

## Case Comment

### South African Case Law on the Infringement of Copyright by Parallel Importation

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The problems attaching to parallel importation and the enforcement of copyright are not confined to the UK (see *Harlequin* and *Charmdale* decisions commented upon by Michael Hicks at [1980] EIPR 337). The authors review the problems attaching to the enforcement of copyright in the context of imports into South Africa of cassettes and videos from the UK and USA.

'Parallel importation' in a copyright context is the term used to describe the situation where articles made by or with the authority of a copyright owner in one country are imported into another country in competition with the rights under copyright in the same work granted to another person in the country of importation. The following example illustrates the concept: an American owner of the copyright in a literary work grants the right to reproduce and publish that work in the United Kingdom to a UK publisher and the right to reproduce and publish it in South Africa to a South African publisher, and books published by the United Kingdom publisher are imported into South Africa and sold in competition with the books published by the local publisher. In both instances the books in question are produced with the authority of the copyright owner.

Indirect acts of copyright infringement are those set out in section 23(2) of the Copyright Act, No. 98 of 1978, which reads as follows:

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 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.

### Recent Decisions—'Gramophone v. Music Machine'

These provisions have been considered in a number of recent decisions. In the case of *Gramophone Co. Limited v Music Machine (Pty) Limited*<sup>1</sup> the Court was required to deal with a claim that the importation or sale

of pre-recorded sound cassettes made in the USA without the authority of the copyright owner in the original sound recordings constituted infringement of copyright in the original sound recordings. The evidence showed, however, that at that time sound recordings did not enjoy copyright protection in the USA. Consequently, notwithstanding the fact that the alleged infringing tapes were made without authority in the USA, their making did not constitute an act of copyright infringement. Moll J. considered the facts relating to the making, importation and sale of the alleged infringing tapes in the light of section 17(2) and (3) of the Copyright Act 1965<sup>2</sup> and said:

... an infringement takes place if any person without the licence of the owner of the copyright of a sound recording imports a copy of the sound recording into the Republic (otherwise than for his private or domestic use), if to his knowledge either (i) the making of the copy constituted an infringement of the copyright, or (ii) the making of the copy would have constituted an infringement if the copy had been made in the Republic. Even if, therefore, a copy may lawfully have been made in the place where it was made, its importation into the Republic without the licence of the owner of the copyright could constitute an infringement of the copyright in this country. See *Halsbury, Laws of England*, 3rd ed., Vol. 8, paragraph 782, at 431, 432, which goes so far as to suggest that, even if the copy was made with the permission of the copyright owner of the copyright in the place where it was made, it would constitute an infringement to import such copy without the permission of the owner of the copyright in the place where they were so imported.<sup>3</sup>

The learned judge went on to hold in effect that the alleged infringing tapes made in the USA were infringing copies for the purposes of South African law, bearing in mind the circumstances under which they were made.

### 'Columbia Pictures'—Indirect Infringement

In *Columbia Pictures Industries Incorporated v Videorent Parkmore*<sup>4</sup> the Court was asked to deal with a case based upon the alleged indirect infringement by the respondent of the applicant's copyright in a cinematograph film or films in the possession of the respondent. The relief sought was founded solely upon the provisions of section 23(2) of the Copyright Act 1978. Goldstone J. stated the issue of which the Court was seized as follows:

The question which thus falls to be decided is whether the applicant has established that 'to his [that is the respondent's] 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'.<sup>5</sup>

Goldstone J. held that the words 'or would have constituted such an infringement if the article had been

2 The section of the Copyright Act 1965 which dealt with indirect infringement of copyright in sound recordings, and which corresponded to section 23(2) of the Copyright Act 1978.

3 At 198, lines A to D.

4 1982 (1) SA 49 (W).

5 At 51, lines A to B.

made in the Republic' referred to an imported article not made in South Africa notwithstanding a change made in section 23(2) of the Copyright Act 1978 as compared to the equivalent provision in the Copyright Act 1965, which referred specifically to imported articles. Second, Goldstone J. held that 'the provisions of copyright legislation in relation to indirect infringement have always related to *infringing copy*'.<sup>6</sup>

The applicant had contended that the respondent had infringed copyright in that it had no right to be in possession of or to distribute the films in question, and that the exclusive distributors of such films in the Republic of South Africa were themselves. Goldstone J. is reported to have said in this regard:

In my opinion these allegations do not go any part of the way to establishing knowledge on the part of the respondent that the *making* of the films, if they were made in South Africa, or the *making* of the films, if they were made outside South Africa, constituted or would have constituted an infringement of copyright of the applicant. Indeed, that fact is not stated, even indirectly, by the applicant. The applicant does not suggest that the copies which were found in the possession of the respondent were in fact infringing copies, let alone that the respondent had knowledge of that fact.<sup>7</sup>

