requires a written instrument to be annexed to the particulars of claim. As far as other documents are concerned,

Harms, *Civil Procedure in the Supreme Court*, Service Issue 41, states on pages B-143 the following:

‘A pleader who relies on a written document is required to do one of three things:

- To annex the document on which he relies;
- To set forth the material portions of the document, or
- To refer to the material portions of the document.

Where a document is the very foundation of the cause of action or defence, it is good practice, and a legitimate and perfectly proper method of pleading, to annex a copy of the document to it. If only portions of the document are material, the pleader may either annex to or incorporate in the pleading the portions he alleges are material or set out particulars sufficiently identifying the documents relied upon.’

20. It is clear that the plaintiff has followed neither of these approaches. Standing on its own, the pleading that is now sought to be amended does not identify with sufficient particularity the matters that are the very essence of plaintiff’s case.

21. The matter might have been different if the pleadings had contained a tender to allow inspection of the drawings, albeit subject to suitable conditions. Without the same, the particulars of claim do not sufficiently apprise the defendant of the case it has to meet.

22. The intended amendment does not address this shortcoming. It must be borne in mind that the more technical the evidence the plaintiff intends to rely on, the more it may be necessary to expand the ambit of particularity required to properly inform the defendant of the case it will have to meet:

‘However, before considering the facts in more detail, it is I think appropriate to set out briefly the legal principles relevant to the present enquiry.

In *Avin Film Distributors (Pty) Ltd v Adelphi Cinema* 1979 (1) SA 752 (N) Hefer J at 754C-F summed up the position in these words:

“It thus becomes necessary to examine the nature of the allegations which are to be made in order prima facie to establish the right in the instant type of case. Applicant’s counsel did not claim to be entitled to any form of common law relief: he rested his case squarely on the basis that the applicant is, as exclusive licensee, entitled to copyright protection in terms of the Copyright Act, and it follows that the answer to the question whether he has prima facie established his right is to be sought in the provisions of that Act, Bearing in mind the fact that copyright does not subsist in just any cinematograph film and that infringement of copyright is only actionable at the suit of the owner thereof or at the suit of an assignee or exclusive licensee, it appears to be quite clear that, in order to establish the right in respect of which

protection is sought, an applicant has to establish, firstly, that there is in fact a right which is legally capable of protection, in this instance, copyright subsisting in a film, according to the provisions of the Act, and secondly, that he, either as the owner, or as assignee or exclusive licensee, is entitled to protection against infringement thereof. These are the two requirements (apart from infringement or threatened infringement) for protection and the allegations in any application for protection must plainly be sufficient to afford prima facie proof of both.”

This of course was said in relation to the Copyright Act (no 63 of 1965). In my view the learned judge’s remarks are equally applicable to the new Act of 1978 which, with certain minor exceptions, came into operation on 1 January 1979. Of relevance too is the following observation by McEwan J in the *Vagar* case supra at 775C:

“Copyright is a technical subject. In my view it is essential that a person who claims to be the owner of a whole or partial copyright should offer evidence, even if it is hearsay evidence in circumstances that may justify the use of hearsay evidence, to cover the technical points necessary to establish his claim.”

Because the subject is a technical one it is understandably important that the court should be properly apprised of the relevant facts from which inferences as to the existence or otherwise of rights are sought to be drawn by a litigant. For the litigant himself to draw the conclusions and then present these conclusions as facts, without laying before the court the factual basis from which the inferences are so drawn, in a field as technical and specialised as this, is, in my view, a procedure not to be countenanced. This point, so it seems to me, finds expression somewhat pithily in the case of *Chopra v Sparks Cinemas (Pty) Ltd* 1973 (4) SA 372 (D) where at 375H Fannin J says:

“The statement that that firm acted ‘under lawful authority from the producer’ takes the second respondent nowhere. It is not a statement of fact, but a conclusion of law.”

Two unreported judgments made available to me by Mr Farlam point to the need for an applicant in this type of case to establish his right properly by proving each link in the chain of title. In *MCA International BV v Movie Time*, being case M197/80 in the Durban & Coast Local Division of 17 March 1980, Page J said:

“The main thrust of the respondent’s argument was directed to the absence of adequate proof that the statutory requirements for the vesting of the alleged copyright in the applicant had been satisfied. It has been stressed in past decisions that it is essential for an applicant for relief, including interim relief, in relation to an alleged

infringement of copyright to establish that the alleged copyright exists and that he, by virtue of his ownership thereof or other title thereto, is entitled to enforce that right against the alleged infringer.”

So, too, in *Raj Saree Releases v Oriental Film Distributors*, being case M 10401/79 in Natal, Friedman J said:

“In order to establish a prima facie case open to some doubt it must be shown by the applicant, prima facie at any rate, who was the original copyright holder, that is to say, the maker of the film and that there has been a valid series of written agreements, starting with an agreement to which the copyright holder is a party and ending with an agreement to which the applicant is a party, giving the applicant the necessary rights it seeks to protect.” ’

Per Williamson J in *Video Rent (Pty) Ltd v Flamingo Film Hire* 1981 (3) SA 42 (C).

23. In spite of Mr Bowman SC’s submission regarding the standard pleading in copyright infringement cases, there appears to be authority for the contrary view in such matters, as listed in Bullen & Leake & Jacob’s *Precedents of Pleadings*, 15th ed, at 66-Q1; 66-Q4 and 66-Q6.

24. In the light of the foregoing the defendants’ objection to the proposed amendment appears to be justified.

25. The question remains whether any good purpose would be served in refusing the amendment the objection to which could be overcome by the inclusion in the particulars of claim of a tender to allow inspection of the drawings under suitable conditions. Such relief was sought in the notice filed by the defendants in terms of Rule 35. Compliance with the notice was tendered from the Bar by plaintiff’s counsel on record. Inspection of the drawings will thus take place, absent any unforeseen complications. It is clear that defendants will not be in a position to plead to the particulars of claim as they stand to be amended before they have had the opportunity to inspect the drawings and analyse their contents. Any attempt to serve a notice of bar before such date would obviously be in conflict with the tenor of the tender referred to above. The defendants are therefore assured of learning exactly what plaintiff’s case is before they have to plead. It would seem highly technical to delay the finalisation of the pleadings and incur further costs under these circumstances. The amendment should therefore be allowed in the light of the tender.

26. As the defendants’ opposition to the amendment was reasonable, they are entitled to their costs.

The following order is therefore made:

1. The amendment is allowed.
2. The plaintiff is to pay the defendants’ costs of the application.

GEORGES BRIERE SA v MTHIMUNYE ENGINEERING WORKS CC

MBATHA J
KWAZULU NATAL HIGH COURT, DURBAN
15 MAY 2012

Passing off cannot be shown to have taken place in circumstances where the party alleged to have passed off has supplied goods to consumers who could not have had any misapprehension that there were goods of another party. Unlawful competition is not shown to have taken place where a party honestly uses information to supply a competitor's product, that information is freely available.

For a long time, Georges Briere SA manufactured industrial pumps. The pumps were used by companies in South Africa which in due course, required replacement parts. They were unable to obtain these from Georges Briere, and so obtained them from a business known as D & D Engineering. D & D reverse engineered the parts as required from the companies, and supplied them.

In 2006, Mthimunye Engineering Works CC took over the business of a company which had been supplying the parts and pumps to D & D's customers. It continued to supply the parts and the pumps to existing customers, placing its own trade name on the goods it supplied, and modifying their function. At that stage, the specifications of the Broquet pump were freely available on the internet. The corporation also copied certain performance graphs relating to the pumps which had been produced by Georges Briere.

Georges Briere brought an application for an order interdicting Mthimunye from infringing its copyright in the performance graphs, interdicting it from passing off its pumps as those of Georges Briere, and interdicting it from competing unlawfully with it by selling the pumps in the form in which Georges Briere sold them.

Held—

Because Mthimunye supplied the parts of pumps and the pumps with its own trade name on the pumps to specific consumers and not to the general public, the consumers of the pumps could not have been under any misapprehension that what were sold to them were not Broquet pumps but pumps manufactured by Mthimunye. Because of the long history of the initial manufacture and reverse-engineering of parts of the Broquet pumps by the predecessors to Mthimunye, and later the manufacture of the pumps by Mthimunye, the probabilities were overwhelmingly in favour of the fact that the specific consumers knew that they were not purchasing Broquet pumps.

Passing off had therefore not been proved.

As far as the allegation of unlawful competition was concerned, it was common cause that the use of the specifications of the Brouquet pump was freely available on the internet. There was no evidence of the contemporaneous and dishonest type of activity apparent in the case of *Schultz v Butt* 1986 (3) SA 667 AD. Georges Briere was not interested in its pumps in South Africa for a period when it would have known that it had pumps working in the country that would have required replacement parts from time to time.

Unlawful competition had therefore not been proved.

Mbatha J:

[1] The Applicant is a French private limited liability company duly incorporated in terms of the laws of France and having its principal place of business in France. The business of the Applicant is the design, manufacture and marketing of industrial pumps and components throughout the world.

[2] The Applicant manufactures pumps for industrial used named BROQUET pumps, named for the inventor of the pumps, a certain Mr Broquet, who invented the pumps in the year 1880. Over the years the pumps had been redesigned and the Applicant continued to use the name BROQUET in relation to its pumps and acquired the trade mark in the early 1970's in France, but because of the time that had passed these patented designs have since expired. These pumps are called 'gear pumps' or 'external gear pumps' and were designed in such a way that it was capable of pumping viscous sugar fluids used in the sugar industry. This application concerns the type of Broquet pump called the BBMC type which has six (6) asymmetrical lobes and was available in seven (7) different sizes. It is generally referred to as massecuite pumps.

[3] The deponent to the Applicant's founding affidavit is a Mr O F D Briere who explained that his great grandfather founded the company that was named after him in 1927. Both his grandfather and father were also involved with the business of the applicant and his father, J F Briere, deposed to an affidavit in the application. In this affidavit Mr Briere Sr explained that during the 1980's he conducted extensive tests of each of the Brouquet pumps and was able to prepare three (3) unique performance graphs including the curves/lines as described by his son in the founding affidavit and that these graphs represented original work carried out by him on behalf of the Applicant. These graphs are depicted as annexures 'OB5 to OB8' to the application papers and forms the subject matter for the relief being sought in prayer 1 of the applicant's Notice of Motion. The Respondents were accused of infringing the copyright of the Applicant by reproducing and/or copying and/or making adaptations or distributing copies of annexures 'OB5-OB8'.

[4] In the main answering affidavit filed on behalf of the Respondents it is conceded that the performance graphs depicted in annexure 'OB9' to the papers are practically identical to those depicted in annexures 'OB5-OB8'. Annexure 'OB9' contains the same graphs as those depicted in annexures 'OB5-OB8' except that it purports to emanate from the First Respondent. In the answering affidavit a breach of copyright was admitted and in argument before me it was conceded on behalf of the First Respondent that the order in paragraph 1 of the Notice of Motion should be granted. I will deal with this aspect at the end of this judgment.

[5] The First Respondent is a close corporation and the Second and Third Respondents its members in equal shares. Third Respondent deposed to the main affidavit in opposition to the relief being sought. According to him First Respondent provides professional engineering services to various industries including the sugar industry. In the case of a pump the first respondent will only manufacture a specific pump to an order from a customer, which in the case of a Broquet pump initially consisted of manufacturing parts of the

pump from specifications supplied to it by for example the sugar industry as the applicant did not have an active after service sales to readily supply spare parts to its pumps and it was sometimes just too expensive for the imports of the parts to be made. Third Respondent's father purchased an engineering workshop and conducted business under the style D & D Engineering in 1983. This business was the predecessor to the First Respondent and commenced providing replacement parts for numerous fabrications of machinery that were difficult to source during what was referred to in the affidavit as 'the apartheid years'. During or about 1985 D & D Engineering were provided with drawings made by the Illovo Sugar Group of various pinions, shafts and bushing for Broquet pumps and 'reverse engineered' these parts to produce replacement parts for the Broquet pumps from the drawings provided. Eventually other sugar mills followed suit and by 1987 D & D Engineering had been approached by a foundry by the name of Rely Precision Casting, a Johannesburg based company, who made patterns of various parts of Broquet pumps from samples provided by sugar mills and D & D Engineering then machined these parts to the specifications provided. The First Respondent alleged that at that stage the sugar mills were the customers of Rely Precision Casting and D & D Engineering merely machined the parts on order from the latter. At a later stage Rely Precision Castings were able to supply complete pumps to the local market, similar in nature to the Broquet pumps and called its pumps RM pumps.

[6] During 2001 the Applicant was formed and took over the business of D & D Engineering as a going concern and continued to provide precision machining services to Rely Precision Castings including complete RM pumps. During 2006 the driving force behind the pump business of Rely Precision Castings died and First Respondent took over the business in supplying pumps to industries similar to the Broquet pumps but changed the name of the pump from an RM pump to that of an MP pump and sold the first MP pump during 2007.

[7] It was disputed that the First Respondent slavishly copied the Broquet pumps. Although the basis of the pump remained the same this is not due to any unique feature thereof as the pump in question has been in the public domain for approximately 30 years and its basic mould and features can be accessed on the internet. The fact that the mould resembles that of a Broquet pump is according to the Respondents entirely fortuitous as that is what an external gear pump with rotor lobes looks like. It is also claimed that the MP pumps had undergone significant changes from the original Broquet pumps the most notable of which is that stainless steel is used in its manufacture as opposed to ductile iron and mild steel, a wear plate was introduced and the direction of flow was configured to go both clockwise and anti-clockwise. Respondents were adamant that it was never the intention to pass its pumps

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

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

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

[9] Subsequently an amendment was sought to delete paragraph (c) and to substitute for it a new paragraph (c) to read as follows:

'Interdicting and restraining the respondents from competing unlawfully with the applicants by selling the offending pumps in the form shown in annexure 'OB 9' to the founding affidavit in conjunction with the; Parts codes currently used by them in relation to the offending pumps; or i) ii) The performance graphs and other works covered by the order in (a) in relation to the offending pumps.'

[10] The application for this amendment came about after it became apparent that the Respondents admitted that annexure 'OB9' was a reproduction of the Applicant's original documents relating to the Broquet pumps and the

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

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

[12] The Respondents also filed an application to strike out certain portions of the affidavits deposed to by Shaun Lawrence Ayliffe and Dominique Chevillard in support of the Applicant's application. The aim was to remove any references in these affidavits to evidence of a hearsay nature and conclusions drawn by the witness Chevillard. Hearsay evidence falls to be ignored even in the absence of a formal objection thereto or an application to strike out the contents that amounts to hearsay evidence and the same will apply to conclusions drawn by a witness not supported by any facts and based on conjecture or idle speculation. *President of The Republic of South Africa v South African Rugby Football Union*¹.

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

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

¹ 2000 (1) SA 1 (CC)1 (para 105)

unlawful competition.

[15] A passing-off action protects the goodwill or reputation of a trader's business, merchandise or services against a false representation by a competitor that the business and so on of the competitor is that of the Applicant or that it is associated with it. The onus of establishing the likelihood of confusion on a balance of probability rests upon the Applicant; and inasmuch as these proceedings are by way of affidavit I must decide whether the Applicant has succeeded in discharging that onus by virtue only of those facts that are admitted by the Respondents or which are not the subject of a genuine dispute. *Solmike (Pty) Ltd v West Street Trading Co (Pty) Ltd*²

[16] The test to be applied to determine whether a representation amounts to a passing-off, is whether there is a reasonable likelihood that the members of the public may be confused into believing that the business of the one is connected to the business of the other *Capital Estate & General Agencies (Pty) Ltd v Holiday Inn Inc*³

[17] The bulk of other case law that I was referred to deals with merchandise on sale to the general public where it is a lot easier for such a confusion to be stealthily and cunningly created as the average shopper is not likely to spend time to give reflection on what he or she is purchasing and a body of shoppers may more easily be deceived by a creative and alluring passing-off into believing that what they are buying is the product of the Applicant whilst they would be buying the competitor's product instead.

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

‘16. Public policy is against protecting the shape and configuration of functional or utilitarian articles (as opposed to an article whose shape is capricious or which incorporates capricious features or shape as was the

² 1981 (4) SA 706D & CLD at 712 H

³ 1977 (2) SA 916 AD 9

case in *Weber Stephen Products Co. v Alrite Engineering (Pty) Ltd* 1992 (2) (A) 496C-497B; 504 D-F). It is submitted that the Applicant is seeking to acquire, by the relief that it is asking for, a monopoly in respect of functional and utilitarian pumps of a particular shape and configuration and having particular attributes. It is submitted that as a matter of law it cannot do this. Its clear intention in this regard appears from its founding papers and the relief sought (to which reference has been above).
7.3-7.7/24-26 Briere

17. It is well established that the law pertaining to passing off (and indeed the law pertaining to trade marks) does not create monopolies.

18. Competition is fundamental to our economic system. The overriding principle was stated in *Premier Hangers CC v Polyoak (Pty) Ltd* 1997 (1) SA 416 (A) 423 D-E

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

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

“The finding was that the copying per se was not unlawful. It was only the existence of extraneous factors that rendered the unsuccessful party’s conduct unlawful. Thus it appears to me that in our law, as in many of the foreign systems to which Ms Fellner refers, where statutory protection can be claimed but is not or where statutory protection expires or is lost, anyone is free to copy.” *Aruba Construction (Pty) Ltd v Aruba Holdings (Pty) Ltd* 2003 (2) SA 155.
See also: 171 - 172

19. This principle is reinforced particularly in the law relating to passing-off whereas as a matter of policy passing-off relief is excluded in the case of the shape or configuration of functional or utilitarian articles or components of functional or utilitarian articles.

20. In *John Waddington Ltd v Arthur & Harris (Pty) Ltd* 1968 (1) SA 38 (T), (upheld on appeal 1968 (3) SA 405 (T) the Court stated (at 407H-408A)

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

See also *Benchairs Ltd v Chair Centre Ltd* [1974] RPC 429 435-436 21.
In *Agriplas (Pty) Ltd v Andrag & Sons (Pty) Ltd* 1981 (4) SA 973 (C)

881H, the Court after reviewing the authorities stated:

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

In making these comments the learned departed from the decision in *William Lasar v Sabon Precision Machine Co (Pty) Ltd* 1954 2 PHA 37 *c/f Daimler Chrysler Aktiengesellschaft v Afinta Motor Corporation (Pty) Ltd* [2001] 2 All SA 219 (T) 230a-231h *Weber-Stephen Products Co v Alrite Engineering (Pty) Ltd* (supra) 22. It is submitted that public policy has set its face against the monopolisation of functional shapes in the absence of statutory protection such as a design registration or patent protection.’

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

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

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

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

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

this decline in business that caused the Applicant to launch investigations and to determine, probably correctly, that the decline in business was due to the activities of the First Respondent.

[24] Competitive trading is unlawful if it involves a wrongful interference with another trader's rights and is actionable in terms of the *lex aquilia* if it directly results in loss. The test for wrongfulness is one of fairness and honesty having regard to the *boni mores* and the general sense of justice of the community. Questions of public policy may be important in a particular case, for example the importance of a free market and competition. *Schultz v Butt*⁴.

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

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

'17. As noted in the locus classicus in the field, *Schultz v Butt*: "In order to succeed in an action based on unfair competition, the plaintiff must establish all the requisites of Aquilian liability, including proof that the defendant has committed a wrongful act. In such a case, the unlawfulness which is a requisite of Aquilian liability may fall into a category of clearly recognized illegality". But it is not limited to unlawfulness of that kind. In the *Dun and Bradstreet* case supra at 218 Corbett J referred to the fact that in the cases of *Geary & Son (Pty) Ltd v Gove* (supra) and *Combrinck*

⁴ 1986 (3) SA 667 AD

v De Kock (1887) 5 SC 405 emphasis was placed upon criteria such as fairness and honesty in competition and said:

“Fairness and honesty are themselves somewhat vague and elastic terms but, while they may not provide a scientific or indeed infallible guide in all cases to the limits of lawful competition, they are relevant criteria which have been used in the past and which, in my view, may be used in the future in the development of the law relating to competition in trade.”

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

19. The facts in *Schultz v Butt* are illustrative of the manner in which copying can be rendered unlawful. It will be recalled that Schultz had, in that case, reverse engineered a boat hull designed and developed by Butt and had then spent some hours (600 in total) “re-working” it. Schultz then sold boats, including the copied hull, in competition with Butt. In addition, Schultz registered a design right in respect of a boat including an identical hull to that which had been developed by Butt.

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

“Anyone may ordinarily make anything produced by another which is in the public domain: One may freely and exactly copy it without his leave and without payment of compensation.”

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

“Whether one may lawfully copy the product of another but whether A, in making a substantially identical copy, with the use of B’s mould, of an article made by B, and selling it in competition with B, is engaging in unfair competition.”

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

[27] As it is the duty of the court to assess the general sense of justice of the community or boni mores in determining the aspect of unlawfulness of competition in the trade, I should record that having regard to all the facts in this case the actions of the First Respondent do not provoke in me any sense of moral indignation. Such competition as there were has therefore not been shown by the Applicant to warrant the label of unfairness.

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

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

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

[31] I therefore make the following orders:

- (a) Interdicting and restraining the Respondents from infringing the Applicant's copyright subsisting in its BBMC performance graph and in its brochures for its BROQUET BBMC pump indicated in annexure 'OB 5' to annexure 'OB 8' to the founding affidavit, by reproducing and/or copying and/or marking adaptations of these works and/or distributing copies thereof is granted.
- (b) The Applicant is ordered to pay the Respondents costs including the costs consequent on the employment of two (2) counsel where applicable, and the costs will include the Respondents costs incurred in the application for condonation for the late filing by the Applicant of its replying affidavit.
- (c) There will be no orders of costs in respect of the interlocutory

applications.

BOARD OF HEALTHCARE FUNDERS v DISCOVERY HEALTH MEDICAL SCHEME

KOLLAPEN. J
NORTH GAUTENG HIGH COURT
1 MARCH 2012

Copyright may subsist in a numbering system which has been devised and developed with the application of original work. State copyright in such a system does not vest merely because the system was devised in order to ensure compliance with the requirements of statute.

The Board of Healthcare Funders created a Practice Code Numbering System (the 'PCNS') for medical practitioners in South Africa. It managed and was responsible for the administration and use of the PCNS by all South African medical schemes and medical health or healthcare service providers. It was also approved by the Council for Medical Schemes to allot practice code numbers to healthcare providers in terms of the regulations under the Medical Schemes Act (no 31 of 1998).

The PCNS was devised and developed over the years by individuals and organisations which assigned their rights in the work to the Board.

Discovery Health Medical Scheme was a medical scheme and a member of the Board of Healthcare Funders until 1 January 2010 when it resigned. After that time, the Board alleged that it continued to use the PCNS including both the PCNS numbers and associated data in the course of its business. The Board contended that by doing so Discovery reproduced and/or adapt the work or substantial parts of it without authority and by so doing infringed its copyright in the PCNS.

Discovery defended an action brought by the Board to restrain it from infringing its copyright on the grounds that no copyright existed in the work, that if copyright could be said to exist in respect of the work the Board had not demonstrated that it was the author of the work, that if copyright should subsist in the work it was not the Board which owned the copyright but the State, that if it was found that copyright subsisted in the work and that the Board was the author of the work then Discovery was entitled to use the work on the basis of an implied perpetual licence, that Discovery was entitled to use the work in respect of a continued licence on the basis that it paid for it and would therefore be entitled to use it, and that Discovery denied that in the event it be found that the Board was the author of the work there was any infringement in respect of the work.

Held—

It was clear that effort or skill was expended in the development of the PCNS system over the years. The contention that the work lacked originality had to be dismissed in the light of the meaning that had come to be attached to the concept of originality as developed in the case law over the years. The Board had demonstrated that the compilation and the work in its entirety was an original work and that it was the author of the work.

In view of the assignments given by those who had developed the PCNS, it could also be concluded that the Board was the author of the work.

As far as State copyright was concerned, the Board had to develop a system that complied with the regulations issued in terms of the Medical Schemes Act. However, the manner in which it did so was within its own control. It could not be said that the State saw the production and the development of the PCNS as under its direction and control. The system was incidental to governmental licensing and monitoring power. Regard being had to the written agreement entered into between the Board and the Council for Medical Schemes, and to the test laid down in *Biotech Laboratories (Pty) Ltd v Beecham Group Plc* 2002 (4) SA 429 (A) it could not be said

that Discovery had demonstrated on a balance of probabilities that copyright in the work subsisted in the State.

There being no substance in the other defences raised, the Board was entitled to the interdict it sought.

Kollapen J:

[1] This is an application brought by the applicant in terms of the Copyright Act (no 98 of 1978) ('the Act') against the first and second respondents. The applicant seeks as against the first and second respondents the following relief:

1. restraining the second respondent from infringing the copyright of the applicant in the Practice Code Numbering System ('PCNS') in the course of its business by using it and thereby reproducing and/or publishing and/or making adaptations of it in any manner without the written consent of the applicant;
2. restraining the first respondent from causing and/or aiding and/or letting the second respondent to infringe the copyright of the applicant in the PCNS;
3. directing the first respondent and the second respondent to deliver up to the applicant all data bases, records and/or documents which incorporate the PCNS or any part, adaptations or infringing copies thereof, in whatever form or storage medium there may exist, which are in their possession or under their control; and
4. directing the first respondent and the second respondent to pay to the applicant a reasonable royalty in terms of section 24(1 A) of the Copyright Act for the period 1 January 2010 to the date on which the first and second respondent cease infringing the copyright of the applicant in the PCNS, said reasonable royalty to be calculated at the rate of R1,30 per principal member of the first respondent per annum until 31 December 2010 and, thereafter, at the standard rate of payment per principal member per annum which will be paid by members of the applicant to the applicant;
5. alternatively to paragraph 4 above, directing that:
 - 5.1 an enquiry be held in terms of section 24(1B) of the Copyright Act 98 of 1978 into a reasonable royalty to be awarded to the applicant and/or the damages suffered by the applicant as a result of the first and/or second respondent's infringement of the applicant's copyright; and
 - 5.2 should the parties be unable to reach agreement as to the future pleadings to be filed, discovery, inspection or other matters of procedure relating to the enquiry, either of the parties may make

application to this court for directions in regard thereto.

The applicant also seeks cost of the application as against the first and second respondents including the cost of two counsel.

The parties

[2] The applicant is a non-profit organisation which has been constituted as a representative association of the majority of medical aid schemes in South Africa.

2.1 The applicant manages and is responsible for the creation and for the administration and the use of the PCNS by all South African medical schemes and medical health or healthcare service providers.

2.2 The applicant has been approved by the third respondent to allot practice code numbers to healthcare providers in terms of the regulations under the Medical Schemes Act 31 of 1998.

[3] The first respondent is a medical scheme with the second respondent being its administrator. The first respondent was a member of the applicant but resigned with effect from 1 January 2010.

The applicant's case in summary and the respondents' defences in summary

[4] The applicant's case in brief is that it is the owner of copyright in the PCNS and that the first and second respondents continue, despite the first respondent's resignation as a member of the applicant to use the PCNS including both the PCNS numbers and associated data in the course of their business. The applicant contends that by doing so the respondents reproduce and/or adapt the work or substantial parts of it without authority and by so doing infringe the applicant's copyright in the PCNS.

[5] The first and second respondent in opposition to the relief sought by the applicant have raised various defences and they include:

- (a) that no copyright can be said to exist in the work that the applicant seeks to make the subject-matter of its claim in terms of the Copyright Act;
- (b) that if copyright could be said to exist in respect of the work the applicant has not demonstrated that it is indeed the author of the work;
- (c) that if copyright should subsist in the work it is not the applicant who owns the copyright but the State who is the owner of such copyright;
- (d) that if it is found that copyright subsists in the work and that the applicant is the author of the work then the respondents are entitled to use the work on the basis of an implied perpetual licence;
- (e) alternatively that the respondents are entitled to use the work in respect of a continued licence on the basis that they paid for it and would therefore be entitled to use it; and
- (f) the respondents deny that in the event it be found that the applicant is the author of the work that there was any infringement as

contemplated in the Act in respect of the work.

The background to the dispute

[6] The Practice Code Numbering System ('PCNS') comprises a set or compilation of numbers or codes which relate to and identify all of the medical practitioners and medical service providers in private practice in South Africa together with associated related data.

[7] In the PCNS every service provider and practice has been allocated a unique identifying number which is referred to as the Practice Code Number (PCN).

[8] The PCNS also includes, which is linked to each PCN, personal data covering a variety of fields which include the name, address, contact particulars and bank details of each practitioner and practice and issues such as preferred payment method, preferred method of communication and whether the practitioner dispenses medicines. This information is broadly referred to as the PCNS data.

[9] The PCN appears to be an integral part of the PCNS data and as it were is what unlocks the data.

[10] The PCNS is used by all medical aid schemes in order to deal with claims processing and is an essential tool in verifying the registration and discipline of a practitioner in order to facilitate payment, to prevent fraud and to verify that a claimant is claiming an amount within his or her scope of practice and discipline.

[11] The issue of practice code numbers ('PCN') is regulated by the general regulations promulgated in terms of the Medical Schemes Act 131 of 1998. Regulation 1 of the regulations promulgated in terms of Government Notice R1262 in Government Gazette 205565 of 20 October 1999, provides that a practice code number is 'a number allotted to a supplier of a relevant health service as a practice number by an organisation or body approved by council'.

[12] Regulation 5 of the same regulations further provides that accounts submitted by suppliers of services must contain a defined list of information including the surname and initials of the member of the patient, the name of the medical scheme, the membership number, the practice code number and such other information set out in the regulation. It accordingly follows that in order for a practitioner to submit a claim the claim would have to comply with the requirements of regulation. The regulations also provide for the appointment of a body or organisation approved by council to allot practice code numbers to suppliers of relevant health services.

[13] On 20 January 2003 the third respondent (which is the council referred to in the regulations) appointed the applicant as the body that would allot practice code numbers. This appointment was for a period of three years and was subsequently renewed and it is common cause that in respect of the time

frame of this dispute the applicant is in fact the body or organisation approved by the third respondent to allot practice code numbers.

[14] The approval of the applicant by the third respondent and the terms and conditions under which the applicant was so approved is regulated by a written agreement entered into between the applicant and the third respondent,

[15] The main features of that written agreement include the following:

- (a) the objective of the agreement is to promote uniform, national and legally constituted health service provider identifier for billing purpose for approval of an organisation or body approved by council to allot practice code numbers to health care providers. The users of PCN is defined as anyone who uses the PCN and who benefits from it.
- (b) Some of the relevant principles contained in the agreement include a provision that access to and utilisation of the practice code numbers by providers shall be transparent, fair and equitable.
- (c) The principles also affirm that the applicant is the exclusive property owner of the PCNS and further provides that ownership of the provider registry of the PCN data base falls under the council.
- (d) The agreement further provides for the applicant to submit an annual report to the third respondent on financial matters and statistical information pertaining to the PCNS. In addition it has to put in place an accounting system for the purposes of management of financial transactions of the PCNS.
- (e) The written agreement also provides that all the users of the PCNS shall contribute towards the running and maintenance of the system and in this regard provides that a transparent fee structure shall be determined by the applicant.
- (f) The agreement provides that the applicant shall gather the following minimum data from providers in order to facilitate the administrative and statistical obligations required by the PCNS: name of provider or licence entity
practice code number
professional number or number from licencing authority
provider discipline organisation membership of manage care organisation address - postal and physical contact details banking details VAT registration and company registration number dispensing licence.
- (g) The principles contained in the agreement also include a warranty that the applicant has demonstrable capacity to administer the function and to demonstrate ownership of or licence to use the applicable practice code numbering system.

[16] The PCNS comprises a set or compilation of numbers or codes which relate to and identify all the medical practitioners and medical service providers in private practice in South Africa together with the related data.

[17] The PCNS was developed over a long period of time commencing in the 1960's and there were three distinct phases in its development. The first phase

[18] The first phase commenced in the 1960's under the supervision of what was known as the Statutory Organisation of Medical Schemes ('SOMS') which later changed its name to Bestmed Medical Scheme. During the first phase of the development of the PCNS a system was created consisting of numbers comprising seven digits. The first two digits indicated the specific discipline in which the practitioner was involved. The following four digits made up a sequence for the service providers in the discipline while the last digit was a check digit based on the modulus 11 algorithm. The second phase

[19] During March 1978 SOMS and the Representative Association of Medical Schemes ('RAMS') entered into an agreement relating to the future administration of the PCNS by RAMS in terms of which RAMS was responsible for the continued issuing of practice numbers forming part of the PCNS. During the period 1978 to 2000 the PCNS continued to be expanded by the inclusion of new service providers but it soon became evident that the seven digit PCN would have its own limitations with the increasing number of practitioners that needed to be included on the system.

[20] It warrants mention that certain members of RAMS broke away to form an association called the South African Medical Schemes Association and that in order to advance and unify the two bodies that then existed a new entity was formed which was the Board of Healthcare Funders of South Africa which in time established itself as the Board of Healthcare Funders of Southern Africa and which is the current applicant in this application.

[21] By about 2000 the sequence of numbers and the system that was in place was rapidly approaching maximum capacity and this led to the development of a thirteen digit PCN which was structured as follows: the first three digits reflected a specific discipline of the practitioner, the following three digits reflect the sub-discipline of the practitioner, the following six digits reflected the sequential number allocated to the practitioner while the last digit in the sequence was a check number devised in accordance with an algorithmic formula.

[22] The PCNS has over time increased. While in 1978 the PCNS comprised of about 9 000 individual codes and sets of data this increased to 22 677 by the end of 1993 and this has in turn increased to approximately 91 000 at the present time.

[23] The applicant contends that the time, effort and money expended by

itself and its various predecessors over the years (SOMS/Bestmed) has been extensive and has required the efforts of many employees of the various entities involved over the years.

[24] In addition to the above the applicant to the extent that it is necessary relies on an agreement of assignment between Bestmed Medical Schemes and itself dated 9 June 2005 with regard to the copyright in the PCNS up to the end of phase 1.

[25] In respect of phase 2 (the period between 1978 and 1993) it appears that an entity known as Universal Computer Services (Pty) Ltd ('UCS') assisted the applicant with regard to converting the data that it had compiled into computer readable (electronic) form. It also appears that Universal allocated blocks of sequential numbers according to the PCN formula and system. With regard to the second phase it is the applicant's contention that Universal did the work that it was required to do in accordance with the applicant's specific formula and directions and to this extent the applicant contends that it was the author of the PCN component of the work in terms of the provisions of the definition of 'author' in the Copyright Act. On account of this it submits that it owns this portion of the copyright. In any event and to the extent that it may be considered that Universal was the author or joint author of the practice code numbers the applicant relies on a copy of an assignment agreement entered into between the UCS Group Limited and itself dated 17 June 2010.

[26] Finally in respect of the period 1994 onwards it is the applicant's case that all arrangements necessary for the creation of the PCNS were undertaken and performed by the employees of the applicant under contracts of service in the course and scope of their employment.

[27] It is thus the applicant's stance that regard being had to the definition of 'author' in the Act as being defined as 'in relation to..... musical or artistic works means the person who first makes or creates the work', it is for all intents and purposes the author of the work.

[28] The respondents dispute the factual averments with regard to the applicant's authorship of the work. It must be evident, however, that at the very least the agreements of assignment between SOMS and the applicant and thereafter between the UCS and the applicant and the fact that in the third phase of the development of the system all activities took place under the direct supervision and control of the applicant must compellingly point in the direction that the applicant indeed at least on this basis was the author of the work as contemplated in the Act.

[29] The respondents' next attack on the relief the applicant seeks is that the applicant has failed to demonstrate as is required in terms of section 2(1) of the Act that the work is original and that failing the proof of originality the work cannot be rendered eligible for copyright. In this regard it is the

respondents' stance that the work simply consists of a compilation of numbers and data which data the respondents contend was in any event in the public domain and that on account of that it could hardly be said that the work is original.

[30] In *Haupt t/a Soft Copy v Brewers Marketing Intelligence (Pty) Ltd* 2006 4 SA 458 (A) the Supreme Court of Appeal accepted the British approach to the concept of originality as the correct one and set out more fully in the matter of *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273 (HL). In the judgment of Lord PEARCE at p479H-I the following appears:

'The words "literary work" included compilation. They are used to describe work which is expressed in print or writing irrespective of whether it has any excellence of quality or style of writing. The word "original" does not demand original or inventive work but only that the work should not be copied and should originate from the author. In deciding therefore whether work in the nature of a compilation is original, it is wrong to start by considering individual parts of it apart from the whole as the appellants in the argument sought to do. For many compilations have nothing original in their parts, yet the sum total of the compilation may be original.'

In the context of the current application there is little doubt that what the applicant seeks to protect is indeed a compilation in so far as it consists of the combination of a series of digits to form the PCN coupled with the data which then in its totality forms the PCNS. There is little doubt if regard be had to the work and energy put in over the three phases of the development of the PCNS that indeed while some of the component parts may not necessarily be original in its totality the work could be said to be original. It would be cynical to suggest that no effort or skill was expended in the development of the system over the years and in my view the respondents' stance that the work lacks originality must be dismissed in the light of the meaning that has come to be attached to the concept of originality in the case law developed over the years. In this regard the dicta in *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339 relied upon in the *Haupt* matter supra indicates that 'An original work must be the product of an author's exercise of skill and judgment. The exercise of skill and judgment required to produce the work must not be so trivial that it could be characterised as a purely mechanical exercise. While greater works will by definition be original and covered by copyright, creativity is not required to make a work original.'

[31] In the matter of *Payen Components SA Ltd v Bovic CC & Others* 1995 (4) SA 441 (A) the Appellate Division upheld a claim for breach of copyright in relation to a numbering system identifying a range of gaskets

in use in South Africa and in *Bosal Africa (Pty) Ltd v Grapnel (Pty) Ltd & Another* 1985 (4) SA 482 (C) the court also upheld a claim for breach of copyright in relation to a part numbering code compiled in the plaintiffs price list and catalogue.

[32] In all the circumstances I am satisfied that the applicants have demonstrated that the compilation and indeed the work in its entirety is an original work and indeed that they are the authors of the work.

State copyright

[33] The respondents contend that to the extent that the PCNS has been developed in terms of a directive by the state and that its content is determined by regulations issued in terms of the Medical Schemes Act copyright in the PCNS subsists in the state. In this regard they seek to rely on the affidavit of Dr Gantsho who is the CEO of the third respondent in which affidavit he denies that copyright subsists in the practice code numbers and alternatively in which he denies that the applicant is the copyright owner.

[34] The applicant contends that firstly Dr Gantsho is not competent to express an opinion with regard to the issue of copyright ownership or indeed copyright infringement and that in any event his affidavit is at odds with the express terms of the agreement entered into between the applicant and the third respondent with regard to the allotment of practice code numbers. In that agreement the third respondent expressly recognises that the applicant is the exclusive property owner of the practice code numbering system. The reference to ownership of the provider registry in that agreement which falls under the third respondent is a separate though related matter but the applicant contends that the agreement specifically recognises the applicant's right in this regard and that Dr Gantsho's affidavit is at odds with both the express terms of the agreement as well as the basis of the appointment of the applicant by the third respondent as the organisation identified to allot practice code numbers.

[35] The question of whether copyright vests in the state would depend on the interpretation of section 5(2) of the Act which provides that copyright shall be conferred by this section on every work which is eligible for copyright and which is made by or under the direction or control of the state or such international organisations as may be prescribed. The Supreme Court of Appeal in *Biotech Laboratories (Pty) Ltd v Beecham Group Plc* 2002 (4) SA 429 (A) had to consider the question of copyright vesting in the state in the context of a package insert for a pharmaceutical product.

[36] Mr Justice Harms laid down the following test to be applied when considering whether copyright vests in the state:

‘The production of the work needs to be the principal object of state direction and control and not merely an incidental or peripheral

consequence of some generalised governmental licensing or monitoring power; the direction and control should be directly and specifically expressed with respect to the work in question and should not be inferred from the fact of some residual or ultimate government veto. On the facts of this case the MCC did not control the making of the work or the intellectual effort involved in his genesis; it controlled its fate to the extent that it had to determine ... whether the insert complied with regulations. Its statutory function is to control the sale of medicines and not to be the controlling mind behind the creation of the insert. An editor is not an author and even if the meaning of the word is always another word control does not mean co-operation or consultation, at least not in the present context.'

[37] These remarks are apposite in this matter. While the applicant had to develop a system that complied with the regulations issued in terms of the Medical Schemes Act the manner in which it did so was ultimately within its own control and it could hardly be said that the state saw the production and the development of the PCNS as the principal object of state direction and control. At best it was incidental to governmental licensing and monitoring power. In the circumstances and if regard be had to the written agreement entered into between the applicant and the third respondent to which reference has already been made as well as the test laid down in *Biotech* I am not satisfied that the respondent has demonstrated on a balance of probabilities that copyright in the work subsists in the State.

Implied perpetual licence

[38] It is evident from the agreement between the applicant and the third respondent that having been identified as the body to allot practice code numbers it would be entitled to charge a user fee for all users of the PCNS and that it must have been in the contemplation of the first and second respondents who were for long periods members of the applicant that such user fees was both permissible in law but also necessary for the efficient functioning of the applicant in particular its financial integrity and financial stability. The suggestion that the respondent had an implied perpetual licence to use the data militates against the total architecture of the arrangements entered into between the applicant and the third respondent and is also not supported by the first respondent's own conduct during its membership of the applicant, paying a user fee in respect of the PCNS.

Continued licence

[39] The respondent contends that to the extent that it did pay for the data during its tenure as a member of the applicant it is entitled to continue using the information therein ad infinitum. In this regard the respondent likens its stance in respect of this defence to the use of a telephone directory in respect of which and purports to rely on the work of *Coping & Skone James*

on *Copyright* at para 7-51 (p420)]. However the learned authors say the following with regard to use and infringement:

‘A person may therefore use a work such as a directory to contact the listed names as many times as he wishes. If however in the course of doing so or afterwards he writes down or makes some other record of the substantial amount of the information obtained from the plaintiffs work, then he is liable to infringe.’

[40] On the papers before me and it is hardly in dispute that beyond using the data, the respondents copied and reproduced the data and therefore the attempt by the respondents to rely on the concept of continued licence is misplaced as the factual averments which are largely uncontested in this regard hardly support the defence of a continued licence. For these reasons I am of the view that there is no merit in this line of defence as well.

