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### Case Comment

#### South Africa - copyright: parallel importation of artistic works

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**Subject:** Intellectual property. **Other related subjects:** Arts and culture

**Keywords:** Assignment; Copyright; Packaging; Parallel imports; South Africa

**Legislation:** Copyright Act 1978 s.23 (South Africa)

**Case:** Frank & Hirsch (Pty) Ltd v Roopanand (A) Brothers (Pty) Ltd (Unreported - South Africa)

**\*Ent. L.R. E99** Frank & Hirsch (Pty) Ltd (F&H) are the authorised exclusive distributors of TDK blank cassette tapes in South Africa. TDK tapes, manufactured by TDK Electronics Corporation of Japan, have a substantial reputation in South Africa due to widespread sales and the promotion efforts of F&H. A. Roopanand Bros (Pty) Ltd ('Roopanand') are retailers of audio and video goods and in particular of blank audio cassette tapes. For a number of years they have been importing and distributing as well as selling in the retail trade blank TDK cassette tapes purchased by them from a source in Singapore and imported into South Africa. The tapes being dealt in were legitimate TDK tapes manufactured by TDK Electronics in Japan and sold by them into the retail market. The TDK tapes dealt in by Roopanand were thus parallel imports or so-called 'grey goods'.

As F&H were suffering prejudice at the hands of importers and dealers in grey TDK tapes, of which Roopanand was one of the principal perpetrators, it embarked on a campaign of endeavouring to restrain dealings in grey TDK tapes. F&H brought a claim against Roopanand based on unlawful competition but this case was unsuccessful. F&H then approached its principals, TDK Electronics, and sought and obtained from them an assignment of the South African copyright in the artistic and literary works embodied in the labels and other get-up of TDK tapes. In particular an assignment of copyright was obtained in respect of the works embodied in the printed cardboard insert placed inside the plastic containers of the cassettes.

Having acquired ownership of the South African copyright in the relevant works, F&H got their attorneys to write a sequence of letters to Roopanand informing them of F&H's ownership of the South African copyright in the works in question **\*Ent. L.R. E100** and advising them that if they continued to trade in grey TDK tapes embodying the reproductions of the relevant works, they would infringe F&H's copyright. Roopanand ignored F&H's demands and continued trading in grey TDK tapes. F&H then instituted copyright infringement proceedings against Roopanand in the Durban and Coast Local Division of the Supreme Court but were unsuccessful.<sup>1</sup>

F&H's case was founded on the contention that in terms of section 23(2) of the South African Copyright Act copyright is infringed when the unauthorised importation, sale or distribution of grey TDK tapes takes place because the get-up of the cassettes comprises infringing copies of the original artistic/literary works embodied therein. The reproduction of the works in question are infringing copies because the making of the get-up of the products incorporating the copyrighted works by TDK Electronics in Japan would hypothetically have constituted an infringement of the copyright in the works in question in South Africa because TDK Electronics held no rights under the South African copyright in the works in question, having divested themselves of such rights. The ratio of the Durban court's decision was that when the reproductions of the works in question were taken up into the cassettes as sold the works merged into and lost their identity in the cassettes and the cassettes were therefore not articles which embodied reproductions of the works as contemplated in the relevant section of the Copyright Act.

F&H appealed to the Appellate Division of the Supreme Court, the court of final instance in South Africa, and this Court upheld the appeal.

**Held:** The Court approved the decision in *Twentieth Century Fox Film Corporation and Another v Anthony Black Films (Pty) Ltd*<sup>2</sup> that interpreting section 23(2) of the Copyright Act which stated '

would have constituted such an infringement if the article had been made in the Republic' required the Court to make the hypothesis that the imported article was made in South Africa by the person who made it in fact and that if that person could not lawfully have made it in South Africa there would be an infringement of copyright. The Court thus accepted F&H's contentions. It found that if TDK Corporation had made the get-up in South Africa in reproducing the relevant works it would have infringed copyright since it held no licence for South Africa from F&H. The Court enquired whether there were in fact any artistic or literary works embodied in the get-up of TDK tapes and after analysing the nature of the get-up came to the conclusion that it did indeed embody one or more artistic works. The Court was more sceptical as to whether the get-up comprised any literary works and made no ruling on this issue.

The letters which F&H's attorneys had written to Roopanand apprising them of F&H's rights under the copyright in the works embodied in the get-up of the TDK tapes were found by the Court to be sufficient to have imparted knowledge of the infringing nature of the get-up of the grey TDK tapes to Roopanand. The section required that Roopanand should know that it was dealing with infringing copies in importing and selling grey TDK tapes.

In dealing with the ratio of the decision of the court *a quo*, the Court stated that the principles of the law of property, that is, the Roman law principles of *accessio* and *specificatio*, relied on by that Court applied only to corporeal goods and had no application to copyright which is a form of incorporeal property. The Court made the point that if the decision of a court *a quo* was correct, for instance, an artist who painted an original artistic work would be powerless to prevent the use of a reproduction of his work as the cover for or an illustration in a book.

Roopanand argued in defending the appeal that since TDK Electronics had labelled and packaged their tapes without any restriction on resale and no subsequent restriction had been placed on resale of the goods, and since TDK Corporation had not objected to the intermediate sales, the South African importer and subsequent purchasers must be deemed to have an implied licence to trade in the goods and thus the reproductions of the copyrighted works in South Africa. The Court rejected this argument stating that the assignment of copyright to F&H and F&H's subsequent notification to Roopanand of its ownership of the copyright and that Roopanand was not permitted to trade in grey TDK tapes bearing their get-up was sufficient to dispel any notion of an implied licence. The Court further stated that after the assignment only F&H would be competent to grant a licence in regard to South Africa. The Court accordingly held that F&H were entitled to an interdict restraining Roopanand from trading in grey TDK tapes bearing the offending get-up and to delivery up of any material embodying the get-up in their possession.

**Comment:** Although this judgment does not entirely break new ground because parallel importation of works enjoying copyright where the particular item was made by someone who does not hold any rights under the South African copyright in the work in question has in the past been found to be unlawful (for example *Video Parktown North (Pty) Ltd v Paramount Pictures Corp.*,<sup>3</sup> it nevertheless **\*Ent. L.R. E101** creates a useful precedent on several accounts. In the first place, being a decision of the Appellate Division, it is binding on all South African courts whereas the previous decisions have been decisions by lower courts and do not have the same binding effect. In the second place, it gives the stamp of approval of the Appellate Division to an assignment of copyright to a South African person with the specific view of enabling that person to prevent parallel importation of a product. Finally, the judgment grants recognition to the use of copyright and a claim of copyright infringement in regard to peripheral items as a means of restraining parallel importation of substantial items which are not eligible for copyright. This principle could be adapted so as to prevent parallel importation of equipment and all sorts of goods by relying on copyright in labels, get-up, instruction books and the like. Of course, restraining the importation and dealing in peripheral items does not necessarily mean that trading in the substantive items can be prevented but in many cases it is not a commercial proposition to trade in the substantive items if they cannot be accompanied by the peripheral items in which copyright subsists.

In South Africa parallel importation of compact discs, records, tapes and the like embodying recorded music is a serious problem. This judgment will give encouragement to local record distributors in their efforts to combat trading in grey goods. Following on this judgment the way is open to local record companies to take assignment of the South African copyright in sound recordings and in this way be in a position to prevent trade in grey goods in the record industry.

1. The judgment was reported at [1991] 2 ENT.LR at E-22
2. 1982 (3) SA 582 (W)
3. 1986 (2) SA 623 (T)

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