### 'Twentieth Century Fox'—Imported Films

The question in what circumstances an imported article can be an infringing copy of a work was considered by Goldstone J. in *Twentieth Century Fox Film Corporation and Another v Anthony Black Films (Pty) Limited*.<sup>8</sup> In that case, which also dealt with copyright in cinematograph films, the alleged infringing copies which had been imported into South Africa had been made in the United Kingdom by a non-exclusive licensee who had been authorised to make reproductions of the films in a number of territories, including the UK and the Republic of South Africa. Having regard to the provisions of section 23(2) of the Copyright Act 1978, Goldstone J. formulated the crucial issue as follows:

The questions which have thus to be determined are:

- (a) whether the making of the video cassettes would have constituted an infringement of the first applicant's copyright if they had been made in the Republic;
- and
- (b) if so, whether the respondent had knowledge thereof.<sup>9</sup>

He went on to say:

For the respondent it is submitted that the making of the video cassettes in the Republic would not have constituted an infringement of the first applicant's copyright because the latter had authorised the making thereof by the second applicant in the Republic. In other words, the submission on behalf of the respondent is that, if the actual maker of the imported article could lawfully have made that article in the Republic, then there was no infringement under section 23(2).<sup>10</sup>

Goldstone J. considered that section 23(2) of the South African Copyright Act is substantially identical to section 16(2) of the UK Copyright Act 1956, and discussed the decisions of the UK courts in the cases *CBS United Kingdom Limited v Charmdale Record Distributors Limited*<sup>11</sup> and *Polydor and Another v Harlequin Record Shop and Another*<sup>12</sup> which dealt with the relevant question under UK law. He cited with approval from the *Polydor* case:

In considering the second alternative, one starts, therefore, with a making which did not in fact constitute an infringement of copyright. The second alternative then continues by requiring a single hypothesis to be made, namely that, instead of the article being made where it was in fact made, it was made in the country into which it was imported. That is all. The statutory hypothesis is geographical, and nothing more. There is nothing to require any hypothetical alteration in the article, the owner of the copyright, the making, or anything else... The hypothetical must not be allowed to oust the real further than obedience to the statute compels. In my judgment, there is no reason why, in applying the second alternative, it should be assumed or accepted that there is any alteration in the person who in fact made the article. The sole hypothetical change is in the place in which the article is made; there is nothing to change the person who made it.<sup>13</sup>

The applicant in *Twentieth Century Fox* relied on an argument which had been advanced unsuccessfully in both the UK cases and which was termed 'an argument of convenience'. It was urged that the hypothesis which the Court must apply in interpreting section 23(2) of the Copyright Act must include, not only the manufacture of the alleged infringing copies in South Africa, but also their manufacture by the person who imported them rather than by the actual maker. Goldstone J. rejected this argument, and following the approach of the UK courts in the two cases referred to above decided:

...it is the making of that article in the Republic which is the hypothesis. Why should one introduce into that hypothesis a maker other than the actual maker? To do so would be to do something not embraced by the provision in question. As Megarry V-C pointed out, there is no necessity to extend the hypothesis further than the words used by the legislature necessarily require.<sup>14</sup>

In the final analysis, Goldstone J. concluded that the importation of the video cassettes in question in the *Twentieth Century Fox* case did not constitute an infringement of the copyright in the relevant films, because their manufacture would not have been an infringement if they had been made in South Africa by the person who actually made them; this was because that person held a licence which included South Africa in its territory. If, on the other hand, the person who had made the video cassettes had not been licensed to reproduce the cinematograph films in question in South Africa, the video cassettes would have been infringing copies, as in this instance their hypothetical making in South Africa by the person who actually made them

6 At 51, lines D to E.

7 At 52, lines C to E.

8 1982 (3) SA 582(W).

9 At 589, lines G to H.

10 Page 589, at line H.

11 [1980] 2 All ER 807 (Ch. D).

12 [1980] FSR 193; [1980] EIPR D—185.

13 At 590 per Megarry V-C.

14 At 592 to 593.

would have been unauthorised by the copyright owner, and such making would have constituted an infringement of copyright. A licensee who is authorised to reproduce a work in the United Kingdom infringes the copyright in the work if he reproduces the work outside the geographical scope of his licence. A licence is essentially a permission to do something which otherwise would be an infringement of copyright, and if a licensee acts outside the scope of his permission, the infringing nature of his act is not excused.

### 'Paramount Pictures'—Imported Films with Restrictions on Sale

In a subsequent case, *Paramount Pictures Corporation v Video Parktown North (Pty) Limited*,<sup>15</sup> the Court had to deal with alleged infringing copies of cinematograph films which were imported into South Africa and hired out or offered for hire, which alleged infringing copies had been manufactured in the United Kingdom by a licensee, CIC Video, whose rights did not include South Africa. It was contended by the applicant that the video cassettes dealt with by the respondent were infringing copies of the relevant films, as their making in South Africa by CIC Video would have constituted infringement.