Infringement

[41] Section 6 of the Act provides that:

‘Copyright in literary or musical work vests the exclusive right to do or to authorise the doing of any of the following acts in the Republic (a) reproducing the work in any manner or form;’

[42] There is accordingly a prohibition on reproducing the work in any manner or form and in the respondents' opposing affidavit it says the following with regard to its operations in relation to the work:

‘It is correct that while the first respondent was a member of the BHF, the second respondent received information from the applicant (and this continued during 2009, the period in which the first respondent's membership of the BHF is in dispute). The second respondent would receive on a weekly basis what is called a delta file containing information relating to changes of medical practitioners as explained more fully in Mr Malan's affidavit filed evenly herewith. All the second respondent did with such files was to extract the portion of the information from those files and to import such information into the relevant fields within the Discovery data base.’

From the above it is evident that the respondent certainly on its own version extracted a portion of the data that it received from the applicant and imported that into its own data base. It does not say what portion. In this regard the applicant's attorneys addressed the question about this to the respondents' attorneys on 20 September 2010 enquiring precisely how much of the data was extracted over the years. There appears to have been no response to this particular question.

[43] Under these circumstances the only inference that is open to be drawn is that indeed the respondent used a substantial part of the information that it received from the applicant. On the proven facts it is indeed the only inference that is capable of being drawn and it is based substantially on the

admission made by the respondent alluded to above as well as its failure to expressly deal with the letter dispatched by the applicant's attorneys requesting exactly how much data was extracted over the years. See in this regard *R v Blom* 1939 AD p 88 at p202-203.

[44] Under the circumstances it can hardly be in doubt that the respondents' conduct constituted an infringement of the copyright which subsists in the work and in respect of which the applicant has compellingly demonstrated authorship of. I am accordingly satisfied that the applicant has made out a case for infringement.

Relief

[45] Under the circumstances and for the reasons given there is no reason why the applicant should not be entitled to the relief it seeks in terms of prayer 1 to 3 of the notice of motion.

[46] With regard to prayer 4, the applicant seeks a royalty calculated at the rate of R1,30 per principal member of the first respondent per annum from 1 January 2010 until 31 December 2010 and thereafter at the standard rate of payment per principal member per annum which will be paid by members of the applicant to the applicant alternatively directing that an enquiry be held in terms of section 24(1B) of the Act.

[47] In my view and having regard to the manner in which the royalty rate has been historically fixed with specific reference to the agreement between the applicant and the third respondent I am of the view that the amount set out in paragraph 4 in respect of the period until 31 December 2010 appears to be reasonable and indeed that the additional payments beyond 31 December 2010 are also determined by a manner that is fair and transparent and equitable. Under these circumstances it would simply delay the conclusion of the matter and incur further costs to the respective parties if the court should direct the holding of an enquiry as contemplated in section 24. Under these circumstances there would appear to be no cogent reason why I should direct an enquiry be held and accordingly believe it is competent to grant the relief as sought in paragraph 4.

[48] The parties were in agreement that costs should follow the result and in such event should include the costs of two counsel.

[49] In all the circumstances I make the following order:

1. The second respondent is restrained from infringing the copyright of the applicant in the Practice Code Numbering System (hereinafter 'the PCNS')- as described in paragraph 7 of the founding affidavit of Humphrey Zukisa Zokufa, in terms of section 23(1) of the Copyright Act, by making use of the PCNS in the course of its business and thereby reproducing and/or publishing and/or making adaptations of it in any manner without the written licence of the applicant.
2. The first respondent is restrained from causing and/or aiding and/or

abetting the second respondent to infringe the copyright of the applicant in the PCNS as set out in paragraph 1 above.

3. The first respondent and the second respondent are directed to deliver up to the applicant all data bases, records and/or documents which incorporate the PCNS or any part, adaptations or infringing copies thereof, in whatever form or storage medium they may exist, which are in their possession or under their control.
4. The first respondent and the second respondent are directed to pay to the applicant a reasonable royalty for the period 1 January 2010 to the date on which the first and second respondent cease infringing the copyright of the applicant in the PCNS, said reasonable royalty to be calculated at the rate of R1.30 per principal member of the first respondent per annum from 1 January 2010 until 31 December 2010 and, thereafter, at the standard rate of payment per principal member per annum which will be paid by members of the first respondent to the first respondent.
5. The first respondent and the second respondent are directed, jointly and severally, to pay the costs of this application, such costs to include the costs of two counsel.

NATIONAL ASSOCIATION OF BROADCASTERS v SOUTH AFRICAN MUSIC PERFORMANCE RIGHTS ASSOCIATION

NAVSA JA

SHONGWE JA, SWAIN JA, LEGODI AJA and MATHOPO AJA concurring
SUPREME COURT OF APPEAL

14 MARCH 2013

The correct determination of the formula to be used to calculate the amount payable in royalties by radio stations broadcasting copyrighted sound recordings is 3 percent of a proportion of net broadcasting revenue received by the radio stations, the proportion being determined by the ratio of time broadcasting the sound recordings to time broadcasting editorial content.

The National Association of Broadcasters (NAB) is a non-profit organisation represented active participants in the South African Broadcasting Industry. Its members include all television broadcasters, most commercial and public radio stations, community radio stations and signal distributors. Some of its members are commercial and public radio stations which broadcast sound recordings in which the copyright is held by persons represented by the South African Music Performance Rights Association (SAMPRA).

In terms of the Copyright Act (no 98 of 1978) and the regulations promulgated thereunder, SAMPRA is an accredited collecting society of royalties for sound recordings on behalf of its only member, the Recording Industry of South Africa.

The parties differed on the correct formula to be used when determining the royalties to be paid by the NAB to SAMPRA for the broadcast by radio stations of sound recordings. SAMPRA contended that NAB should pay ten percent of a proportion of net broadcasting revenue received by the radio stations, the proportion being determined by the ratio of time broadcasting the sound recordings to time broadcasting editorial content. NAB contended that the formula should apply more restrictive definitions of broadcasting time in relation to the broadcasting of sound recordings and broader definitions of editorial content, and should factor in the industry average net profit percentage, the radio station's audience for the period and the total radio audience for the period. NAB's formula included the application of a 'time channel' which was a fixed period within the 24 hour cycle, according to which audience was measured, and therefore related to advertising costs.

The effect of SAMPRA's formula was that a broadcaster that chose to use sound recordings for 100 per cent of its broadcast editorial content time should pay a royalty equal to ten per cent of the revenue that it derives from airtime. NAB proposed the more complex determination of the relevant percentage based on a wider definition of editorial content and audience-reach, and the determination of actual revenue taking into account discounts as reflected in a radio station's financial statements.

Held—

Taking into account all of the evidence presented by the parties, the rate which NAB should pay was properly set at three percent and not the ten percent proposed by SAMPRA. Furthermore, the only justifiable exclusion from SAMPRA's definition of editorial time was the broadcast of advertising. Revenue should be that which is reflected in a radio station's financial statements. Profitability or audience-reach should not be included in a formula to arrive at the royalty rate. NAB's proposal that revenue should be calculated per time channel within a total broadcast period was not justified.

It followed that the correct formula to be applied was an amended version of that proposed by SAMPRA, properly expressed as:

A C x 3

— x —

B 100

Where:

A = the amount of time used by a radio station in any period to broadcast the sound recordings administered by SAMPRA;

B = the total amount of time used by a radio station in that period to broadcast editorial content, and

C = a radio station's net broadcasting revenue based on what is certified by its accountants and confirmed in its financial statements.

"editorial content" is defined as content, including the repertoire, broadcast for entertainment, information or interest of members of the public and shall not include broadcast time allocated to advertisements.

Navsa JA:

[1] Except for a period between 1916 and 1965, there was no legislative machinery compelling commercial and public radio stations to pay copyright royalties to the recording industry and performers for the use of sound recordings in their broadcasts.¹ This changed with legislative amendments to the Copyright Act (no 98 of 1978) (the Act) during 2002. The applicable provisions will be dealt with in due course. The present appeal and the related cross-appeal, with the leave of this court, concerns the correctness of a determination by the Copyright Tribunal (Sapire AJ), established by section 29 of the Act,² about the rate of royalties broadcasters are required to pay and it requires a consideration of the extent of the Tribunal's jurisdiction. This is the first case of its kind.

[2] The appellant is the National Association of Broadcasters (NAB), a non-profit organisation funded entirely by its members, more than 80 in number, who are all active participants in the South African Broadcasting Industry (the SABI). These members include all television broadcasters, most commercial and public radio stations, community radio stations and signal

¹ See para 18 of the report of the Advisory Committee of the Copyright Act, dated 5 November 1993.

² Section 29(1) provides:
‘The judge or acting judge who is from time to time designated as Commissioner of Patents in terms of section 8 of the Patents Act, 1978, shall also be the Copyright Tribunal (in this Chapter referred to as the tribunal) for the purposes of this Act.’
Section 36 provides for appeals from the Tribunal to this court.

distributors. The present dispute only concerns 31 commercial and public radio stations.

[3] The first respondent, the South African Music Performance Rights Association (SAMPRA), in terms of the Act and the regulations promulgated thereunder, is an accredited³ collecting society of royalties for sound recordings on behalf of its only member, the Recording Industry of South Africa (RISA), an industry body representing members of the recording industry.

[4] The second respondent, the Southern African Music Rights Organisation (SAMRO), which represents the interests of composers, played the part of observers during proceedings before the Tribunal. Similarly, before us, they chose not to participate but to observe.

[5] A sound recording (embodied in a record, CD, tape, digital or other device) is usually the product of many talents, namely, the musical work of the composer, the literary work of the poet or lyricist, the performance of the artist, and the arrangements made for its making by its producer. A sound recording need not contain music, alternatively it need not contain words.⁴

[6] In appreciation of these talents the Act and the amendments thereto, read with the provisions of the Performers' Protection Act (no 11 of 1967) (the PPA), recognises three kinds of copyrights involved in the broadcast of a given piece of music. First, section 6(d) of the Act protects the rights of the composer⁵ in relation to the broadcasting of his or her work. Second, section 5(1)(a) of the PPA, which deals with the rights of performers, states:

‘(1) Subject to the provisions of this Act, no person shall —

(a) without the consent of the performer —

(i) broadcast or communicate to the public an unfixed performance of such performer, unless the performance used in the broadcast or the public communication is itself already a broadcast performance;’

Third, section 9A(1)(a) and section 9A(2)(a) and (b) of the Act dealing with the position of the owners of copyright in sound recordings, provide as follows:

‘(1)(a) In the absence of an agreement to the contrary, no person may

³ SAMPRA was accredited as a representative collecting society in terms of Regulation 3(1)(a) of the Collecting Society Regulations published under Government Notice No 517/06 to administer the right to receive payment of royalties in terms of section 9A of the Act.

⁴ See discussion in para 5 of the report referred to in note 1.

⁵ Section 6(d) of the Act.

broadcast, cause the transmission of or play a sound recording as contemplated in section 9(c), (d) or (e) without payment of a royalty to the owner of the relevant copyright.

...

(2)(a) The owner of the copyright who receives payment of a royalty in terms of this section shall share such royalty with any performer whose performance is featured on the sound recording in question and who would have been entitled to receive a royalty in that regard as contemplated in section 5 of the Performers' Protection Act, 1967 (Act No 11 of 1967).

(b) The performer's share of the royalty shall be determined by an agreement between the performer and the owner of copyright, or between their representative collecting societies.'

[7] There is no statutorily prescribed *rate* of royalties to be paid by radio stations to record companies. The legislature chose to leave it to agreement between radio stations and owners of copyright in sound recordings, failing which, arbitration or, as in the present case, where the parties failed to agree on either a rate or referral to arbitration, determination by the Copyright Tribunal.⁶

[8] This case does not involve the rights of composers. Essentially, it is a dispute between NAB and SAMPRA, concerning the reasonableness of the rate of royalties the former should be paying the latter. It is accepted by NAB that royalties should be paid to SAMPRA for the broadcast by radio stations of sound recordings. NAB and SAMPRA differ on the formula to be used in determining what is due. It is common cause that the royalties to be collected are to be shared between the recording studios and performers. During the hearing of the present appeal we were informed that recently, following negotiations between their respective representatives, an equal split had been agreed.

[9] Sound recording royalties are colloquially referred to as 'needletime royalties', a throwback to the time when sound was relayed from a vinyl record via a stylus on a record player. Lobbying by musicians, performers and the recording industry saw the amendments to the Act and the PPA, referred to earlier, being effected in 2002, to protect performers and owners of copyright in sound recordings. Record companies were motivated by reduced sales of compact discs (CD's) due to piracy, facilitated by technological advancements. Musicians and performers, on the other hand, were driven by their sense of being inadequately rewarded for their services.

[10] The determination referred to in para 1 was made pursuant to a referral to the Tribunal by SAMPRA in terms of section 9A⁷ of the Act. In making the referral, SAMPRA proposed a formula which it contended ought to be used to determine the royalty rate. NAB, in turn, resorted to a cross-referral in which it sought a determination based on *its* proposed royalty formula. In addition, NAB sought a determination from the Tribunal about the date from whence that royalty was to apply. That issue and the appropriateness of the formula proposed by NAB are the subjects of the cross-appeal. Sapire AJ did not address whether he could or should determine the date from which the royalties are to be paid, notwithstanding that it had been pertinently raised. More about that later.

[11] Predictably, the royalty formula proposed by each produces a result most favourable to the interests represented by each. Put simply, SAMPRA's formula results in a higher rate of royalty, whilst NAB's formula produces a lower rate.

[12] At this stage, it is necessary to set out the formulae proposed by NAB and SAMPRA. The following formula is the one proposed by SAMPRA:

$$\frac{A}{B} \times \frac{C}{10}$$

Where:

A = the amount of time used by a radio station in any period to broadcast the sound recordings administered by SAMPRA;

B = the total amount of time used by a radio station in that period to broadcast editorial content, and

C = a [radio station's] net broadcasting revenue.

Net broadcasting revenue means the amount in South African Rands equal to 85% in number of the published rate card value (before any . . . deductions) of advertisements and sponsored promotions or features broadcast by the Station, including any such broadcast by any entity which

⁷ Section 9A(1) reads as follows:

‘(a) In the absence of an agreement to the contrary, no person may broadcast, cause the transmission of or play a sound recording as contemplated in section 9(c), (d) or (e) without payment of a royalty to the owner of the relevant copyright.

(b) The amount of any royalty contemplated in paragraph (a) shall be determined by an agreement between the user of the sound recording, the performer and the owner of the copyright, or between their representative collecting societies.

(c) In the absence of an agreement contemplated in paragraph (b), the user, performer or owner may refer the matter to the Copyright Tribunal referred to in section 29(1) or they may agree to refer the matter for arbitration in terms of the Arbitration Act, 1965 (Act No 42 of 1965).’

is an associate, subsidiary or agent of the Station and including advertisements published on any internet simulcast service;

“editorial content” is defined as content, including the repertoire, broadcast for entertainment, information or interest of members of the public and shall not include broadcast time allocated to programme promotions and/or advertisements or promotions on behalf of the Station or any registered or unregistered charity or in support of social action activities, including but not limited to awareness raising campaigns and initiatives, telephone helplines.’

[13] In relation to C in the SAMPRA formula, the published rate card value is obtained from data published by the A C Nielsen company. Economists, analysts, the media and the advertising world all rely extensively on the A C Nielsen data. The published data includes the monthly values of advertising spots broadcast by each radio station, calculated by reference to each such station’s published rate card. The rate card does not take into account discounts, and the 85 per cent provided in SAMPRA’s formula is based on its estimate of a 15 per cent discount allowed by radio broadcasters to advertisers.

[14] NAB proposed the following:

$$\frac{A}{B} \times C \times D \times \frac{E}{F}$$

Where: -

A = the amount of time that a radio station broadcasts protected sound recordings per time channel;

B = the total broadcast time of the radio station per time channel;

C = a radio station’s net revenue per time channel;

D = the industry average net profit percentage for the period;

E = the radio station’s audience for the period;

F = the total radio audience for the period; and

The needletime royalty per station is the sum of royalties calculated per time channel for the period. ‘Time channel’ refers to a fixed period within the 24 hour cycle, and according to which audience is measured (and therefore advertising costed).

Net revenue is defined according to the industry accredited body the Radio Advertising Bureau (RAB) as actual gross advertising revenue adding all net events revenue and deducting all agency commissions, discounts, public service announcements and trade exchanges.’

[15] The major differences between the respective formulas can be seen from what is set out in this and the four paragraphs that follow. SAMPRA takes into account the total amount of time used by radio stations in any period during which sound recordings are broadcast, to which SAMPRA can lay claim, against the total amount of time used by a radio station in that period

to broadcast editorial content, which is defined to exclude the broadcast of specified items. SAMPRA brings those two items into the reckoning against the radio station's total revenue during the same period. The factor of ten employed in SAMPRA's formula is based on its unflinching attitude that a broadcaster that chooses to use sound recordings for 100 per cent of its broadcast editorial content time should pay a royalty equal to ten per cent of the revenue that it derives from airtime. So, if sound recordings constitute 58 per cent of the broadcaster's editorial content, the royalty is 5,8 per cent, and so on. What this means is that, as a broadcaster's use of music as a percentage of its total broadcast editorial content declines, so the royalty percentage declines proportionally.

[16] The exclusion of certain items from editorial content has, as a result, that the proportion of music will necessarily be higher than if the editorial content were to be broadened, so as to avoid the exclusions contended for by SAMPRA. In simple mathematics, the smaller the denominator, the larger the result of the fraction. In short, it increases the royalty rate. SAMPRA's rate, as can be seen from what is set out above, can notionally be from ten per cent downwards.

[17] NAB, on the other hand, contends that the rate should be determined by reference to the use of copyright protected sound recordings per time channel, distinguishing between peak broadcasting times and times during which most people are asleep, and that revenue generated should be considered in relation to each time channel. That, according to NAB, should then be brought into reckoning against the total broadcast time of the radio station per time channel, without any deduction, as envisaged by SAMPRA's exclusions in its definition of editorial time.

[18] Furthermore, NAB brings profit into its formula, based on the industry average, whereas SAMPRA's proposal has regard to an individual broadcasting station's total net revenue, without reference to profit or NAB's proposed time channels. NAB's formula also takes into consideration audience-reach, which SAMPRA's formula disregards. There is also disagreement about SAMPRA's use of the published rate card less a 15 per cent discount to determine revenue. It was contended on behalf of NAB that discounts sometimes exceed 15 per cent and that it would be better to have regard to the revenue reflected in a radio station's financial statements.

[19] NAB's less restrictive approach to editorial content has as a concomitant a reduced percentage use of musical content. It is the antithesis of what is set out in para 16. All the factors referred to in the preceding two paragraphs have the effect of a restricted royalty rate which, it appears, equates to a little over one per cent of a broadcaster's net income.

[20] The merits of the relevant constituent parts of each formula will be dealt with in due course after an assessment of the evidence and the contentions

in relation thereto.

[21] It is necessary to record that subsequent to the referral and the cross-referral, the parties were at odds about the extent of the Tribunal's jurisdiction, including the question whether it had the power to determine the date from which royalties were payable. In the latter regard the following facts are relevant. Even though Parliament amended the Act and the PPA in 2002 to provide for needletime royalties, it was not until 1 June 2006 that the Minister published Regulations that provided for accreditation of collecting societies and the conclusion of framework agreements between such collecting societies on the one hand, and trade associations and representative bodies of potential users of sound recordings, on the other.⁸ There was a dispute between the parties about whether the royalties became due when the amendments were effected or whether they were only due when the mechanisms for collections were put in place legislatively. In respect of the intervening period questions arise about whether performers and producers of sound recordings could otherwise sue for copyright infringement. Issues such as prescription also intrude.

[22] There was uncertainty about the procedure to be adopted by the Tribunal, in fulfilling its statutory function to determine the royalty rate. In this regard it is important to note that there are no regulations prescribing the procedure. After the present matter was ripe for hearing before the Tribunal, and after representations in this regard, the Minister of Trade and Industry (the Minister), recognising various lacunae in the legislation, established the Copyright Review Commission to assess concerns and allegations about the Collecting Society's model for the distribution of royalties to musicians and composers of music. The Commission completed a report in 2011 in which it said the following concerning the procedure to be followed by the Tribunal:

‘It also became apparent to the [Copyright Review Commission] that the present statutory provisions dealing with the Copyright Tribunal requires substantial amendment to enable the Tribunal to perform effectively in the various matters that may come before it. . . .

In a memorandum submitted to the [Copyright Review Commission] the Registrar of Copyright stated that the delays in finalising the two matters before it relating to needletime royalties were “the result of unclear and vague regulations *which do not prescribe the procedure to be followed.*”
(My emphasis.)

These are aspects on which I will comment further later in this judgment.

[23] In light of the disputes referred to at the beginning of para 21 NAB considered it necessary to apply to the North Gauteng High Court for a declaratory order concerning the Tribunal's jurisdiction. Despite opposition by SAMPRA it was successful in that endeavour. The following order was made by Claassen J:

- ‘1. THAT the Copyright Tribunal is to determine the following: -
- 1.1 The royalties payable in respect of sound recordings;
 - 1.2 The date from when royalties are applicable;
 - 1.3 Whether any escrow payments are to be made in the interim;
 - 1.4 Whether any other royalties such as for the so-called mechanical reproduction of sound recordings in the broadcast processes are payable, and if so, from when;
 - 1.5 Costs relating to the application of substituted service effected in respect of this application, as authorized by the Court on 22 October 2008 following the applicant's ex-parte application under case number 44698A/2008 be reserved for later determination;
 - 1.6 First respondent pay the costs of this application, including the costs of two councils.’

The application to the high court and the resultant order will also be dealt with later in this judgment.

[24] Before the Tribunal the parties followed the conventional adversarial procedure and evidence was adduced by each. Economists testified in support of each side's proposed formula referring to economic theory and relevant and practical factors to be taken into account in determining a royalty rate. Protagonists in both the broadcasting and sound recording fields and other witnesses testified. SAMPRA also led evidence and presented documents that dealt with the rate of royalties for sound recordings employed internationally by a range of countries. I consider it necessary to set out the relevant evidence in the paragraphs that follow.

[25] Mr Louric Richardt, an attorney and consultant with the International Federation of the Phonographic Industry, testified about his experience and exposure to processes and practices worldwide. It appears that not only economic realities but historical factors are taken into account in other countries. The more recent trend, however, is for economic factors to play a more prominent role. A principle that applies universally is that broadcasters pay royalties in relation to the time that music is played on their radio stations. Put simply, the principle is pay for play. Another rule is that rates are based on a correlation between time and revenue generated. In some instances countries apply rates that increase in relation to bands of increasing revenue.

[26] According to Richardt the broadcasting industry in South Africa is amongst the most profitable in the world with profit margins reaching to

between 40 and 50 per cent. This evidence was largely supported by Mr Peter Armitage who commented on the financial results of three entities that control most of the radio stations in South Africa.

[27] In some countries the royalty rate payable to owners of copyright in sound recordings is half of those payable to composers. For many decades SAMRO has been collecting those royalties in South Africa. Richardt accepted that in the South African context and relative to the international trend, the SAMRO rate is irrelevant. He appears to base that conclusion on the fact that composers have resisted attempts to have the value of their intellectual property linked to those of others. Richardt testified that other benchmarks are preferable.

[28] Mr Richard Murgatroyd, an economist, testified in support of SAMPRA's case. His evidence on a particular pricing theory, it was agreed by the parties, can rightly be discounted. Of importance are his concessions under cross-examination. He accepted that the SABI was extensively regulated. So, for example, they are statutorily obliged to include local content of at least 25 per cent. Also, the public broadcaster has language and specific religious broadcast obligations.

[29] Insofar as revenue is concerned, Mr Murgatroyd and other witnesses agreed that the use of actual income was better than the use of notional amounts and in this regard they accepted that the financial statements of NAB's members ought to be employed. Although not entirely forthcoming, Mr Murgatroyd appeared to accept that promotions by radio stations of the upcoming broadcasts, might impact beneficially on revenue and that they should perhaps not be excluded in SAMPRA's definition of editorial content. He seemed to agree with the proposition by counsel on behalf of NAB that if one could link time channels to revenue generated by advertising during those particular segments, it would be preferable to have regard to revenue in relation to time channels. I will, in later paragraphs, deal with other evidence on this aspect.

[30] Mr Keith Lister, chairperson of the board of SAMPRA, testified that he was formerly Chief Executive Officer of Sony Music Entertainment Africa (Proprietary) Limited. He testified about how the Minister had unsuccessfully been lobbied to change legislation to provide for a compulsory 50/50 sharing of the royalty between performers and record companies. As stated above, this split now appears to have been agreed between their respective representatives. It appears from Lister's testimony that, historically, the recording industry considered a ten per cent royalty for 100 per cent of music usage by broadcasters as fair, because it was then thought that the ten per cent should also embrace the present 3,25 per cent royalty paid to SAMRO for composer rights. Later, the recording industry thought that ten per cent ought to be shared exclusively between performers and the recording

industry, with composers being left to a separate 3,5 per cent to be collected by SAMRO. It appears from Mr Lister's evidence in-chief that the ten per cent royalty claim is a rigid position driven by a 'sense' that it would be reasonable, without there being any postulated rationale.

[31] In his evidence, Lister dealt with the 15 per cent discount referred to in SAMPRA's formula and said that a closer examination of discounts provided in the available documentation indicates that the discounts afforded to advertisers were closer to 18,9 per cent. In his view, discounts should not be allowed at all because they should be considered as the cost of doing business. In respect of the time channels and related revenue proposal by NAB, Mr Lister testified that the proposal is impractical, because advertising is sold by broadcasters to advertisers in bundles. Sometimes free spots are provided to advertisers in non-peak advertising times as part of a bundle, to induce advertisers to buy premium spots at premium prices. In addition music usage in non-peak periods is substantially greater than at premium times.

[32] Mr Lister testified that there are other revenue streams that redound to the benefit of owners of copyright in sound recordings, including from retailers, banks, shopping malls, sport stadiums, restaurants and the like, and that the amount collected over the past three to four years from licensing is in the region of one hundred million rand. Importantly, Mr Lister accepted that international royalty rates paid to composers were in most instances higher than rates for sound recordings. He accepted that some of the largest members of RISA repatriated to America and elsewhere the greater percentage of what was received as sound recording royalties. Even though Mr Lister was loath to make any concession concerning royalty rights for performers in the United States of America (the USA), it does appear that at least a substantial percentage of performers have no royalty rights in respect of terrestrial broadcasting by radio stations in the USA. Mr Lister testified that there is some money that accrues to South African performers from broadcasts internationally, but that the outflow of funds to recording companies in other countries, particularly the USA, is greater.

[33] An important aspect of Mr Lister's testimony is the question of how a radio station's audience-reach is evaluated in relation to revenue. Some radio stations with a more limited audience charge a higher rate because the audience is regarded as having a higher value to the advertiser. It might relate to affluence, or products connected to the target audience. There is undoubtedly difficulty in placing a value on listenership.

[34] An issue of significance is the percentage of works administered by SAMPRA that is subject to copyright. The regulations under the Act require that a repertoire of copyright protected sound recordings be made available

by a collecting society. Regulation 7(1) of the Collecting Society Regulations, promulgated under the Act,⁹ provides as follows:

‘7. Licensing — (1) A collecting society shall make available, on non-discriminatory terms, for any potential user of public playing rights the complete repertoire of records in respect of which the public playing rights are owned by the South African and foreign rightholders that [are] represented by it.’

It is necessary to point out that a complete repertoire has not yet been compiled or provided by SAMPRA. Mr Lister testified that a substantial playlist provided by NAB to SAMPRA could in a relatively short time be analysed to determine what percentage is not protected by copyright. This is an important issue because it appears that not all the music administered by the SAMPRA is subject to copyright.

[35] The problem flowing from what is set out in the preceding paragraph is that it would be difficult to invoice and charge broadcasters for the use of sound recordings without a proper reconciliation. Mr Lister suggested that this problem could be met by resorting to the following procedure: A broadcaster would only be invoiced after an analysis by SAMPRA of its playlist. He suggested that provisional payments be made, which could later be adjusted when a reconciliation was completed, having regard to copyright in sound recordings. It also appears from Lister’s testimony that the royalty rate collected by the SAMRO in respect of composer rights is calculated at 3,25 per cent of revenue and that the rate is based on international comparisons. That rate is current.

[36] According to Mr Lister, since deregulation in 1995, the South African music industry peaked in 2007 and went into decline thereafter. Mr Lister agreed that revenue is not always in direct proportion to profitability, but pointed out that when revenue declines, margins tend to be lower and profitability less.

[37] Mr David du Plessis, General Manager of RISA and CEO of SAMPRA, testified that the rate proposed by SAMPRA, when compared to international rates, is not below the average. However, it appears that only Finland and France have a higher rate than the rate proposed by SAMPRA. He added a qualification, namely, that the music usage per radio station would determine the ultimate rate. As pointed out above, the rate reduces as the music used during a broadcast period lessens. He accepted that the average SAMPRA rate would be above the SAMRO rate. Mr Du Plessis cautioned against a

purely mathematical international comparison, suggesting that circumstances in those countries have to be contrasted with circumstances locally. According to Mr Du Plessis, only two per cent of SAMPRA's repertoire is not subject to copyright. He was adamant that if SAMPRA was provided with lists by broadcasters they could determine which qualify for copyright protection and which do not.

[38] Ms Virginia Hollis, the Managing Director of Media Shop (Pty) Ltd and the vice-chairperson of the South African Advertising Research Foundation that conducts audience research for all media, testified. She spoke of the media's reliance on the A C Nielsen data. Radio stations provide their logs of advertising broadcast to A C Nielsen, which then publishes it. That then provides a basis for an estimate of what was spent by each radio station. A C Nielsen provides the advertising rates as well. She testified that the radio stations do not provide particulars of discounts provided to any advertiser. Ms Hollis confirmed what was said in evidence by Mr Lister, namely, that it is often difficult to calculate revenue per time channel because of what she called 'value add-ons', namely, providing free airtime to advertisers in some time channels instead of offering a discount, as an incentive to advertise at higher rates in prime time channels.

[39] Mr Andrew McFarlane, a director and shareholder of a company that uses technology to determine the time and duration of broadcast of sound recordings and to record the name of the artist as well, testified. The data so collected enables the company to calculate the aggregate amount of time on any given day or over any period that is utilised by any radio broadcaster for the broadcast of music sound recordings. The information gathered is sold to interested parties.

[40] Mr Quintin Stewart, Managing Director of a company that monitors radio and television broadcasts in South Africa testified that, by the use of technology, one can accurately determine the content of broadcasts.

[41] Mr Spiro Damaskinos, a director of Sony Music Entertainment Africa (Proprietary) Limited, testified that for a decade he was directly responsible for its marketing and promotional relationships with radio and television broadcasters. He testified about how radio stations clamoured for new releases and that recording companies were always under pressure to supply new content. He testified about what is common knowledge within the recording industry, namely that, ironically, even though consumers have increased access to music through the internet and digital technology and even though the music they sell has never been more popular, revenue through the sale of physical and digital products has continued to decline. Much of this is due to increasingly sophisticated illegal downloads. It was accepted that a benefit is derived by recording companies from airplay by

radio stations, but that did not necessarily translate into sales and revenue — certainly, not as much as it used to.

[42] Dr William Bishop, an economist, testified in support of NAB's case. He, like others, accepted that placing a value on intellectual property is generally not an easy task. This proposition is not contentious. In the event of a rate that is prohibitive, radio stations would resort to using the efforts of session musicians captured on a disc or other device in their music broadcasts. There are instances of persons who use sound recordings, who have resorted to this method, particularly in the United Kingdom.

[43] Dr Bishop favoured the revenue per time channel calculation as NAB would have it. Dr Bishop could not understand the logic of SAMPRA's exclusions from editorial content. He was of the view that revenue in either formula should be based on actual figures rather than notional ones. Simply put, this means financial statements, rather than the rate card less the estimated discount. Dr Bishop took the view that either formula could be scaled up or down to get to a rate that would avoid perverse reactions and consequences. He agreed that an acceptable formula was one that reduced distortions but warned against setting the rate so low that it was considered not worthwhile. Dr Bishop was struck by the complexity of regulation in the radio industry in South Africa. In considering profit against revenue, Dr Bishop testified that one could have revenue with a bad profit-crunch and, similarly, one could have profit soaring out of proportion to revenue. Whilst he accepted that there was no direct correlation between revenue and profit, he stated that there was some correlation.

[44] It will be recalled that NAB's formula incorporated the profit average for the industry. Dr Bishop stated that it was for someone else to explain why that was adopted. He accepted that some form of sharing, either in revenue or profits, has to be factored into a formula. Viable sharing has to be appropriate and efficient. Whilst he described the symbiosis between the record industry and radio broadcasters as a joint venture of sorts, he accepted that it was not truly such.

[45] Mr Jonathan Shaw, a music business entrepreneur, testified that a large proportion of music broadcast in South Africa originates from American companies.

[46] Mr Colm Tonges, an accountant, testified on behalf of NAB. He is a partner at Price Waterhouse Coopers (PWC), an auditing firm, and was instrumental in compiling NAB's formula. He rejected the ten per cent proposed by SAMPRA as being arbitrary. In justifying the revenue per time channel approach, he testified that one of the principles PWC tried to incorporate was that the more people were listening, the more revenue would be generated, and that the time channel proposal ought to be viewed in that light. Thus, the best way was to link revenue to time channels in order to

ensure that that objective was being met, rather than simply having regard to revenue across all time channels. Like other witnesses, he too favoured actual revenue reflected in a broadcaster's financial statements. In looking at letters of demand from SAMPRA, PWC considered its formula in relation to seven radio stations that were different in size and got a range of a royalty rate of between 6,8 to 8,8 per cent. That exercise was purely to illustrate the levels of royalty that would ensue if SAMPRA's formula was adopted.

[47] PWC factored in audience-reach in its formula to ensure that radio stations with a greater audience paid more. Mr Tonges accepted that revenue bears a relationship to listenership, but testified that it is not the only variable and that demographics impact on revenue as well. Audience income is thus not irrelevant. Audience size can be fairly accurately determined by market surveys.

[48] A concern by PWC was that if the level of royalty was too high, the viability of radio stations may be affected. Justifying the inclusion of industry average profits in the NAB formula, Mr Tonges stated that basing a formula on an individual station's profit might prove inequitable. So, for example, a well-run station would pay higher royalty than one less so. This, he stated, should be contrasted with loss making radio stations that would not pay any royalty, even though, notionally, they could have higher music usage. An industry average avoided such a result.

[49] Dr Nicola Theron, an economist who is the Managing Director of an economic consultancy, testified. Like others, she preferred revenue in the formula to be based on actual rather than notional figures. She too spoke of the difficulty of placing a value on intellectual property. In respect of exclusions from SAMPRA's definition of editorial content, she stated that the exclusions are something one needs to be certain of. She thought that in respect of international comparisons, developing countries would be more comparable to South Africa. Dr Theron took the view that there was some value to international comparisons, but qualified it by saying one should be conscious of peculiarly South African circumstances. Although, more recently, there has been a decline in radio listenership, there has overall been a growth in the revenue of radio stations.

[50] Dr Theron agreed that, from an economist's point of view, one would be concerned about the net outflow of currency from South Africa in determining a royalty rate. She took the view that in determining the royalty rate, one should minimize the impact on all parties. Importantly, Dr Theron thought that a simple, rather than a convoluted formula would be preferable. As an economist, she testified in relation to any proposed formula that a result that is startling should make one revisit the methodology producing the result.

[51] Johannes Koster, the Executive Director of NAB, testified. In respect of advertising discounts, he testified that a maximum of 16,5 per cent is allowed as discounts to advertisers. In respect of a 50 000-odd play list obtained from SAMPRA, NAB had difficulty identifying the originality of all the sound recordings. In relation to editorial content, Mr Koster testified that promotional competitions have entertainment value as well as playing a role as a reward for listeners participating, and the advertiser attached to it gets exposure. It certainly could help to generate revenue.

[52] Finally, I consider it useful to reproduce a broad based table compiled by SAMPRA on sound recording royalty rates that apply in other countries. It is necessary to point out that the table does not provide motivations or qualifications. However, as appears from what is set out above, there was testimony in relation to royalty rates that apply in still other countries. The table that appears hereafter sets out the comparative rates.

0 — 1%	Australia Chile Japan Malaysia Romania
1 — 2%	Argentina Barbados Costa Rica Lithuania India Italy Jamaica Panama Paraguay Poland
2 — 3%	Canada Dominican Republic Latvia Portugal Slovenia Spain Switzerland
3 — 4%	Bulgaria Peru
4 — 5%	Austria Czech Republic Denmark Greece Hong Kong Netherlands Thailand United Kingdom
5 — 6%	France Germany Sweden Slovak Republic
> 6%	Finland Ireland

[53] That then, in summary, was the totality of relevant evidence.

[54] Sapire AJ found most of the evidence referred to above unhelpful. Throughout proceedings it was evident that he required of the expert witnesses to actually provide the rate he was called upon to determine. He disregarded the evidence of royalty rates applied internationally. He described how he would go about determining the rate payable as follows:

‘I do not propose to analyze or adopt the opinions of the experts but will . . . use the SAMPRA formula with an adjustment to the denominator representing the percentage of the broadcaster’s net income, to produce the desired result.’

[55] Sapire AJ considered the appropriate rate to involve a value judgment on his part. It is difficult to discern the rationale for his ultimate conclusion. Towards the end of his determination he stated the following:

‘This assessment is made on the limited information available, but will result in an equitable reward to the referrer’s clients, while not imposing an unaffordable burden on the broadcasters.’

The following is the formula he determined should be used in calculating the needletime royalty:

$$\frac{A}{B} \times \frac{C \times 7}{100}$$

Where:

A = the amount of time used by a radio station in any period to broadcast the royalty protected sound recordings administered by SAMPRA;

B = the total amount of time used by a radio station in that period to broadcast editorial content

“editorial content” is defined as content, including the repertoire, broadcast for entertainment, information or interest of members of the public and shall not include broadcast time allocated to programme promotions and/or advertisements or promotions on behalf of the Station or any registered or unregistered charity or in support of social action activities, including but not limited to awareness raising campaigns and initiatives, telephone helplines

and

C = a radio station’s net broadcasting revenue.

Net broadcasting revenue means the amount in South African Rands equal to 85% in number of the published rate card value (before any deduction of agency commissions or any other deductions) of advertisements and sponsored promotions or features broadcast by the Station, including any such broadcast by any entity which is an associate, subsidiary or agent of the Station and including advertisements published on any internet simulcast service;’

[56] In essence, the maximum royalty rate of ten per cent was reduced by Sapire AJ to a maximum of seven per cent with the percentage decreasing relative to music use. Other than that change, the SAMPRA formula remained largely unaffected. It is against that determination that this appeal in terms of section 36 of the Act is directed.

[57] It is necessary at the outset to say something concerning the rather tortuous statutory scheme in terms of which the Tribunal derives its power. As pointed out by Dean in *Handbook of South African Copyright Law*,¹⁰ the factual matrix set out in Chapter 3 of the Act has to be read '*mutatis mutandis* to accommodate the adjudication of disputes arising out of section 9A'. This means that one has to strain to make those provisions compatible with those of section 9A, more particularly those of section 9A(1)(b) and (2)(c). Put simply, the licensing scheme provisions are applied to the determination of the royalty rate. That notwithstanding, the learned author rightly points out that to adopt a different view would render the provisions of section 9A nugatory — a consequence that should be avoided. Section 33(5)(b) therefore, applies *mutatis mutandis* and requires the Tribunal, when it is determining a royalty rate, to make such order as it may 'determine to be reasonable in the circumstances'.

[58] One other preliminary issue that needs to be addressed, albeit briefly, is the failure of the Regulations under the Act to prescribe the procedure for the adjudication of a royalty rate. It is distressing that, despite a lapse of more than three years since the report by the Copyright Review Commission in which it described the regulations as vague and unclear and lamented the failure to prescribe a procedure for the adjudication of a royalty rate, no progress has been made. This is an aspect the Minister should address urgently.

[59] I now turn to deal with the manner in which the Tribunal made its determination. In my view, Sapire AJ wrongly discounted the evidence that both parties took care to adduce to assist him in reaching a decision. There are areas of commonality and divergence which ought to have been taken into account in arriving at a conclusion.

[60] First, almost all the witnesses were agreed that in considering revenue, the financial statements of the radio stations ought to be considered rather than the SAMPRA calculation of the rate card less a 15 per cent discount.

[61] It is not irrelevant that many countries calculate a royalty rate based on the percentage of revenue with some choosing to increase rates relative to revenue thresholds. I will in due course deal with comparable rates.

¹⁰

O H Dean *Handbook of South African Copyright Law* 2012 at 1-55.

[62] That the broadcasting industry is extensively regulated is a factor to be taken into account in NAB's favour.

[63] It does not appear that royalty rates for sound recordings internationally exceed composer royalty rates. It is arguable, though not definitive, that composers are the key component in relation to the production of music. In Chile sound recording rates are determined at half the rate of the composer royalty rate.

[64] Whilst NAB's proposal that revenue should be linked to time channels, distinguishing between peak periods and the midnight shift in which listenership is minimal, is superficially attractive, the following oddities arise: It discounts the fact that advertisers are offered free spots in the midnight shift in order to induce them to pay a premium for advertising spots during peak time, and it ignores the fact that the greater amount of music is used during off-peak periods.

[65] A concern expressed by the Advisory Committee on the Act in relation to the imposition of too high a royalty rate was the financial implications for South Africa, which translated, means excessive negative currency outflow. As pointed out, much of the money collected by SAMPRA will find its way to the USA and other countries.

[66] In addition, consideration should be given to perverse consequences for the music industry by too prohibitive a rate driving broadcasters to the alternative of using session musicians and the like.

[67] The problem with the introduction of profitability in the form of the industry average is that it does not properly or necessarily give vent to the pay-for-play principle and might be punitive on people whose profits are below the industry average. It might also lead to manipulation on an accounting basis in order to lessen the royalty burden. There appears to be no precedent internationally for including profitability in the calculation of a royalty rate. Dr Bishop, who testified on behalf of NAB, did not champion its inclusion and left it to others to justify.

[68] Although there appears to be some logic to factoring audience-reach into a formula, one has to be mindful of the difficulties of valuing an audience as became evident from the evidence set out above.

[69] There is force to the submission on behalf of NAB in relation to editorial content, namely, that the exclusions by SAMPRA are too liberal. Whereas advertisements ought rightly to be excluded, it appears to me that programme promotions and other content such as charity drives or competitions ought not to be. They are part of the total cachet of a radio station and can all be said to be part of the revenue generating effort.

[70] As far as can be ascertained, only six countries, who probably all qualify to be described as developed countries, pay a rate of more than five per cent. Only two developed countries pay more than six per cent of total revenue.

India, which is probably the more closely comparable country, charges between one and two per cent of total revenue. In considering the international experience and practice, I am not unmindful of South African circumstances, more particularly that South African performers have been clamouring for years for their due.

[71] It is clear that the factor of ten representing a maximum rate of ten per cent proposed by SAMPRA is purely arbitrary. Sapire AJ considered that, because the determination by him involved a value judgment, he was free to arrive at a conclusion by a sense of what was reasonable without any real consideration of all of the factors set out above. He appears to have considered that the SAMRO rate multiplied by two would be reasonable. In this regard, instead of arriving at 6,5 per cent, he determined seven per cent to be reasonable. It certainly was never suggested, with substantiation, by any of the witnesses that owners of copyright in sound recordings were entitled to rate their talents at twice the rate received by composers.

[72] It was submitted on behalf of SAMPRA that the discretion conferred on the Tribunal in terms of section 31(5) of the Act was the widest form of discretion in our law and that the Tribunal could legitimately adopt any one of a range of options about which there may well be a justifiable difference of opinion as to which one would be the most appropriate. Such discretion, so it was contended, is what is known as a strict discretion. In this regard the judgment of this court in *Oakdene Square Properties (Pty) Ltd v Farm Bothasfontein (Kyalami) (Pty) Ltd* 2013 (4) SA 539 (SCA) is relevant.

[73] NAB, on the other hand, contended that the Tribunal did not have an unfettered discretion. Both parties, however, agreed that if we were to conclude that the Tribunal proceeded from incorrect facts and ignored relevant factors, the determination could be overturned and we could substitute a conclusion based on the available evidentiary material.¹¹ The parties were *ad idem* that any further delay was undesirable.

[74] In my view, Sapire AJ's determination occurred without reference to the very important evidence and factors set out above, with the consequence that the determination is liable to be set aside and substituted.

[75] For all the reasons set out above, a reasonable rate would be 3,0 per cent of revenue as a maximum rather than the seven per cent determined by Sapire AJ or the ten per cent proposed by SAMPRA. In my view the only justifiable exclusion from SAMPRA's definition of editorial time is the broadcast of advertising. There is no doubt in my mind that revenue should be that which is reflected in a radio station's financial statements. In this regard the practice

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See para 20 of *Oakdene*.

followed by SAMRO, about which we were advised from the Bar, appears salutary. It appears that broadcasters are invoiced two months in arrears, based on the revenue certified by its accountants, which, after the end of the financial year, is verifiable by way of audited financial statements. The time lag will enable SAMPRA to verify, pre-invoicing, that part of a radio station's play list that is rightly subject to copyright. From what is set out above, it is clear that I did not consider profitability or audience-reach to be included in a formula to arrive at the royalty rate. In my view, for the reasons already provided, I am un-persuaded that NAB's proposal that revenue should be calculated per time channel within a total broadcast period is justified. In this regard I bear in mind the concession by Ms Hollis who testified in support of NAB's case that a simple formula is to be preferred. NAB's formula is somewhat complex and more susceptible to disputes.

[76] Thus, the formula to be applied in determining the royalty rate is the following:

$$\frac{A}{B} \times \frac{C}{100} \times 3$$

Where:

A = the amount of time used by a radio station in any period to broadcast the sound recordings administered by SAMPRA;

B = the total amount of time used by a radio station in that period to broadcast editorial content,
and

C = a radio station's net broadcasting revenue based on what is reflected in its financial

statements or certified by its accountants.

"editorial content" is defined as content, including the repertoire, broadcast for entertainment, information or interest of members of the public and shall not include broadcast time allocated to advertisements.'

[77] I now turn to address the remaining issue flowing from the cross-appeal by NAB. In my view, the approach to the South Gauteng High Court for the declaratory order referred to earlier in this judgment was misplaced. Counsel representing NAB rightly did not argue the contrary too strenuously. It was for the Tribunal to consider whether what it was required to determine was within its statutory powers. If it erred, that decision could be challenged on appeal. Counsel on behalf of NAB accepted that we were not bound by the decision of the high court concerning the powers of the Tribunal to determine the date from whence the royalty is payable. In the latter regard, it is important to note that the Tribunal's power is narrowly circumscribed and does not include the power to deal with disputes concerning the time from which the royalties are due. Moreover, there are a number of issues that

impact on the question of the date from which royalties become due including, but not limited to, prescription and claims for unlawful breach of copyright. Questions concerning the application and enforceability of the provisions of the Act also come into play. Sapire AJ did not address the question raised in the cross-appeal at all. In my view, there is no basis for concluding that the Tribunal was empowered to deal with the questions that arise from the cross-referral on this aspect.

[78] No costs were awarded in the court below. This was justified by Sapire AJ on the basis that both parties had contributed equally towards his determination and that he did not wholly adopt the formula of either one. In my view, the same reasoning applies in this court. For the reasons set out above, the following order is made:

1. The appeal is upheld to the extent reflected in the formula set out below, and the cross-appeal is dismissed with no order as to costs.
2. The determination by the court below is set aside and substituted as follows:

‘A C x 3

— x —

B 100

Where:

A = the amount of time used by a radio station in any period to broadcast the sound recordings administered by SAMPRA;

B = the total amount of time used by a radio station in that period to broadcast editorial content, and

C = a radio station’s net broadcasting revenue based on what is certified by its accountants and confirmed in its financial statements.

“editorial content” is defined as content, including the repertoire, broadcast for entertainment, information or interest of members of the public and shall not include broadcast time allocated to advertisements.’

GLOBAL VITALITY INC v ENZYME PROCESS AFRICA (PTY) LTD

CLOETE J
WESTERN CAPE HIGH COURT
21 AUGUST 2015

If the only reasonable inference to be drawn from a party's entry into a market later than a competitor is done in order to benefit from the likelihood of deception or confusion from customers, then passing off will be proved.

Global Vitality Inc was a manufacturer, distributor and seller of dietary nutritional supplements. It supplied and distributed these supplements worldwide through duly authorised agents, distributors and resellers. Its trading name, Enzyme Process International, was registered as a trading name with the Arizona Department of State. It also had certain associated trademarks registered in its name in the United States.

Global began exporting its Enzyme Process supplements to South Africa in 1995 through, Enzyme Process CC, which acted as exclusive distributor and reseller of its goods. On 1 April 2003 Ainslie, the majority member of Enzyme Process CC, Registered Enzyme Process Africa (Pty) Ltd (EPA) and continued business through EPA as Global's authorised distributor and reseller in South Africa under this name.

In 2012 a dispute arose between Global and EPA over payments for orders delivered. Global terminated the distribution agreement with EPA. Global investigated the complaints and discovered that EPA had been importing similar supplements from another manufacturer in the United States in unmarked packaging. Upon receipt of the unmarked goods, EPA had labelled them with a revised label prominently displaying Global's Enzyme Process trade mark.

Global then discovered that the Tembeletu Trust, of which Ainslie was a trustee, had applied for various trade marks to be registered in South Africa during the period July 2007 until May 2012. These trade marks were applied and used on Global's products.

EPA had not ordered any products from Global since 2012 when the payment dispute arose. However goods bearing Global's Enzyme Process trademark were still being sold by EPA in South Africa.

Global brought an application seeking a final interdict against EPA and the Trust basing its claim on the allegation that EPA had been passing off its goods as those of Global. It also sought the cancellation of the trade mark registrations.

Held—

There was no doubt that the products had established goodwill and reputation in the marketplace. What was in dispute however, was to which party such goodwill and reputation accrued. Global had given evidence of its extensive use of the mark Enzyme Process in South Africa since 1995. EPA and the Trust denied that Global had any such reputation or goodwill in its Enzyme Process mark in South Africa. However, on EPA and the Trust's own version, Ainslie only became involved as distribution agent of the applicant's ENZYME PROCESS marked goods in 1997, two years after Global started exporting these supplements. EPA only became involved when registered in 2003. The Trust was never involved in the distribution.

The only reasonable inference to be drawn was that Global had demonstrated that its Enzyme Process mark entered the market in 1995 and established a substantial reputation. This reputation not only existed at the time that EPA commenced its offending conduct but even prior to EPA being appointed as distributor and reseller. Given that Global's Enzyme Process goods had been sold in South Africa since 1995,

and given the fact that EPA entered the market in an effort to sell its own products under a get-up so similar to that employed by Global, the only reasonable inference to be drawn was that EPA had done so in order to benefit from the likelihood of deception or confusion from customers.

Passing off had therefore been proved.

As far as the trademark expungements were concerned, Global had demonstrated its right to cancellation of these trademarks in terms of section 24 of the Trade Marks Act (no 194 of 1993) , read with ss 10(3) and 10(7).

Cloete J:

Introduction

[1] On 18 December 2013 the applicant launched these proceedings seeking a final interdict against the first and second respondents on the basis of passing off, the cancellation of certain trade mark registrations, as well as what is essentially consequential or ancillary relief.

[2] It is clear from the papers that from the outset the first and second respondents (in the form of their duly authorised representative, Mr Geoffrey Ainslie ('Ainslie')) have resorted to almost every conceivable means to frustrate finality in this litigation. They only filed their answering affidavits after being compelled by an order to do so; orchestrated a postponement on dubious grounds; failed to comply with an order to file their heads of argument; and generally displayed flagrant disregard for the process of court. They failed to file heads of argument for the second time when the matter came before me and have also not appeared at the hearing.

[3] Given that the applicant seeks final relief on motion, the *Plascon-Evans* rule applies, and I turn to set out the salient facts which I am satisfied the applicant has succeeded in proving on the application of that test.

Salient facts

[4] The applicant is an American manufacturer, distributor and seller of dietary nutritional supplements. It has supplied and distributed these supplements worldwide through duly authorised agents, distributors and/or resellers since 1988, first in the name of its predecessor in title, S.T.D. Corporation trading as Enzyme Process Laboratories and thereafter, from 26 October 1995, as Global Vitality Incorporated trading as Enzyme Process International (sometimes with the word 'Corporation' added). The name Enzyme Process International was registered as a trading name with the Arizona Department of State on 19 October 2011, indicating its 'domestic begin date' as 3 January 1996.

[5] Furthermore, the following trade marks were registered in the USA:

5.1 Registration no. 1709677 ENZYME PROCESS in class 5 in the same of S.T.D. CORPORATION. This mark was filed on 9 January 1991,

registered on 25 August 1992 and cancelled on 2 March 1999. It was cancelled merely because the proprietor failed to file a statement or declaration of use, as required in terms of US Trade Mark legislation;¹

5.2 Serial no. 77440982 ENZYME PROCESS INTERNATIONAL in class 1 in the name of ENZYME PROCESS INTERNATIONAL — Filed on 6 April 2008 and abandoned on 2 December 2009;² and

5.3 Registration no. 4200754 (Serial number 85259588) ENZYME PROCESS INTL in class 5 in the name of ENZYME PROCESS INTERNATIONAL CORPORATION — Filed on 7 March 2011 and registered on 4 September 2012.³

[6] The applicant is a licensee of United States trademark registration no. 4200754 ENZYME PROCESS INTL by virtue of a tacit licence.⁴

[7] The applicant has thus built up a substantial reputation and goodwill vesting in the trademark ENZYME PROCESS in the USA by virtue of the extensive use of the trademark since 1988 - as a trading name and as its brand name.

[8] The applicant began exporting its ENZYME PROCESS supplements to South Africa in 1995 through an entity, ENZYME PROCESS CC, which acted as exclusive distributor and reseller of the applicant's goods under the trademark ENZYME PROCESS and the business name ENZYME PROCESS CC. On 1 April 2003 Ainslie, the majority member of ENZYME PROCESS CC, instead registered the first respondent ('EPA') and continued business through EPA as the applicant's authorised distributor and reseller in South Africa under this name. Sales grew substantially over the years from 1995 and, by the time the supplements were supplied to EPA, were worth an average of USD 212 674 per annum.

[9] During 2012 a dispute arose between the applicant and the first respondent over payments for orders delivered. The applicant also began receiving complaints from customers in South Africa about less effective and unavailable goods.

[10] The applicant took two steps. First, it terminated the distribution agreement with the first respondent on 1 May 2012. Second, it investigated the complaints and discovered that the first respondent had been importing similar supplements from another manufacturer in the USA in unmarked packaging during 2012. Upon receipt of the unmarked goods, the first

¹ Answering affidavit, p. 203, para 55.3.1; Annexure 'GA13', p. 271-272;
Replying affidavit pp. 318 — 319, paras 133 - 136

² Answering affidavit, p. 203, para 55.3.2; Annexure 'GA14', p. 273-274

³ Founding affidavit, p. 12 para 29, 'Annexure SR7', p. 82' Answering affidavit,
p. 203, para 55.3.2

⁴ Replying affidavit, p. 318, para 135

respondent had labelled them with a revised label prominently displaying the applicant's ENZYME PROCESS trade mark.

[11] The applicant then discovered in early 2013 that the second respondent, of which Ainslie is a trustee, had applied for various trade marks to be registered in South Africa during the period July 2007 until May 2012, which trade marks are applied and used on the applicant's products.

[12] The first respondent has not ordered any products from the applicant since 2012 when the payment dispute arose. However goods bearing the applicant's ENZYME PROCESS trademark are still being sold by it in South Africa.

Grounds of opposition

[13] The first and second respondents oppose the relief sought by the applicant primarily on the following grounds, namely that:

13.1 The goodwill and reputation built up in the ENZYME PROCESS trademark in South Africa is only as a consequence of the first respondent's activities, and not that of the applicant;

13.2 Since May 2012 the ENZYME PROCESS mark and brand has not had any connection to the products of the applicant and any goodwill or reputation that did accrue to the brand subsequent to this date could not have any connection to the applicant;

13.3 There is no evidence that the applicant or the ENZYME PROCESS trademark and brand is proprietary to the applicant, or that the applicant's trading name is connected to it at all;

13.4 The applicant has failed to present any evidence to establish its goodwill and reputation in South Africa in relation to the marks CYTOTROPHIN, LIQUEZYME, HEALTH IS AN ENZYME PROCESS, PROTO-MORPHOGEN and GLANDULARS.

[14] As will appear from what follows hereunder I am persuaded that there is no merit in any of the defences raised by the first and second respondents.
Passing-off

[15] The first leg of the relief sought by the applicant is to interdict and restrain the first and second respondents from making any further use of the trade mark ENZYME PROCESS, or a mark confusingly similar thereto.

[16] Passing-off is defined as follows:

'The wrong known as passing off consists in a representation by one person that his business (or merchandise, as the case may be) is that of another, or that it is associated with that of another and, in order to determine whether a representation amounts to passing off, one enquires whether there is a reasonable likelihood that members of the public may be confused into believing that the business of the one is, or is connected

with, that of another.’⁵

[17] As it was more recently stated by the Supreme Court of Appeal:

‘Passing off occurs when A represents, whether or not deliberately or intentionally, that its business, goods or services are those of B or are associated therewith. It is established when there is a reasonable likelihood that members of the public in the marketplace looking for that type of business, goods or services may be confused into believing that the business, goods or services of A are those of B or are associated with those of B.’⁶

[18] The requirements necessary for the applicant to establish passing-off are the following:

18.1 The applicant must prove the existence of the requisite reputation; namely that its get-up or mark has become distinctive of its goods or services, in the sense that the public associate the get-up or mark with the goods or services of the applicant.⁷

18.2 There must be an express or implied representation by the offending party which is false and unauthorised;⁸ and

18.3 The applicant must prove that the representation made by the offending party is likely to cause confusion amongst purchasers or potential purchasers of the products as to the trade source of the product or the business connection thereof.⁹

[19] In order to prove its reputation, the applicant may put up evidence of the nature and extent of the use it has made of the mark by way of evidence of extensive sales and advertising. The court may infer the requisite reputation from this evidence.¹⁰ The applicant’s reputation must exist at the time that the other party commenced its offending conduct.¹¹

[20] An agent or distributor who merely sells, or imports and sells, goods manufactured by another without adding anything to the mark or get-up

⁵ *Capital Estate and General Agencies (Pty) Ltd v Holiday Inns Inc* 1977 (2) SA 916 (A) at 929 C

⁶ *Pioneer Foods (Pty) Ltd v Bothaville Milling (Pty) Ltd* 2014 (2) All SA 282 (SCA) at para [7]

⁷ *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd and Another* 1998 (3) SA 938 (SCA) at 950E-F

⁸ *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* 1992 (4) SA 118 (A) at 122C-D

⁹ *Capital Estate & General Agencies (Pty) Ltd & Others v Holiday Inns & Others* (supra) at 929C-D

¹⁰ *Cambridge Plan AG v Moore* 1987 (4) SA 821 (D) at 837; approved in *Hollywood Curl (Pty) Ltd v Twins Products (Pty) Ltd* (1) 1989 1 SA 236 (A) at 249J

¹¹ Webster and Page, *South African Law of Trade Marks*, pp15-28; *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd and Another* (supra) at para [22]

under which they are produced, does not thereby acquire any goodwill in the name or get-up; because those symbols acquire a reputation that the goods emanate from the original manufacturer and not the agent.¹²

[21] The enquiry as to which trade source the symbol has come to indicate in the territory in question is in every case one of fact.

[22] The applicant must also prove that the offending party's misrepresentation is *likely* to cause confusion amongst purchasers or potential purchasers. Whether there is a likelihood of such confusion arising is a question of fact, which must be determined by the court in the light of the circumstances of each case.¹³ Evidence of actual deception or confusion is not essential to success in passing-off cases.¹⁴

[23] The court must notionally transport itself from the courtroom to the particular marketplace and '*become one*' with those who might be expected to make use of the goods offered by the two traders.¹⁵ Regard is to be had to the likely impact of the get-up employed by the two traders on the notional 'ordinary customer'.¹⁶

[24] In determining the likelihood of deception or confusion, '...one postulates neither the very careful nor the very careless buyer, but an average purchaser, who has a general idea in his mind of what he means to get but not an exact and accurate representation of it. Nor will he necessarily have the advantage of seeing the two products side by side. Nor will he be alerted to single out fine points of distinction or definition'.¹⁷

[25] In considering whether a defendant's product is likely to deceive, one looks not only at the distinctive features, but at what the purchaser himself would be likely to be guided by, that is to say the general appearance and get-up of the article.¹⁸

[26] If there are a large number of similarities and also some differences, the onus lies upon the offending party to prove that the differences are such as to distinguish the two articles and convey to the ordinary purchaser that the

¹² Webster and Page, *South African Law of Trade Marks*, pp15-47

¹³ *Capital Estate & General Agencies (Pty) Ltd and Others v Holiday Inns & Others* (supra) at 929E; *Royal Beech-Nut (Pty) Ltd t/a Manhattan Confectioners v United Tobacco Co Ltd t/a Willards Foods* (supra) at 126I

¹⁴ *John Craig (Pty) Ltd v Dupa Clothing Industries (Pty) Ltd* 1977 (3) SA 144 (T) at 156-157

¹⁵ *Oudemeester Groep Bpk and Another v SA Breweries Ltd* 1973 (4) SA 145 (W) at

161C-E; *John Craig (Pty) Ltd v Dupa Clothing Industries* (supra) at 153G

¹⁶ *Pasquali Cigarette Co Ltd v Diaconicolas and Capsopolus* 1905 TS 472, 475

¹⁷ *Blue Line Manufacturing (Pty) Ltd v National Brands Ltd* 2001 (3) SA 884 (SCA) 887F-G

¹⁸ *Kellogg Co v Bokomo Co-Operative Ltd* 1997 (2) SA 725 (C) at 733I-734G; *Blue Line Manufacturing (Pty) Ltd v National Brands Ltd* (supra) at 892C-F

goods are not those of the other, if it wishes to avoid the inference of deception being drawn.¹⁹

[27] Where it is indeed shown that there has been a measure of copying on the part of an offending party, who then seeks to maintain his imitation, this suggests that he believes and has had confirmation of his belief, that imitation confers on him some advantage that an original get-up would not.²⁰

[28] The first and second respondents do not dispute the applicant's assertion that the mark ENZYME PROCESS enjoys a substantial goodwill and reputation in South Africa.

[29] What is in dispute, however, is to which party such goodwill and reputation accrues. Notwithstanding the applicant's evidence of its extensive use of the mark ENZYME PROCESS in South Africa since 1995, the first and second respondents deny, on purely speculative grounds, that the applicant has any such reputation or goodwill in its ENZYME PROCESS mark in South Africa.

[30] However, on the first and second respondents' own version, Ainslie only became involved as distribution agent of the applicant's ENZYME PROCESS marked goods in 1997, two years after the applicant started exporting these supplements. The first respondent only became involved when registered in 2003. The second respondent was never involved in the distribution.

[31] Ainslie claims that from 1997 until early 2000 the products received from the applicant were sent to him in packages and he had to bottle and label them himself, using the name ENZYME PROCESS. He has not produced any evidence in support hereof, and the evidence adduced by the applicant to the contrary is overwhelming.²¹

[32] Ainslie also maintains that the products sold in South Africa never displayed the names ENZYME PROCESS INTERNATIONAL or GLOBAL VITALITY, but that the applicant's products were sent to him as follows:²²

32.1 In bulk form in packages, to be bottled and labelled in South Africa by EPA in South Africa;

32.2 Bottled and unlabelled, in which case it was labelled by EPA in South Africa; and

32.3 Bottled and labelled, in which form he then redistributed it in South Africa. In this case, Ainslie submits that the label always displayed ENZYME PROCESSTM, as well as a sticker with the name and contact

¹⁹ Webster & Page, *South African Law of Trade Marks*, p. 15-54

²⁰ *Blue Line Manufacturing (Pty) Ltd v National Brands Ltd* (supra) at 891A-C

²¹ Answering affidavit, p. 193, para 20; Replying affidavit, p. 300, para 36; Supporting affidavit Buirski, p. 363, para 12-13

²² Answering affidavit, p. 196, paras 28.2 and 28.3; Annexure 'GA5A', p. 245-257

details of EPA, thus implying that the applicant's mark became associated with EPA in this manner.

[33] The evidence proves the contrary:

33.1 First, EPA was only registered in 2003. Between 1997 and 2003, the entity did not exist and the products could not have been labelled with the details of EPA;

33.2 Second, from 2003, when EPA was established and the sticker was applied, the bottles were still labelled by the applicant and the fact that a sticker was placed over a small portion bearing the first respondent's details takes the matter no further;²³ and

33.3 Third, all products sent to South Africa were labelled by the applicant and each label displayed the applicant's name (ENZYME PROCESS INTERNATIONAL) and address, as is clear from all the labels annexed to the founding affidavit which the first and second respondents admitted. The exception was three products out of a range of 120 products (MSM, Ester-C Plus, and Pure Protein).²⁴

[34] The applicant furthermore produced sales figures and details on quantities of goods supplied to the first respondent over the past 7 years and attached a schedule of invoices issued to it;²⁵ as well as in excess of 100 invoices for inspection by the respondents.²⁶ The applicant also provided examples of labels as applied to its ENZYME PROCESS goods supplied to the first respondent, which labels the respondents admitted.²⁷ These labels bear the applicant's trading name, ENZYME PROCESS INTERNATIONAL, as well as the applicant's ENZYME PROCESS trade mark as applied to its goods by the applicant.

[35] The applicant provided evidence in the form of extracts from websites, Google search results, blog posts, printouts from the first respondent's own LinkedIn profile and the website found at www.enzymeprocess.co.za (which website was deactivated in 2012).²⁸ These referred to the applicant's ENZYME PROCESS goods, ENZYME PROCESS INTERNATIONAL, and specifically referred to the first respondent as the applicant's 'African distributor'.

[36] In response to this, the first respondent offered bare denials coupled with

²³ Founding affidavit, annex 'SR 11', Record p. 106

²⁴ Founding affidavit, p. 15, para 39; Annexure 'SR10'; Answering affidavit, p.

216, para 112; Replying affidavit, p. 305, para 64; Supporting affidavit, p. 363, paras 12-13

²⁵ Founding affidavit, p. 15-17, paras 40-44; Annexure 'SR12', p. 107-113

²⁶ Notice in terms of Rule 35(12), Record Vol. 2, p. 1-2 & pp. 191-336

²⁷ Founding affidavit, p. 15, para 38; Annexure 'SR10', p. 85-105; Answering affidavit, p. 216, para 112

²⁸ Founding affidavit, pp. 19-22, paras 47-59; Annexures 'SR13-18', pp. 114-136

the ‘explanation’ that its accounting system had crashed, and that its attempts to reconcile its records failed as it was too costly and time consuming.²⁹ The applicant has pointed out however that all that was lost was three weeks’ worth of pastel data; and that it was all recaptured and restored.³⁰

[37] Accordingly, the only reasonable inference to be drawn is that the applicant has demonstrated that its ENZYME PROCESS mark entered the market in 1995 and established a substantial reputation, which reputation not only existed at the time that the first respondent commenced its offending conduct but even prior to the first respondent being appointed as distributor and reseller.

[38] In contrast to the evidence presented by the applicant, the first respondent did not produce any evidence as to its purported reputation in the ENZYME PROCESS mark (by way of sales, advertising or promotion).

[39] On the first respondent’s own version, it imported products from other suppliers in the USA and bottled and labelled them itself, using the name ENZYME PROCESS.³¹

[40] The supplements that have been sold by the first respondent since 2012 are not goods manufactured or supplied by the applicant, yet they are sold under a newly designed label bearing the applicant’s mark ENZYME PROCESS. To add insult to injury, the supplements are in certain instances being sold side-by-side on the same shelves as the applicant’s ENZYME PROCESS goods.³² Having regard to the get-up of the two products it is immediately apparent that the differences are largely insignificant.

[41] The first respondent is thus selling goods unrelated to the applicant under a get-up containing the applicant’s trade mark where the labelling is substantially similar, which trade mark has come to designate the goods of the applicant in South Africa since 1995 and in which trade mark the applicant enjoys a substantial reputation.

[42] Given that the applicant’s ENZYME PROCESS goods have been sold in South Africa since 1995, and given the fact that the first respondent entered the market in an effort to sell its own products under a get-up so similar to that employed by the applicant, the only reasonable inference to be drawn is that the first respondent has done so in order to benefit from the likelihood of deception or confusion from customers.

[43] In these circumstances there can be little doubt that the applicant has established passing-off.

²⁹ Answering affidavit, pp. 199-200, paras 42-45

³⁰ Replying affidavit, p. 311, para 94; confirmatory affidavit Abrahams, pp 357-358

³¹ Answering affidavit, p. 193, para 20

³² Founding affidavit, p. 28, para 87; Annexure ‘SR27’, pp. 163-164

Expungement

[44] The second leg of the relief sought is to have certain trade marks registered in the name of the second respondent cancelled in terms of s 10 as read with s 24 of the Trade Marks Act 194 of 1993 ('the Act'). The marks are dealt with individually below.

A Trade mark registration nos. 2007/16466-70 ENZYME PROCESS logo in classes 5, 16, 29, 35 and 44

B Trade mark registration nos. 2012/11714-18 ENZYME PROCESS logo in classes 5, 16, 29, 35 and 44

[45] The applicant relies on s 24(1) of the Act which reads as follows:

'In the event of... an entry wrongly made in or wrongly remaining on the register... any interested person may apply to the court... for the desired relief, and thereupon the court... may make such order for... removing the entry as it... may deem fit.'

[46] It is not in dispute that the applicant is an 'interested person'.³³ In broad terms, class 5 is for medicinal or nutritional supplements, class 16 is for printed publications, class 29 is for foodstuffs, class 35 is for rendering a service in retail and household trade, and class 44 is for healthcare services.³⁴

[47] S 10 of the Act lists marks that are not registerable as trade marks or, if registered, are liable to be cancelled and removed from the register.

[48] Cancellation of these trade marks is sought on the basis of ss 10(2), 10(3), 10(7) and 10(16) of the Act and, in respect of the class 16 registrations, on s 10(4) as well.

[49] The relevant subsections which are relied upon read as follows:

'(2) a mark which —

(a) is not capable of distinguishing within the meaning of section 9;

(b) consists exclusively of a sign or an indication which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or other characteristics of the goods or services, or the mode or time of production of the goods or of rendering of the service; or

(c) consists exclusively of a sign or an indication which has become *customary* in the current language or in the bona fide and established practices of the trade;.....

(3)... a mark in relation to which the applicant for registration has *no bona fide claim to proprietorship*

(7)... a mark the application for registration of which was *made mala fide*

³³ Answering affidavit, p. 231, para 199

³⁴ Founding affidavit, pp. 32-34

(16) a mark which is the subject of an earlier application if the *registration of that mark is contrary to existing rights* of the p e r s o n making the later application for registration

[emphasis supplied]

and:

‘(4) a mark in relation to which the applicant for registration has *no bona fide intention of using* it as a trade mark

[emphasis supplied]

[50] In *New Balance Athletic Shoe Inc v Dajee and Others NNO* the court confirmed the following test for proprietorship for purposes of s 10(3):

‘An applicant can rightly claim to be the common-law proprietor of the trademark if he has originated, acquired, or adopted it and has used it to the extent that it has gained the reputation as indicating that the goods in relation to which it is used are his. He can then claim to be registered as the statutory proprietor of the trademark with all the benefits and rights conferred by the Act. But [the section] is not confined to that kind of applicant. It also applies to one who has originated, acquired, or adopted the trademark but has hitherto not used it at all, or to the requisite extent, provided he proposes to use it.’³⁵

[51] In *Victoria's Secret Inc v Edgars Stores Ltd*³⁶, the court held that ‘the person who has appropriated the mark for use in relation to goods or services as a trademark can claim to be the proprietor. In this context the word ‘appropriate’ includes ‘originate’, ‘acquire’ and ‘adopt’ ‘. Such a person will be the proprietor unless the adoption is attended by something more, such as any factors that may have vitiated or tainted his right or title to the proprietorship thereof. These factors include dishonesty, breach of confidence, sharp practice, or the like.

[52] In *Strydom v Bader*³⁷ the court dealt with the issue of whether an application for a trade mark registration had been made mala fide in terms of ss 10(3) and 10(7) as follows:

‘[31] The provisions of ss 10(3) and 10(7) of the Act overlap to a considerable extent. For purposes of the application of both subsections to the facts of the present case the single issue is whether Von Waltsleben had ‘a bona fide claim to proprietorship’ of the trade mark at the time when he applied for the registration thereof in the name of Solocorp. If he did not, his application would have been made mala fide.

³⁵ 2011 BIP 106 (GNP) p. 115 at [23]
³⁶ 1994 (3) SA 739 (A) at 743H-745H
³⁷ 2010 BIP 192 (WCC) at 198

[32] The resolution of the issues in this matter thus depends upon the interpretation and application of two key statutory criteria. The first is 'bona fide use' within the meaning of s 36(1) of the Act and the second is 'bona fide claim to proprietorship' within the meaning of s 10(3) of the Act.

[35] there are two categories of persons who may apply for registration - those who are actual users of the trade mark and those who propose to use it. In regard to the first category, ie the actual users, the requirements for the acquisition of common-law proprietorship of a trade mark apply.

[36] It appears from this formulation, which was referred to with approval in Victoria's Secret at 744B-C, that there are two requirements for the acquisition of common-law proprietorship, which, for ease of reference, I shall call appropriation and drawing power.

[37] 'Appropriation' is the term used in Victoria's Secret at 744I, by Nicholas AJA as a compendious expression of the words 'originate, acquire and adopt'. 'Drawing power' is the English equivalent of 'werfkrag'.

[38] The second category of applicants who are entitled to apply for registration comprises those who propose to use the trade mark.

[40] The expressions 'bona fide' and 'mala fide' appear in various provisions of the Act. In LAWSA 2 ed Vol 29 Trade Marks para 30 it is submitted, with reference to s 10(7) of the Act, that an action (such as the registration of a trade mark) is mala fide if it would be regarded as contra bonos mores in the particular trade or industry concerned. I agree with this submission.'

[53] Having regard to the facts set out hereinabove, it bears emphasising that the applicant started exporting its goods into South Africa under the trade mark ENZYME PROCESS in 1995 and Ainslie acted as the applicant's authorised distribution agent in South Africa since 1997 (via the entity ENZYME PROCESS CC). The use of the ENZYME PROCESS trade mark by the applicant predates any use of the trade mark by the first and second respondents.

[54] Of further significance is the fact that, on Ainslie's own version, he knew from as early as 1997 that S.T.D. CORPORATION was related to entities called ENZYME PROCESS LABORATORIES and ENZYME PROCESS INTERNATIONAL,³⁸ and that the former was being used by the applicant in South Africa in respect of the same or similar goods. It was nonetheless Ainslie himself who filed the trade mark applications in his

capacity as trustee of the second respondent. The second respondent therefore filed the applications without any bona fide claim to proprietorship thereof.

[55] Neither the first nor the second respondent approached the applicant at any stage to discuss the protection of trade mark rights in South Africa, as one would reasonably expect from any business relationship when the parties are dealing in good faith. The applicant also did not consent to the second respondent filing any trade mark applications in its own name. In fact, the applicant only became aware of the trade marks filed by the second respondent in 2013 after the business relationship terminated.³⁹

[56] It can thus safely be inferred that the second respondent sought registration of these trade marks in an attempt to secure rights in South Africa to effectively prevent the applicant from continuing to sell its goods here in the event of the distribution agreement being terminated, and that as such it acted mala fide for purpose of s 10(7) of the Act.

[57] I am accordingly persuaded that these trade mark registrations stand to be cancelled and removed from the register in terms of s 24 of the Act, read with ss 10(3) and 10(7).

[58] As previously indicated, s 10(16) of the Act provides that a mark may not be registered as a trade mark or, if registered, is liable to be removed from the register if the registration of that mark is contrary to the existing rights of the person who filed a later application for registration of the same or similar mark.

[59] In *Turbek Trading CC v A & D Spitz Ltd and Another*⁴⁰, Spitz applied for the removal of Turbek's registration on the basis of s 10(16) on the ground that Turbek's trade mark was contrary to its existing rights, Spitz having filed a later application for the same mark. The Supreme Court of Appeal held as follows:

'In context the question is whether the mark 'KG' formed part of Spitz's goodwill. Spitz had to show that it was at the date the common-law proprietor of the 'KG' trade mark and this required proof that Spitz 'originated, acquired or adopted it and has used it to the extent that it has gained the reputation as indicating that the goods in relation to which it is used' belonged to Spitz

[60] The enquiry is thus whether the marks are the same or similar, and whether the proprietor of the later application has proved the required goodwill or reputation vesting in the mark in question.

³⁹ Founding affidavit, p. 26, para 72-73; Answering affidavit, p. 228, paras 178-

¹⁷⁹
⁴⁰

2010 (2) All SA 284 (SCA) at para [17]

[61] The applicant filed trade mark applications for its ENZYME PROCESS logo trade mark on 3 December 2013, not long after it became aware that the second respondent had filed and secured registration of a similar trade mark to which the first and/or second respondents have no bona fide claim to proprietorship. The applicant had no option but to do so in order to protect its trade mark rights following the respondents' unlawful actions.⁴¹

[62] Given the applicant's substantial reputation in South Africa, and that its reputation already existed and vested in the applicant at the time that the first and second respondent commenced their offending conduct, the second respondent's ENZYME PROCESS logo trade marks, when used in relation to the goods and/or services for which they are registered, accordingly amounts to a passing-off.

[63] Furthermore, the marks are visually, phonetically and conceptually similar. The marks consist predominantly of the words ENZYME PROCESS. The addition of the other visual elements does little to distinguish the marks from each other in light of the dominance of these two words. The goods in respect of which the marks pertain are the same or similar. As a result, confusion or deception is likely to arise among customers should the same or similar goods be sold in the market place, whether side by side or even on different shelves. Customers are likely to believe that both items emanate from the same manufacturer.

[64] As such, I agree with the applicant that the second respondent's ENZYME PROCESS logo trade mark registrations stand to be cancelled and removed from the register in terms of s 24 of the Act, read together with s 10(16) thereof.

[65] It is the applicant's submission that the class 16 trade marks were filed without the necessary intention to ever make use thereof. Certainly the respondents have adduced no evidence to the contrary. There is no suggestion that the respondents intend using the mark for purposes of printed publications. Their class 16 registrations should thus also be expunged.

C Trade mark registration nos. 2007/16460-1 CYTOTROPHIN in classes 5 and 29; Registration nos. 2007/16477-8 PROTOMORPHOGEN in classes 5 and 29; Registration no. 2007/17651 GLANDULARS in class 5

[66] The applicant seeks cancellation of the above trade mark registrations on the basis of ss 10(2), (3) and (7) of the Act.

[67] The applicant has explained that cytotrophins (also known as 'glandulars') are animal glands that are freeze dried and taken in pill form to provide the body with extra hormones. The words 'cytotrophins' and 'glandulars' are interchangeable and both are generic words used to describe

⁴¹ Founding affidavit, p. 34, para 100

a particular kind of dietary supplement. Protomorphogens are cellular nuclear material extracted from specific animal tissues containing the essential building blueprint for the construction of that tissue.⁴² The word ‘protomorphogen’ is similarly generic. None of these words are proprietary to any person or entity and should be free for use by all manufacturers of dietary supplement products. The first and second respondents do not seriously dispute this but have instead contented themselves with the bald submission that these are the opinions of ‘a layperson’ and that ‘as such [it] amounts to inadmissible evidence’⁴³. I do not understand the applicant’s explanations to be opinion evidence but rather factual evidence, and one would have expected a proper response if the first and second respondents had one to furnish.

[68] I thus accept that these words are not capable of distinguishing the particular goods of the second respondent from that of any other manufacturer; and that the registrations of the trade mark accordingly fall squarely within s 10(2) and should thus be cancelled and removed from the register.

[69] In any event, for the reasons already given, it is clear that the applications for these registrations were filed in bad faith at a time when the second respondent had no bona fide claim to proprietorship in these marks. These marks are secondary marks used by the applicant, and it is not disputed that the applicant supplied the first respondent with more than 28 000 units of cytotrophin, protomorphogens and glandulars over the period of their business relationship.

D Trade mark registration no. 2007/16462 LIQUEZYME in class 5

[70] The applicant seeks cancellation of this mark on the grounds set out in ss 10(3), (7) and (16). The applicant has shown that LIQUEZYME is a secondary mark that has been used by it, and that more than 13 000 units were supplied to the first respondent for resale over a seven year period.

E Trade mark registration nos. 2007/16463-5 HEALTH IS AN ENZYME PROCESS in classes 5, 29 and 35

[71] These marks wholly incorporate the applicant’s ENZYME PROCESS trade mark, and in light of what is set out hereinabove, clearly also fall to be cancelled, again on the grounds contained in ss 10(3), (7) and (16).

Company Name

[72] On the third leg, the applicant seeks an order directing that the first respondent change its registered company name to a name that does not

⁴² Founding affidavit, p. 38, para 121 — 123; Annexure ‘SR28 — SR29’, pp. 165 -

171

⁴³ Answering affidavit, p. 232, para 202

incorporate the mark ENZYME PROCESS, or any mark confusingly similar thereto.

[73] It is the applicant's case that the first respondent's company name falsely implies or suggests, or would reasonably mislead a person to believe, that the first respondent is still its distributor or associated with the applicant in another significant way.

[74] S 11 of the Companies Act 71 of 2008 ('the Companies Act') provides that:

‘11. Criteria for names of companies. —

(2) The name of a company must —

(a) not be the same as —

.....

(iii) a registered trade mark belonging to a person other than the company, or a mark in respect of which an application has been filed in the Republic for registration as a trade mark

(b) not be confusingly similar to a name, trade mark, mark, word or expression contemplated in paragraph (a) unless —

..... [none of the exceptions apply]

(c) not falsely imply or suggest, or be such as would reasonably mislead a person to believe incorrectly, that the company —

(i) is part of, or associated with, any other person or entity;

[75] In each case - under ss 11(2)(a)(iii), 11(2)(b) or 11(2)(c)(i) - the court is accordingly required to compare the first respondent's company name, ENZYME PROCESS AFRICA, with the applicant's trade mark, ENZYME PROCESS.

[76] S 157(1) of the Companies Act sets out who has locus standi to make use of the remedies contained in s 156 'and who may therefore apply to Court, the Companies Tribunal, the Panel or the Commission to address complaints or secure rights'⁴⁴ and, in terms of s 157(1)(a), includes a person 'directly contemplated' in any provision of the Companies Act. S 156 provides that:

‘156. Alternative procedures for addressing complaints or securing rights. A person referred to in section 157(1) may seek to address an alleged contravention of this Act, or to enforce any provision of, or right in terms of this Act by —

(a).....

(b) Applying to the Companies Tribunal for adjudication in respect of any matter for which such an application is permitted in terms of this Act;

(c) *Applying for appropriate relief to the division of the High Court that has jurisdiction over the matter; or*

[emphasis supplied]

[77] There is an internal remedy contained in s 160 of the Companies Act for the resolution of disputes concerning the reservation or registration of a company's name:

'160. Disputes concerning reservation or registration of company names.

(1) any other person with an interest in the name of a company, *may* apply to the Companies Tribunal in the prescribed manner or form for a determination whether the name satisfies the requirements of this Act.'

[emphasis supplied]

[78] It is the applicant's submission that the existence of the internal remedy in s 160 does not preclude its application to court for relief in respect of a complaint regarding the first respondent's company name.

[79] SS 157 and 160 both contain the word *may*, not *shall*, as is found in many other sections. If given its ordinary meaning, the word *may*, as set out in the Concise Oxford English Dictionary, means 'expressing possibility', 'expressing permission', 'expressing a wish or hope'.⁴⁵ In contrast, the word *shall* means 'expressing a strong assertion or intention', 'expressing an instruction or command'.⁴⁶ The word *may* thus logically allows for a discretion, instead of being peremptory, as with the word *shall*.

[80] The Supreme Court of Appeal has held the following regarding the interpretation of statutes:⁴⁷

'[18]...The present state of the law can be expressed as follows. Interpretation is the process of attributing meaning to the words used in a document, be it legislation, some other statutory instrument, or contract, having regard to the context provided by reading the particular provision or provisions in the light of the document as a whole and the circumstances attendant upon its coming into existence. Whatever the nature of the document, consideration must be given to the language used in the light of the ordinary rules of grammar and syntax; the context in which the provision appears; the apparent purpose to which it is directed and the material known to those responsible for its production. Where more than one meaning is possible each possibility must be weighed in the light of all these factors. The process is objective not subjective. A

⁴⁵ Page 883

⁴⁶ Page 1321

⁴⁷ *Natal Joint Municipal Pension Fund v Endumeni Municipality* 2012 (4) SA 593 (SCA) at [18] — [19]

sensible meaning is to be preferred to one that leads to insensible or unbusinesslike results or undermines the apparent purpose of the document. Judges must be alert to, and guard against, the temptation to substitute what they regard as reasonable, sensible or businesslike for the words actually used. To do so in regard to a statute or statutory instrument is to cross the divide between interpretation and legislation. In a contractual context it is to make a contract for the parties other than the one they in fact made. The 'inevitable point of departure is the language of the provision itself', read in context and having regard to the purpose of the provision and the background to the preparation and production of the document.

[19] All this is consistent with the 'emerging trend in statutory construction'. It clearly adopts as the proper approach to the interpretation of documents the second of the two possible approaches mentioned by Schreiner JA in *Jaga v Dönges* NO and another, namely that from the outset one considers the context and the language together, with neither predominating over the other. This is the approach that courts in South Africa should now follow, without the need to cite authorities from an earlier era that are not necessarily consistent and frequently reflect an approach to interpretation that is no longer appropriate.'

[81] S 160(4) confers on a court the power to review a decision of the Companies Tribunal. However having regard to the plain wording of ss 157 and 160 it seems to me that to interpret s 160(4) as limiting a court's jurisdiction to review power only would lead to what the Supreme Court of Appeal warned against in *Natal Joint Municipal Pension Fund*, namely 'insensible or unbusinesslike results'.

[82] First, the legislature specifically adopted the use of the word 'may'. Second, the applicant would otherwise be compelled to institute proceedings in two separate forums at the same time, for inextricably linked relief, revolving around the same legal principles and the same facts. Third, this would potentially result in two different forums (i.e. the Companies Tribunal on the one hand, and the court on the other) arriving at different conclusions on the same factual matrix. The decision of the Companies Tribunal would then be subject to review by the High Court in terms of s 160(4), whereas the decision of the High Court would be subject to the appeal process, with the two legal processes running parallel to each other.

[83] Furthermore, in this case, the name of the first respondent is not the only issue to be decided. The case revolves around various other legal issues that cannot be decided by the Companies Tribunal.

[84] In light of the above it is my view that this court is not precluded from deciding the company name issue.

[85] Having regard to the facts and the findings already made, there can be little doubt that the first respondent's name falsely implies or suggests, or would reasonably mislead a person to believe incorrectly, that the first respondent is the applicant's distributor or is otherwise significantly associated with the applicant.

[86] In addition, the applicant adduced evidence of customers who previously used the applicant's ENZYME PROCESS goods, but noticed differences in the labelling and effectiveness from 2012, which led to queries lodged directly with the applicant.⁴⁸ Although denied by Ainslie, he has been unable to advance any satisfactory basis for that denial.⁴⁹

[87] Not only is the first respondent's company name the same as the applicant's ENZYME PROCESS trade mark (but for the word 'AFRICA' at the end of the company name), there is thus also a reasonable likelihood that the public, when doing business with the first respondent and purchasing products bearing the applicant's ENZYME PROCESS trade mark, may be confused into thinking that the first respondent is associated with the applicant. This much is borne out by the queries which customers lodged with the applicant.

[88] I am thus also persuaded that the applicant should succeed on the third leg of the relief sought.

Domain name

[89] On the fourth leg, the applicant seeks an order directing the first respondent to transfer the registered domain www.enzymeprocess.co.za to it.

[90] Regulation 11(1) of the Alternative Dispute Resolution Regulations⁵⁰, made under s 69 of the Electronic Communications and Transactions Act⁵¹, reads as follows:

'Appeal, availability of Court proceedings, implementation of decision and repeat disputes

11.(1) Nothing done in terms of these Regulations prevents any party from litigating on any related matter in the High Court of the Republic of South Africa.'

[91] Regulation 3(1)(a) provides that 'A registrant must submit to proceedings under the rules if a complainant asserts ... that ... the complainant has rights in respect of a name or mark which is identical or similar to the domain name and, in the hands of the registrant the domain name is an abusive registration; ...'

⁴⁸ Founding affidavit pp. 24-25 paras 68 — 70, p 76 para 71; Record pp. 154 — 158, 172 — 174 and 176 — 177

⁴⁹ Answering affidavit pp. 226 — 228, paras 169 - 176

⁵⁰ Government Gazette No. 29405, 22 Nov 2006, Vol 297, No 8587

⁵¹ Government Gazette No. 25 of 2002

[92] An "Abusive Registration" is defined as a domain name which either-

- (a) has been used in a manner that takes unfair advantage of, or is unfairly detrimental to the complainant's rights; or
- (b) was registered or otherwise acquired in a manner which, at the time when the registration or acquisition took place, took unfair advantage of or was unfairly detrimental to the complainant's rights.....'

[93] Regulation 4(1) provides the following:

'Evidence of Abusive or Offensive Registration

4. (1) Factors, which may indicate that the domain name is an abusive registration include-

- (a) Circumstances indicating that the registrant has registered or otherwise acquired the domain name primarily to —

.....

- (iii) disrupt unfairly the business of the complainant; or

- (iv) prevent the complainant from exercising his, her or its rights;

- (b) circumstances indicating that the registrant is using, or has registered, the domain name in a way that leads people or businesses to believe that the domain name is registered to, operated or authorised by, or otherwise connected with the complainant;

.....'

[94] The applicant has demonstrated that its ENZYME PROCESS trade mark entered the South African market in 1995 and established a substantial reputation which vests in it.

[95] The offending domain name incorporates the applicant's trade mark in its entirety, and contains no other significant element that serves to distinguish it from the applicant's trade mark. Put simply, the offending domain name is identical in all material respects to the applicant's trade mark.

[96] In this regard, the proviso in regulation 5(c) stipulates that 'The burden of proof shifts to the Respondent to show that the domain name is not an abusive registration if the domain name is identical to the mark in which the Complainant asserts rights, without any addition'.

[97] The applicant referred to SAIPL Decision ZA2007-0007⁵² at para 4.7, in which the Panel stated that:

'The name forming the subject of the domain name in question is the mark FIFA. This is identical to the mark in which the Complainant had alleged registered and common-law rights, and which the adjudicator finds established for the purposes of this complaint. This shifting of the

burden disposes of the matter, in that the Registrant has not responded to the complaint.’

[98] The first and second respondents merely contend that the domain was set up by a former employee of the first respondent; that Ainslie was unaware of its existence on the LinkedIn page until he received the applicant’s papers; and that in any event ‘the website was never very active or generated substantial sales’⁵³.

[99] In selecting the offending domain name, the first respondent exploited the goodwill and reputation of the applicant’s ENZYME PROCESS trade mark, whilst at the same time blocking the applicant’s registration of that domain name in South Africa. Although, according to the applicant, the website was deactivated during 2012,⁵⁴ there is nothing in theory to prevent the first respondent from reactivating it any stage.

[100] Having regard to the proven facts, I am persuaded that the applicant has shown that the offending domain name is an abusive registration.

Delivery up of goods

[101] The fifth leg of the relief sought by the applicant, namely delivery up of the offending material follows consequentially from the finding of passing-off in its favour, and no more thus needs to be said.

Conclusion

[102] In the result an order is granted in the following terms:

1. The first and second respondents are interdicted and restrained from making any further use of the trade mark ENZYME PROCESS, or a mark confusingly and/or deceptively similar to the applicant’s ENZYME PROCESS trade mark;
2. The third respondent is directed to rectify the register of trade marks in terms of section 24 of the Trade Marks Act 194 of 1993 (‘the Act’) by cancelling and removing the following trade marks in the name of the second respondent:
 - 2.1 registration nos. 2007/16466-70 ENZYME PROCESS logo in classes 5, 16, 29, 35 and 44;
 - 2.2 registration nos. 2007/16460-1 CYTROTROPHIN in classes 5 and 29;
 - 2.3 registration no. 2007/16462 LIQUEZYME in class 5;
 - 2.4 registration nos. 2007/16463-5 HEALTH IS AN ENZYME PROCESS in classes 5, 29 and 35;
 - 2.5 registration nos. 2007/16477-8 PROTOMORPHOGEN in classes 5 and 29;
 - 2.6 registration no. 2007/17651 GLANDULARS in class 5; and

⁵³ Answering affidavit, Record, p. 222 paras 143-146

⁵⁴ Founding affidavit, p. 21 para 56

- 2.7 registration nos. 2012/11714-18 ENZYME PROCESS logo in classes 5, 16, 29, 35 and 44;
3. The first respondent is directed to change its company name to a name that does not incorporate the trade mark ENZYME PROCESS, or any mark confusingly and/or deceptively similar to the applicant's ENZYME PROCESS trade mark, within 30 (thirty) calendar days from date of this order;
4. The first respondent is directed to transfer the registered domain name enzymeprocess.co.za to the applicant within 30 (thirty) calendar days from date of this order;
5. All products, marketing material, signage, stationery and other goods bearing the trade mark ENZYME PROCESS, or a mark confusingly and/or deceptively similar to the applicant's ENZYME PROCESS trade mark, are to be removed from circulation by the first and/or second respondents immediately and delivered up to the applicant for destruction within 30 (thirty) calendar days from date of this order;
6. The costs of this application, including all reserved costs orders, are to be paid by the first and second respondents, jointly and severally, the one paying the other to be absolved; and
7. The applicant is authorised to effect service of this order on the first and second respondents by email to Mr Geoffrey Ainslie: geoff@enzymeprocess.co.za.

NESTLÉ NESPRESSO S.A v SECRET RIVER TRADING CC

DAVIS J
WESTERN CAPE HIGH COURT
5 OCTOBER 2015

A party alleging infringement of its copyright in artistic drawings is bound to set out its case at inception of interdict proceedings.

Nestlé Nespresso S.A held the copyright in artistic drawings of the external design of an espresso coffee machine known as the Nespresso Essenza.

Nestlé alleged that Secret River Trading CC imported and distributed coffee machines to various retail outlets in South Africa. This machine was known as the Sienna Espresso Coffee Machine. Nestlé alleged that the Sienna Espresso machine incorporated design features which were reproductions of substantial parts of the design features of its artistic work, and in consequence the manufacture of the Sienna Espresso machine amounted to an infringement of its copyright.

In 2014, Nestlé sought an order restraining Secret Trading 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.

In response, Secret Trading stated that it stopped importing the Sienna Espresso machine in 2012. It referred its principal customer, Shoprite Checkers, to the manufacturer of the machine for future supplies. It refused to give an undertaking to Nestlé that it would not again import the Sienna Espresso machine, and continued to honour the warranties relating to the machines already imported.

Nestlé then contended that Secret Trading was aiding and abetting Shoprite Checkers in its infringement of its copyright in the artistic works from which its machines were made by causing it to make unauthorised reproductions and/or adaptations of its original artistic work, and/or to import, and/or sell, and/or by way of trade offer or expose for sale, and/or distribute the Sienna espresso coffee machines. It sought an order interdicting Secret Trading from aiding and/or abetting any other person to perform any of those acts.

Held—

Given the fact that Secret Trading had stopped importing the Sienna Espresso Coffee machine, there was nothing to justify a reasonable apprehension of a continued infringement of Nestlé's copyright by way of aiding and abetting.

Nestlé was bound to make out its case in its founding affidavit, but had sought to do so in its replying affidavit. When it began interdict proceedings it knew of Shoprite Checkers' role. There was therefore no reason why it could not have made out its case when it initiated interdict proceedings.

There being no grounds for interdicting Secret Trading, the application was dismissed.

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 section 23 (2) of the Copyright Act (no 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. Respondent 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. [7] Although applicant accepts that respondent was not the manufacturer of the Sienna Espresso machine, it contends that, with sufficient knowledge of the facts regarding applicants' copyright, it has imported and distributed these machines in South Africa with knowledge that it is in breach of the provisions of s 23 (2) of the Copyright Act.

Respondent's answer

[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 aiding 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] 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.

[21] A further observation flows from the founding affidavit. It is clear that no case was made out with regard to respondent’s aiding and abetting

Shoprite Checkers (Pty) Ltd to import the Sienna machine in alleged breach of applicant's copyright. This case was made out in reply.

[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 Katz 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 aiding 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.

[31] Given that the respondent has stated on oath that it does not import machines and has shown no involvement therein since September 2012, the applicant was constrained to rely on the approach adopted in *Glenton and*

Mitchell v French Tea and Coffee Works 1927 WLD 272 and *Stellenbosch Wine Trust Limited and another v Oude Meester Group Ltd; Oude Meester Group v Stellenbosch Wine Trust Limited and another* 1972 (3) SA 152 (C) to the effect that where the respondent has deliberately copied the property of applicant, assurances by the respondent to the effect that it no longer would do so did not stand as a sufficient defence to the granting of an interdict prayed for by an applicant. To recapitulate on the dicta in *Glenton* and *Mitchell* supra, the court accepted that in order to succeed applicant had to show a well-grounded apprehension of a continued infringement of their trademark. The court then went on to say:

‘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 (D) 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.

[39] The debate between the parties turned on whether the respondent had adduced sufficient evidence that the Sienna machine was produced by a process of reverse engineering the Essenza machine rather than by way of a reproduction through the Essenza drawings. Again, the evidence presented in the papers is hardly satisfactory. Critical to applicant's case was its expert witness, Mr Grantham, who concluded his evidence with regard to a comparison of the two machines by saying 'it is practically improbable, bordering on impossible that the design of the Sienna Coffee machine did not have the Essenza machine available as a reference and draw direct inspiration from it when designing a Sienna machine.' When respondent relied upon this concession to strengthen its s 15 (3) (A) case of reverse engineering by the Chinese manufacturer, Mr Weston, supported by a confirmatory affidavit from Mr Grantham, contended that notwithstanding that the statement was made as relied upon the respondent it 'clearly intended to refer to, and only could have only referred to the two dimensional copyright work of the applicant (the graphic design) and not a three-dimensional reproduction thereof. This is because, if one has regard to Mr Grantham's affidavit he was only instructed and dealt with the comparison between the two relevant two dimensional designs... his entire analysis was based solely on two dimensional drawings and the designs embodied in them.'

[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 filing 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.

MEDIA 24 BOOKS (PTY) LTD v OXFORD UNIVERSITY PRESS SOUTHERN AFRICA (PTY) LTD

WALLIS JA

(NAVSA JA, THERON JA, PETSE JA and WILLIS JA concurring)

SUPREME COURT OF APPEAL

16 SEPTEMBER 2016

In proving that copying has taken place a simple comparison between the copyright work and the alleged infringing work is usually insufficient to establish that infringement of copyright has taken place.

Media 24 Books (Pty) Ltd published a bilingual dictionary known as the *Pharos Aanleerderswoordeboek*. Some 14 years later, Oxford University Press Southern Africa (Pty) Ltd (OUP) published its own bilingual dictionary, the *Oxford Afrikaans-Engels/English-Afrikaans Skool Woordeboek*. Media 24 alleged that OUP had copied substantial parts of its dictionary. It brought an application for an interdict against OUP.

Media 24 based its case for copying on sample sentences given in the dictionaries which were intended to illustrate the meaning of the words listed in them. It contended that the overwhelming impression given by a comparison of the sentences was that copying had taken place. The copying did not consist in slavish copying, but involved the selection of the subject matter of example sentences and the formulation and arrangement of those sentences.

OUP denied that it had copied Media 24's dictionary. Those it had employed to compile its dictionary denied that they had done so. Only sixty percent of the headwords in the dictionaries was common to both dictionaries. Of these, only twenty percent showed any correspondence between the two.

Held—

Having proceeded by way of application and not by way of action, Media 24's evidence was confined to the affidavits. No oral evidence was presented. This meant that it had to establish, upon the comparison of the sample sentences, that copying had taken place.

Establishing substantial similarity between the original and the alleged infringing work together with proof of the possibility of access by the alleged infringer to the original work, suffices to raise a prima facie case of copying. It is then for the alleged infringer to show how its work was produced without copying. But the onus remains on the claimant to establish copying on a balance of probabilities.

In the present case, the evidence presented by Media 24 was insufficient to establish copying on this basis. The probabilities were that the denials of OUP's compilers were true.

The application was dismissed.

Wallis JA:

[1] This is a tale of two dictionaries of a type that many South African schoolchildren, present and past, would recognise. They are bilingual Afrikaans-English/English-Afrikaans dictionaries, the purpose of which is to assist learners using one of English or Afrikaans as a base to obtain a knowledge and understanding of the other language. Both are relatively small with no more than 4 000 to 5 000 entries in each language. These reflect a

basic vocabulary incorporating the most commonly used words in each language. Each entry consists of a specific headword¹ and identifies the part of speech² (noun, verb, adjective etc), or parts of speech, of the word; gives the equivalent word in the other language; and provides a short sentence or sentences illustrating its meaning or the different shades of meaning that it possesses. If the entry is in respect of an Afrikaans word the sentence illustrating its meaning will be in Afrikaans and then be translated into English and vice versa.

[2] In point of time the first dictionary to be published was published by a predecessor of the appellant, Media24 Books (Pty) Ltd (Media24). It was initially entitled *Tweetalige Aanleerderswoordeboek* and the first edition was produced in 1993. It received favourable reviews as being an advance on what had previously been available. It was republished under the name *Pharos Aanleerderswoordeboek vir Skole* in 2006. For convenience I will refer to it as the *Aanleerderswoordeboek*. The respondent, Oxford University Press Southern Africa (Pty) Ltd (OUP) published its work, the *Oxford Afrikaans-Engels/English-Afrikaans Skool Woordeboek* (the *Oxford Woordeboek*) in 2007. It too received favourable reviews. The two are competitors in the market place.

[3] In October 2011 Media24 commenced preparations for a new bilingual Afrikaans-English dictionary to replace the *Aanleerderswoordeboek*. It is customary when a publisher decides to do this for it to investigate the market and examine competing and potentially competing dictionaries in order to decide how to compile its own work in a manner that will be commercially successful in the target market. Although we were not told specifically what first provoked suspicion, Media24's employees came to the conclusion, after looking closely at the *Oxford Woordeboek*, that to a substantial extent it had been copied from the *Aanleerderswoordeboek*³. After taking legal advice and undertaking further investigations, using independent experts, it launched proceedings in the Western Cape Division of the High Court claiming that OUP was guilty of a breach of its copyright in the *Aanleerderswoordeboek* and sought interdictory and other relief. Gamble J dismissed the application and refused leave to appeal. The appeal is with the leave of this court.

Preparing a dictionary

¹ For example 'dog', 'run' or 'for'. In lexicographical usage the technical expression to describe these words is a lemma.

² For example a word may be both a noun and a verb, as with 'boil' denoting both a type of sore (the noun) and the action of heating some liquid to boiling point (the verb).

³ Media24 also produces a bilingual dictionary under the name *Pharos Skoolwoordeboek*, which was published in 2005 and is referred to in its application papers. However, all the evidence in support of the complaint of breach of copyright related to the *Pharos Aanleerderswoordeboek*. Accordingly the judgment will refer only to that work.

[4] The preparation of a new dictionary is not a simple matter and involves a substantial amount of planning. Small basic bilingual dictionaries, such as the two in issue in this case, are divided into two sections, one each for words drawn from the two languages. So these two dictionaries have an Afrikaans side and an English side. On each side the first step is to identify the words constituting the core basic vocabulary in that language. These words, which are not necessarily common to both sides⁴, are the headwords on which each entry is based. The entry translates each word into its equivalent or equivalent in the other language. It identifies the relevant part of speech and frequently used inflections of the word, such as plurals of nouns, or adverbs derived from verbs.

[5] Where a word has more than one meaning all relevant meanings must be identified. If the different meanings arise because the word can be used as more than one part of speech, for example, as both a noun and a verb, they are reflected separately and distinguished by the identification of the relevant part of speech⁵. Where the word bears different meanings in different contexts⁶ these must be identified and placed in order, with the most significant and widely used meaning first and the others following in declining order of importance. In a basic bilingual dictionary aimed at learners of one of the languages, only the more significant meanings are given and more subtle linguistic usages are omitted.

[6] Potentially the most significant task in compiling a dictionary is the preparation of sentences or phrases that explain and illustrate the meaning of a word. Not all dictionaries have this. Large-scale explanatory dictionaries of a single language often achieve the same purpose by means of quotations from publications in which the word has been used⁷. In dictionaries of the type under consideration, the compiler formulates short sentences, referred to as example sentences, illustrating the use of the word in context. Because

⁴ For example the *Oxford Woordeboek* has the English word 'salad', but not its Afrikaans equivalent 'slaai'. Differing views are expressed in the papers on whether this is sound lexicographical practice but nothing turns on it.

⁵ For example the English word 'desert' may be a noun referring to an arid area of the world, as in the Kalahari Desert, or a verb referring to a person leaving their duty, as in 'the soldier deserts the regiment' or 'the man deserted his wife'.

⁶ For example the word 'recognised' may mean that a person is seen and known to be a particular individual as in 'I recognised my friend John', or may mean allow to speak, as in 'The Speaker of Parliament recognised the Minister of Transport'. Afrikaans examples are the words 'aan', 'af', 'agterkom' and 'almal'.

⁷ The *Webster's Third New International Dictionary* (1985) contains verbal illustrations to illustrate the usage of a word in context and quotations using the word. Similarly the 1913 *Webster's Online Dictionary* (available at www.webster-dictionary.org) contains both explanations of the meaning of words and quotations illustrating their usage. Similar examples of this approach can be found in the major dictionaries published by the respondent and its competitors.

the dictionaries are aimed at school children it is important that these sentences should be consistent with their life experience so that the meaning may more easily be grasped⁸. In practice this means that the illustrative sentences will be relatively simple both in structure and theme.

Media24's case

[7] In the founding affidavit of Dr Wanda Smith, herself a lexicographer, Media 24 identified three areas where it claimed that the *Oxford Woordeboek* had copied its *Aanleerderswoordeboek*. They were in the compilation of the headwords or lemmas on both the Afrikaans and the English sides of the dictionary; in the ordering of senses with words having more than one sense; and in the example sentences used in both the Afrikaans and English sections of the dictionary. These latter, it contended, had either been copied directly or had been loosely adapted while following the same themes, sometimes by the alteration of a single word. In support of these contentions it put up an affidavit and report by Dr Anton Prinsloo (to whom I will refer as Dr Prinsloo to distinguish him from Professor Prinsloo who features later in the narrative), an academic from Stellenbosch University, who had examined the entries in the two dictionaries for four letters (B, D, I and S) on both sides and identified where they overlapped in all three aspects. The relevant pages containing those letters extracted from the two dictionaries were attached to Dr Prinsloo's report and highlighted in marker pen. In addition, he compiled two schedules reflecting the example sentences that he regarded as problematic.

[8] Dr Prinsloo's analysis of the areas in which he found commonality between example sentences in the two dictionaries fell into three broad areas. The first instances was where the example sentences were exactly the same. In relation to the word 'baie' both dictionaries included as a sentence illustrating one meaning of the word: 'Baie dankie vir jou help'. The second involved only a small change was reflected as in the case of the word 'brightly' where the two sentences read: 'The sun is shining brightly' and 'The sun is shining brightly today'. Thirdly there were words where he identified thematic commonality as with 'behaal' ('achieve') where the sentences were: 'Christine het baie hard gewerk om sukses in die eksamen te behaal' and 'As jy hard werk, kan jy sukses behaal'. I will refer collectively to these different incidents of overlap between the two dictionaries as correspondences. The extent of such correspondences emerged from a statistical analysis undertaken by Professor Martin Kidd, a statistician, the thrust of which was that the degree of overlap between the two works in regard to the example sentences was of the order of 16 to 24%

⁸ For example there would be little point in illustrating the word 'sang' with the sentence 'The a cappella group sang a Gregorian chant'. A more appropriate sentence would be 'Nkosi sang in the school choir'.

when the statistical analysis was conducted on the basis of a random selection of words.

[9] By the time the matter came before the High Court the complaint in regard to the commonality between the headwords in the dictionaries had been abandoned in the light of the evidence of Professor Daniel Prinsloo, an academic from Pretoria University, (referred to as Professor Prinsloo to distinguish him from Dr Prinsloo, who is mentioned above) concerning the manner in which he compiled the list of headwords used in the *Oxford Woordeboek*. Some argument was addressed to the allegations of similarity in regard to the order of senses in respect of certain words, but little turned on this, presumably because there were few examples of this complaint and a substantial rebuttal of the objection. The focus of the argument, as it was also in this court, was the extent of the alleged copying of the example sentences. That was always the decisive issue. If there had been substantial copying then the claim of breach of copyright had to succeed. If not, it was not suggested that there was sufficient strength in the alleged commonality of sense orders to justify a conclusion of copying of an extent that would warrant the grant of relief.

[10] In making its case in relation to the example sentences Media24 pinned its colours to the mast of the correspondences identified by Dr Prinsloo. It did not rely, as publishers of works such as directories and dictionaries sometimes do, on having set a copyright trap in the work and identifying copying because the *Oxford Woordeboek* fell into the trap. A copyright trap involves the insertion of a false word or false information or a deliberate error in the work, which if it appears in a competing work is indicative of copying having taken place⁹. Media24's allegation of breach of copyright was based squarely on the correspondences between the example sentences in the two dictionaries. After citing a number of these in his heads counsel summarised the submission by saying that:

'The appellant could continue in this vein indefinitely. The similarities are simply too numerous to consider individually. ... It is submitted that the overwhelming impression that remains is that of copying and the explanation proffered by the respondent of "*common phrases*" and "*saliency*" is simply insufficient to disturb the probabilities in this regard.'¹⁰

⁹ As occurred in *Fax Directories (Pty) Ltd v SA Fax Listings* CC 1990 (2) SA 164 (D). There is a famous example of that in the case of the *New Oxford American Dictionary* (2005) which listed the non-existent word 'esquivalence' and gave as its meaning 'the wilful avoidance of one's official responsibilities'. Apparently the word thereafter found its way into a document emanating from the White House.

¹⁰ This echoed his client's view in the founding affidavit that 'Bogenoemde ooreenkomste is bloot té veel en té ooglopend om aan blote toevalle toegeskryf te word'. (The above-mentioned correspondences are simply too many and too eye-catching to be ascribed

So, like counsel, I will focus on the issue of copying in relation to the example sentences. But first it is necessary to deal with the legal framework of the enquiry.

The law

[11] There was no real dispute about the law to be applied in this case. A dictionary is a literary work for the purposes of the Copyright Act 98 of 1978 (the Act)¹¹. As such the *Aanleerderswoordeboek* was, on publication, a literary work eligible for copyright¹². The holder of copyright in a literary work is vested with the exclusive right to reproduce the work in any manner or form¹³. Copyright is infringed where any person, not being the owner of the copyright and without the licence of such owner, does any act that the owner has the exclusive right to do¹⁴.

[12] The application of these provisions was dealt with in this court in *Galago Publishers*¹⁵, where Corbett JA summarised the legal position in the following terms:

‘Copyright is infringed by a person, not being the owner of the copyright, who, without the licence of such owner, does or causes any other person to do, in the Republic of South Africa, “any act which the owner of the copyright may authorise” (s 23(1) of the Act). To determine the meaning and effect of the words just quoted in relation to a literary work it is necessary to refer to s 6, which provides, *inter alia*, that copyright in a literary work vests the exclusive right to do or to authorize the reproduction of the work in any manner or form, the publication of the work or the making of an adaptation of the work ...

In s 1(2A) it is provided that:

“Any reference in this Act to the doing of any act in relation to any work shall, unless the context otherwise indicates, be construed as a reference also to the doing of any such act in relation to any substantial part of such work.”

Consequently it is not necessary for a plaintiff in infringement proceedings to prove the reproduction of the whole work: it is sufficient if a substantial part of the work has been reproduced. To “reproduce” within the meaning of the Act means to copy and in order for there to have been an infringement of the copyright in an original work it must be shown (i) that there is sufficient objective similarity between the alleged infringing work and the original work, or a substantial part thereof, for the

simply to coincidence.)

¹¹ See para (d) of the definition of ‘literary work’ in s 1(1) of the Act.

¹² Section 2(1)(a) of the Act.

¹³ Section 6(a) of the Act.

¹⁴ Section 23(1) of the Act.

¹⁵ *Galago Publishers (Pty) Ltd and Another v Erasmus* [1988] ZASCA 131; 1989 (1) SA 276 (A) at 279G-280C (Galago Publishers).

former to be properly described, not necessarily as identical with, but as a reproduction or copy of the latter; and (ii) that the original work was the source from which the alleged infringing work was derived, ie that there is a causal connection between the original work and the alleged infringing work, the question to be asked being: has the defendant copied the plaintiff's work, or is it an independent work of his own? (See *Francis Day & Hunter Ltd and Another v Bron and Another* [1963] Ch 587 at 618, 623, indirectly referred to with approval by this Court in the unreported case of *Topka v Ehrenberg Engineering (Pty) Ltd* 30 May 1983).'

[13] Sometimes the fact that an alleged infringing work has been copied from the original work may be readily identifiable. In the case where it was claimed that the novel *The Da Vinci Code* had breached the copyright of an earlier work, broadly intended to be a work of popular, but possibly serious, historical and religious conjecture, Mummery LJ said¹⁶:

'... it is easier to establish infringement of the copyright in a literary work if the copying is exactly word for word (verbatim or "slavish" copying), or if there are only slight changes in the wording, perhaps in some optimistic attempt to disguise plagiarism.'

That is precisely what occurred in the only reported case I have discovered involving a dictionary¹⁷. The dictionary in issue in that case was an English-Tamil dictionary, similar in type and purpose to the dictionaries in issue in this case. But the copying relied on was far more blatant than anything that is alleged in the present case. For example it emerged in the course of the trial that the compiler of the infringing work was unable to translate basic English words into Tamil. The conclusion of the trial court endorsed by the Madras Court of Appeal was that the infringing work was a 'piratical reproduction' of the copyright work with:

'... page after page, word after word, slavishly copied, including the errors and ... the sequence, the meanings the arrangement and everything else practically the same, except for some "deliberate differences" introduced here and there to cover up the piracy'.

It was largely on the same basis that Corbett JA held in *Galago Publishers* that the infringing work was an abridged version of the protected work 'with extensive language copying'¹⁸. He concluded that:

'The similarities are too marked, too many and in too many instances inexplicable except on the basis of copying.'¹⁹

¹⁶ *Baigent & another v The Random House Group Ltd* [2007] EWCA Civ 247 para 141 (*Da Vinci Code*).

¹⁷ *Govindan v Gopalakrishna Kone* 1955 AIR 391 (Mad).

¹⁸ *Galago Publishers* supra at 286D.

¹⁹ *Galago Publishers* supra at 293B-C.

[14] Sometimes, however, copying may be less obvious. As Mummery LJ explained in the same paragraph (para 141) of his judgment in the *Da Vinci Code*:

‘The “text” of a literary work may cover more than the particular words in which it is expressed and extend to its overall content, including the selection, arrangement and development of ideas, theories, information, facts, incidents, characters, narrative and so on.’

The contentions on behalf of Media24 do not involve slavish copying or clumsy adaptive plagiarism. It contended that the copying was more subtle, involving the selection of the subject matter of example sentences and the formulation and arrangement of those sentences. It submitted that the extent of the correspondences was such that it could only have occurred in consequence of repeated reference to their own work.

[15] The reference by Corbett JA to the need for a causal connection between the original work and the alleged infringing work requires a brief explanation. What the Act prohibits, in the interests of the copyright holder, is the reproduction of a substantial part of the original work. Where it occurs this will usually be deliberate, but that is not a necessary requirement for infringement. The point was made in *Francis Day & Hunter Ltd and another v Bron*²⁰, referred to by Corbett JA in the passage cited from *Galago Publishers*. In *Bron* it was alleged that Mr Bron had used a well-known tune as the basis for his own composition. He gave evidence that he had never encountered the tune or had cause to play it and this evidence was accepted. But the argument was that as a musician he would, in the ordinary course of events, have encountered the tune and when he came to compose his own retrieved it from his subconscious and incorporated it in his tune. While it was not established that this had occurred, the possibility of unconscious copying was accepted. Thus Upjohn LJ said²¹:

‘There may be cases where, if the circumstances do not justify the conclusion that the defendant, in denying conscious plagiarism, is not telling the truth, they yet justify the conclusion that he must have heard the plaintiff’s tune, and subconsciously reproduced it.’

[16] Any claim that depends to a substantial measure on the notion of unconscious copying must be approached with circumspection. Isolated fragments of memory will not ordinarily suffice because it is only copying of a substantial part of the work that constitutes infringement. As Diplock LJ said in the same case²²:

²⁰ *Francis Day & Hunter Ltd & another v Bron* (trading as Delmar Publishing Co) & another [1963] Ch 587 ;[1963] 2 All ER 16 (CA) at 22.

²¹ Ibid at 25C.

²² Ibid at 27D-E.

‘I think that the law is perfectly clear, and that such difficulties as there are in this appeal are solely due to the absence of any factual information about the mental process involved in “subconscious copying”. We know not whether it is rare or common, general or idiosyncratic, nor indeed whether it is possible to remember, not a mere isolated phrase, but a “substantial part of” the remembered work without remembering that one is remembering.’

[17] In the present case, involving the compilation of a dictionary, there can, I think, be no question of unconscious copying. The extent of the alleged copying is necessarily too great to be explicable on that basis. I can understand and accept that, when formulating an example sentence, a compiler might unconsciously make use of a word, phrase or idea that they had recently seen in a similar context after consulting another dictionary. But when that is said to have happened several hundred times it is not explicable on the basis of unconscious copying²³. Even lexicographers do not bury in their subconscious minds dozens, much less hundreds, of sentences that they have read in other dictionaries, illustrating the meaning of particular words only to pluck them unconsciously from the recesses of memory when they are tasked with explaining the same word. As the authors of a leading textbook in this field note, with a work of any complexity it is unlikely that a person who remembered enough of it to be able to recreate it would be unaware of what they were doing²⁴. That is especially so in the present case where the copying would have had to occur in the middle of otherwise original work by the compilers. Accordingly, for copying of a substantial part of the *Aanleerderswoordeboek* to have occurred in the present case it must have been deliberate copying.

[18] Counsel correctly submitted that in the absence of direct evidence of copying – which is usually hard to come by – establishing substantial similarity between the original and the alleged infringing work together with proof of the possibility of access by the alleged infringer to the original work, suffices to raise a *prima facie* case of copying²⁵. It is then for the alleged infringer to show how its work was produced without copying. A bare denial

²³ The statistical analysis by Professor Dunne on behalf of OUP showed that the headwords common to both dictionaries numbered between 50% and 60% of the total number of headwords in each. Of these Professor Kidd’s analysis indicated that around 20% contained example sentences that exhibited correspondences according to Dr Prinsloo. The OUP publication had slightly fewer than 10 000 headwords. On these figures therefore between 1000 and 1200 cases of example sentences exhibiting correspondences would be present. For reasons that emerged from Professor Dunne’s evidence that may be a far smaller proportion of the total number of example sentences.

²⁴ Kevin Garnett, Gillian Davies and Gwilym Harbottle Copinger and *Skone James on Copyright* 15 ed (2005) para 7.22, p 380.

²⁵ *Copinger and Skone James* supra para 7.17.

of having copied is unlikely to displace the inference arising from proof of similarity and access to the original. An explanation of the process adopted in producing the alleged infringing copy that plausibly explains the reasons for the similarity between them will usually be called for. But the onus is not thereby shifted to the alleged infringer. It is always for the claimant to establish copying on the ordinary standard of proof, namely, a balance of probabilities.

OUP's case

[19] Media24's case in its founding affidavit was expressed in broad and general terms. Insofar as the example sentences were concerned the founding affidavit mentioned no specific examples and merely referred to Dr Prinsloo's report and the schedules derived by him from his comparative analysis of the letters B, D, I and S in the two dictionaries. These schedules set out all the correspondences he identified in the Afrikaans and English sections of the dictionaries in respect of those letters. They were attached to the founding affidavit as annexures NB 7 (Afrikaans), containing 215 instances, and NB 8 (English), containing 142 instances, respectively. That involved fewer than 300 words, because in many instances the alleged correspondences related to various meanings of the same word. The Afrikaans list referred to 169 out of 712 words common to both dictionaries and the English list to 127 out of 616 common words. The *Oxford Woordeboek* contained 1301 headwords in Afrikaans and 1158 in English in respect of these letters.

[20] The figures in the previous paragraph are taken from the report of Professor Dunne, of whom more anon. Assuming that these four letters were representative of the whole alphabet, so that they can be projected for the entire dictionary, Media24's complaints were confined to example sentences for no more than ten or twelve percent of the words in the *Oxford Woordeboek*. Given that for many words there was more than one example sentence that means that the percentage of example sentences showing correspondences would be markedly less than ten or twelve percent, perhaps nearer five or six percent on Professor Dunne's figures. That was not a great deal but it would probably be sufficient, if there was copying, to say that a substantial part of the *Aanleerderswoordeboek* had been copied. However, it also raised questions about the manner in which that copying had occurred. I will revert to this once I have dealt with the evidence on behalf of OUP.

[21] The answering affidavit on behalf of OUP was deposed to by Ms Megan Hall its publishing manager for dictionaries, school literature in English and general adult books since 2008. She had managed the entire process leading to the compilation and publication of the *Oxford Woordeboek* and therefore was familiar with it in all its aspects. At the outset she noted that it was difficult to ascertain the precise nature and extent of the complaint of infringement from Media24's papers. She also made the point that the

dispute, involving as it did a careful comparison between two dictionaries, was not appropriate to be resolved in application proceedings. OUP's attorneys conveyed as much to Media24's attorneys prior to the commencement of proceedings. Ms Hall indicated that as, notwithstanding this warning, the proceedings had been pursued by way of application any request that it be referred for the hearing of oral evidence would be opposed. As it happened no such application was made and the case was conducted on the footing that it should be decided on the affidavits without resort to evidence.

[22] Ms Hall's affidavit dealt with all the original complaints by Media24 and traversed some matters that later fell away. She explained that Professor Prinsloo from Pretoria University had been commissioned to prepare the lists of headwords, using a corpus derived from OUP's publications. In the light of his affidavit the contention of copying based on the commonality of many of the headwords was not pursued. Three lexicographers, working on a freelance basis, undertook the compilation of the entries in the dictionary. Mrs Aletta Cloete and Dr Liezl Potgieter were responsible for the entries, and hence the example sentences, on the Afrikaans side of the dictionary and Mrs Daphne Paizee prepared all the entries on the English side of the dictionary. At an early stage Dr Phillipus Louw was employed to work freelance as the editor of the dictionary, but after a few months he was employed full-time by OUP as its Senior Editor: Dictionaries. He was responsible for the editing of the dictionary at every stage and where editorial assistants were employed to perform certain distinct tasks he briefed them on the procedures to be followed.

[23] Each of the compilers deposed to an affidavit. Mrs Cloete and Mrs Paizee said that they were sent blocks of about fifty words and were required to compile the entries for those words. This involved determining the sense divisions of each word and writing example sentences for that word to illustrate its meaning. Both Mrs Cloete and Mrs Paizee said that in undertaking this work they did not have copies of the *Aanleerderswoordeboek* or the *Pharos Tweetalige Skoolwoordeboek*, another of Media24's dictionaries mentioned in the founding affidavit. They said that they did not copy any of their example sentences from either of these works or any other source. They both mentioned other dictionaries that were available to them, none of which were published by Media24. Mrs Cloete explained that her background was as a teacher and an editor of a major Afrikaans dictionary. She had authored an Afrikaans home language textbook directed at grades eight to twelve, which broadly corresponded with the target market for the new dictionary. This background and experience made it easy for her to write simple Afrikaans sentences directed at conveying the meaning of a fairly basic vocabulary to learners aged between ten and sixteen.

[24] Mrs Paizee was equally well qualified to undertake the task of compiling entries for the dictionary. She had been an English teacher in South Africa and the Democratic Republic of Congo, where she had taught English as a second language. She had also been the co-author and author of several dictionaries and held senior positions, including editorial positions, at OUP, culminating in her becoming the Publications Director. She acknowledged the difficulty of pitching example sentences at the right level for the target audience. The only other work she consulted was the *Oxford South African School Dictionary*, a monolingual dictionary aimed broadly at a similar group of learners to the *Oxford Woordeboek*. As mentioned she had sole responsibility for formulating the entries and the example sentences on the English side of the dictionary.

[25] Dr Potgieter was working towards her M Phil in Translation at the time that she assisted with the compilation of the *Oxford Woordeboek*. She therefore had less experience than her co-compilers. Her explanation of how she went about the work was both more extensive and slightly different. As Media24's counsel placed some reliance on this in support of his argument it is best to quote what she said. It appears from the following paragraphs of her affidavit:

'While I did this work as a consultant I had access to and consulted about 12 different dictionaries including the *Aanleerderswoordeboek* and the *Pharos Tweetalige Skoolwoordeboek*. I compiled my work using Tshwanelex which is a very useful dictionary compilation programme. Of the 12 Dictionaries I consulted, five were bilingual dictionaries.

The way I worked was that I would first think about the word I was working on in the headword list, its use in language and its sense divisions that would be suitable for the target market of this dictionary. i.e. schoolchildren.

I would then consult the dictionaries I had in my library and check if there were any cases where the words were used in ways different to what I already had in my treatment of the word that might also be necessary to include in a learners' dictionary.

I would start by consulting the smaller dictionaries intended for school children and then I would consult the larger ones, like the *Verklarende Handwoordeboek van die Afrikaanse Taal* (HAT) and other monolingual Afrikaans Dictionaries to conduct the check as set out in the previous paragraphs.

Every word, if it has more than one meaning or sense, has particular meanings/senses which are used more often than others. I would think about which meaning or sense I thought was used most frequently and I would think of example sentences which most typically use that meaning or sense of the word in a way in which a learner would understand. Many

words collocate with certain other words (i.e. are frequently used together in phrases or sentences) and I usually included these collocations.

For the purpose of creating my example sentences I would sometimes consult magazines but I would most often use examples from my own life. So for example, if the word was “tennis”, I thought of my friend who played tennis and I would create a sentence using her name and playing tennis.

I would then translate the Afrikaans example sentence. If I recall correctly I translated all the Afrikaans example sentences I worked on but if I felt unsure doing the translation of any sentence, the Respondent had a translator who did the translation. I believe the English translation I did was checked anyway.

It helped me to translate the Afrikaans example sentences because if the sentence did not work in English then I went back to the Afrikaans sentence to adjust it.

I did not purposefully or consciously copy anything out of another dictionary. It is possible that a sentence or type of sentence may have stuck in my mind but it is not unusual that there are sentences which are similar because it is in the very nature of writing a dictionary that there will be similarities. As I mentioned before many word collocate with certain other words or phrases and are therefore typical combinations that are usually/often used together. These high frequency combinations of words will therefore often be used together in a variety of dictionaries and therefore there will often be similarities in example sentences.

It was very important to me to keep the sentences as short and as simple as possible and to use examples which dealt with something that was relevant to learners’ lives so that they could recognize and identify themselves with the example sentences. I had to be mindful to try to only use words which were already headwords in the dictionary otherwise learners might come across words in the example sentences that they did not understand and were unable to look up in the dictionary.’

[26] In sum, the evidence of the three compilers was that they did not copy from the *Aanleerderswoordeboek*. The possibility that such copying occurred in the editorial process was rejected in the affidavit of Dr Louw. He said that he did not consult either the *Aanleerderswoordeboek* or the *Pharos Tweetalige Skoolwoordeboek* in the process of editing the untranslated work of the three compilers, nor did he make either of these dictionaries available to any of the editorial assistants. Given that the dictionary covered only frequently used words and translations that he knew well, he said he had little need to consult other sources in the course of his editorial work. When he did so he used a monolingual dictionary, the *Verklarende Handwoordeboek van die Afrikaans Taal*. In the case of subject specific terms in the dictionary,

such as geography, he would cross-check translations against an English geography textbook published by OUP.

[27] Apart from the evidence of those directly involved in the compilation and editing of the dictionary, OUP also delivered affidavits by three expert witnesses. The first was Professor Timothy Dunne, an *ad hominem* professor in the Department of Statistics at the University of Cape Town, where he was previously head of department. Media24's expert, Professor Kidd, acknowledged his expertise in the field of statistics. Two points in his evidence were important. The first was an analysis of the correspondences identified by Dr Prinsloo and incorporated in annexures NB7 and NB 8 to the founding affidavit. Professor Dunne obtained the contributor labels from OUP that enabled him to identify which compiler was responsible for each of the correspondences. He analysed that information against the contents of the two annexures and this showed that the correspondences were more or less evenly distributed among the three compilers. Counsel for Media24 attacked this conclusion on the basis that Professor Dunne had not identified the source of his information, but that attack was misplaced as the source was clearly stated in Professor Dunne's affidavit. Media24 did not challenge this evidence in reply. It served to exclude the possibility that the correspondences were all the work of one of the compilers alone – what counsel referred to as a 'rogue compiler'.

[28] The second important aspect of the evidence of Professor Dunne was to draw attention to the statistical principle usually summarised in the maxim that correlation does not imply causation. What this means is that the mere fact that there is a correlation between two things – in this case the example sentences – does not necessarily mean that the one is the cause or source of the other. In other words, the fact that there is correspondence between different example sentences does not establish that those that came into existence later in time were copied from the earlier ones. That is merely one possibility.

[29] Professor Dunne's analysis pointed to the absence of an identifiable single source of copying (which he referred to as plagiarism). He said that therefore arguably what remained was a requirement that evidence of a collective conspiracy was necessary. His reason was that if the correspondences were to constitute evidence of copying, then either the three compilers colluded to copy from the same sources, while ostensibly working separately, or they all separately, without reference to the others, did so of their own volition.

[30] While Professor Dunne was careful not to venture into lexicographical territory, he drew attention to the need to weigh factors pointing in the direction of copying against other potential explanations of the correspondences. Those explanations were dealt with in the affidavits of Mr Michael Rundell and Professor Taljard, both lexicographers. Professor

Taljard identified the constraints that apply to the preparation of a basic bilingual dictionary directed at learners of a language in the context of a school. The headwords in such a dictionary must be carefully chosen by identifying words in frequent use. The profile of the users affects the formulation of example sentences. These must not use language that is more difficult than the word being explained and the examples must relate to the world in which the users live. As a result, example sentences will tend to revolve around home and school and general matters of common knowledge and experience for learners in the particular age group.

[31] Professor Taljard said that example sentences serve two functions. They not only illustrate word usage, but they also enable the child to decode the meaning of the headword. Thus with the word ‘circle’ the reference is to the fact that a circle is round. The example sentences in relation to a baby will naturally refer to its age so as to identify that it is a baby and distinguish it from other children. In order to illustrate this point Professor Taljard prepared a table in which she compared 59 of the example sentences in the two dictionaries in this case with example sentences from two other similar bilingual dictionaries aimed broadly at the same market sector. The similarity they displayed was apparent from the schedule.

[32] Mr Rundell said that establishing plagiarism or copying in a reference work is more difficult than in the case of a novel or song or a textbook. The reason is that a reference work, like a dictionary, is an assemblage of generally available knowledge and one would expect correspondence between the contents of different reference works dealing with the same topic. The problem is more acute when dealing with a relatively small dictionary aimed at meeting the needs of learners with a relatively low level of language proficiency. Such a dictionary, by its very nature, has a limited range of words and meanings and the necessarily simple illustration of meanings by way of example sentences will call upon well-known common concepts. His conclusion was that:

‘... the resulting texts are likely to show strong similarity: indeed, it would be odd if they did not.’

[33] Mr Rundell illustrated the explanatory function of example sentences²⁶ with a number of examples drawn from Dr Prinsloo’s correspondences. He said that:

- The word ‘bored’ is best explained and understood by referring to someone having nothing to do;
- The word ‘broom’ is best explained and understood by referring to someone sweeping;
- The word ‘second-hand’ is best explained and understood by contrasting it with something new;

²⁶ This is what Professor Taljard referred to as decoding the meaning of words.

- The season ‘spring’ is best explained and understood by saying that it is the season between winter and summer;
- The word ‘dear’, as a form of address, is best explained and understood by referring to the salutation at the commencement of a letter;
- The word ‘drunk’ is best explained and understood by reference to the excessive consumption of alcohol.

[34] Like Professor Taljard, Mr Rundell illustrated his point about the likelihood of example sentences of an illustrative nature being similar by way of a short table of 15 words comparing example sentences drawn from five other dictionaries. However, he was careful to say that in his examination of the schedule annexure ‘NB 8’ there were a few cases where the similarities could not be entirely explained by the constraints on compilers to select the most frequent and typical scenarios. He mentioned five words where he took this view but added that they constituted a minority of no more than 10 instances out of the total of 142 words in ‘NB 8’. He specifically said that he could not agree with the claim by the deponent to the founding affidavit that the similarities are ‘clearly too many and too noticeable to be coincidental’. Was copying proved?

[35] Media24 established that OUP had access to the *Aanleerderswoordeboek* and that there were sufficiently substantial similarities between the example sentences to raise a prima facie case of copying, calling for an explanation from OUP of how they arose. That explanation was forthcoming in two parts. First, there were explanations by the three compilers of the methods they used in formulating the sentences as well as evidence of their access, or lack of it, to the *Aanleerderswoordeboek*. Second, there was the evidence that such correspondences were likely to occur when creating a dictionary of this type, given its limited range and purpose and the need to adopt an approach to the formulation of example sentences that would fit with the life experience of children.

[36] Media24 chose not to pursue this case by way of trial. Nor did it ask for the matter to be referred to oral evidence. In asking for it to be decided on the affidavits alone, it therefore bound itself to the long established approach described in *Plascon Evans*²⁷. That meant that the case could not be determined simply on a weighing of the probabilities as they emerged from the affidavits. The facts deposed to by OUP’s witnesses had to be accepted, unless they constituted bald or uncreditworthy denials or were palpably implausible, far-fetched or so clearly untenable that they could safely be rejected on the papers. A finding to that effect occurs infrequently because

²⁷ *Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd* [1984] ZASCA 51; 1984 (3) SA 623 (A) 634D-635D; *Thint (Pty) Ltd v National Director of Public Prosecutions and Others* [2008] ZACC 13; 2009 (1) SA 1 (CC) paras 8-10; *National Director of Public Prosecutions v Zuma* [2009] ZASCA 1; 2009 (2) SA 277 (SCA) para 26

courts are always alive to the potential for evidence and cross-examination to alter its view of the facts and the plausibility of evidence²⁸.

[37] On the issue of copying, Media24 was confronted by the emphatic evidence of Mrs Cloete and Mrs Phaizee that they did not copy at all. At best for it there was an acknowledgement by Dr Potgieter of the possibility that ‘a sentence or type of sentence may have stuck in my mind’ from some other dictionary, not necessarily one of Media24’s range. But a random sentence or two is a far cry from the deliberate copying of which she was effectively, although not expressly, accused. That she denied. Clearly she could not have been a ‘rogue compiler’, as referred to by counsel, because the evidence of Professor Dunne showed that the correspondences were relatively evenly distributed among all three compilers. His evidence reinforced what was already apparent, namely that the correspondences could not be the work of one compiler alone, because they appeared on both the Afrikaans and the English sides of the dictionary. In view of the division of labour among the compilers that necessarily meant that they were the product of more than one person.

[38] Media24’s response to this was a direct challenge to the truthfulness of this evidence. In its replying affidavit Dr Smith said that given the degree of correspondence between the two dictionaries she was compelled to deny the contents of their affidavits insofar as they alleged that in compiling the example sentences they had not copied from the *Aanleerderswoordeboek*. Its case was therefore that the denials of copying were ‘bald or uncreditworthy denials or were palpably implausible, far-fetched or so clearly untenable that they could safely be rejected on the papers.’ Counsel submitted that this was justified. I do not agree.

[39] It is apposite to mention that counsel was invited to indicate in what manner the alleged copying had occurred. No clear answer to that question emerged in the course of argument. The drumbeat of the argument was simply that the correspondences were so extensive as to rebut any evidence or any probability pointing in the opposite direction. That is not a proper approach. As Harms JA once said²⁹:

‘It is manifestly unfair to argue a case on inferences from some facts and ignoring unchallenged direct evidence to the contrary.’

The circumstances in which a conclusion can be reached on credibility without hearing oral evidence are rare.

²⁸ *National Scrap Metal (Cape Town) (Pty) Ltd and Another v Murray & Roberts Ltd and Others* [2012] ZASCA 47; 2012 (5) SA 300 (SCA) para 22.

²⁹ *Dexion Europe Ltd v Universal Storage Systems (Pty) Ltd* [2002] ZASCA 97; 2003 (1) SA 31 (SCA) para 15.

[40] The argument for Media24 seems to me to fall into the trap of being misled by what has been referred to as similarity by excision. In *IPC Media*³⁰, a case that in the way it was conducted bears a close resemblance to this one, the point was made that in order to establish breach of copyright all the evidence must be examined, not only that which points in the direction of copying. Laddie J said:

‘In copyright cases, chipping away and ignoring all the bits which are undoubtedly not copied may result in the creation of an illusion of copying in what is left. This is a particular risk during a trial. Inevitably the court will be invited by the claimant to concentrate on the respects in which his work and the alleged infringement are similar. But with sufficient concentration one may lose sight of the differences. They may be just as important in deciding whether copying has taken place.’

It is important to heed this warning. In order to appreciate this point it is necessary to examine closely the facts in regard to matters where there was no allegation of copying. In other words, in order to deal with the contention that the correspondences alone sufficed to carry the day in favour of copying, we must look at the evidence on behalf of OUP that its dictionary was compiled without copying. Only then can the merits of the argument that we must reject this evidence, based on the correspondences alone, be assessed. [41] I start with the extent of the alleged copying. Professor Dunne demonstrated that no more (and probably less) than sixty percent of the headwords were common to both dictionaries. Thus the entries in respect of the words that were not common could not have been copied. It was suggested that of the common words only around twenty percent showed correspondences with the example sentences in the *Aanleerderswoordeboek*. These figures showed that the bulk of the work in the *Oxford Woordeboek* was original³¹. That meant that any copying that occurred was intermittent. An examination of Dr Prinsloo’s schedules does not reveal any discernible pattern and none was suggested to exist, for example, that correspondences occur only in relation to words having multiple complex meanings. Most are in relation to relatively commonplace and quite simple words like ‘box’, ‘broom’, ‘distance’, ‘invite’ and ‘sleep’ to take a few examples. That implied that the alleged copying was both random and intermittent with no apparent common theme, although it was said to be deliberate.

³⁰ *IPC Media Ltd v Highbury-Leisure Publishing Ltd* [2004] EWHC 2985 (Ch); [2005] F.S.R. 20 at para 11 (*IPC Media*).

³¹ Forty percent of the words were not common to both dictionaries and at most twenty percent of the words that were common, that is, one fifth of the remaining sixty percent (twelve percent of the whole), had correspondences in the example sentences. Eighty eight percent of the dictionary must therefore have been original work.

[42] Apart from its reliance on the correspondences Media24 needed to propose a plausible scenario in which the copying it alleged had taken place. As noted in paragraph 39 it did not do so. That complicated its task. If the correspondences, or at least the bulk of them, arose from the three compilers having copied example sentences from the *Aanleerderswoordeboek*, Professor Dunne identified two possible scenarios. The one was that the three had collaborated in copying and agreed to use Media24's dictionary to that end. However, there was no evidence that they were even aware of the identity of their co-compilers, or knew one another, or were in communication. But that was necessary if the conspiracy theory, as Professor Dunne referred to it, was true.

[43] It was also necessary that these three women, all highly qualified, and two with established records in the field of pedagogical publications aimed at schools and school children, would be willing to risk their reputations and their future careers by engaging in such dishonest actions on a limited scale. They would have had to breach their contracts with OUP in terms of which they warranted that their work was original, and in doing so they would have had to run the risk that a highly skilled and experienced editor might pick up the copying in the course of the editorial process. Given their backgrounds they must all have been acutely aware of the risks involved in copying another publisher's dictionary.

[44] Finally, what advantage did they stand to gain from doing this? As illustrated by Professor Dunne the correspondences amounted to less than ten percent of the entire task undertaken by them, so random copying would not markedly have eased the burdens imposed by that task. Most of the example sentences were simple and it was unlikely that persons as well qualified as the three compilers would have found it particularly difficult to formulate the sentences. Nor would it have resulted in extra remuneration. It seemed on the surface to be a situation of nothing to gain and everything to lose.

[45] Turning to the second scenario it involved the three compilers deciding separately, and without communication with their colleagues, to copy example sentences from elsewhere and all of them then choosing to do so from the *Aanleerderswoordeboek*. The improbabilities outlined in relation to the conspiracy theory were compounded in the non-conspiracy situation. The reason is that in a conspiracy there may be one person who thinks of engaging in it and then persuades the others to join in. Where there is no conspiracy and they each act separately that requires each of them to have formed separate reasons for engaging in the dishonest and forbidden activity. The probability of one of them doing so was already small for the reasons dealt with in the previous paragraphs. The probability that two of them would do so and would choose the same vehicle to cheat was even smaller. The

probability of all three doing so, using the *Aanleerderswoordeboek*, was likely to be vanishingly small³².

[46] Had Media24 proceeded by way of trial action it would have had to address these questions to the compilers and discredit their evidence through the medium of cross-examination. Instead it argued that the correspondences alone were inexplicable unless copying had occurred. This not only required that the compilers be disbelieved, but it needed to exclude as even possibly credible the explanation for the existence of the correspondences that excluded copying. That lay in the evidence of Professor Taljard and Mr Rundell. They both said that some such correspondences were probable, if not inevitable, when preparing a dictionary of this sort, where there is a rival in the market. The reason was that the dictionaries were basic dictionaries aimed at school children, who were in the process of learning a language. The headwords in the dictionary represented a basic vocabulary and the meanings that the dictionary sought to illustrate were those most common in ordinary usage. The example sentences were therefore directed at being simple and clear and based on the life experience of the children, which was likely to be limited. In the result, so they said, it was not surprising to find correspondences in the example sentences, whether in their formulation or in their context.

[47] There was support for this in the replying affidavit of Dr Smith. She accepted that certain example sentences can illustrate a very typical usage of a word and where there was a correspondence in the two dictionaries in relation to such instances it was not necessarily due to copying. This required a comparison of the sentences and an evaluation of them to see whether their correspondence might be attributable to this. Her only quibble with the argument was that she said that this did not apply to all the example sentences. As regards the evidence of Mr Rundell this was not significantly challenged, although Dr Smith took the view that his views based on monolingual dictionaries were not entirely applicable to work on a bilingual dictionary. That in turn was based on a lexicographical principle about which there was disagreement, namely whether all the words on the one side of the dictionary should correspond with all the words on the other side. Dr Smith was a firm believer in this, but those responsible for the OUP publication and OUP's expert witnesses did not share this view. Of greater importance was that Dr Smith accepted Mr Rundell's illustrations of how words are used in

³² If one assumes that each compiler A, B and C was as likely to copy as not to do so, there are eight possible combinations ranging from none of them copying to all of them copying. The likelihood of all of them copying would therefore be 1 in 8. If one of them was less likely to fall prey to the temptation of copying so that given their background and character, the likelihood of that one not copying was 70% and the likelihood of their copying 30%, the likelihood of all three copying falls to 3 in 40. With two such stronger characters it falls to 9 in 200 and if all three are of that ilk it becomes 27 in 1000.

conjunction with others, and his view that the frequency with which a word is used in conjunction with another is highly relevant to the formulation of a simple sentence to illustrate the meaning and use of the latter were in substance accepted. All that was denied was that this was the reason for the correspondences in the present case.

[48] Similarly much of the evidence of Professor Taljard was accepted and only disputed on minor points of emphasis, nuance and approach, rather than being rebutted on points of substance. In the face of all this evidence directed at showing that copying had not occurred we were invited, from a perusal of Dr Prinsloo's two schedules, to infer that the correspondences were so blatant, and the possibility of their having occurred in the ordinary course of compilation of a dictionary of this type so far-fetched, that we could reject all of this evidence on the papers.

[49] I am unable to reach that conclusion on the basis of Dr Prinsloo's schedules alone and in the absence of the witnesses having given evidence and been cross-examined. Counsel for Media24 accepted that some of his correspondences were inevitable as pointed out by OUP's witnesses. For example, in both dictionaries the sentences in regard to the word 'baba' ('baby') referred to the age of the baby. In both, one of the sentences in regard to the word 'blue' refers to the colour of the sky and another refers to the mixing of blue with another colour to make a third colour. In both, the words 'alfabet' and 'alphabet' are illustrated by reference to the alphabet having 26 letters. In both, the word 'afskop' (kick-off) is explained by reference to the time of the kick-off. In both, the sentence explaining 'stomach-ache' refers to eating too much. Whether Mossel Bay or Agulhas is chosen, they are obvious reference points when illustrating the word 'south'. Describing 'spring' as coming between winter and summer is likewise obvious. In each of these cases (and there are many more) it seems to me that the correspondence between the sentences is at least as likely, if not more likely, to have arisen from the adoption of the most obvious ordinary example of the use of the word in common parlance among schoolchildren. In other words, the inference that Media24 asked us to draw from the correspondences on their own was not a permissible one.

[50] If Dr Prinsloo had excluded from his lists instances of the type discussed in the previous paragraph, a clearer picture would have emerged of the cases where copying could more properly be advanced as the explanation for correspondences. That exercise would also have given a better idea of the potential scale of copying, which as already mentioned could not on any basis have been extensive. I could understand evidence showing that in the ordinary course a correspondence of about five percent was to be expected when compiling similar dictionaries, but that correspondence of twenty percent was beyond the norm, but no such evidence was led. Media24 elected to stand or fall by Dr Prinsloo's comparisons without a trial. In my view it

must fall for the simple reason that without the advantages that a trial would have given, it is impermissible to reject the evidence of the compilers and the explanation that OUP advanced for the existence of the correspondences. That does not involve any final conclusion on the issue of copying. It merely explains why a positive conclusion that copying occurred could not be made on the basis of the correspondences alone.

[51] Two comments remain to be made. The first is that I have not dealt in detail with the possibility that the alleged copying occurred during the editorial phase under Dr Louw. The reason is that the argument centred around the compilers and it was not suggested that, if they were not guilty of copying, Dr Louw and his editorial assistants had discarded some of their work and engaged in copying during the editorial process. The improbability of that occurring was considerable. Not least of many points that could be made is that there would have been no purpose in discarding the work of the compilers for which OUP had paid, in favour of copying from the *Aanleederswoordeboek*. Again, however, the illumination that cross-examination would have thrown on this issue was absent because of the manner in which Media24 elected to conduct its case.

[52] The second is that the task that Media24 set for itself in trying to discharge the onus of proving copying on the papers without oral evidence was an onerous one. In the three cases referred to in argument where a court rejected a denial of copying by the author of the infringing work³³ that occurred only after a full trial. In *Bron*, *Da Vinci Code* and *IPC Media* the denial of copying was accepted after trial. It seems to me that it will only be in the most egregious case that a court will reject a denial of copying merely on the basis of comparing the two works and without cross-examination of the author or authors of the alleged infringing work. It suffices to say that this is not such a case.

Result

[53] In the result the appeal is dismissed with costs, such costs to include those consequent upon the employment of two counsel.

³³ *Galago Publishers; Govindan v Gopalakrishna Kone supra and Designers Guild Ltd v Russell Williams (Textiles) Ltd* [2001] 1 All ER 700 (HL).

SNAP-ON AFRICA (PTY) LTD v JOUBERT

MABUSE J
GAUTENG DIVISION, PRETORIA
7 DECEMBER 2015

Where a party denies that it had knowledge that an infringement of copyright was committed, such knowledge can be inferred from the conduct of the party denying it. In the absence of direct evidence on a particular issue a court may notwithstanding, make a factual finding pertinent to that issue by drawing an inference. Such an inference however, may only be drawn from properly established objective facts

Snap-on Africa (Pty) Ltd made and sold a product known as a John Bean 3D Wheel Aligner. Joubert and his companies used equipment which was known as a Europa Wheel Aligner. The two products had identical similarities and both performed the same functions. While Snap-on manufactured, sold and serviced its own product, Joubert imported the Europa equipment from China.

The John Bean 3D Wheel Aligner used software that integrated the visual, the various physical components for the purposes of calculating calibration and displaying the remedial measures required. The system depended on a database that underpinned the software, a camera which included certain EEPROM chips which were programmable and stored software that recorded certain calibration settings and calibration records for each camera, generated security code bit map which recorded a unique identifier with a fixed pattern and sequence, and an operations manual.

Snap-on alleged that its software was unlawfully copied by Joubert and the other respondents. It alleged that the respondents' wheel aligner was virtually identical to its own equipment, and that the product sold by the fourth respondent was manifestly in an identical cabinet bearing an identical design and colour scheme of the one version of Snap-on's product, the image on the screen captured in photograph. Cabinets used by Joubert had identical designs and colour schedule which was virtually identical to Snap-on's equipment. Snap-on contended that it held the copyright in respect of its equipment, and that Joubert had knowingly infringed the copyright in respect of the John Bean 3D Wheel Aligner.

The respondents responded to the claim of copyright in respect of database by stating that Snap-on did not have any copyright in the database, that the alignment specifications were provided by the OEM and merely captured, and that the database which was utilised by Snap-on was in fact of a third party.

Held—

The products within the Visualiner 3D range were consequently protected from copyright infringements. All that the respondents did with regards to Snap-on's claim of copyright to the elements of the 3D wheel aligner was to deny that it had established copyright. This denial persisted, even in the face of the evidence of the authors of such work. The denials amounted to a denial with no serious intention to contest Snap-on's case.

Snap-on's evidence had established that copyright subsisted at all material times in the computer programmes comprising the camera software and at all material times it had been the owner in such computer programmes. When one examined the conduct of the respondents, one arrived at an inescapable conclusion that the respondents had direct knowledge that an infringement was being committed. This was so because the respondents imported the infringing equipment from China. Where a party denies that it had knowledge that an infringement was committed, such knowledge can be inferred from the conduct of the party denying it. In the absence of direct evidence on a particular issue a court may notwithstanding, make a factual finding pertinent to that issue by drawing an inference. Such an inference however, may only be drawn from properly established objective facts.

In the present case, Snap-on had succeeded to prove infringement of their copyright as envisaged by section 23 (1) and (2) of the Copyright Act in that the

respondents had imported infringing copies of the equipment into this country for a purpose other than private or domestic, had sold or had by way of trade offered or exposed copies of the infringing equipment in this country, had distributed copies of the infringing equipment for the purpose of trade in this country, and had acquired an article relating to computer programme in this country, each one of them with the full knowledge that the making of the infringing copies or articles constituted an infringement of copyright in the applicants' work or would constitute such an infringement if such a concerned article would have been made in this country.

Mabuse J:

[1] This is an application in which the applicants claim relief arising out of the alleged infringements of copyright and alleged trading in counterfeit goods. I will set out the applicants' prayers as they did so in their notice of motion:

- '1. Interdicting and restraining each of the Respondents from infringing the Third Applicant's rights of copyright in the aligner computer programs described in paragraphs 72-74 of the founding affidavit of John Andrew Wilson dated the 13th July 2012, by committing any of the acts defined in Sections 23(1) and/or 23(2) of the Copyright Act 98 of 1978 as constituting infringement of the aforesaid aligner software;
2. infringing the Third Applicant's rights of copyright in the camera software described in paragraphs 77-79 of the founding affidavit of John Andrew Wilson dated the 13th July 2012, by committing any of the acts defined in Sections 23(1) and/or 23(2) of the Copyright Act 98 of 1978 as constituting infringement of the aforesaid aligner software;
3. infringing the Fourth Applicant's rights of copyright in the database as described in paragraphs 80-85 of the founding affidavit of John Andrew Wilson dated the 13th July 2012, by committing any of the acts defined in Sections 23(1) and/or 23(2) of the Copyright Act 98 of 1978 as constituting infringement of the aforesaid aligner software;
4. interdicting and restraining each of the Respondents from infringing the Third Applicant's rights of copyright in the operations manual described in paragraphs 86-91 of the founding affidavit of John Andrew Wilson dated the 13th July 2012, by committing any of the acts defined in Sections 23(1) and/or 23(2) of the Copyright Act 98 of 1978 as constituting infringement of the aforesaid aligner software;
5. the Respondents are ordered to deliver-up to the Third and Fourth Applicants, respectively, infringing copies of the aligner software, camera software, databases and operations manuals;
6. an enquiry is directed into the damages suffered, or the reasonable royalty to be awarded to the Third and/or Fourth Applicants;

7. if the parties cannot agree upon a procedure to be adopted for the foregoing enquiry any party may approach the Court to prescribe such procedures for conducting such enquiry as it considers necessary;

8. it is declared that the First to Third Respondents' EUROPA wheel aligners are counterfeit goods within the meaning of the Counterfeit Goods Act No. 37 of 1997;

9. it is declared that the Fourth Respondent's BRIGHT wheel aligners are counterfeit goods within the meaning of the Counterfeit Goods Act No. 37 of 1997;

10. each of the Respondents are interdicted and restrained from dealing in goods that constitute counterfeits of the Applicants' wheel aligners by doing any of the acts defined in Section 2 of the Counterfeit Goods Act No. 37 of 1997;

11. it is ordered in terms of Section 10(1)(a) of the Counterfeit Goods Act No. 37 of 1997 that the goods referred to above, declared to be counterfeit, be delivered up to the Third and Fourth Applicants as the owners of the intellectual property rights, the subject matter of which have been unlawfully applied to the Respondents' wheel aligners;

12. the Respondents are ordered to disclose the source of any goods found to be counterfeit goods, as well as the identity of the persons involved or ostensibly involved in the importation, exportation, manufacture, production or making, and the distribution, of the aforesaid counterfeit goods and in the channels of distribution of those goods;

13. it is ordered that the Respondent disclose to the Applicants the details, and/or identities of the purchasers of any of the aforesaid counterfeit goods whether before or after the execution of the Anton Piller order;

14. the Respondents are ordered, jointly and severally to pay the Applicants' costs including the costs of the search and seizure proceedings brought by the Applicants under case number 41993/12; including the costs of removal and storage of items, pursuant to the grant of the order in case number 41993/12 dated the 19th July 2012. The Applicants' costs are also to include the costs of two counsel, the costs of the supervising attorneys and the qualifying fees of experts.'

This application is opposed by the first to the third respondents who are collectively known as 'the respondents'. Any reference to the fourth respondent in the course of this judgment will be specific.

[2] The applicants are all companies;

2.1 the first applicant, registered in terms of the company statutes of this country and having its principal place of business at [...], River Horse Valley, Durban;

2.2 the second and third applicants, registered with limited liability in terms of the company laws of the State of Delaware in the United States of America, both having their principal places of business at [...], Wiscotin, United States of America;

2.3 the fourth applicant, incorporated and registered with limited liability in terms of the company laws of Ireland and having its principal place of business at [...], County Cork in Ireland.

[3] It is of supreme importance to point out that the bulk of the facts relating to this application are contained in the applicants' application for the Anton Piller order. Rather than simply duplicating the allegations necessary to support the relief sought in the notice of motion of the main application, John Andrew Wilson, who deposed to the founding affidavit in this matter, made reference to his affidavit in the Anton Piller application. The Anton Piller order, consisting of 20 pages and quite voluminous to be cited in this judgment, was granted on 19 June 2012 by Van der Merwe J. Following the granting of the said Anton Piller order, the applicants were obliged to launch their application not later than 13 August 2012, which they did.

[4] The first, second and third respondents have delivered their answering affidavits to both the Anton Piller application and to the main application. Their answering affidavit to the Anton Piller order was preceded by an attack on the manner in which the applicants brought their Anton Piller application. I will deal with this attack when I deal, in a separate judgment, with the respondents' application to set aside the Anton Piller order. In view of the similarities of the responses in their affidavits, I will deal with the main issues contained in both the main application and Anton Piller application in one swoop.

[5] All the applicants conduct business in the following manners:

5.1 the first applicant, a wholly owned subsidiary of the second applicant, as a reseller of tools and equipment necessary for motor vehicles' wheel alignment and balancing;

5.2 the second applicant, the holding company, and third applicant, a wholly owned subsidiary of the second applicant and the fourth applicant also the Irish subsidiary of the second applicant, all three conduct their business as manufacturers, developers and resellers of tools and equipment necessary for wheel alignment and balancing.

[6] The first respondent is an adult male and the sole member of the second respondent, who is duly employed by the second respondent at its principal place of business. The second respondent is a company duly registered in terms of the company laws of this country. Its principal place of business is situated at [...], Hennops Park in Centurion. The second respondent conducts business as a reseller of wheel service equipment. The third respondent, a firm as contemplated in Rule 18, conducts business as a reseller of wheel service equipment at its place of business being [...], Hennops Park, Centurion, Gauteng. The fourth respondent is a company registered according to the South African company statutes, which conducts business as a reseller of wheel service equipment at its place of business located at [...], Isando, Gauteng.

[7] As the matter between the applicants and the fourth respondent has been settled, the order sought is accordingly against the remaining respondents. In this judgment, unless they impact directly on the respondents, the facts relating solely to the fourth respondent will be left out.

[8] At the commencement of argument, Mr. Morley, who was duly assisted by Mr. Wallis, put certain matters on the record. In the first place he placed it on the record that the applicants' condonation application in respect of the late filing of their replying affidavit to the first to third respondents' answering affidavits in the main application had been granted. Accordingly the need to be detained by the said application has since fallen by the wayside. Secondly, he informed the Court that the applicants' application for condonation in respect of the late filing of their answering affidavit to the first, second and third respondents' application to set aside the ex parte Anton Piller order was not opposed. The application was, for that reason, granted. Thirdly and finally, he told the court that, the parties had agreed that the first, second and third respondents' application to strike out certain portions of the applicants' replying affidavit in the main application, should not be argued separately but should instead be argued in the course of the main application.

[9] Accordingly this matter conflates four applications, the first an application by the applicants in which the applicants seeks certain Anton Piller-type relief and an application for certain ancillary relief in terms of the Counterfeit Goods Act 1997 ('the main application'); the third, arising from the first application, an application by the respondents to strike out certain portions of the applicants' replying affidavit ('the strike out application') and the fourth, an application by the respondents to set aside the Anton Piller Order ('the application to set aside'), applied for and granted on 19 July 2012. A separate judgment in this respect will be handed down at the same time with the judgment in the main application.

[10] The following matters are common cause between the applicants and the respondents:

- 10.1 that the applicants' product is a John Bean 3D Wheel Aligner;
- 10.2 that the Joubert respondents' equipment is a Europa Wheel Aligner;
- 10.3 that the applicants' aforementioned Wheel Aligner and the Europa Wheel Aligner have identical similarities and both perform the same functions;
- 10.4 that the applicants' manufacture, sell and service their own product;
- 10.5 that the Respondents imports the Europa equipment from China.

[11] What is then the dispute between the parties? The battlefield between the parties is:

- 11.1 whether or not the applicants have established copyright in respect of their equipment;
- 11.2 whether or not the respondents have knowingly infringed the applicants' copyright in respect of their John Bean 3D Wheel Aligner;

11.3 whether or not the goods that have been delivered up are counterfeit goods; and

11.4 whether or not the respondents were engaged in unlawful competition.

[12] The source of the applicants' gripe that led to both the Anton Piller application and the main application was that the second respondent so directed by the first respondent was offering for sale certain goods which infringed on the rights of the applicants. These goods were not sold by the applicants, were not sourced from the applicants and were not the applicants' products. The relevant goods that were sold by the second respondent were counterfeit goods.

[13] This application concerns a machine of a type more fully described as a wheel alignment machine, manufactured and sold under the applicants' brand name, John Bean 3D Wheel Aligner ('the equipment'). The equipment is manufactured by the third respondent and sold by the first applicant. The purpose of the said machine is to ensure that the four wheels on a motor vehicle are directed and shown in such a manner as to prevent and even to allow a motor vehicle to handle at its best capacity. A modern computer-based 3D alignment system will include the following components:

(a) a camera;

(b) targets to be fitted to the wheel which the camera can use as a sight; and

(c) computer system

[14] The following products within the Visualiner 3D range are protected by copyright:

14.1 the software that integrates the visual, the various physical components for the purposes of calculating calibration and displaying the remedial measures required;

14.2 the database that underpins the software, the camera which includes certain EEPROM chips which are programmable and store software that records USB ID's calibration settings and calibration records for each camera;

14.3 generated security code bit map and also records a unique identifier with a fixed pattern and sequence; and

14.4 operations manual.

The aforementioned products within the Visualiner 3D range are consequently protected from copyright infringements and from infringement by counterfeit goods and furthermore are prohibited from unlawful competition generally.

[15] The version of the third applicant's software which it is contended was unlawfully copied by the respondents was version 4.6.0. The person who, on behalf of the third applicant, exercised control over the making of the computer programs specified on the 'GAW7' was George Michael Gill

(‘Gill’). At all material times he was an employee of the third applicant and was a citizen of the USA, resident and domiciled in that country.

[16] It was averred by the applicants that the computer programs comprising the computer system as listed in annexure ‘GAW7’ are a set of instructions fixed or stored and which when used directly or indirectly in a computer, direct its operation to bring about a result. It is a computer programme within that meaning of the definition of computer program in s. 1(1) of the Copyright Act No. 98 of 1978 (‘the Copyright Act’). It is contended by the applicants furthermore that the computer programs are original and in terms of the provisions of s. 2(1)(i) of the Copyright Act are eligible for copyright; that Gill was at all material times the author of the computer programs and that he was the person who exercised control over the making or creation of the computer programs within the definition of ‘author’ in terms of s. 1(1) of the Copyright Act and that in terms of General Notice No. 136 of 1988, read with schedule 1 thereto, the United States of America (‘the USA’) is listed as a Berne Convention country. Accordingly the provisions of the Copyright Act apply to persons who at the material times are citizens or subjects of the USA inasmuch as they apply in relation to persons who, at such times are South African (‘SA’) citizens. The provisions of the Copyright Act also apply in relation to persons who at all material times are domiciled or resident in the USA in equal measures as they apply in relation to persons who at such times are domiciled or resident in the Republic of South Africa (‘RSA’).

[17] In terms of s. 3(1) of the Copyright Act, copyright is conferred on the computer programs comprising the computer system in as much as the computer programs are eligible for copyright and the said Gill is ‘a qualified person’ within the meaning of s. 3(1) of the said Copyright Act read with General Notice No. 136 of 1989. He, being a person who was a citizen of the USA at all material times and resident and domiciled in the USA. By virtue of the fact that, when the said Gill made the computer programs he did so in the course of his employment by the third applicant under a contract of service, the third applicant is the owner of the copyright subsisting in the computer programs listed in annexure ‘GAW6’.

[18] Camera Software

The camera includes computer programs comprising certain computer software. Such computer software is original and the product of the skill and effort of the third applicant’s employees and has not been derived from other sources. The computer programs comprising the software in the cameras is eligible for copyright in terms of ss. 2(1)(i) and (2) of the Copyright Act. One Hos Hang Shroff (‘Shroff’) was the person who exercised control over the making of the calibration and security code software for the cameras. His successor within the third applicant is David Jackson (‘Jackson’) who, along with Gill, has been responsible for the on-going development of the original software on board the camera to the development state that it is in now.

During such times the said Shroff, Jackson and Gill acted in their capacities as employees of the third applicant and in the course and scope of their employment with the third applicant on a contract of service. Accordingly in terms of s. 1(1) of the Copyright Act Shroff, Jackson and Gill are the ‘authors’ of the calibration and security code software as utilised in the camera.

[19] At all material times during the making of the said computer software the said Shroff, Jackson and Gill were resident and domiciled in the United States of America and accordingly, in terms of s. 3(1) of the Copyright Act read with the provisions of General Notice No. 136 of 1989, they are qualified persons. Therefore copyright subsists in the calibration and security code software. Pursuant to the provisions of s. 21(1)(d) of the Copyright Act, the copyright in the calibration and security code software for the cameras is owned by the third applicant.

[20] Database

It is contended that the fourth applicant has compiled, from numerous sources, a database of wheel alignment specification derived principally from the manufacturers of the vehicles in question. An enormous amount of effort and originality have gone into the compilation of the database. It has taken skill and effort to analyse the information received from manufacturers as to the correct wheel alignment and a considerable amount of effort and skill have thereafter gone into the compilation of the database. On that basis, it is alleged by the applicants that in terms of s. 1(1) of the Copyright Act, ‘a literary work’ consists, inter alia, of tables and compilations, including tables and compilations of data stored or embodied in a computer or a medium used in conjunction with a computer. That database falls within that definition.

[21] The database is ‘original work’ and accordingly eligible for copyright in terms of s. 2(1)(a) of the Copyright Act. The database was created or made by one Jack Samson (‘Samson’), who testified that he was an employee of the fourth applicant who was at all material times resident and domiciled in Ireland. In the said capacity he made or created the databases in the course of his employment with the fourth applicant under contract of service. For that reason, in terms of s. 1(1) of the said Act, he was the author of the database in accordance with the definition of ‘author’ in that section. In terms of schedule 1 of General Notice No. 136 of 1989, Ireland is a Berne Convention country and therefore the Copyright Act applies in relation to him. In terms of s. 3(1) of the Copyright Act copyright is conferred in the databases as the said Samson, the author of the databases was a qualified person at all material times. I therefore find that in terms of s. 21(1)(d) of the Copyright Act, copyright in the databases is owned by the fourth applicant as the employer of Samson at all material times.

[22] Operations Manual

In so far as the Operations Manual for the Visualiner equipment consists of text as ‘a literary work’ within the meaning of s. 1(1) of the Copyright Act,

the applicants contend that in so far as the Operations Manual consists of 'photographs or drawings', it is 'an artistic work' within the meaning of s. 1 of the Copyright Act. In terms of s. 2(1) of the Act the Operations Manual is eligible for copyright as both 'a literary work' and 'artistic work.' One Mr. Fred Rodgers ('Rodgers'), an employee of the third applicant, was at all material times responsible for the making and creation of the Operations Manual. The Operations Manual is a product of the inspiration, expertise, effort and labour of the said Rodgers and was created as an original work without reference to other sources. In these circumstances 'the work' is subject to copyright in terms of s. 2(1)(a) and 2(1)(c) of the Copyright Act. At all material times the said Rodgers was an employee of the third applicant and made and created the Operations Manual in the course of his employment with the third applicant under a contract of service.

[23] In terms of s. 3(1) of the Copyright Act the copyright is conferred on the Operations Manual of which Rodgers was the author. During the time in which the work was made or created he was domiciled or resident in the USA. As the said Rodgers was an employee of the third applicant under a contract of service at the material times, the copyright in the Operations Manual is owned by the third applicant pursuant to the provisions of s. 21(1)(d) of the Copyright Act.

[24] According to the applicants, the John Bean 3D wheel aligner is, in terms of the provisions of the Counterfeit Goods Act ('protected goods'). The applicants contend that the extent of the infringement of their copyright with regard to the said equipment by the respondent also renders the conduct of the second respondent as falling under the category of counterfeiting as defined by s. 1(1)(10)(a) of the Counterfeit Goods Act. As the applicants do not assert a trade mark with regard to the said equipment, they are, for purposes of this application, obliged to establish copyright in respect of the equipment before they can claim that the infringing goods are counterfeit goods. In other words whether or not the goods are counterfeit goods as defined by s. 1(1)(10) of the Counterfeit Goods Act depends on whether or not copyright in respect of such goods has been established.

[25] Once it is established by evidence that the infringing goods are counterfeit goods for the purposes of the Counterfeit Goods Act provides that such goods may not and cannot be possessed, see p. 69 par. 98.

[26] The applicants' case is that the visual similarities between the infringing goods and the equipment, coupled with the similarities in the software and the operation manual:

26.1 constitute an imitation in such manner and to such a degree that those other goods are substantially identical copies of the protected goods of the applicant;

26.2 render it probable that any person not extensively familiar with the applicant's products will believe that the product being sold by the second respondent is in fact protected goods.

[27] The applicants state that the products obtained from the second respondent is clearly counterfeit goods by reason of the facts that the applicants have not authorised their sale and/or manufacture and secondly, that they are goods that resulted from counterfeit as defined in s. 1(a) and (b) of the Counterfeit Goods Act. On the basis of the foregoing, the applicants feel entitled, and in fact claim that, under copyright and counterfeit goods had, to seek an appropriate order to deliver up the goods. Finally, the applicants claim that under the Counterfeit Goods Act and there is a statutory authority for the remedy under common law known as Anton Piller order.

[28] Unlawful competition

It is contended by the applicant that under common law, the entire copying of the whole system of the work of another, especially where there is a limited input by another person, into the adaptation of such work constitutes unlawful competition. According to the applicants, there is a wholesale copying of its entire system because of the nature of the visual similarities. The applicants contend that the similarities are such that the second respondent is passing off its products as the applicants' products and thereby trade on the reputation of the applicants without the authority of the applicants.

[29] According to the applicants, no suggestion exists that the respondents have exercised any effort or skill in order to improve or extent the functionality of the applicants' system.

[30] How did the applicants establish the infringing product

It is of crucial importance that I set out in detail the manner in which the applicants established the infringing product. Firstly, the applicants state that they became aware of the infringing products at the Tyre Africa Expo on 7 March 2012 under the following circumstances. While the main show proceeded at the main venue, the fourth respondent invited certain guests to a site outside the main trade show for the purpose of demonstrating to such invitees a 'new 3D wheel aligner' that would be brought into South Africa later.

[31] One of the people who had been invited alongside the fourth respondent's other distributor was Murray Wilson, who at that stage was a distributor for both the fourth respondents and the first applicant. The first respondent demonstrated a model that the fourth respondent referred to as the L963D-3D wheel alignment machine. It is the applicants' further case that the model L963D-3D wheel aligner was virtually identical to the applicants' equipment save that its brand name was 'Bright Equipment'. The applicants contend furthermore that they noted the following are the similarities between the model sold by the fourth respondent and the applicants' equipment:

31.1 the product sold by the fourth respondent was manifestly in an identical cabinet bearing an identical design and colour scheme of the one

version of the applicant's product, the image on the screen captured in photograph.

31.2 the cabinets had identical designs and colour schedule and the image of the screen as seen on the photographs was virtually identical to the applicants' equipment.

In support of this contention and which is the basis for the applicants' case that there was clear evidence of copyright infringements, the applicants annexed to the founding affidavit annexure 'JAW10' which was an equivalent screen from the applicants' software. It is alleged by the applicants that the 'look and feel' of the fourth respondent's product was identical to that of the applicants. To the applicants that was indicative of copyright infringement.

[32] The camera components with the camera targets are virtually identical to those manufactured by the applicants. The respondents admit that the cameras are identical. They attribute these identical similarities of the cameras to the fact that various manufacturers make identical cameras.

[33] Secondly, a subsequent investigation into the conduct of the first and the second respondents, through certain promotional materials obtained, showed the following similarities between the models, one with a slanted top and the other one with a flat top;

33.1 both models were in cabinets that had been stylistically identical to the applicants' products;

33.2 both products have camera targets which are identical to the applicants' products;

33.3 neither product appears to bear any branding of the second respondent; and

33.4 the camera is in a housing that is stylistically identical to that of the applicants' product.

The screenshots of the software are virtually identical to the applicants' screenshots. According to the second respondent's website, a design of the screen sheet includes one of the pieces of equipment which the applicants maintain that it was in fact theirs. It is alleged by the applicants that the second respondent was selling the product under the 'Europa' brand.

[34] In order to investigate the infringing product extensively, the first applicant caused two of its distributors to purchase the two 'Europa Equipment' from the second and fourth respondents. This is the brand which was historically sold by the third applicant but which was no longer used. The photographs taken of the 'Europa Equipment' showed that the system was the same as the slanted top manufactured by the applicant. After using the machine it was discovered that it is the same in all respects as the applicants' system.

[35] According to the evidence of John Kilby ('Kilby'), a senior product manager with the third applicant who by virtue of his employment, experience and qualifications is familiar with the design and technological

workings of John Bean 3D Visualiner range of the Wheel Alignment equipment, he examined the equipment purporting to be a 'Europa' aligner and compiled a report on 13 April 2012 about his findings. His findings included the fact that the said 'Europa' equipment was a duplicate of the John Bean Visualiner 3D equipment. His further discoveries were as follows:

35.1 the logo displayed on the 'Europa' aligner, the second respondent's aligner, has the same logo that was used on aligners bearing the John Bean Brand markings during June 2008;

35.2 although the cameras used ought to have different identifying numbers, in fact three of the four cameras of the two aligners bear the same number indicating a cloning of the cameras. The fourth, which has a different serial number, also indicates a clone as it was also assembled in December 2009, at the same manufacturing facility, same calibration stand and same Snap-On equipment employee;

35.3 certain 'wizards' are included in the software which sets out the order of steps that need to be taken by the operator of the machine faced by a certain situation. Those wizards bear the name of the person who programmed them. Certain of the standard wizards which have been included in the software were authored by Pat O'Mahony ('O'Mahony') and Reiner Herrmann ('Herrmann'), both employees of the fourth applicant;

35.4 the cameras are interchangeable with legitimate hardware of the third applicant;

35.5 the software is installed in a directory structure that is almost identical to that installed by the legitimate software and the two computers shipped with the different aligners bear the same Microsoft product ID and CD key for the installation of Windows XP which again suggests pirated software.

[36] According to the report, which is part of his evidence, by Luke Vorster, a lecturer in computer science at the University of Kwazulu-Natal who focused on the software, testified that on 16 April 2012 he examined the software on a piece of equipment purporting to be a 'Europa'. It was his erudite opinion that the software on the Europa was copied from the applicants' equipment:

36.1 490 megabites of data comprised of files and directories, are identical in both programs a clear indication that this data had been copied without any modification whatsoever;

36.2 the data comprised of 7022 files organised in 113 directories in an identical structure of the applicants' program; and

36.3 188 megabites of data was unique to the infringing software;

36.4 the Vorster's report is a product of a comparison between the software shipped with the infringing product and the latest copy of the software now shipped by the applicants.

According to him the changes made to the software were designed either to hide the features that were not useful to the Europa version or work around the camera handshake protocol or to add components such as Chinese language.

[37] The flat top system purchased from the second respondent was sent to the third applicant's Conway Plant in the United States for deconstruction and evaluation where it was extensively analysed and the camera was subsequently dismantled. That was done by Gregory Calico ('Calico'), a manager of Technical Assets within the Research and Development Division of the Third applicant. According to his report:

- 37.1 the software being used on the 'Europa' aligner most closely resembled the applicants' software version 4.6.0;
 - 37.2 a comparison analysis between the infringing software with the applicants' software indicated that 77% (8102) of the files were direct matches;
 - 37.3 2% (189) files are modified files which were originally files in the applicants' software;
 - 37.4 20% of the files are 'Europa' files only;
 - 37.5 117 files are the applicants' files only.
 - 37.6 The main executable file is similar between the two programs in that 85% of the total lines of code are exactly the same; and,
 - 37.7 13% of the lines of the code are modified by bear and resembles the original line and the remaining 2% of lines of good are not shared between the two programs.
 - 37.8 the hardware sold by the second respondent was in all technical respects an imitation of the Applicants' equipment;
 - 37.9 the hardware did not emanate from the applicants' stock;
 - 37.10 the camera hardware purported to have been calibrated by the third Respondent but was in fact not so calibrated;
 - 37.11 the unique identifiers on the Second Respondent's camera were not legitimate; and,
 - 37.12 the software on the Second Respondent's equipment was a derivative of the Applicants' software.
- [38] Certain screenshots were taken of the infringing software which showed:
- 38.1 a wizard bearing an office name of a person employed by the fourth applicant;
 - 38.2 a reference in the main code of the infringing software recording 'version 4.6.0.0JBC Brand' which almost interrelates to John Bean Corporation;
 - 38.3 two files have been renamed but bear an original record of having been manufactured by 'Snap-On'; and
 - 38.4 a photograph is included in the help file which showed the original John Bean branding on equipment.
- [39] The camera software was also analysed and it was discovered that:

39.1 the camera contained the same two programmed EEPROMs as the Snap-On camera, also labelled in U4 and U5;

39.2 the U4 EEPROM has the same USB boot method stored as the Snap-On 3D cameras. The driver files in the aligner are Snap-On drivers and had just been renamed;

39.3 both cameras are programmed with the same USB Device ID numbers as the Snap-On camera 139.3.1 VID=OxOF3F (Vendor ID OxOF3F is unique to Snap-On);

39.4 1PID=OXFO13 (Product ID (OxFO13 is unique to the Snap-On 3D camera); and,

39.5 the U5 EEPROM had 'unique identifiers' stored on it including calibration greed files calibration title string serial number and security code bit map.

[40] The left camera was also analysed and the discoveries were that:

40.1 the camera shipped by the respondents had a 'unique identifier' calibration title string being UKCN1ULTBLJ12:29:2009, which if it were correct indicated that the camera was calibrated at the third applicant's plant in Conway Arizona on Stand 1, reference CN1 was the unique identifier;

40.2 the camera was said to be a camera type 'ultra' (reference ULT was the unique qualifier;

40.3 the camera purported to be calibrated by Brenda Leshea Jackson who worked at Conway Plant reference (BLJ in the unique identifier); and,

40.4 the camera purported to be calibrated on December 9, 2009.

[41] It was alleged by the applicants that the camera on the shipped equipment also included a serial number [...] which h is also a unique identifier in a peculiar format adopted by the applicants. The said format, when decoded, means that:

41.1 the 'A' indicates an alignment;

41.2 the 'F' indicates ultra camera;

41.3 the 'O' indicates Conway Arkansas;

41.4 the 'M' indicates the month of manufacture to December; and,

41.5 the 'C' is the year 2009.

The USB ID's, the serial number and security bit map are to make the identity of the camera uniquely to the software.

[42] According to the applicants, the calibration date for the cameras was recorded in a proprietary compressed format on the board of such camera. The calibration factors of both cameras was confirmed to be Snap-On's proprietary compressed format, by reason of the fact that the calibration grid files stored on each U5 EEPROM were decompressed using Snap-On's proprietary decompressed software. The applicants have their cameras manufactured in China and thereafter have them shipped to the USA Conway Plant for final calibration. The cameras sold by the second respondent were not manufactured or calibrated in Conway Plant.

[43] It is contended furthermore by the applicants that the manufacturer of the systems being sold by the second to fourth respondent has made almost no effort to produce its own operations manual because it has simply appropriated the applicants' manual.

[44] The respondents contend that the Europa equipment was sourced from Shangai Long-bund Electron Technology Co in China. They contend furthermore that nothing prevented them from sourcing their products from China. They received the machines together with the operating software and manuals from China. Their defence is that they had nothing to do with the manufacturing of the machine and development of the software or the compiling of the manuals. They contend furthermore that they had no knowledge or reason to believe that the equipment, manuals and the software constituted infringing or counterfeit goods nor did they have knowledge or reason to believe that Shangai Long-bund had infringed the applicants' rights. The respondents do not dispute the identical similarities between the products that the applicants have pointed out. All that they contend, with regard to these allegations, is that the applicants have not established any exclusive rights to use the machine and have not established the right regarding the 'look and feel' of the product.

[45] In view of the fact that the applicants have given the detailed similarities between the two products and in view of the fact furthermore that the respondents have not denied the other crucial similarities, I come to the conclusion that they have admitted such identical similarities. Despite failure to dispute these identical similarities it is still the respondents' case that the applicants have not established any infringement of its copyright. Because the applicants have not established copyright, so they contend, there can be no question that the goods in question are counterfeit goods.

[46] The respondents do not deny the applicant's allegation about the camera software. These allegations include the allegation that the computer programs comprising the software in their cameras are eligible for copyright in terms of s. 2(1)(i) of the Copyright Act. They also make the allegation that pursuant to the provisions of s. 21(1)(d) of the Copyright Act, the copyright in the calibration and security code software for their cameras is owned by the third applicant.

[47] The respondent's attitude to the applicants' claim to copyright in respect of Database is that the applicants do not have any copyright in their Database; that the alignment specifications are provided by the OEM and merely captured and finally that the Database which was utilised by the applicants was in fact of a third party and that resulted in the party instituting action against the applicants.

[48] Referring to the Operation Manual, the respondents deny that the Operation Manual for the Visualiner Equipment which consists of text is a 'literally work' as defined by s. 1(1) of the Copyright Act. Furthermore they deny that in so far as the Operations Manual consists of photographs or

drawings the photographs or drawings are, as envisaged by s. 1(1) of the Copyright Act 'artistic work'. They deny furthermore that the Operations Manual is legible for copyright as both are literally work and are creative work. They deny that the Operations Manual is owned by the applicants as one, Fred Rodgers, at the material time the employee of the second applicant was responsible for making and creating it. They contend on the contrary that the applicant have not provided sufficient evidence to prove copyright in the Operations Manuals.

[49] In so far as it relates to the applicants' claim that the extent of the infringement of copyright by the respondents rendered the second to third respondents as falling under the category of counterfeiting as envisaged in the relevant Act, the respondents deny that they have infringed any copyright as set out by the applicant. They contend that if it should be found that there has been any infringement of copyright, they had no knowledge of any infringing conduct on their part and the part of a third party and had no reason to suspect that the goods were counterfeit. They claim that various manufacturers produce the 3D wheel align equipment and that these 3D wheel alignment equipment look the same and perform similar functions. They deny that they have performed any of the acts which would constitute counterfeiting in terms of the Counterfeit Goods Act; that the applicants have established any copyright in respect of the relevant goods and that the applicant have not established that the goods are counterfeit goods.

[50] The duty to discharge the onus to prove the subsistence of copyright in their product and that the respondents have infringed such copyright rests squarely on the applicants and in order to discharge such an onus the applicants must allege and prove copyright in the relevant work. See *Memory Institute SA CC t/a S A Memory Institute v. Hansen* 2004 (2) 630 (SCA) par. 5. Firstly, this involves having to prove that the four elements of the 3D Visualiner Wheel Alignment Equipment are 'original work' as defined by s. 2(1) of the Copyright Act. For the subsistence of copyright in a 'work' it is of paramount importance that the 'work' be original.

'This does not mean that work must be in any way unique or inventive, but merely that it should be the product of the authors or maker's own labours and endeavours and should not be copied from other sources.'

See Dean *Handbook of South African Copyright Law* Chapter 3 page 1-121.

See also *Appleton and Another v Harnischfeger Corporation and Another* 1995(2) SA 247 AD at 262 C-D where Corbett CJ, as he then was, stated as follows:

'As was held in the *Klep Valves* Case supra at 22 H- 23B, originality in this context does not require that the work should embody a new or inventive thought or should express a thought in a new or inventive form. Originality refers to original skill or labour in execution, it demands that the work should emanate from the author himself and not be copied. This

does not mean that a work will be regarded as original only where it is made without reference to the existing subject matter. An author may make use of existing material and yet achieve originality in respect of the work which he produces. In that event the produced work must be more than a slavish copy: it must in some measure be due to the application of the author's own skill or labour. Precisely how much skill or labour he needs to contribute will depend upon the facts of each particular case.'

Finally, in *Haupt t/a Soft Copy v Brewers Marketing Intelligence (Pty) Ltd and Others* 2006(4) SA 458 (SA) page 472 at paragraph [35] the Court had this to say about originality:

'There is no definition of 'original' in the Act. That the work must originate from the author and not copied from an existing source is clear, but that is not to say that every work which is not copied would qualify for protection in terms of the Act.'

[51] According to *Memory Institute SA CC t/a SA Memory Institutes v. Hansen* supra, it is not enough for a litigant to claim copyright in something. Such a party must, in addition to alleging copyright in something, go further and identify or produce it. Where that thing has technical features, the claimant is obliged to provide evidence to cover the technical points necessary to establish copyright.

[52] Secondly the applicants must prove that the work is of a type defined in ss 1(1) and 2(1) of the Copyright Act. The applicants, while not claiming any copyright in respect of these specifications stored in the database do claim nevertheless copyright in respect of the whole databases. For the purposes of this current matter section 1(g) of the Copyright Act defines 'literally work' as 'tables and compilations, including tables and compilations of data stored or embodied in a computer or a medium used in conjunction with a computer, but shall not include a computer program.' In *National Soccer League v Gidane (Pty) Ltd* 2014(2) All SA 461(GJ) Khomo J cited with approval the following passage from Sweet and Maxwell's Coppingier and Scone James on Copyright as to what constitutes a table or compilation.

'... A dictionary definition of a table in an arrangement of numbers, words or set of facts, in a distinct and comprehensible way. A dictionary definition of the verb 'to compile' is to construct a written or printed work out materials collected from various sources. Whilst the two terms clearly overlap, and the word 'compilation' is often used in this work to cover both essential characteristic of a table lies in what determines the arrangement between the items contained in the table, that of a compilation lies in the gathering together of the items.As a matter of terminology, a database will almost inevitably also be a table or compilation. But a table of compilation requires that there has been some tabulation or compiling, respectively. The mere coming together of items will not be enough.....The items which are arranged together in a table or assembled in a compilation may, individually be entitled to copyright;

such individual copyright remains independent of the separate copyright in the table or compilation.’

[53] In terms of s. 2(1)(a) of the Copyright Act, original ‘literary works’, which include tables and compilations are eligible for copyright protection. In terms of s. 2(1) of the said Act original literary works are eligible for copyright provided that the author thereof is a qualified person as envisaged by s. 3(1) of the Copyright Act. Section 21(1) provides that where the work is made by the author during the course of his employment by another person under a contract of service or apprenticeship, that other person is the owner of the copyright in question. This is an exception to the general proposition that the author of the work is the initial owner in all cases of the various types falling under the Act.

[54] All that the respondents did with regards to the applicants’ claim of copyright to the said elements of the 3D wheel aligner was to deny that the applicants have established copyright. This denial persisted, even in the face of the evidence of the authors of such work. The denials, in my view, amount to a denial with no serious intention to contest the applicants’ testimony. In the answering affidavit it is expected of the respondents who deny an allegation by the applicants to set out his version of the relevant facts. The respondents should not make a bare or unsubstantiated denial. This principle is demonstrated by *Wightman t/a JW Construction v Head Four (Pty) Ltd* 2008(3) SA 371 (SCA) at 375 F where the Court had the following to say:

‘A real, genuine and bona fide dispute of fact can exist only where the Court is satisfied that the party who purports to raise the dispute has in his affidavit seriously and unambiguously addressed the fact said to be disputed. There will of course be instances where a bare denial meets the requirement because there is no other way open to the disputing party and nothing more can therefore be expected of him. But even that may not be sufficient if the fact that lies purely within the knowledge of the averring party and no basis laid for disputing the veracity or accuracy of the averment. When the facts avert are such that the disputing party must necessarily possess knowledge of them and be able to provide an answer (or countervailing evidence) if they be not true or accurate but, instead of doing so, rests his case on a bare or unambiguous denial the Court will generally have difficulty in finding that the test is satisfied. I say ‘generally’ because factual averments seldom stand apart from a broader matrix of circumstances all of which needs to be borne in mind when arriving at a decision.’

[55] In his heads of argument Mr. Michau stated that there was no basis to suggest that the respondents were not seriously disputing the facts. He developed his argument and stated that they could do nothing more than just deny that there is sufficient evidence of the subsistence of copyright. In my

view, the respondents must have had reasons to dispute copyright. Those reasons, if given, would have constituted their version.

[56] In *Room Hire Co (Pty) Ltd v GP Street Mansion (Pty) Ltd* 1949(3) SA 1155 (T) at p. 1163 Murray AJ, as he then was, had the following to say:

‘It may be desirable to indicate the principal ways in which a dispute of fact arises. The clearest instance is, of course, (a) when the respondent denies all the material allegations made by the various deponents on the applicant’s behalf, and produces or will produce, positive evidence by deponents or witnesses to the contrary.’

This was not done by the current respondents.

‘He may have witnesses who are not presently available or who, though adverse to making an affidavit, would give evidence viva voce if subpoenaed.’

There was never any indication by the respondents that they have such witnesses.

‘There are however other cases to consider. The respondent may (b) admit the applicant’s affidavit evidence but allege other facts which the applicant disputes.’

In this application, while the respondents have disputed the subsistence of copyright in respect of the four elements of the 3D Wheel Aligner the respondents have not alleged any other facts.

‘Or (c) he may concede that he has no knowledge of the main facts stated by the applicant, but may deny them, putting the applicant to the proof and himself giving or promising to give evidence to show that the applicant and his deponents are biased and untruthful or otherwise unreliable, and that certain facts upon which the applicant and these deponents relied to prove the main facts are untrue. The absence of any positive evidence possessed by a respondent directly contradicting applicant’s main application does not render a case such as this free of a real dispute of fact. Or (d) he may state that he can lead no evidence himself or by others to dispute the truth of the applicant’s statements, which are peculiarly within applicant’s knowledge, but he puts applicants to the proof thereof by oral evidence subject to cross-examination.’

[57] The applicants have produced evidence about the person who made or created the database and the circumstances under which he made and created the database. That person was Simpson. Therefore the fourth applicant was at all material times the owner of the databases by virtue of the fact that the said Simpson made or created such databases in the course of his employment with the fourth applicant and under a contract of service.

[58] Mr Gill testified that the Aligner Software are original computer programs within the meaning of s. 2(1) (i) of the Copyright Act. According to his testimony Mr Gill has shown that he was the author of the computer program and a person who exercised control over the making of the computer program. The said Gill was at all material times an employee of the third

applicant. He, having been the author of the third applicant's version 4.6.0 software, was a qualified person within the meaning of s 3(1)(a) of the Copyright Act. Accordingly this Court finds that the applicants have established that the computer program is also legible for copyright and lastly that the third applicant became the owner of the copyright in the programs comprising the Aligner Software by reason of the fact that at all material times Gill was an employee of the third applicant and that he created the said Aligner Software in the course of his employment with the third applicant. Section 21 of the Copyright Act which deals with ownership of copyright provides as follows:

'1A Subject to the provisions of this section, the ownership of any copyright conferred by s. 3 or 4 of any work shall vest in the author or 'in the case of the work of joint ownership in the co-owners of the work':

(d) where in a case not falling within either paragraph (b) or (c) a work is made in the course of the author's employment by another person under a contract of service or apprenticeship, that other person shall be the owner of any copyright subsisting in the work by virtue of s. 3 or 4.'

See also *King v. SA Water Services* 2009(3) SA 13 SCA, where the Court had to deal with ownership of copyright in the course of employment.

[59] I am satisfied therefore that applicants' evidence has established that copyright subsisted at all material times in the computer programs comprising the camera software and that at all material times the third applicant has been the owner in such computer programs.

[60] In so far as it concerns the Operations Manual, it was testified by the said Wilson that it is a product of the inspiration, expertise, effort and labour of Rodgers, who created it as an original work without reference to any other sources. It is contended by Wilson that the Operations Manual is an original 'literally and artistic work' legible for copyright in terms of s. 2(1)(a) and s. 2(1)(c) of the Copyright Act. Again Wilson has furnished acceptable reasons as to how the third respondent became owner of the copyright in respect of the Operations Manual. Accordingly I am satisfied that the applicants have succeeded in establishing copyright in respect of the Operations Manual.

[61] A duty lies on the applicants to allege and prove infringement of copyright. Section 23 of the Copyright Act sets out the many different ways in which copyright can be infringed. This instant matter is concerned with infringement of copyright by importing and selling the infringing equipment. The respondents have admitted that they imported the Europa equipment from China. They contend that nothing prevented them from doing so. Section 23(2) states as follows:

'(1) Copyright shall be infringed by any person, not being the owner of the copyright, who, without the licence of such owner, does or causes any other person to do, in the Republic, any act which the owner has the exclusive right to do or to authorize.

(2) Without derogating from the generality of subsection (1), copyright shall be infringed by any person who, without the license of the owner of the copyright and at the 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;

(c) distributes in the Republic any article for the purposes of trade, or for any other purpose, to such an extent that the owner of the copyright in question is prejudicially affected; or

(d) acquires an article relating to a computer program in the Republic, 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.’

[62] On the other hand the applicants contend that the respondents have knowledge of the infringing conduct. According to *Gramophone Co Ltd v Music Machine (Pty) Ltd* 1973 SA 188W at p. 207 a matter in which the Court cited with approval the above quoted passage from Halsberry, Laws of England 3rd Edition Volume 8 paragraph 782 at page 431:

‘The word ‘knowledge’ means notice of facts such as would suggest to a reasonable man that a breach of copyright law was been committed.’

Once it is established that there was an infringement with knowledge, knowledge of the copyright owner is not necessary.

[63] When one examines the conduct of the respondents, one arrives at an inescapable conclusion that the respondents had direct knowledge that an infringement was being committed. This is so because the respondents imported the infringing equipment from China. Where a party denies that it had knowledge that an infringement was committed, such knowledge can be inferred from the conduct of the party denying it. Absent direct evidence on a particular issue the court may notwithstanding, make a factual finding pertinent to that issue by drawing an inference. Such an inference however, may only be drawn from properly established objective facts. In *Caswell v Powell Duffryn Associated Collieries Ltd* [1939] 3 All ER [HL] 733 E-F in a statement adopted by our courts, the court distinguished between inference conjecture or speculation:

‘Inference must be carefully distinguished from conjecture or speculation. There can be no inference unless there are objective facts from which to infer other facts which it is sought to establish. For some cases the other facts can be inference with as much as practical certainty as if they had been actually observed. In other cases the inference does not go by and reasons the probability. But if there are no positive proved facts from which the inference can be made, the method of inference fails and what is left is speculation and conjecture.’

[64] At the sideshow that was held by the fourth respondent on 7 March 2012, when the fourth respondent had planned to launch the L963D Wheel Aligner, it was the first respondent who was called upon to demonstrate how the L963D Wheel Aligner worked. So he knew the equipment and knew how it worked. In his heads of argument, counsel for the applicant argued that the first respondent, himself, entertained an apprehension that the software infringing goods ‘look just like the John Bean Software which they were using.’ The first respondent’s experience would immediately have led him to identify the substantial similarities between the infringing equipment and the applicants’ products, especially after he had been an authorised dealer of the applicants’ products for an unbroken period of eleven years. Other factors that lead to the conclusion are the fact that the first respondent was, during the said period of eleven years, the applicants’ top dealer: the fact that the first respondent was the seller of more than 200 aligners of the type of the counterfeited goods; the fact that he was a student of the software in question at several training courses; the fact that the first respondent was a trainer of users of the counterfeit software and lastly the fact that according to Trademark Magazine – Afriforum April 2012, a copy of which was attached to the applicants’ papers, the third respondent was the authorised distributor of the infringing equipment.

[65] Although the respondent denies any knowledge of the infringing goods, there are other factors which point into one direction only, and that direction was that the first respondent had knowledge that an infringement was committed. The first respondent’s attempt to bribe the applicants’ employees; and finally the building of fraudulent aligners. On the basis of the foregoing, counsel for the applicants submitted that the only inference that can be drawn was that the respondents had full knowledge of the copyright infringement. Relying on *Ocean Accident and Guarantee Cooperation Ltd v Koch* 1963(4) SA 147 (A) at 159 B-D, the Court cited with approval the following remarks of Selke J, in *Goven v Skidmore* 1952(1) SA 732 W at p. 734:

‘... in finding facts or making inferences in a civil case, it seems to me that one may, as Wigmore conveys in his work on Evidence, 3rd Edition; para. 32, by balancing probabilities, select a conclusion which seems to be the more natural, or plausible conclusion from amongst several conceivable ones, even though that conclusion be not the only reasonable one.’ Accordingly, an inference may be drawn on the material before a Court if such an inference accords with the facts from which it is drawn and, secondly, if it is the more plausible or natural conclusion from amongst several conceivable ones.’

[66] Accordingly, I am satisfied that the applicants have succeeded to prove infringement of their copyright as envisaged by s 23 (1) and (2) of the Copyright Act in that they have:

66.1 imported infringing copies of the equipment into this country for a purpose other than private or domestic;

66.2 they have sold or have by way of trade offered or exposed copies of the infringing equipment in this country;

66.3 they have distributed copies of the infringing equipment for the purpose of trade in this country; and lastly,

66.4 they have acquired an article relating to computer program in this country, each one of them with the full knowledge that the making of the infringing copies or articles constituted an infringement of copyright in the applicants' work or would constitute such an infringement if such a concerned article would have been made in this country.

[67] Having concluded that the applicants have established copyright in their equipment, the conclusion is inescapable that the equipment or goods that have been delivered up are counterfeit goods which may not be in the possession or under the control of the respondents for the purpose of dealing with them in the ordinary course of business. It is also as clear as crystal that the respondents are engaged in an unlawful competition with the applicants.

[68] I am therefore satisfied that the applicants have made out a good case and are entitled to the relief that they seek. Accordingly I make the following order:

1. Each of the first, second and third respondents are hereby interdicted and restrained from:

1.1 infringing the third applicant's rights of copyright in the aligner computer programs described in paragraphs 72 to 74 of the founding affidavit of John Andrew Wilson dated 13 July 2012, by committing any of the acts defined in section 23(1) and/or 23(2) of the Copyright Act 98 of 1978 as constituting infringement of the aforesaid aligner software;

1.2 infringing the third applicant's right of copyright in the camera software described in paragraphs 77 to 79 of the founding affidavit of John Andrew Wilson dated 13 July 2012, by committing any of the acts defined in section 23(1) and/or 23(2) of the Copyright Act 98 of 1978 as constituting infringement of the aforesaid aligner software;

1.3 infringing the fourth applicant's right of copyright in the database as described in paragraphs 80-85 of the founding affidavit of John Andrew Wilson dated 13 July 2012, by committing any of the acts defined in sections 23(1) and/or 23(2) of the Copyright Act 98 of 1978 as constituting infringement of the aforesaid aligner software;

1.4 infringing the third applicant's right of copyright in the operations manual described in paragraphs 86 to 91 of the founding affidavit of John Andrew Wilson dated 13 July 2012, by committing any of the acts defined in sections 23(1) and/or 23(2) of the Copyright Act 98 of 1978 as constituting infringement of the aforesaid aligner software;

2. The respondents are hereby ordered to deliver-up to the third and fourth applicants respectively, infringing copies of the aligner software, camera software, databases and operations manuals;

3. An enquiry is hereby directed into the damages suffered, or the reasonable royalty to be awarded to the third and/or fourth applicants;
4. It is hereby ordered that if the parties cannot agree upon a procedure to be adopted for the foregoing enquiry and any party may approach the Court to prescribe such procedures for conducting such enquiry as it considers necessary;
5. It is hereby declared that the first to third respondents' EUROPA Wheel Aligners are counterfeit goods within the meaning of the Counterfeit Goods Act No. 37 of 1997;
6. It is hereby ordered that the fourth respondent's BRIGHT Wheel Aligners are counterfeit goods within the meaning of the Counterfeit Goods Act No. 37 of 1997;
7. Each of the first, second and third respondents are hereby interdicted and restrained from dealing in goods that constitute counterfeit goods of the applicants' wheel aligners by doing any of the acts defined in section 2 of the Counterfeit Goods Act No. 37 of 1997;
8. It is hereby ordered in terms of section 10(1)(a) of the Counterfeit Goods Act No. 37 of 1997 that the goods referred to above, are declared to be counterfeit, be delivered up to the third and fourth applicants as the owners of the intellectual property rights, the subject matter of which have been unlawfully applied to the respondents' wheel aligners;
9. Each of the respondents is hereby ordered to disclose the source of any goods found to be counterfeit goods, as well as the identity of the persons involved or ostensibly involved in the importation, exportation, manufacture, production or making, and the distribution, of the aforesaid counterfeit goods and in the channels of distribution of those goods;
10. It is hereby ordered that each of the respondents should disclose to the applicants the details, and/or identities of the purchases of any of the aforesaid counterfeit goods whether before or after the execution of the Anton Piller order;
11. It is hereby ordered that the first, second and third respondents are hereby ordered, jointly and severally to pay the applicants' costs, including the costs of search and seizure proceedings brought by the applicants under case number 41993/12; including the costs of removal and storage of the items, pursuant to the grant of the order in case number 41993/12 dated 19 July 2012. The applicants' costs shall include the costs consequent upon the employment of two counsel.

MONEYWEB (PTY) LIMITED v MEDIA 24 LIMITED

BERGER, AJ
GAUTENG LOCAL DIVISION, JOHANNESBURG
5 MAY 2016

In proving infringement of copyright in a literary work, it is necessary to prove both originality and that a substantial part of the work has been copied. A defence based on section 12(1) of the Copyright Act (no 98 of 1978) must prove fair dealing in the work.

Moneyweb (Pty) Ltd sought a declaration that the publication of seven articles by Media24 Ltd was unlawful. Moneyweb contended that Media24 infringed its copyright under the Copyright Act (no 98 of 1978), alternatively that Media24 had engaged in unlawful competition. It also sought to interdict the continued publication of the articles, and a further declaration that Media24 was liable for damages suffered by it as a result of the publication of the articles.

Moneyweb had not quantified its damages claim. It sought an order that the extent of its claim be determined in a subsequent enquiry in the event that it was held Media24 was liable to compensate it.

Media24 defended the action on the grounds that Moneyweb had failed to prove originality in any of its articles. It also contended that if Moneyweb was able to prove originality in any of its articles, Media24 had not reproduced a substantial part of the relevant article. Media24 admitted reproduction of part of the Moneyweb articles but denied that the reproduction was substantial. Media24 contended further that it was absolved from liability by virtue of the statutory defences in sections 12(1)(c)(i) and 12(8)(a) of the Copyright Act.

Held—

In one of the seven articles, Moneyweb adequately showed that the article was original and a substantial part had been copied. In the others, it had not done so.

With regard to Media24's defence based on section 12(1)(c)(i), Media24 did not show that its publication of the Moneyweb article constituted fair dealing. The use of a hyperlink to cite the author of the work did not in itself discharge the onus of proving fair dealing.

As far as section 12(8) was concerned, the fundamental issue was whether any of the Moneyweb articles could be regarded as 'news of the day that are mere items of press information'. The answer depended on whether the article was an original work or not. If it was, then the article would contain more than 'mere items of press information' because the author's contribution would have constituted more than mere copying. Section 12(8)(a) would not apply. On the other hand, if the Moneyweb article was not an original work, the article would be no more than a repetition of the 'news of the day that are mere items of press information'. Section 12(8)(a) would then apply.

Accordingly, section 12(8)(a) of the Act did not apply to the one article shown to have been original and in respect of which a substantial part had been copied. Media24 had also not shown that it applied to the other articles, as it had not shown that they contained nothing more than 'mere items of press information'.

Berger AJ:

Introduction

[1] The applicant ('Moneyweb') and the first respondent ('Media24') are both in the business of publishing articles on the Internet. These are not their

only activities but, for purposes of this case, it is not necessary to list their full range.

[2] Moneyweb publishes business, financial and investment news, primarily on the Internet, but also on other digital platforms. Media24 publishes online magazines and newspapers, including Fin24, an online financial publication. Moneyweb and Media24 are therefore direct competitors. The second respondent was the editor of Fin24 at all relevant times.

[3] Moneyweb seeks a declaration that the publication of seven articles by Media24 was unlawful. Moneyweb contends that Media24 infringed its copyright under the Copyright Act 98 of 1978 ('the Act'), alternatively that Media24 has engaged in unlawful competition. It also seeks to interdict the continued publication of the articles, and a further declaration that Media24 and the second respondent are liable for the damages suffered by it as a result of the publication of the articles. All the articles were published under the banner of Fin24.

[4] Moneyweb has not yet quantified its damages claim. It seeks an order that the extent of its claim be determined in a subsequent enquiry in the event that I hold the respondents liable to compensate it.

[5] Seven articles were first published on Moneyweb's website. Although the articles published under the banner of Fin24 are not word-for-word copies of the articles published by Moneyweb, it contends that Fin24 unlawfully 'copied, appropriated and/or plagiarised its earlier articles'.

[6] The parties filed extensive heads of argument and argued the matter before me over two days. Three issues appear to be at the centre of this matter:

- a. First, there is a dispute concerning the originality of Moneyweb's articles. Media24 argues that Moneyweb has failed to prove originality in any of its articles.
- b. Second, if Moneyweb is able to prove originality in any of its articles, the issue arises as to whether Media24 has reproduced a substantial part of the relevant article. Media24 admits reproduction of part of the Moneyweb articles but denies that the reproduction was substantial.
- c. Finally, Media24 contends that it is absolved from liability by virtue of the statutory defences in sections 12(1)(c)(i) and 12(8)(a) of the Act.

Originality

[7] Section 2(1) of the Act provides that certain works, including literary works, shall be eligible for copyright 'if they are original. The Moneyweb articles clearly fall within the definition of 'literary work'. That much is common cause.

[8] There is no definition of 'original' in the Act. What is clear is that creativity is not required to make a work original. A work is considered to be original 'if it has not been copied from an existing source and if its

production required a substantial (or not trivial) degree of skill, judgment or labour.¹

[9] In *CCH Canadian Ltd v Law Society of Upper Canada*² the Supreme Court of Canada held that ‘an original work must be the product of an author's exercise of skill and judgment. The exercise of skill and judgment required to produce the work must not be so trivial that it could be characterized as a purely mechanical exercise. While creative works will by definition be ‘original’ and covered by copyright, creativity is not required to make a work ‘original’.

[10] It is nevertheless possible to achieve originality even where the author of a work makes use of existing material. Nugent J (as he then was) approved the test to be applied in such circumstances³:

‘... An artistic work is eligible for copyright if it is ‘original. The following passage from Copeling Copyright and the Act of 1978 at p 15, which was cited with approval in *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* [1987] (2) SA 1 (A) at 22H - 23A, conveniently summarises what is meant by that concept:

To be original a work need not be the vehicle for new or inventive thought. Nor is it necessary that such thoughts as the work may contain be expressed in a form which is novel or without precedent. ‘Originality for the purposes of copyright, refers not to originality of either thought or the expression of thought, but to original skill or labour in execution. All that is required is that the work should emanate from the author himself, and not be copied ...

The requirement that the work should emanate from the author himself and not be copied must not be interpreted as meaning that a work will be regarded as original only where it is made without reference to existing subject-matter. Indeed, were this so the great majority of works would be denied the benefit of copyright protection. It is perfectly possible for an author to make use of existing material and still achieve originality in respect of the work which he produces. In that event, the work must be more than simply a slavish copy; it must in some measure be due to the application of the author's own skill or labour. Precisely how much skill or labour he need contribute is difficult to say for much will depend upon the facts of each particular case.’

[11] There was some dispute before me as to whether the ‘sweat of the brow’ test is part of our law. Mr Puckrin SC, who appeared on behalf of the

¹ Haupt t/a Soft Copy v Brewers Marketing Intelligence (Pty) Ltd [2006] ZASCA 40; 2006 (4) SA 458 (SCA) at 473A-B, par 35

² *CCH Canadian Ltd v Law Society of Upper Canada* 2004 SCC 13; [2004] 1 SCR 339 at par 25 (2004 SCC 13 (Canlii)), cited with approval in Haupt (above) at 473B-C, par 35

³ *Pyromet (Pty) Ltd v Bateman Project Holdings Ltd* 2000 BIP 355 (W) at 357-358

respondents with Mr Spottiswoode, submitted that ‘pure industriousness or ‘sweat of the brow’ is not (or at least no longer) the test for originality. ... This is not to say that ‘actual time and effort’ expended by the author is of no consideration (it remains a material factor to consider)... ‘ He relied for these submission on the decisions in *Haupt*, *CCH Canadian* and *Waylite Diary CC v First National Bank Ltd* 1995 (1) SA 645 (SCA) at 6491.

[12] Mr Ginsburg SC, who appeared on behalf of Moneyweb with Mr Budlender and Mr Marriott, insisted that ‘sweat of the brow’ is still the test in our law.

[13] In *Haupt*, having quoted from *CCH Canadian* at its par 25⁴, Streicher JA noted⁵:

‘It should be noted that no mention is made of labour. In para 24 it is said f(t)he ‘sweat of the brow’ approach to originality is too low a standard’. In this regard the Canadian law differs from our law and the law of the United Kingdom, as also the Australian law. See *Waylite Diary CC v First National Bank Ltd* 1995 (1) 645 (A) at 652G - 653C and, in respect of the Australian law, Ricketson *The Law of Intellectual Property: Copyright, Designs and Confidential Information* at paras 7.35 and 7.60, where it is said: s(l)f the expression in question represents the independent application of knowledge, judgment, skill or labour on the part of the author, this will be sufficient for the statutory requirement (of originality).’ Whether we should, in due course, follow the Canadian approach need not be decided now.’

[14] In *Waylite Diary CC v First National Bank Ltd*, a case concerning the subsistence of copyright in the pages of a diary, Harms JA wrote⁶:

‘While it is true that the actual time and effort expended by the author is a material factor to consider in determining originality; it remains a value judgment whether that time and effort produces something original’

[15] It seems to me that the expression ‘sweat of the brow’ is imprecise and capable of being misunderstood. A court will only be able to determine originality after it has weighed up all relevant considerations and made a value judgment. Our law still regards the time and effort spent by the author as a material consideration in determining originality. But the time and effort spent must involve more than a mechanical, or slavish, copying of the existing material. In other words, there must be sufficient application of the author’s mind to produce a work that can be judged to be ‘original’: ‘ Where

⁴ Haupt (above) at 473B-C, par 35

⁵ Haupt (above) at 473, footnote 9. ! note, however, that the dicta in *Waylite Diary*, concerning originality, are obiter, at 653C-D Harms JA declined to consider whether the appointment pages were original, it being unnecessary in view of his finding that the appellant had failed to establish that the pages were either artistic or literary works for purposes of the Act.

⁶ *Waylite Diary CC v First National Bank Ltd* 1995 (1)-SA 645 (A) at 649I

a work embodies existing subject matter the court must decide whether its author has expended sufficient skill and labour to justify a claim that the work is original⁷

[16] It should also be noted that a determination of originality applies to the work as a whole, and not to select parts: under the Act the inquiry is whether the 'work'... was original. The inquiry is not whether its parts are original⁸

[17] I turn to consider whether Moneyweb has established that the articles, in respect of which it claims copyright protection, are original. Moneyweb correctly accepts that it bears the onus of proving originality.

The first article: 'Annual packages for MPs may reach well over R1m'

[18] I shall refer to this article as Moneyweb 1. It was published on 25 July 2012 at 5:53pm and was written by Ms Kim Cloete, a freelance contributor contracted to Moneyweb to write articles for publication on its website. As with all the other Moneyweb articles, Media24 does not dispute that the author of the article is a 'qualified person' in terms of section 3(1)(a) of the Act, that Moneyweb too is a 'qualified person', in terms of section 3(1)(b) of the Act, and that Moneyweb is the owner of the literary work. The article is set out below. The italics are my own, intended to mark the parts that were reproduced in the related Fin24 article.

Annual packages for MPs may reach well over R1m

Updated: Now with a table of the proposed salaries.

CAPE TOWN - *Members of Parliament may soon be earning a basic salary of nearly R900 000 a year if the President accepts the 5.5% salary increase that's been recommended for them.*

The proposed annual salary for MPs of R889 383. is apart from a range of perks including S & T. numerous flights, pension, medical aid and virtually free accommodation in Cape Town when Parliament is in session.

The recommended salary increase for all public office bearers - from the president to municipal councilors - was announced by the Independent Commission for the Remuneration of Public Office Bearers, at a media briefing in Cape Town.

President Jacob Zuma will consider the recommendations by the commission, headed by Judge Willie Seriti. In the past, the president has adjusted the proposed increases, although last year, he followed through with the commission's recommended 5% increase.

in terms of the 5.5% raise for 2012/2013, the president's salary could increase from R2' 485 839 to R2 622 561.

⁷ Dean: Handbook of South African Copyright Law (30 September 2015), at 1-22 par 3.3.1 (my underlining)

⁸ Biotech Laboratories (Pty) Ltd v Beecham Group plc 2002(4) SA 249 (SCA) at 257H, par [8]

The Deputy President, the Chief Justice, the Speaker of the National Assembly and the Chairperson of the National Council of Provinces could each earn a basic salary of slightly over R2,3m.

The proposed increase would hike the salaries of ministers to just over the R2m mark, with deputy ministers earning around R1.6m a year.

The recommendations could lead to premiers earning R1.888m a year, with mayors earning slightly over R1m a year. Salaries of judges would range between R 1.8m for a Constitutional Court judge to R1.45m for a judge in the High Court.

The commission said it had taken a basket of factors into account, including trends in the consumer price index (CPI), national market trends in the private and public sector and affordability. Seriti said 'relevant stakeholders' had been consulted, although this did not include civil society.

Commissioners consulted with the Ministers of Finance, Justice and Public Service and Administration before making their recommendations. 'The minister of finance has differed with our recommendations in previous years, but this year we received a positive response from all ministers, including the minister of finance,' Seriti said, adding that Gordhan's views play a role 'although he does not dictate to us.'

Schedule 1 [figures and headings omitted]

Schedule 2 [figures and headings omitted]

Past recommendations and the president's determinations had also been noted, together with economic conditions in South Africa.

Seriti said he wouldn't be surprised if the 5.5% increase was contested by magistrates, who objected to the 5% recommendation last year. Magistrates have taken legal action against the commission and the president based on last year's 5% increase.

'Magistrates were unhappy with our decision last year they feel they're entitled to a higher increase. The chances are very high that they could challenge us again this year,' said Seriti.

The recommended 5.5% increase would potentially push the annual salaries of ordinary magistrates up to R708 000, with senior magistrates touching nearly R779 000 and regional and chief magistrates earning R944 000 a year.

The other group of public officials that the commission is concerned about are local councilors. A 5.5% increase would take them to an annual salary of R400 000.

Seriti said municipal councilors were sometime the target of derision. The homes of several councilors have been torched during service delivery strikes 'yet we've discovered they have no insurance cover,' he said.

'The remuneration of local councilors needs to be looked at in its entirety.'

The basic salary increases for members of parliament may not sit well with ordinary South Africans, aware of the gulf between rich and poor in South Africa and the perception by many people that their MPS are not delivering value for money.

The commission doesn't deal with the perks which boost the pay packages of MPs in particular. Questioned about whether the commission should be looking at all the perks before making recommendations on basic salaries, Seriti said it was outside the legal framework he was operating in.

'The Act is silent on who is to implement that.'

The commission chairperson said his team had been investigating the possibility of introducing performance-based increases instead of an across-the-board increase.

'We're investigating whether to move away from a 'one size fits all' policy,' he told Moneyweb.

Seriti said a project on performance-based remuneration had been stalled due to budget constraints, but not before getting 'tentative views' from other countries, including the US and the UK.

The salaries of chief whips of the ANC and DA would nudge up to nearly R1.3m, with chairpersons of committees earning around R1.1m a year.

The commission said the 5.5% suggested increase was in line with Gordhan's comments during his annual budget speech calling for moderation in annual salary increases.

Questioned about when the salary increases could be approved by the President, Seriti quipped: 'Your guess is as good as mine, although it's usually 2 to 3 months after our determination.'

[19] Ms Cloete wrote Moneyweb after she had attended and participated in a press conference in Parliament. At the conference she took notes and asked questions of delegates. About the article, she says that it 'is an original work and required my independent effort, skill and expertise to write'. Having written it, she emailed it to Moneyweb's editor who made certain adjustments before it was published.

[20] Mr Puckrin submitted that this evidence is not sufficient to prove originality. He argued that it was incumbent on Moneyweb to put up further evidence, such as Ms Cloete's notes of the press conference and an explanation from her as to how she went about constructing the article.

[21] In *Jacana Education (Pty) Ltd v Frandsen Publishers (Pty) Ltd*,⁹ Schutz JA noted that '... the existence of prior material tends also to limit the scope for originality and to require more exacting proof of its existence than is the case with truly original works'

⁹ *Jacana Education (Pty) Ltd v Frandsen Publishers (Pty) Ltd* 1998 (2) SA 965 (SCA) at 969 E. See also *Biotech Laboratories* (above) at 257G, par 7.

[22] The court a quo in *Pyromet (Pty) Ltd v Bateman Project Holdings Ltd* held that the evidence in that case was not sufficient to prove originality¹⁰, For Goldstein J, the evidence of Mr Sidorski created more questions than answers:

‘The applicant alleges that it is the proprietor of the copyright in the drawings referred to in paragraphs 2 and 4 of the draft [order]. There are 240 of such drawings attached to the affidavit of Mr Eugenius Daniel Sidorski which affidavit is itself an annexure to the founding affidavit Sidorski states that as the applicants supervising engineer he supervised the making of each of the drawings. He identifies each of the drafts persons concerned and gives the dates on which each of the drawings were made. He says that he ‘personally witnessed each person making the drawings listed, at the Applicant's premises in Johannesburg (where) each drawing was made under (his) supervision .’

‘Sidorski’s affidavit ends with paragraph 8¹¹ which reads: ‘Each drawing was original in that it was the product of each author's personal skill, knowledge and labour and was not copied from any other drawing¹²’

‘... I find the statement in paragraph 8 very cryptic and bald. The drawings contain considerable detail. I find it difficult to believe that each is the product of the personal skill, knowledge and labour of the author. I find it difficult to believe too that none was copied from any other drawing. Certainly Sidorski fails to explain how each of the authors was able to produce his or her drawing in vacuo without reference to any other drawing. In my view there must overwhelmingly on the probabilities have been copying involved in the production of at least portions of the drawings. The problem created for the applicant’s case, insofar as it relies on copyright is that my conclusion, that there must have been some copying, makes it impossible for me to find which portions of the 240 drawings are the subject of copyright and which are not.

[23] Nugent¹³ J took a different view of the evidence, finding that it was ‘not altogether clear what caused the learned judge to conclude that Mr Sidorski’s evidence was improbable¹⁴’ Nugent J continued:¹⁵

‘However, the submissions made on behalf of the respondents were directed to a different point It was submitted, as I understood it, that the allegations made by Mr Sidorski did not constitute evidence at all, and were no more than conclusions, unsupported by established facts. ...

¹⁰ *Pyromet (Pty) Ltd v Bateman Project Holdings Ltd* 699 JOC (W)

¹¹ *Pyromet (Pty) Ltd v Bateman Project Holdings Ltd* 699 JOC (W) at 702C-E

¹² *Pyromet (Pty) Ltd v Bateman Project Holdings Ltd* 699 JOC (W) at 702E

¹³ *Pyromet (Pty) Ltd v Bateman Project Holdings Ltd* 699 JOC (W) at 702G-703A

¹⁴ *Pyromet (Pty) Ltd v Bateman Project Holdings Ltd* 2000 BIP 355 (W) at 359

¹⁵ *Pyromet (Pty) Ltd v Bateman Project Holdings Ltd* 2000 BIP 355 (W) at 359 - 360 (my underlining)

Where existing material has been used to create the relevant work, there may well be cases in which detailed evidence will be required as to the manner in which the work was created to show that notwithstanding use being made of an existing work, the nature and extent of the author's contribution was such as to constitute more than mere copying. Furthermore, the author might, in such circumstance, be the only person with sufficiently detailed knowledge of what has been done in order to establish that his contribution was original. However, in my view, there can be no rule of thumb in that regard, for each case will necessarily depend upon its own facts'

In the present case there is no suggestion in the evidence that the authors merely transposed, or even had reference to, existing works in the course of creating the drawings. ...

I do not agree that [Mr Sidorski's] allegations amount to no more than conclusions. He said that he observed the authors producing the drawings by the application of their 'personal skill ... and labour and without copying from any other drawing. Those, in my view, are observable facts, which, if they are correct, support his conclusion that the drawings were original. I do not think the appellant was required to go further in the absence of any proper challenge to those allegations'

[24] In my view, this is a case in which more evidence was required to establish that Moneyweb 1 is an original work. It is common cause that the article is based on the information that was made available at the press conference. I do not know how much of the article is Ms Cloete's own work or simply a repetition of what was said in her presence or contained in a written press release. Simply put, I am not able to discern the nature and extent of her contribution.

[25] Her statement that the 'article is an original work and required [her] independent effort, skill and expertise to write' is indeed no more than a conclusion. I have no basis from which to assess her independent effort, skill and expertise. The fact that she attended the press conference, took notes and asked questions does not mean that the article is not a mechanical repetition of existing material. How does the article compare against the material on which it is based? Unlike Mr Sidorski's allegations, Ms Cloete's statement on originality contains no factual allegations that could support the conclusion it reaches. Accordingly, I find that Moneyweb has not established that Moneyweb 1 is an original work.

The second article: 'Group Five hits rock bottom

[26] I shall refer to this article as Moneyweb 2. It was published on 13 August 2012 at 5:08pm and was written by Ms Sasha Planting, a freelance contributor contracted to Moneyweb to write articles for publication on its website. The article is set out below, with the emphasis of those parts that were reproduced in the related Fin24 article.

Group Five hits rock bottom

But earning expected to rally with construction materials business.

CAPE TOWN - *Construction and engineering firm. Group Five, has hit rock bottom but expects to improve within the next year.*

This is according to CEO Mike Upton, who noted an uptick in construction orders combined with some tough cost cutting and reorganising of the business, will position the group for a return to earnings profitability in 2013-

Revenues remained flat at R8.8bn. but headline earnings per share fell by 64,4%.

The biggest reason for the loss was contract losses in the Middle East — where cash strapped clients are finding any excuse not to settle their debts. In addition, impairments from previously discontinued operations in India and impairments of assets in the construction materials businesses, which are being sold off, caused further losses.

While the losses from the Middle East were bigger than expected, the group has no plans to exit that market. The aim is to cut its losses and settle payment disputes now, rather than let the situation drag out. Upton says. The group will then lie low — so to speak — until market conditions improve there.

Light In the tunnel

This is the last year of pain when it comes to the construction materials business. Two businesses in this division have been sold and the remainder will be disposed of before the calendar year is out. Upton estimates over R1bn worth of shareholder value was destroyed through acquisitions bought at the height of the construction cycle.

Meanwhile Africa is where the action is. The group has won business in East and West Africa, particularly in the power and energy sectors where it has won 13 new mining projects and three power plants.

Chinese contractors are a very and real threat. 'There are upwards of 70 Chinese construction companies across the bigger markets.' However Upton notes that Group Five does not come head to head with these companies too often. 'They usually win their business at a government to government level.' When it comes to direct head to head tenders, Group Five has the benefit of a strong track record. 'We have built up a good name for ourselves, particularly in the mining sector.'

Infrastructure orders in SA are still slow in coming, and have also curbed revenue growth. But Upton believes this is changing. 'Infrastructure development [or the lack of it] in SA has become a hot potato and there is now real political pressure to get projects moving.' He adds that while the planning is taking place, construction companies will not see the orders for another 12 to 18 months.

Along with its peers, Group Five has had a torrid three years, after the boom years of the 2000s. However many analysts are tipping the sector

for growth, arguing that the only way is up. But Vestact equities analyst Byron Lotter remains cautious. While the sector has good fundamentals and appears to be turning, there are risks, he says. For one there are big question marks over government spending. 'Government can't even pay current contractors, where is the money coming from?'

And when the money is available, the competition for projects is fierce and margins are tight. 'In my opinion this is a very cyclical business and it's one where it is difficult for the individual investor to stomach the troughs.'

Group Five shares traded flat on Monday at R22.85, while the construction sector fell 0.47%.

[27] Ms Planting wrote Moneyweb 2 after she had participated in a conference call during which the CEO of Group Five, Mr Mike Upton, had spoken to journalists and analysts following the publication of the company's annual results. Ms Planting echoes Ms Cloete: 'This article is an original work and required my independent effort, skill and expertise to write'. Having written the article, she emailed it to Moneyweb's editor who edited it and wrote the headline before it was published.

[28] The evidence adduced by Moneyweb in relation to the originality of Moneyweb 2 is even thinner than the evidence relating to Moneyweb 1. Unsurprisingly, it also suffers from the same deficiencies. I do not know how much of the article is Ms Planting's own work nor how much she has simply repeated of Mr Upton's words.

[29] I am not able to discern the nature and extent of her contribution. I do not know to what extent Moneyweb 2 differs, if at all, from the existing material on which it is based. Her statement that the 'article is an original work and required [her] independent effort, skill and expertise to write' is factually bare. Accordingly, I find that Moneyweb has not established that Moneyweb 2 is an original work.

The third article: 'McDonald's plans to launch McKitchen'

[30] I shall refer to this article as Moneyweb 3. It was published on 26 August 2012 at 11:12pm and was written by Ms Eleanor Seggie, an employee of Moneyweb. I have set out the article below and italicised those parts that were reproduced in the related Fin24 article.

McDonald's plans to launch McKitchen

The fast food outlet is looking at innovative ways to keep your plate full of its food.

JOHANNESBURG - 'It's a very difficult market to enter right now. Whoever wants to enter this market needs to come in with vision and heaps of cash, a full commitment and a long-term plan. If you're not going to come in with that you're not going to survive,' says Greg Solomon, McDonald's South Africa MD.

He was leading journalists on a recent media tour of the Woodmead restaurant.

McDonald's takes long-term positions on people (16 years), initiatives (eg 24/7 outlets) and on leases (eg, 20 years). As such, it owns 68%-70% of its property portfolio in SA.

'We continue to invest... capita! into this business, by growing 20-30 new restaurants every year - that's hundreds of millions of capital spend.' The first McDonald's was opened in South Africa in November 1995 and in the last 11 years not one has been closed, although Solomon says he's eyeing one now as its performance isn't up to scratch. *McDonald's SA plans on opening 18-22 restaurants this year, around the country. One of the newbies, in Victory Park. Johannesburg, will debut in the next two months.*

Though it was initially referred to as a 'McKitchen,' it was later clarified that the Victory Park branch will be implementing and testing minor changes to the kitchen and service design, to improve efficiencies. If effective, it may be implemented in other kitchens. *Solomon wouldn't say more, but hinted that it will feature a modified cooking platform and new innovations to the front counter and beverages.*

However, he maintains that McDonalds is a 'people's business' and he aims to make it into a more renowned training institution. Currently the fast-food outlet spends approximately R21m a year on training.

Big Mac anyone?

The company's most successful sales product is the Big Mac: although it got off to a slow start, it now makes up 25% of its business. Second place (on volume) goes to its cheeseburger.

Chicken forms just over 30% of the business revenue. The biggest selling chicken product is the Chicken Foidover - a locally adapted product introduced as part of its

'glocal' strategy, along with a beef product called McFeast, and fresh corn, which is building nice traction as an alternative to fries.

However, it won't steer too much away from its core US brand though — so don't expect chicken McFeet in the near future.

Breakfast now forms 11% of its revenue and Solomon reveals there may be a lot of menu innovation in the pipeline over the next two years.

Other significant parts of the business include beverages as well as dessert: Mcflurries have massive equity — 'up there with chicken foldovers and quarter pounders', says Solomon.

Over the past few years, the company has introduced a number of firsts: the drive-through, then breakfast, then 24/7 restaurants and most recently the McCafe with a range of coffees, teas and frappes.

The newly launched McCafe only forms 4-6% of total turnover as yet. But given its continually evolving snack, savoury and baked goods menu as well as the massive investment in very decent coffee makers, this may grow over time.

''We don't want to be a plastic canteen that sells burgers. We are not trying to be a fine dining restaurant, but a casual, informal eating out experience for a family that offers great food, in an environment that feels like home with good service.' says Solomon.

The Ramaphosa touch

Businessman Cyril Ramaphosa's company, Shanduka, acquired McDonald's 20-year master franchise last year to run all McDonald's restaurants in SA - a combination of franchise and corporate-owned stores.

Solomon explains that Ramaphosa is involved actively at a high level — he understands the detail but lets Solomon run the business.

In response to a Moneyweb question on what Ramaphosa has brought to the table as yet, Solomon emphasises that Ramaphosa is not going to change the brand and that he brings leadership, vision, accelerated growth, as well as the capital and resources to prompt growth. Also the merger allows for a local, independent and accountable view on investments where they are responsible for their own return and not dictated to by the New York stock exchange.

Tough times

This year will be tough, continuing on to Q1 and Q2 next year, after which there will be a slight upturn in mid-2013, warns Solomon, adding that the company is preparing to maximise on the latter.

During its 17-year tenure in SA, the company has weathered a number of economic downturns. He says it expected hard times in 2011 and 2012 and prepared for them. Philosophically he says: 'If you're not resilient enough to weather the storm, you probably need to get out of this line.'

Its best year in terms of organic growth, for its first 15 years at least, was 2010 - possibly due to the World Cup. Although the past three years have been the best ever, organic growth has slowed down and the company is experiencing 'really tough backdoor profitability pressures that are hitting the business.' 'In the highly competitive informal eating-out sector, where companies are fighting for market share, people need to understand their business's [evolution] over the past five years ... and have vision, intelligence, stability and brevity to see where they want to be in the next five years,' he advises.

[31] Ms Seggie wrote Moneyweb 3 after she and two other journalists from other media groups had attended a media visit at McDonald's Woodmead restaurant. Moneyweb's editor then edited it and wrote the headline before it was published.

[32] Ms Seggie states that, in terms of her contract of employment with Moneyweb, she wrote Moneyweb 3, other articles and various headlines. She adds: 'These articles and headlines are original works and required my independent effort, skill and expertise to write'

[33] Moneyweb has not adduced any further evidence relating to the manner in which Ms Seggie went about writing Moneyweb 3. I do not know who hosted the media visit on behalf of McDonald's; whether the presentation was only oral; whether there was a written press statement issued as well; whether Ms Seggie took notes; and to what extent Moneyweb 3 differs from the presentation given. Even if I were to assume from the content of the article that Mr Greg Solomon hosted the media visit, the other questions remain unanswered.

[34] As with the previous articles, I do not know how much of Moneyweb 3 is Ms Seggie's own work nor how much she has simply repeated of the presentation at the media visit.

[35] I am not able to discern the nature and extent of her contribution to the article. I do not know to what extent Moneyweb 3 differs, if it differs at all, from the existing material on which it is based. Her statement that the 'article is an original work and required [her] independent effort, skill and expertise to write' has become a mantra to be recited by all the authors of the Moneyweb articles. But it adds nothing because it simply concludes without providing the facts on which it is based. Accordingly, I find that Moneyweb has not established that Moneyweb 3 is an original work.

The fourth article: 'Hout Bay castle sold for R23m'

[36] I shall refer to this article as Moneyweb 4. It was published on 14 September 2012 at 5:42pm and was written by the late Ms Michel Schnehage, a property journalist who was contracted to Moneyweb to write articles for publication on its website. There is understandably no direct evidence from Ms Schnehage.

[37] I have set out the article below and italicised those parts that were reproduced in the related Fin24 article.

Hout Bay castle sold for R23m

Furniture and trimmings Included in the deal.

JOHANNESBURG - *A Russian businessman has bought a six-storey castle (pictured) nestled in the Karbonkelberg on the outskirts of Hout Bay in the Western Cape for R23m.*

The castle is situated high up against the mountain and overlooks the bay and Hout Bay beach.

Sotheby's International Realty's Nina Smith says the castle was run as a guesthouse for several years and was once owned by a foreign company. It was originally built by Cape Town businessman Reynier Fritz who began the project in 1986 and completed it in 1998, using small facebrick which gives it an antique feel. 'Over 12 years it just evolved. As he (Fritz) got money, he would build another wing.'

The majestic structure is a replica of the Schloss Lichtenstein castle in southern Germany which is perched on a cliff located near Honau in the Swabian Alb, Baden-Wurrtemberg. The current castle was constructed between 1840 and 1842.

The Hout Bay castle is about ten minutes from the Hout Bay village and is accessible only by private road and helicopter.

Smith said the castle blended into the Karbonkelberg with its unique architecture and structure. 'It was love at first sight for the owner,' said Smith, adding that the new owner had purchased it for private use.

During its years as a bed and breakfast it was extremely popular among overseas visitors to the Cape and was also a sought-after venue for weddings and conferences, with a banqueting hall able to accommodate up to 200 people.

The castle is situated on 8500m² of terraced land with a natural waterfall and swimming pool.

The main hall is on ground level with vaulted ceilings, stained-glass windows and a fireplace including a dining area with a table able to seat 24 guests.

The castle also has 13 en-suite bedrooms on different levels with a library, billiard room and bar.

[38] Although Moneyweb could get no direct evidence from Ms Schnehage, it has put up more evidence in relation to Moneyweb 4 than in relation to the three previous articles. It is undisputed that the source of the article was a press release issued by Sotheby's International on 13 September 2012, the day before the article was published, a copy of which has been put up. Ms Schnehage also interviewed Ms Nina Smith of Sotheby's and sourced additional material. Ms Seggie wrote the headline and sub-headline, and also edited the article.

[39] Although Moneyweb 4 contains more information than the press release, the difference is insubstantial. Indeed, it is quite trivial. The article is largely a copy of the press release. In my view, Ms Schnehage has not contributed enough to produce an original work. Accordingly, I find that Moneyweb has not established that Moneyweb 4 is an original work.

The fifth article: 'Angloplats' Griffith responds to Shabangu outburst

[40] I shall refer to this article as Moneyweb 5. It was published on 16 January 2013 at 9:40am and was written by Mr Ryk Van Niekerk, the editor of Moneyweb and the deponent to its founding affidavit. I have set out the article below, with the italicising of those parts that were reproduced in the related Fin24 article.

Angloplats' Griffith responds to Shabangu outburst

Cites JSE regulations ruling sensitive information limiting open discussion before announcement.

JSE regulations ruling sensitive information and an apparent difference of opinion between the Department of Mineral Resources (DMR) and Anglo Platinum may shake the seemingly precarious relationship between government and the mining sector even further.

Amplats' share price took a beating on Wednesday, falling by 5.95% by 11 hi5. Parent company Anglo American's price is down 3.2%.

Following the public outburst from Susan Shabangu of the DMR in reaction to Amplats' restructuring plans. Amplats CEO Chris Griffith responded that there was indeed a public process, but that JSE regulations governing sensitive information prevented a totally transparent discussion with all stakeholders.

Shabangu accused Amplats of being irresponsible, that it acted in bad faith and questioned the company's motives. Griffith said during the SAFM Market Update with Moneyweb on Tuesday night that he will not get involved with a public spat with the minister.

'Clearly the minister is unhappy about a number of things, and I'm going to need to go back to the minister and sit down with her and work through the concerns that she may have.'

However, Griffith added that due to the regulations regarding sensitive information the company could not discuss its plans openly with all stakeholders. 'I think we would argue that, given the narrow range that we have to consult, whilst we are developing our plans before it becomes public and before we get obliged in terms of the Securities Exchange to make all of that information public ... we were not in a position to talk about some of our future plans with every person. Even the nature of that conversation with government we've got to be careful about.'

Griffith said the platinum industry has been under severe financial pressure for a number of years. 'We have continuously engaged with all stakeholders, including different levels of government, in addition to that, the level of unsustainability of this business reached a peak, you'll recall, in 2010 when Anglo American Platinum had to go back to its shareholders after reaching a debt of R20bn, to say to shareholders, look, we need a rights issue, we need you to reinvest and then raise R12.5bn. I think that was the first indication of the kind of difficulty that the industry was under.'

Griffith said Anglo American announced the review of the platinum operations at the beginning of 2012. This coincided with an industry analysis by the platinum industry task team to talk about structural changes in the sector. 'So this is likely to be a difficult period. I don't think anyone expected either government or unions or ourselves or civil society to say it's a good idea that we have retrenchments.'

'But the fact is that if we don't do something about the company eventually 60 000 people in the company will have no employment. We seek to work with our stakeholders, if some of our stakeholders are feeling uncomfortable about that we need to sit down with them and work through that. And if there are difficulties we need to patch those up.'

Peter Major from Cadiz Asset management commented that it would be hard to make everyone happy. 'All industries have gone through this - computer, airlines, and definitely automobiles. And so this is a natural part of capitalism.'

He even speculated tongue in cheek that there might be room for nationalisation.

‘There's going to be four shafts available and they said they are going to be looking for a buyer for Union section. How open is government to that?’

Major added that it would be difficult for other stakeholders to influence the implementation of the plan. ‘Anglos have put a lot of work in this and they have thought of all the alternatives. What makes it a little bit sad is it's too hard for the other role-players to completely change. You've had 10 years of double and triple the inflationary cost increases on the platinum mines. That is really entrenched. It's in the DNA of everybody's system - government, labour and the company. And so I think it's a little too late for the employees to say OK, we'll bend now. Or for government to say we'll do anything you need just don't close those shafts.’

Earlier Shabangu said she was very disappointed by Anglo Platinum's announcement, as the company did not engage the department. ‘They made the announcement before engaging us. I must indicate that Anglo Platinum contacted us last week on Tuesday and requested a meeting. They wanted to meet today (Tuesday). Then yesterday (Monday) they said they wanted to meet yesterday, as if I am waiting for them while I am doing other work. I really feel that they are undermining the relationship between us and them.’

Shabangu said Anglo Platinum's announcement creates more uncertainty among foreign investors.. ‘In the past we would talk and engage about issues before we go public. In this case Anglo Platinum was unilateral. They said last year that they will engage on the issues, but they only gave us seven days. It is bad faith ... Anglo has operated in SA for many years. What is their agenda and intention to behave in this fashion?’

This follows Amplats' announcement that it plans to close four shafts in the Rustenburg area and sell its Union mine. These plans are all the result of a review of its operations undertaken by its parent Anglo American in a bid to return the company to long-term profitability and are expected to affect as many as 14,000 jobs, 13,000 of which will be in the Rustenburg area.

These steps would deliver R3.8bn in cost savings by 2015.

[41] Mr Van Niekerk wrote Moneyweb 5 based on an interview done by a Moneyweb journalist, Mr Hilton Tarrant, with Mr Chris Griffith, the Chief Executive Officer of Amplats. The interview had aired on 15 January 2013 on the radio programme SAfm Market Update.

[42] The interview was recorded and transcribed by Moneyweb. Mr Van Niekerk used the transcript of the sound recording to source quotes from Mr Griffith. Ms Seggie then edited the article and wrote the headline and sub-headline before it was published.

[43] Mr Van Niekerk explains how he went about constructing Moneyweb 5. He says that he listened to the sound recording and went through the entire interview to extract the most salient quotes. He describes the interview as ‘in-depth’ but does not indicate the length of the interview or the transcript. He does say that he sought to ‘extract the most salient quotes’, implying that he applied his mind and excluded that which he did not need for purposes of his article.

[44] In my view, Mr Van Niekerk applied his mind to the transcript and sought to write an article that captured the essence of the interview with Mr Griffith. Mr Puckrin submitted that Moneyweb ought to have produced the transcript in evidence. I do not agree. Just as Mr Sidorski was able to testify to what he saw, so too can Mr Van Niekerk. His evidence that he read the entire transcript and selected what he believed to be the most salient quotes stands uncontested. I note too that, although Moneyweb 5 is focused on the interview with Mr Griffith, it also contains input from other sources, i.e. Minister Shabangu and Mr Peter Major.

[45] It is clear that Mr Van Niekerk has not slavishly copied from the transcript. In the circumstances, I am satisfied that Moneyweb has proved that Moneyweb 5 is an original work.

The sixth article: ‘Defencex mastermind rallies support’

[46] I shall refer to this article as Moneyweb 6. It was published on 9 March 2013 at 3:07pm and was written by Mr Malcolm Rees, an employee of Moneyweb who was responsible for writing articles for publication on its website. I have set out the article below and italicised those parts that were reproduced in the related Fin24 article.

Defencex mastermind rallies support

Walker calls for calm and support, following a vague, brief explanation. Over a thousand ardent supporters of the embattled Defencex scheme flocked to the Linder Auditorium on the Wits Education campus on Saturday to hear Chris Walker, the scheme’s mastermind, speak. Those who managed to gain entry to the fully-booked auditorium had paid an alleged R1

a ticket to hear Walker’s five-minute explanation of exactly what had gone wrong with his 2%-a-day investment initiative.

Moneyweb was able to gain access to the heavily guarded, members-only event by purchasing a bootleg ticket outside the entrance to the auditorium (see photos below).

Proceedings began with recitals of hymns and prayers. After music played by a Sowetan music group, to which members sung and danced, Walker entered the stage to a roar of support from the crowd.

‘You are going to make me cry,’ were the opening remarks to a very short speech.

In his address, Walker explained that members' monies had been frozen and that no withdrawals from the scheme would be possible 'until the investigation is complete.'

He explained in the vaguest of terms that the situation had now become 'a legal matter' and that he had appointed a top attorney to represent the company during the proceedings.

However, he provided members with no explanation of what had led to the current status of events or made no attempt to justify the legitimacy of the scheme.

'There is nothing more I can say.'

No questions were taken from the crowd.

He did, however, suggest that once the legal proceedings had concluded members would once again be able to withdraw funds from the scheme.

To this the crowd murmured in support.

Following this very brief explanation, Walker asked members if they were 'angry' to which unanimous agreement was heard.

He then urged that no single party, be it the banks or the media, be blamed for the situation and that calm and responsible behaviour be maintained by members.

He did urge members not to listen to 'rumours' and suggested that Defencex is not a company but that Net Income Solutions is.

Defencex does not pay tax, he said, but Net Income Solutions does.

'I am going through a very difficult time,' he said, to which sympathetic utterances could be heard in the crowd, 'i need to know that I have your support.' he entreated.

Support was clearly granted.

Walker then guided the crowd through a 'visualisation' exercise.

Members were reminded to stay positive and happy with Walker explaining that it is impossible to have both a positive and negative thought in one's mind at the same time.

For the purpose of guiding members towards positive thoughts, they were asked to visualise the construction of the new Net Income Solutions offices in Cape Town.

The exercise ended with members being asked to visualise the time when they could again be able to withdraw funds from the scheme.

'I love you all,' said Walker as he departed to the cheers of the crowd.

As this journalist left the auditorium one of the 'experts in happiness,' a member from Laugh SA, took the microphone to explain the power of joy before spontaneously releasing ever-intensifying barrages of artificial laughter into the crowd. After some brief hesitation, members of the crowd could be heard beginning to join in.

[47] Mr Rees wrote Moneyweb 6 after he had attended an event held at the University of the Witwatersrand. The event was organised so that Mr Chris Walker, the head of an investment scheme known as Defencex, could address

participants in the scheme. It was the first time that Mr Walker had spoken in public about the scheme. Although the event was open only to participants who had purchased tickets, Mr Rees managed to gain access by purchasing a ticket for R800.

[48] Mr Rees states that Moneyweb 6 and Moneyweb 7 (below) 'are original works and required my independent effort, skill and expertise to write' Having written Moneyweb 6, Mr Rees consulted with Ms Seggie and Mr Van Niekerk. Together they discussed a headline for the article. Ms Seggie wrote the headline.

[49] Although Mr Rees repeats the mantra common to all the confirmatory affidavits, I am satisfied that the facts adduced over and above the mantra do establish that Moneyweb 6 is an original work. The Defencex event was not open to the media and it is therefore unlikely that there would have been a written press release.

[50] Mr Rees could not pose as a journalist It is not clear whether he took notes or recorded and transcribed the proceedings. Although he has not produced his notes, a recording or a transcript, I am of the view that the structure of the article demonstrates that Mr Rees applied his mind to what was happening around him and created an original work that described the event using his own observations and Mr Walker's words.

The seventh article: Chris Walker breaks the silence

[51] I shall refer to this article as Moneyweb 7. It was published on 1 July 2013 at 9:58am and was written by Mr Rees. I have set out the article below, with the italicising of those parts that were reproduced in the related Fin24 article.

Chris Walker breaks the silence

Defencex mastermind: SARB thinks I'm the biggest criminal in SA.

JOHANNESBURG - *Chris Walker, the mastermind behind the R8Q0m Defencex scheme has likened the insurance industry and the banks to Ponzi schemes, while admitting that his battles with the Reserve Bank (SARB) could never have been won.*

He also claims not to have profited from his embattled business and suggests that the accounts linked to Net-Income-Solutions were frozen to protect the profit seeking interests of the banks and to allow liquidators and attorneys a slice of the R349m pie.

This was revealed in extensive discussions with Moneyweb which ranged from the new schemes and training seminars being promoted by Walker, to his views on Defencex.

Despite repeated attempts by Moneyweb to contact Walker he has thus far never spoken to the media about his controversial scheme or his court battles.

Approached Walker as an interested investor in the network marketing scheme MyFunLife (MFL).

Walker has been promoting the scheme, which bears a close resemblance to a classical pyramid scheme, through his blog www.wealth4africa.com. After registering to join MFL through Wealth4Africa, I received an email from Walker inviting me to call should I have any questions.

So I did.

On network marketing

Q: The amounts that MFL suggest can be made are huge, is this offer not a little too good to be true?

Walker: 'You have to work hard, it won't just happen if you don't do anything ... if you want to earn money you are going to have to refer people and grow a team and in that way it is not too good to be true because it takes a lot of effort.

'Theoretically it is very easy but it is a matter of finding the right people ... it's not like you are going to go out there and find hundreds of people immediately because most people are sceptical and ... think it is too good to be true but it is not because you actually have to work.

He later added that 'I have been doing it (network marketing) for 13 years and I still find it difficult (to train people) to go out there and create a team that works.'

'People that join through me usually know what to do ... they are people that know me and that trust me and that do it full time, some of them have made more money than me... this is how they make their money.'

However, Walker warned that network marketing 'is not fun' and he would not advise it as a business venture for 'beginners.'

Q: MFL seems very similar to a pyramid scheme. There seems to be a fine line between a pyramid and a Network Marketing Scheme (NMS)?

Walker: 'there is no such thing (as a pyramid)... Clientele life is an SA company that has been going for years; it works exactly the same way (as a NMS or pyramid) except their product is insurance ... you pay a monthly fee and then you earn down the line from other people paying insurance. 'To my mind insurance is a scam...they take one person's money to pay another person ... the banks are the same, there is no difference.

'But that is just my take on it.'

Q: To me it seems like a pyramid, so if I get in early can I make more money?

Walker: 'It does not matter how young the company is. You can go and join a company that is ten years old and still make money. It is a matter of what you do ... that is why I am in the business of trying to open help and support centres for my members so that if they find people to introduce to the scheme we can show them what to do.'

He added that 'the market I deal with is mostly black ... I like to deal with them because they are not sceptical, they are open and they understand sharing ...'

Q: Did you target the poorer communities because they would be less sceptical?

Walker: 'no, no, no. I don't go anywhere and talk to people, I just have a website and people trust me and if they know me they will join ... I don't specifically deal with poor people.

'It is not about that, I am not interested in trying to convince people to join, it is their choice ... they go onto the website and they join so it is really up to them.'

On Kip

Q: I had initially been interested in Kipi, how does that work?

Walker: 'With Kipi it is a matter of showing people how to do it... it works like a stokvel. Stokvels are legal in SA ... you don't pay to Kipi or to a bank account its people helping others out.'

Q: Stokvels don't generate profits, is it the same then with Kipi?

Walker: 'no you can (make a profit), it depends on if you introduce people and if you want your dream to be fulfilled it depends how much you put towards it... it is terrific, it has been working for years.'

On Defencex

Q: What happened with Defencex, it seems like guys lost a lot of money?

Walker: *'Well the only reason they have lost money is because the Reserve Bank closed the bank accounts ... SARB did not like people to be able to make money because they rely on debt, the banks make money from debt.'*

'And 200 000 people not doing business with them anymore ... this is about the (lost) money, it has nothing to do with the system.

'I know the facts; my lawyers know the facts ... (they were concerned that) people were taking their money out of bank accounts and out of investments,' and that is why they got involved.

'I am still with the people who made money and [they] understand. The Reserve Bank closed the banks accounts, they must decide what to do with the money.'

'I am not going to win against SARB - that is impossible.'

Q: The scheme was R800m. I read that you had only directed R20m to yourself- that doesn't seem like a lot?

Walker: 'I didn't take R20m that is a lie, that money was going to be used to buy a brand new office block - everybody knows that but they still twist the truth around. I am very angry about that.

'They say I transferred R20m to my personal bank account, I did not, that money was sent to (inaudible) it was a brand new office block that was going to be used as a HQ'.

'We paid out R370m; there was still R349m in the bank account. It is just too much money, they just want their slice. They are going to take millions and millions in fees ... the liquidators are going to get their fees,

the attorneys are going to get their fee. That is why they are doing it, to get at the money.'

Q: What are the similarities between Defencex and MFL?

Walker: 'My business was never an investment in the first place, everybody says it was an investment, everybody says it was 2% a day but nowhere on my website did I ever state it was an investment... people just make up their own things.

'MFL is totally different; it works in a completely different way (to Defencex).'

'Defencex was revenue sharing ...traditional network marketing pays out to up to ten levels, they don't advertise so they take the advertising budget and they give it to the members ... what they do is take it as a profit and divide by up to ten levels.

'What my business did, was take that profit and divide it by everybody and give them a small little fraction of that so everybody got a piece of the action. So even if you were not part of that team you still got a piece of it.

'In MFL only ten people got paid, in my fund everybody got paid, people don't get that, they don't understand it... everybody shared in the daily profit, not just a certain number of people, it was not very much but it was something.'

Q: But was that money generated from recruiting new members?

Walker: 'No, there was a product, the product was computer training, personal development and emotional freedom workshops ... you were buying points to attend the workshops.

'Those businesses already existed, we were outsourcing, like time share.' On the future

Q: What do you think the future holds in terms of the SARB case?

Walker: 'I am not going to win the case, it is over. They are not going to let me carry on. There is just too much money involved. But I knew that four months ago, so I was not expecting to win.'

Q: Are you worried?

Walker: 'there is no point in worrying, they will do whatever they want... luckily I still have people on my side that understand, those that know me will understand.

'They may prosecute me but they have to do that to make it seem like I am the bad one not them... They will tell you that they are trying to protect people but they don't care about that.

'Anyway, I better not say too much, they listen to all my conversations.

'They think I am the biggest criminal in SA at the moment.'

Walker has not responded to requests to comment on a draft of this article.

However, following those requests he posted the following on his Facebook page:

‘We have received some inside information that certain media organizations are paid to distort the facts (lie) and discredit any system that helps people to earn money to reduce/eliminate their debts.

Their objective is to keep the masses poor and dependent on the control system.

What is the control system?’

[52] On 30 June 2013 Mr Rees managed to track down Mr Walker and interviewed him. He posed as a prospective investor and asked many questions. It appears that Mr Rees was the only one interviewing Mr Walker. He wrote Moneyweb 7 after the interview. Ms Seggie and Mr Van Niekerk edited the article before it was published. Ms Seggie also wrote the headline after consulting Mr Rees and Mr Van Niekerk.

[53] Although the bulk of Moneyweb 7 is a transcript of the interview, it is clear that the transcript has been edited. Words have been omitted in the discretion of the author and/or his editors. The introductory paragraphs, in Mr Rees's words, set the context of the interview and draw his conclusions. In my view, Mr Rees has contributed more than merely copying the transcript. I am therefore satisfied that Moneyweb has proved that Moneyweb 7 is an original work.

[54] My conclusion, in summary, is that Moneyweb has discharged its onus of proving Moneyweb 5, 6 and 7 to be original works. It has failed to establish originality in respect of Moneyweb 1, 2, 3 and 4.

[55] Before I turn to the issue of substantiality, it is appropriate that I deal with one of the statutory defences upon which Media24 relies, section 12(8)(a) of the Act. If the subsection applies to any of the Moneyweb articles, those articles would not enjoy copyright protection. It would be fruitless then to engage in a determination as to whether there has been substantial reproduction of an article covered by section 12(8)(a) of the Act.

Section 12(8)(a) of the Copyright Act

[56] Section 12(8)(a) of the Act provides¹⁶:

‘No copyright shall subsist in official texts of a legislative, administrative or legal nature, or in official translations of such texts, or in speeches of a political nature or in speeches delivered in the course of legal proceedings, *or in news of the day that are mere items of press information.*’

[57] The parties did not refer me to any decided case that has considered any aspect of section 12(8), nor am I aware of any.

[58] The learned author, O H Dean, notes in relation to section 12(8)¹⁷:

¹⁶ My emphasis

¹⁷ Dean: Handbook of Copyright Law (30 September 2015) at 1-98B to 1-98C, par 9.9.1 (my emphasis)

‘Unlike all the other exemptions dealt with in the Act, which, as mentioned above, pre-suppose that copyright subsists in the work being used and that the user has taken a substantial part of the work (and prima facie has committed an act of copyright infringement), this exemption goes one step further: *it states in effect that the types of work concerned do not enjoy copyright at all and are indeed in the public domain. They are thus free for use by all, in their entirety, without restriction and without authorisation being required from anyone.*’

[59] There are three categories of works covered by section 12(8)(a): official texts and their translations, political and legal speeches, and certain news of the day.

[60] In Dean's opinion, ‘official texts of a legislative, administrative or legal nature’ include statutes, regulations, court judgments and government notices. I would add awards and rulings of administrative tribunals, recognising that the list is not exhaustive. According to Dean: ‘This makes perfectly good sense since it is in the public interest that the general public should be easily aware of information and edicts disseminated by government during the course of carrying out its basic functions.’¹⁸

[61] But the exemption in section 12(8)(a) is not limited to official texts of a legislative, administrative or legal nature. It covers also ‘speeches of a political nature [and] speeches delivered in the course of legal proceedings’, thus extending to literary works not produced by government. ‘Speeches’ in this context means speeches that have been reduced to material form. This is because section 2(2) of the Act requires all works eligible for copyright to be reduced to material form. A speech that has not been reduced to material form is not eligible for copyright, regardless of the provisions of section 12(8)(a). For section 12(8)(a) to have any purpose, it must refer to works that have been reduced to material form.

[62] In my view, this too makes perfect sense. It is certainly in the public interest that the general public should be easily aware of political speeches, and arguments in the course of legal proceedings, all of which are already in the public domain.

[63] That brings me to ‘news of the day that are mere items of press information’ In my view, ‘news of the day means current news. I can think of no good reason why the phrase should be limited to a 24-hour news cycle.

[64] However, it is clear from the words used that section 12(8)(a) is not intended to apply to all ‘news of the day’, but only to ‘mere items of press information’. The subsection certainly does not exempt from copyright protection all current news articles. Section 12(1)(c)(i) of the Act, dealt with below, regulates that issue.

¹⁸ Handbook of Copyright Law (above) at 1-98C, par. 9.9.2

[65] Mr Ginsburg submitted that the use of the word ‘mere’ further qualified the ‘items of press information. For the reasons set out below, I do not agree.

[66] According to The Concise Oxford Dictionary of Current English (eighth edition), the word ‘mere’ is an adjective meaning ‘that is solely or no more or better than what is specified’. On this view, the word does not add or take away anything; it simply underlines that which is specified.

[67] Section 12(8) appears to be derived from Article 2(8) of the Berne Convention, providing: ‘The protection of this Convention shall not apply to news of the day or to miscellaneous facts having the character of mere items of press information’¹⁹ The Berne Convention lays down certain minimum standards of protection that must be granted to works under copyright in the member countries.²⁰

[68] Article 2(8) of the Convention appears to apply more widely than section 12(8) of the Act. Put differently, section 12(8) affords greater protection to original works. Whereas Article 2(8) would exempt all news of the day and miscellaneous facts having a certain character, section 12(8) exempts only certain news of the day.

[69] There is no issue with the Copyright Act affording greater protection. The Berne Convention lays down minimum standards.

[70] In my view, the use of the adjective ‘mere’ in Article 2(8) does not add anything to the class of ‘miscellaneous facts’. If the adjective had been omitted, Article 2(8) would still exempt miscellaneous facts having the character of items of press information, and nothing more. Similarly, section 12(8) exempts news of the day consisting of items of press information, and nothing more.

[71] Once again, it should be noted that news of the day that are mere ‘items of press information’ refers to works that have been reduced to material form. It matters not whether these are original works: if they are, section 12(8) applies; if they are not, section 2(1) applies; either way they are not entitled to copyright protection.

[72] What are these ‘items of press information’ that are exempted from copyright protection? In my view, this includes all information communicated to the media in material form or subsequently reduced to material form. This would include, but not be limited to, press statements and press interviews concerning ‘news of the day’ which journalists, and anyone else, would be free to use, in whole or in part, without restriction and without authorisation being required from anyone.

[73] Anyone who communicates information to the media intends that information to be put into the public domain. In my view, it is certainly in the

¹⁹ Berne Convention for the Protection of Literary and Artistic Works. South Africa is a signatory and a member country.

²⁰ Handbook of Copyright Law (above) at 1-66C to 1-66D at par. 13.6

public interest that the general public be easily aware of information communicated to the media that is either already in the public domain or soon will be.

[74] In this application, items of press information, communicated in material form or subsequently reduced to material form would be: the information disclosed at the press conference attended by Ms Cloete, or given by Mr Upton in the conference call with Ms Planting and others, or gathered by Ms Seggie during the media visit at McDonald's; the press release issued by Sotheby's; Ms Schnehage's interview with Ms Smith; and Mr Tarrant's interview with Mr Griffith.

[75] In all of these instances, the items of information were given to the media with full knowledge that the information would be put into the public domain. That was not the case with Mr Walker's address at the University of the Witwatersrand (which was closed to the media) and Mr Rees's interview with Mr Walker (where he had posed as a potential investor). In these two cases, there was no expectation that the information would be given to the press and put into the public domain; they were therefore not items of press information.

[76] The fundamental issue, however, is whether any of the Moneyweb articles could be regarded as 'news of the day that are mere items of press information'. In my view, the answer depends on whether the article is an original work or not. If it is, then the article will contain more than 'mere items of press information' because the author's contribution will have constituted more than mere copying. Section 12(8)(a) would not apply. On the other hand, if the Moneyweb article is not an original work, the article will be no more than a repetition of the 'news of the day that are mere items of press information'. Section 12(8)(a) would then apply.

[77] Accordingly, I find that section 12(8)(a) of the Act does not apply to Moneyweb 5, 6 and 7. Regarding Moneyweb 1, 2, 3 and 4, I have not found that they are not original works. What I have found is that Moneyweb has not discharged its onus of proving originality. The onus of proving a defence in terms of section 12(8)(a) rests on the respondents. In order to discharge this onus, the respondents would have to prove that Moneyweb 1, 2, 3 and/or 4 contain nothing more than 'mere items of press information'. This they have not done in relation to any of the four articles. The respondents have therefore not proved that section 12(8)(a) applies to Moneyweb 1, 2, 3 and 4.

Substantiality

[78] The issue here is whether Media24 has reproduced any substantial part of the articles that have been proved to be original works - Moneyweb 5, 6 and 7.

[79] In *Galago Publishers (Pty) Ltd v Erasmus*²¹, Corbett JA (as he then was) set out the test to be applied in determining whether there has been an infringement of copyright:

‘... [I]t is not necessary for a plaintiff in infringement proceedings to prove the reproduction of the whole work: *it is sufficient if a substantial part of the work has been reproduced*. To ‘reproduce’ within the meaning of the Act means to copy and in order for there to have been an infringement of the copyright in an original work it must be shown (i) that there is sufficient objective similarity between the alleged infringing work and the original work, or a substantial part thereof, for the former to be properly described, not necessarily as identical with, but as a reproduction or copy of the latter; and (ii) that the original work was the source from which the alleged infringing work was derived, ie that there is a causal connection between the original work and the alleged infringing work ..

As to what is meant by the reproduction of a ‘substantial part’ of the plaintiff’s work, I would simply refer to what was stated in the *Ladbroke* case *supra* by Lord Reid (at 469):

*If he does copy, the question whether he has copied a substantial part depends much more on the quality than on the quantity of what he has taken. One test may be whether the part which he has taken is novel or striking, or is merely a common-place arrangement of ordinary words or well-known data. ...*²³

[80] Mr Puckrin submitted that ‘whatever the *amount* of Moneyweb’s article (in each case) used by Fin24, it is the originality of the *parts* used which is relevant to the inquiry into whether there has or [has] not been any reproduction for purposes of the *infringement* inquiry²⁴. ...’ In argument, he further submitted that if the part used by Fin24 had been copied by Moneyweb from another source, then it could not be said that Fin24 had copied a substantial part. In this regard, Mr Puckrin relied on two works: *Copinger and Skone James on Copyright*²⁵ and *The Modern Law of Copyright and Designs*²⁶.

‘The quality or importance of what has been taken is much more important than the quantity. The issue thus depends therefore not just on the physical amount taken but on its substantial significance or

²¹ *Galago Publishers (Pty) Ltd v Erasmus* 1989 (1) SA 276 (A)

²² *Galago Publishers* (above) at 280B-E (my emphasis)

²³ *Galago Publishers* (above) at 285B-C (my emphasis)

²⁴ Respondents’ Heads of Argument, par 23 (emphasis in the original)

²⁵ Garnett Davies and Harbottle, *Copinger and Skone James on Copyright* (16th edition) at 7-28 and 7-30

²⁶ Laddie, Prescott and Vitoria, *The Modern Law of Copyright and Designs* (4th edition), at p 82

importance to the copyright work, so that the quality, or importance, of the part is frequently more significant than the proportion which the borrowed part bears to the whole. ... Quality and importance must therefore be understood in terms of the features of the work which made it an original work in the first place. It follows that the quality relevant for the purposes of substantiality in the case of a literary work refers to the originality of that which has been copied.’²⁷

‘As soon as a situation arises where not all of the work has been copied, or where imitation is not exact, the court has to decide whether what the defendant has taken is a ‘substantial part and the answer to that question depends *at least in part* on the degree of the originality of the part that is taken’²⁸

[81] In *Express Newspapers Pic. v News (UK) Ltd*²⁹, the Chancery Division of the English High Court, in an application for summary judgment, was required to adjudicate upon a dispute between two newspapers that had accused each other of breaching copyright in respect of an article that each had published. Both articles contained quotations of the words used by the interviewee. In the case:

‘... There is no verbatim quotation of the journalist’s own words. The position is different so far as the original article contains quotations of the actual words used by Mrs Bordes or Miss Ogilvy, as the case may be. The original article quotes them verbatim. They are then also quoted verbatim in the pirated article. The only source of the verbatim quotation of the words of Mrs Bordes and Miss Ogilvy to the pirate reporters were the quotations contained in the original articles.’³⁰

[82] Confronted with an application for summary judgment, the court was not willing, or able, to make final pronouncements. Nevertheless, the court expressed the view that there could be no copyright in the news. In my view, that is correct. As the court explained:

‘I think, therefore, that it is very improbable that the courts would hold that a newspaper could, by reason of the law of copyright, obtain a monopoly on a news story as opposed to copyright in the actual words used by its reporter in reporting that story. ...’³¹

[83] The issue for the court was whether the reproduction of the actual words used by the interviewee, as reported in the original article, could found a

²⁷ Copinger and Skone James on Copyright (16th edition) at 7-30

²⁸ The Modern Law of Copyright and Designs (4th edition), at p 82 (my emphasis)

²⁹ *Express Newspapers Pic. v News (UK) Ltd* [1990] 1 WLR 1320

³⁰ *Express Newspapers* (above) at 1324E-F

³¹ *Express Newspapers* (above) at 1325C

claim for breach of copyright. Relying on *Walter v Lane*³² and *Sands & McDougall Proprietary Ltd v Robinson*³³, the court held:

Although Miss Ogilvy had approached the reporter; the whole conduct of the interview and the selection of quotations involved at least as much (and in my view greater) skill and judgment than merely taking down the words of a speaker at a public speech. Therefore, in my judgment, in the absence of any other defence, it has been shown that "Today" 1 does enjoy reporter's copyright in the words of Miss Ogilvy. *It follows that in the absence of such defence, by copying those quotations from 'Today's' article, the Daily Star has infringed 'Today's' copyright*³⁴

[84] It seems to me that the English position is no different from our own. If a literary work is eligible for copyright on the basis of originality, then it is the whole work that is original and not selected parts, even if some of its parts have been copied from other sources. In my view, the quotations relied upon by Mr Puckrin must be read in that light, i.e. the 'originality of the part that is taken' also applies to material that has been copied from other sources³⁵.

[85] I therefore do not agree with Mr Puckrin's submission that if a part used by Fin24 has been copied by Moneyweb from another source, then it cannot be said that Fin24 has copied a substantial part. In determining whether a substantial part of the work has been reproduced, the court must make a value judgment based on the work as a whole, focusing more on the quality of what has been taken than on the quantity.

[86] Against this, I turn to consider whether Fin24 has reproduced a substantial part of Moneyweb 5, 6 and 7.

Amplats: CEO cites JSE rules'

[87] I shall refer to this article as Fin24 5. It was published on 16 January 2013, the same day that Moneyweb 5 was published, at 4:38pm. Seven hours separated publication of the two articles. I have set out the article below, italicising those parts that are sourced from Moneyweb 5³⁶:

Amplats; CEO cites JSE rules

Johannesburg - *Anglo Platinum* fJSE:AMS1 (*Amplats*) CEO Chris Griffith responded to comments made by Mineral Resources Minister Susan Shabangu on Wednesday, saying that despite the fact that there was a public process, JSE regulations on sensitive information prevented a totally transparent discussion with all stakeholders.

³² *Walter v Lane* [1990] AC 539

³³ *Sands & McDougall Proprietary Ltd v Robinson* (1917)23CLR49

³⁴ *Express Newspapers* (above) at 1326H - 1327A (my emphasis)

³⁵ See also *Juta & Co Ltd v De Koker* 1994 (3) SA (T) at 504D - 505C

³⁶ The emphasis in bold text is my own

Shabangu questioned the miner's decision to 'leave government out' of its announcement that it may retrench some 14 000 jobs.

She also called Griffith 'arrogant' *following an announcement that Amplats planned to close four shafts in the Rustenburg area and sell its Union mine.*

In an interview with Moneyweb, Griffith said he would not be drawn into a public spat with the minister.

*'Clearly the minister is unhappy about a number of things, and I'm going to need to go back to the minister and sit down with her and work through the concerns that she may have.'*¹¹

Griffith told the publication that due to the regulations regarding sensitive information, the company could not discuss its plans openly with all stakeholders.

'I think we would argue that, given the narrow range that we have to consult, whilst we are developing our plans before it becomes public we were not in a position to talk about some of our future plans with every person. Even the nature of the conversation with government we've got to be careful about.

'We have continuously engaged with all stakeholders, including different levels of government. ' Griffith said in the report.

Anglo American announced at the beginning of 2012 that that it would review platinum operations.

'So this is likely to be a difficult period. I don't think anyone expected either government or unions or ourselves or civil society to say it's a good idea that we have retrenchments.

'But the fact is that if we don't do something about the company, eventually 60 000 people in the company will have no employment. We seek to work with our stakeholders.

'If some of our stakeholders are feeling uncomfortable about that, we need to sit down with them and work through that. And if there are difficulties we need to patch those up.' he said.

Meanwhile, shocked Amplats workers refused to go underground on Wednesday.

The ANC also responded with anger, calling the miner's decision 'cynical and dangerous in the extreme'.

Amplats' share price fell 6.30% on Wednesday, while parent company Anglo American's price was down 1.43% on the JSE.

[88] Much of Fin24 5 is a word-for-word copy of Moneyweb 5. In addition, Moneyweb 5 focuses on two main issues: Mr Griffith's response to Minister Shabangu and the effect of the JSE regulations on Anglo Platinum's conduct. Both issues, the core of Moneyweb 5, have been reproduced in Fin24 5. Accordingly, Fin24 has indeed reproduced a substantial part of Moneyweb 5.

Defencex boss rallies support'

[89] I shall refer to this article as Fin24 6. It was published on 10 March 2013, one day after Moneyweb 6 was published, at 9:29pm. Thirty hours separated the two articles. I have set out the article below, italicising those parts that are sourced from Moneyweb 6³⁷:

Defencex boss rallies support

Cape Town - *The mastermind behind the Defencex 'Ponzi scheme' on Saturday tried to allay investors' fears at a brief appearance at a Motivational/Feelgood Day (sic) meeting at Wits University.*

Chris Walker, the sole member of the close corporation Defencex, a trading name for Net Income Solutions, *told over a thousand 'investors' that their money had been frozen and that no withdrawals from the scheme would be possible 'until the investigation is complete', reported a Moneyweb reporter who gained access to the closed meeting.*

Attendees reportedly paid R1 000 a ticket to hear Walker's five-minute explanation of exactly what had gone wrong with his 2%-a-day investment initiative.

But it will take more than just facing a handful of investors who invested up to R500m in the alleged scheme.

Investors were up in arms when news broke that the bank account of Net Income Solutions had been frozen on February 28. There was R320m in the Standard Bank account at the time.

According to Gavin Came, chairperson of the Financial intermediary Association of South Africa, Walker can only soothe investor fears by appearing at the court return date on March 26.

He said the only institutions authorised to take deposits are banks, collective investment schemes (unit trusts) and stock broking firms through stock broking accounts.

'With Defencex, Walker has been taking deposits from the public in breach of the banking laws. If he can convince the court on March 26 that he is not a bank, the scheme could be in business again, which is unlikely.'

Defencex promised investors some 2% per day on investments of five-month duration subject to a complicated points-based assessment system. They could enhance these returns by earning commission on the amounts invested by people they in turn introduced to the scheme.

At the end of last month, the Western Cape High Court ordered the bank accounts connected to the scheme be frozen after the Registrar of Banks applied to the court for an interim order interdicting Net Income Solutions/Defencex from continuing its deposit-taking activities.

³⁷ The emphasis in bold text is my own

Thousands of people had bought into the promise of a daily return of 2% on R100 investment. Defencex sells 'points' for R100 apiece. These points 'earn' 2%, or R2, a day for 75 days, at which point they can be withdrawn.

Came said the worrying trend emerging from this is that participation in the scheme had increasingly been linked to the unsecured borrowing market, where some investors could even have used their overdrafts to 'invest' in the scheme.

Another worry is the level of financial literacy of investors, judging from the posts on Facebook and Twitter. 'It is difficult for the ordinary person to pick up a pyramid or Ponzi scheme, but financial intermediaries are equipped to do so.

'And extra protection for the investor is that the intermediary can be held liable for inappropriate advice and be referred to the ombud,' said Came. Defencex's website redirects to an internet page called recycle4dollars which introduces visitors to Emotional Freedom Techniques (Meridian tapping).

Further browsing of the site brings up a Financial Opportunity which outlines how Defencex works and the navigation button Getting Started instructs investors how to deposit money.

The contact email is a g-mail address.

[Picture]

Instructions on how to deposit money into the scheme. (Defencex website)

Defencex punts itself as an online investment company that allows you to 'grow your profits by learning to compound your daily profits'.

It goes on to encourage clients to 'invest their money for cash-flow as opposed to invest for capital gains. Cash-flow investing is the best because you enjoy your account returns for a lifetime,' the company says. Although the Defencex website is still there, members have vented their frustration that they cannot enter the Member login.

'Guys what is hapening with defencex website 1 cnt login,' (sic) one member said on Facebook.

'does anybody have any new info on what is happening on Defecex. Can't even get into the website,' (sic) another said.

However, many investors still back Walker and when he asked for it at Saturday's meeting, support was clearly granted.

Moneyweb reported that Walker said he is going through a difficult time. 'I need to know that I have your support,' which was clearly granted, according to the Moneyweb report.

Almost 4 000 people also signed an online petition backing Walker.

Meanwhile, the SA Reserve Bank has asked auditors PwC to investigate whether Defencex, Cycle4Dollars, Net Income Solutions and its director Chris Walker are contravening the Banks Act, Moneyweb reported.

According to affidavits, large sums of money were deposited into the accounts of Net Income Solutions, none of which were reinvested by Walker.

According to Moneyweb, Walker, 46, is no stranger to controversy. His previous scheme, Gold Charity Fund Investments, was reportedly declared an unfair business practice back in 2002.

Walker was accused of operating a pyramid scheme which abused the name and image of former president Nelson Mandela. Came warned South Africans against get rich-quick schemes.

‘Warning signs that you are dealing with a Ponzi scheme are that the promised returns offered are way over those achieved in bank deposits, unit trusts and other regulated savings and investment products,’ said Came.

[90] Fin24 took very little quantity from Moneyweb 6. It reproduced the headline, but used the word ‘boss’ instead of ‘mastermind’. The first three paragraphs, and two paragraphs towards the end, of Fin24 6, are also copied from Moneyweb 6. The remainder of a fairly long and detailed article is not taken from Moneyweb 6.

[91] But what about the quality of what was taken? It is correct, as Moneyweb says, that the headline and introductory paragraphs of an article are important to retain the reader's interest in reading the article to completion. However, in my view, it does not follow, without more, that the headline and introductory paragraphs of Moneyweb 6 represent, qualitatively, a substantial part of the article.

[92] The essence of Moneyweb 6 is an undercover report of a closed meeting during which an elusive character addresses his supporters. The article is devoted to a detailed account of what transpired at the meeting. The detail is central to the article, capturing the atmosphere of the meeting. By contrast, Fin24 6 contains very little detail of the meeting and is barely descriptive. In my view, Fin24 has not reproduced a substantial part of Moneyweb 6. ‘Defencex boss opens up to Moneyweb’

[93] I shall refer to this article as Fin24 7. It was published on 4 July 2013 at 1:33pm, more than three days after Moneyweb 7.³⁸ The article is set out below, with those parts italicised that are sourced from Moneyweb 7³⁸:

Defencex boss opens up to Moneyweb

Johannesburg - *‘I’m not going to win against the Reserve Bank - that is impossible.’*

This is the view of Chris Walker, the mastermind behind the R800m Defencex scheme.

³⁸ The emphasis in bold text is my own

Walker made this statement during an exclusive interview with Moneyweb, which ranged from the new schemes and training seminars he is promoting to his views on Defencex.

Defencex is the latest scheme to hit the headlines, after the Western Cape High Court on February 28 ordered its Standard Bank account to be frozen because of the company's deposit-taking activities.

In terms of the Banks Act, only banks, collective investment schemes and brokers through a brokerage account are authorised to take deposits.

Moneyweb earlier reported that the Reserve Bank had asked auditors PwC to investigate whether Defencex, Cycle4Doliars, Net Income Solutions and Walker were contravening the Banks Act.

According to affidavits, large sums of money were deposited into the accounts of Net Income Solutions, none of which were reinvested by Walker.

Still no returns on invested amounts

Defencex punted itself as an online investment company that allows you to 'grow your profits by learning to compound your daily profits'.

It promised investors about 2% per day on investments of five months' duration, subject to a complicated points-based assessment system. They could enhance these returns by earning commission on the amounts invested by people they in turn introduced to the scheme.

Investors have no clue when they will see any of their money.

The last post on June 25 on the Defencex website stated: 'The interim order made on 28 February 2013 was made final and confirmed today. In other words the Registrar of Banks still has control over the money. So nothing has changed.

'We still have to wait until the investigation is finalised. We do not know when that will be.'

Analysts said the signs were clear for investors not to buy into a scheme like Defencex. 'Every time a scheme is exposed, people go through something similar to the normal five phases of loss - disbelief, anger, fear, negotiation, and then a very distant acceptance or resigning themselves to the loss,' said Daryl Ducasse, investor activist and member of Mercurius Capital Solutions.

Answering questions on the loss people suffered from investing in Defencex, Walker told Moneyweb: 'The only reason they have lost money is because the Reserve Bank closed the bank accounts ... Sarb did not like people to be able to make money because they rely on debt... the banks make money from debt

'They think i am the biggest criminal in SA at the moment.' I said Walker. He likened the insurance industry and the banks to Ponzi schemes, while admitting that his battles with the Reserve Bank could never have been won.

He also claimed not to have profited from his embattled business and suggested that the accounts linked to Net Income Solutions were frozen to protect the profit-seeking interests of the banks, and to allow liquidators and attorneys a slice of the R349m pie.

Pyramid scheme accusations

According to Moneyweb, Walker, 46, is no stranger to controversy. His previous scheme, Gold Charity Fund Investments, was reportedly declared an unfair business practice back in 2002.

Walker was accused of operating a pyramid scheme which abused the name and image of former president Nelson Mandela.

Walker went on to say: 'i'm still with the people who made money and fthevl understand.

'The Reserve Bank closed the banks accounts... they must decide what to do with the money.

'I'm not going to win against Sarb - that is impossible.'

Referring to Defencex, he said: 'The company was about revenue sharing... traditional network marketing pays out up to ten levels, they don't advertise so they take the advertising budget and they give it to the members...'

Ducasse said he doubted whether Defencex members will ever see their money again.

[94] Fin24 7 is headlined 'Defencex boss opens up to MoneywebIt is an article that is based on Moneyweb's wide-ranging interview with Mr Walker. However, the article is focused only on one of the issues covered in the interview, Mr Walker's views on Defencex. On this issue, Fin24 copied certain extracts almost word-for- word from Moneyweb 7.

[95] Fin24 did not reproduce the bulk of Moneyweb 7. It left alone all the other issues covered in the interview and focused only on Defencex. Even its coverage of Defencex was selective. Much of the discussion was left out. Quantitatively, its reproduction was not substantial.

[96] Is the position different when viewed qualitatively? In my view, not. Moneyweb contends that '... Fin24 has copied verbatim the heart and conclusion of the Moneyweb article That appears to be an exaggeration.

[97] Moneyweb 7 is headlined 'Chris Walker breaks the silence'; the sub-headline is 'Defencex mastermind: SARB thinks I'm the biggest criminal in SA.' Although Mr Walker was identified by reference to his Defencex links, the substance of the article covered several issues, namely network marketing, another project known as Kipi, Defencex and 'the future'.

[98] Fin24 copied the first three paragraphs of Moneyweb 7, four extracts from the discussion on Defencex and part of the sub-headline. In the first two paragraphs of Moneyweb 7, Mr Rees highlighted two of the statements in the interview linked to Defencex. In my view, these paragraphs did not summarise the interview as a whole, nor the part on Defencex. They simply gave a taste of what was to come. The third paragraph reported that

Moneyweb had managed to conduct a wide- ranging interview with Mr Walker, the details of which were set out below. The sub-headline is not dealt with in the body of Moneyweb 7.

[99] The four extracts copied by Fin24 come from different parts of the discussion on Defencex. They do not form a continuous block of text. They certainly cannot be said to represent the heart of Moneyweb 7. More of the discussion on this issue is left out than is taken. In my view, Fin24 has not reproduced a substantial part of Moneyweb 7

Section 12(1)(c)(i) of the Copyright Act

[100] Having found that Fin24 has reproduced a substantial part of Moneyweb 5, it now falls to the respondents to prove that their publication of Fin24 5 constitutes ‘fair dealing’ within the meaning of section 12(1)(c)(i) of the Act.

[101] Section 12(1) provides (emphasis added):

‘Copyright shall not be infringed by any fair dealing with a literary or musical work -

(a) for the purposes of research or private study by, or the personal or private use of, the person using the work;

(b) for the purposes of criticism or review of that work or of another work;
or

(c) *for the purpose of reporting current events -*

(i) *in a newspaper, magazine or similar periodical; or*

(ii) *by means of broadcasting or in a cinematograph film;*

Provided that, in the case of paragraphs (b) and c(i), the source shall be mentioned, as well as the name of the author if it appears on the work.’

[102] The key provisions of section 12(1)(c)(i), for purposes of this case, are that the dealing must be ‘fair’; the purpose must be to report ‘current events and the source, including the name of the author, must be ‘mentioned’.

Fair dealing

[103] As before, there does not appear to be any South African decision on point. Both sides referred me to decisions and writings from several foreign jurisdictions on the meaning of the phrase ‘fair dealing’. I understand that foreign authorities are referred to for guidance only. I also accept that I must be cautious in considering foreign law because each jurisdiction has its own particular history and, in many cases, is bound or influenced by domestic statutory precepts. I therefore intend, for historical reasons, to focus on English authority.³⁹

[104] In *Ashdown v Telegraph Group Ltd*⁴⁰, the English Court of Appeal was concerned with whether the Human Rights Act 1998 impacted on the

³⁹ Dean, Handbook of South African Copyright Law (2015) at 1-4D to 1-4E, par 1.4

⁴⁰ [2001] 4 All ER 666 (CA)

protection afforded to owners of copyright by the Copyright, Designs and Patents Act 1988⁴¹. On the defence of 'fair dealing', Lord Phillips MR held:

'Where part of a work is copied in the course of a report on current events, the 'fair dealing' defence under s 30 will normally afford the court all the

scope that it needs properly to reflect the public interest in freedom of expression and, in particular, the freedom of the press. There will then be no need to give separate consideration to the availability of a public interest defence under s 171'⁴²

[105] Lord Phillips approved 'the test of fair dealing in the general context of s 30' as summarised in *The Modern Law of Copyright and Designs*⁴³:

'It is impossible to lay down any hard-and-fast definition of what is fair dealing, for it is a matter of fact, degree and impression. However, by far the most important factor is whether the alleged fair dealing is in fact commercially competing with the proprietor's exploitation of the copyright work, a substitute for the probable purchase of authorised copies, and the like. If it is, the fair dealing defence will almost certainly fail. If it is not and there is a moderate taking and there are no special adverse factors, the defence is likely to succeed, especially if the defendants additional purpose is to right a wrong, to ventilate an honest grievance, to engage in political controversy, and so on. The second most important factor is whether the work has already been published or otherwise exposed to the public. If it has not, and especially if the material has been obtained by a breach of confidence or other mean or underhand dealing, the courts will be reluctant to say this is fair. However this is by no means conclusive, for sometimes it is necessary for the purposes of legitimate public controversy to make use of 'leaked' information. The third most important factor is the amount and importance of the work that has been taken. For, although it is permissible to take a substantial part of the work (if not, there could be no question of infringement in the first place), in some circumstances the taking of an excessive amount, or the taking of even a small amount if on a regular basis, would negative fair dealing.'

[106] In my view, the test approved by Lord Phillips cannot simply be imported into our law. To start with, our Copyright Act must be interpreted through the prism of our Constitution, the Constitution of the Republic of South Africa, 1996. In order to survive constitutional scrutiny, the Act must

⁴¹ Section 30(2) of the Copyright, Designs and Patents Act 1988 provided: 'Fair dealing with a work (other than a photograph) for the purpose of reporting current events does not infringe any copyright in the work

⁴² *Ashdown v Telegraph Group* (above) at 683b-c, par [66]

⁴³ *Ashdown v Telegraph Group* (above) at 683g to 684c, par [70]; See also Laddie, Prescott and Vitoria, *The Modern Law of Copyright and Designs*, vol. 1, p 754, par 20.16

be capable of being interpreted in a manner that is consistent with the Constitution.

[107] Section 6 of the Act declares that copyright in a literary or musical work vests the exclusive right in the owner to (amongst others) reproduce or publish the work. According to Dean: t(The right to control the use of a work in all manners in which it can be exploited for personal gain or profit is an essential right under the law of copyright and that law does not achieve its objective unless such essential right is granted to the full.)⁴⁴

[108] Copyright is an intellectual property right. It is protected by section 25(1) of the Constitution: ‘No one may be deprived of property except in terms of law of general application, and no law may permit arbitrary deprivation of property.’ A law of general application could therefore limit a right in terms of section 25(1), provided that the law meets the requirements of section 36 of the Constitution. It follows that the right to reproduce or publish a copyrighted work is not absolute.

[109] On the other hand, section 16(1) of the Constitution provides that everyone has the right to freedom of expression. This right includes ‘freedom of the press and other media’ and ‘freedom to receive or impart information or ideas’. Similarly, the right is not absolute.⁴⁵

[110] Does section 6 of the Act clash with section 16(1) of the Constitution? I think not. Section 6 must be read with section 12(1) which in turn must be interpreted in a manner consistent with the constitutional right to freedom of expression⁴⁶.

[111] Section 12(1) only becomes relevant after a finding of substantial reproduction. The section contemplates a situation in which a newspaper publishes an article, reporting on current events, that has substantially been reproduced from another article previously published in another newspaper. In such a situation, the party who has published the later article will not be liable for copyright infringement, despite substantial reproduction, if it can prove that it dealt fairly with the original work. It is in this context that the test approved by Lord Phillips can be brought into our law.

[112] What then are the facts relevant to the test? In my view, the relevant facts must be limited to those existing at the time of dealing, i.e. at the time of publication of the later article. A journalist who is about to reproduce part of an article ought to be able to assess whether or not she is about to deal fairly with the article. She cannot anticipate the extent of the copyright owner’s loss. She can only assess the fairness of her conduct on the facts

⁴⁴ Dean, Handbook of South African Copyright Law (2015) at 1 -1, par 1.1

⁴⁵ It too may be limited by law of general application: section 36 of the Constitution.

⁴⁶ The Constitutional Court has recognised that intellectual property rights (attaching to registered trademarks) may be limited by the right to freedom of expression: *Laugh ft Off Promotions CC v SAB International (Finance) BVt/a SABMark International (Freedom of Expression Institute as Amicus Curiae)* 2006 (1)SA 144 (CC).

existing at the time. Her obligation, in exercising her right to freedom of expression, is to deal fairly with the original work. The test is an objective one.

[113] In my view, the factors relevant to a consideration of fairness within the meaning of section 12(1)(c)(i) include: the nature of the medium in which the works have been published; whether the original work has already been published; the time lapse between the publication of the two works; the amount (quality and quantity) of the work that has been taken; and the extent of the acknowledgement given to the original work. One factor may be more or less important than another, given the context in which publication occurs. The list of factors is not exhaustive.

[114] Respectfully, I agree with the learned authors of *The Modern Law of Copyright and Designs* that it is ‘impossible to lay down any hard-and-fast definition of what is fair dealing, for it is a matter of fact, degree and impression.’ Fairness is an elastic concept. A determination of unfair dealing involves a value judgment and will depend on the particular facts or circumstances at the time of dealing.

[115] In its founding affidavit, Moneyweb makes the extravagant claim that the conduct of Fin24 ‘amounts to systematic plagiarism on an industrial scale and forms a core part of its business model in an effort to gain a commercial advantage for itself’. The respondents point out that, during the period covered by Fin24 1 to Fin24 7 (26 July 2012 to 4 July 2013), Fin24 published more than 10 000 articles. During that period, only 11 articles sourced content from Moneyweb (including the articles at issue in this application). In addition, during the same period, 194 articles published by Fin24 contained content sourced from non-syndicated third parties.

[116] Clearly, Moneyweb’s claim of ‘systematic plagiarism on an industrial scale’ is not supported by the facts and is simply designed to colour what should be a focused inquiry. Each of the Fin24 articles that have caused offence has to be assessed on its own and in relation to the relevant Moneyweb article. In addition, it might be possible that a pattern of offending articles could for that reason negative a defence of ‘fair dealing, but that is not the position in this case.

[117] Moneyweb also attempts to put Fin 24’s ‘aggregation guidelines’ at the centre of the inquiry into ‘fair dealing’. In my view, the attempt is misdirected.

[118] The guidelines, attached as an annexure to the respondents’ answering affidavit, state:

It is part of 24.com's editorial policy to publish content aggregated from various sources. When aggregating content, take note of the following guidelines:

1. Never use more than 30% of the original source.
2. Rewrite all content.
3. Where possible add in your own context and own information.

4. Always credit the original source.
5. Include a link to all original sources.'

[119] In its replying papers (which run from pages 410 to 826 of the record) Moneyweb attaches affidavits deposed to by editors and executives of news publications in South Africa, all expressing the view that the 'aggregation guidelines' are not in accordance with industry standards. The respondents seek the striking out of these affidavits on the ground that they constitute new matter in reply.

[120] Mr Ginsburg submitted that the evidence of the editors is critical to the inquiries into 'fair dealing' and unlawful competition. He denied that it constitutes new matter in reply, pointing out that the respondents first attached the guidelines to their answering affidavit (at par. 21). However, in paras. 24 to 26 of Moneyweb's founding affidavit much is made of the respondents' 'practice' of 'aggregation', which it says 'means nothing more than copying original content from other news organisations and publishing it on the Fin24's website, and misrepresenting that this content is its own.' Nothing prevented Moneyweb from attaching the editors' affidavits (appropriately modified) to its founding affidavit, to support its attack on the respondents' 'practice' of 'aggregation'. It chose not to do so and ought, therefore, not to be permitted to adduce the evidence in reply. For that reason alone, the evidence ought to be struck out.

[121] In any event, the editors' affidavits are not helpful on the issues that matter in this application. First, none of them, bar one, deals with any of the articles published by Fin24. The editor of the Daily Maverick states that he wrote an opinion piece 'after carefully considering the relevant facts'. It is not clear whether he read all, or some, or none of the articles. Second, all of the affidavits contain paragraphs that are almost identically worded. It seems to me that someone composed the paragraphs and then copied them into all the affidavits. Third, the content of the affidavits is unhelpful. They state that 'these guidelines ...are not in accordance with industry standards or practice' and '... appear to permit a form of illegitimate and unlawful copying'. If this were a case about the legitimacy of the guidelines, which it is not, this would be an issue for the court to decide. The editors go on to decide an issue that is one for this court to decide: they 'do not agree that a hyperlink to an original article in the online article which has copied from or reused from the original is 'sufficient; in and of its own, to constitute fair dealing or sufficient attribution. I deal with this issue below.

[122] In the circumstances, I have decided to strike out the editors' affidavits at pages 509 to 540 of the record, as well as paragraph 21.2 of the replying affidavit and sub-paragraphs 21.2.1 to 21.2.7.

Reporting current events

[123] I do not think that this phrase is controversial. In my view, it ought to be given its ordinary, wide meaning. Any event that is relatively close in time

to the report will qualify. It need not be an event that has occurred on the day of the report.

Mentioning the source, including the name of the author

[124] In the context of online publication, the use of the hyperlink is a most effective way of informing the reader that he or she can access further information at the click of a mouse or keypad. A hyperlink is a computer programme that links the article being read to another article on the Internet. It appears as part of the text of the article being read and is differentiated from the text usually by the use of a different colour or by underlining or both. In my view, almost every reader of the Internet will be familiar with the use of hyperlinks.

[125] Once a hyperlink has been provided, the reader will simply have to click the link to be taken to the underlying article where the name of the author appears. Mr Ginsburg informed me that Moneyweb does not contend, correctly in my view, that the names of its contributing authors ought to have been mentioned in the Fin24 articles.

[126] I therefore find that a hyperlink substantially complies with the requirement that ‘the source shall be mentioned, as well as the name of the author if it appears on the work.’

Fin 24 5 - ‘Amplats: CEO cites JSE Rules

[127] Have the respondents proved that their publication of Fin24 5 constitutes ‘fair dealing’ within the meaning of section 12(1)(c)(i) of the Act? In their answering affidavit, the respondents explain that they published the story as it ‘is of topical interest to our readership because it concerns the activities of two key actors in the economy: the large corporation Amplats and the rules of our stock exchange. This story was written [as] a follow-up to other related stories that Fin24 had run previously ‘ They also say that Moneyweb 5 was used by’ other publications.

[128] The fact that the story was of topical interest to its readers did not relieve Fin24 of its obligation to deal fairly with Moneyweb 5. It is also irrelevant if other news publications copied Moneyweb 5. The issue here is whether the respondents dealt fairly with Moneyweb 5.

[129] Fin24 5 was published online within seven hours, and on the same news day as Moneyweb 5. Almost all of Fin24 5 is a word-for-word copy of Moneyweb 5. In my view, Fin24 5 has taken more than a substantial part: it has taken the core of Moneyweb 5. The respondents do not say why Fin24 took so much, or why it did not contribute more of its own work to the article, as it had apparently done in its earlier related stories. Nor do the respondents dispute that the author of Fin24 5 simply copied from Moneyweb 5 and had no regard for the radio interview or the transcription of the interview.

[130] Even though Fin24 5 referred twice to Moneyweb, it seems that the article was likely to be a substitute for Moneyweb 5. The provision of a hyperlink does not by itself discharge the burden of proving ‘ fair dealing’.

[131] In my judgment, the respondents have not proved that their publication of Fin24 5 constitutes 'fair dealing' within the meaning of section 12(1)(c)(i).

[132] Moneyweb contends, in addition to its submissions on copyright, that Fin24's publication of the seven articles constitutes unlawful competition at common law. Its case is that Fin24 has unlawfully sought to derive an advantage over one of its key competitors (Moneyweb), 'by making impermissible use of the time, effort, money and skill expended by Moneyweb to produce the articles concerned.'

[133] It seems to me that this argument seeks to blur the lines between copyright and other forms of unlawful competition. What is permissible use will depend on what copyright law permits.

[134] I am also aware of the warning issued by Schutz JA in *Payen Components SA Ltd v Bovic CC*⁴⁷

'In my opinion a Court should be wary of allowing the sharp outlines of these two established branches of the law of unlawful competition [copyright and passing off] evolved through long experience, to be fudged by allowing a vague penumbra around the outline. Unlawful competition should not be added as a ragbag and often forlorn final alternative to every trade mark, copyright, design or passing off action. In most such cases it is one of the established categories or nothing.'

[135] Accordingly, Moneyweb's claim of unlawful competition cannot succeed where its claim of copyright infringement has failed.

Order

[136] It remains for me to consider an appropriate order. There are two issues that require consideration: the interdict and costs.

[137] As for the interdict, Mr Puckrin points out that section 6 of the Act distinguishes between reproduction and publication. It is the reproduction of Moneyweb 5 that constitutes an infringement of copyright⁴⁸. In publishing Fin24 5, Moneyweb 5 was reproduced. Reproduction is not an on-going act. In any event, whatever harm Moneyweb has suffered, it is likely that the harm is no longer continuing. Accordingly, an interdict is not warranted.

[138] Regarding costs, it seems to me that the respondents have been substantially successful in defending the claims against them. They have not been successful in some of the significant defences raised. The applicant, on the other hand, has succeeded in one claim and may yet be able to establish that it has suffered damages as a result of the publication of Fin24 5. On balance, the respondents have been substantially more successful than the applicant. I am of the view that it would be fair to order that Moneyweb pay 70% of the respondents' costs.

⁴⁷ *Payen Components SA Ltd v Bovic CC* 1995(4) SA 441 (A) at 453 G-H

⁴⁸ Section 6(a) of the Act. In terms of section 6(b), publication constitutes an infringement of copyright if the work "was hitherto unpublished".

[139] Accordingly, I make the following order:

- a. It is declared that the respondents' publication of the article of 16 January 2013, entitled 'Amplats: CEO cites JSE rules', constituted an infringement of the applicant's copyright under the Copyright Act 98 of 1978;
- b. It is declared that the respondents are liable to the applicant for the damages suffered by it as a result of the unlawful publication of the said article;
 - i. The quantum of the damages to be paid, including the quantum of any additional damages payable pursuant to section 24(3) of the Copyright Act 98 of 1978, will stand over for determination in a damages enquiry;
 - ii. For purposes of the damages enquiry, the applicant is to file a declaration particularising the damages claimed within 20 days of the date of this order and the respondents are to file a plea within 20 days thereafter;
 - iii. The Rules of Court applicable to the exchange of pleadings and the process of discovery will apply in this regard;
- c. The applicant is to pay 70% of the respondents' costs of this application, including the costs of two counsel.

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