McCreath J. accepted that in hiring out or offering for hire the relevant video cassettes the respondent had infringed the copyright in the cinematograph films. The judgment does not deal in detail with the infringing nature of the video cassettes as the emphasis in this case fell rather on a number of other interesting defences raised by the respondent. These defences will be dealt with below.

McCreath J. dealt with the infringing nature of the video cassettes by holding the following:

The infringement by the respondent of the applicant's rights in respect of the said two films, as alleged by the applicant, is that the video cassette versions thereof have been imported into the Republic of South Africa and are being offered and exposed for hire, in fact let, by the respondent to members of the public from the respondent's business premises in Johannesburg. The said cassettes are made for use in the PAL system of television and, so it is alleged, are infringing copies within the meaning of the said term as defined in Act 98 of 1978, in that, if they had been made in South Africa, they would have constituted an infringement of the copyright in the said two films. The respondent does not deny that it has imported video cassettes of the two films for use in the PAL system of television into the Republic of South Africa and that the said cassettes are let by it from its premises in Johannesburg to members of the public for home viewing. It is also not disputed that neither the applicant nor any of its sub-licensees has granted the respondent permission to carry on a business of this nature. If I am correct in holding that the applicant is the exclusive licensee in the Republic of South Africa of the copyright in the said two films, then the respondent's activities constitute an infringement of the applicant's rights, in terms of section 23(2) of Act 98 of 1978, if the respondent had knowledge thereof as provided in the said section.<sup>16</sup>

15 Case No. 8148/82 in the Transvaal Provincial Division of the Supreme Court of South Africa, as yet unreported.

16 Pages 28 and 29 of the typewritten judgment.

### First defence—ownership

The first defence raised by the respondent was that the applicant on its own averment did not own the copyright in either of the two films. In order to understand this defence it is necessary to set out a brief resumé of the history of the matter. The application concerned the motion pictures *Star Trek—The Motion Picture* and *Grease*. It was alleged by Paramount that it was the author of *Star Trek—The Motion Picture*, and that on 26 May 1979 Paramount assigned the full copyright in the film to a body corporate known as Film Writers' Company Inc. On the same date the latter organisation assigned the full copyright to an organisation known as Century Associates, which in its turn on the same date granted to Paramount worldwide:

... the sole, exclusive and complete silent, sound and talking motion picture distribution, exhibition, reproduction and performance rights in the picture in all media, in any and all gauges, forms and processes, and by any and every means or method now known or hereafter devised, including by means of any and all forms of television.

The licence granted by Century Associates to Paramount was an exclusive licence which also precluded Century Associates itself from exercising the rights conferred thereby.

In so far as the film *Grease* was concerned, Paramount also became the exclusive licensee on 16 May 1979, although by a somewhat different route which is not relevant for the purposes of this exposition.

On 1 July 1968, Paramount by written agreement granted to a Netherlands company known as Gulf & Western BV an exclusive licence to distribute and exploit throughout the territory of the licence all motion picture productions of any kind, whether produced primarily for theatrical exhibition or broadcasting by television or otherwise, as to which Paramount had already acquired or would acquire the rights during the term of that exclusive licence. It was the contention of the respondent that the 1968 agreement between the applicant and Gulf & Western BV automatically divested the applicant of all rights which it subsequently acquired in the said two films and created a licence in favour of Gulf & Western BV to the entire exclusion of the applicant. It was suggested in the alternative on behalf of the respondent that a situation was created whereby there were two so-called 'exclusive licensees' in the two films in question as far as the Republic of South Africa was concerned. McCreath J. dismissed this contention and held the following:

Admittedly the agreement between the applicant and Gulf & Western BV is stated to be an exclusive licence and, within the territories to which it extends (which include the Republic of South Africa) confers rights which are in the wide terms which I have already mentioned when first referring to the said licence. Admittedly, also, an exclusive licence can, in my view, be limited 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 specific country or geographical area. That is the position in regard to an assignment of a copyright—see section 22(2) of Act 98 of 1978—and there is no reason why the same should not apply to an exclusive licence. However, when regard is

had to the nature of the rights of the grantee under the agreement between the applicant and Gulf & Western BV of 1 July 1968, compared with that of the exclusive licences conferred on the applicant by Shelburne Associates and Century Associates in respect of the films *Grease* and *Star Trek—The Motion Picture*, I am of the view that in regard to those two films the applicant is indeed the exclusive licensee, and Gulf & Western but a sub-licensee. Support for this view is to be found in the definition in Act 98 of 1978 of an exclusive licence. That definition reads as follows:

... 'exclusive licence' means 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 rights which Gulf & Western BV is authorised to exercise in terms of a licence which it obtained by agreement are not rights which, apart from that licence, would be exercisable exclusively by the owner of the copyright (that is, Shelburne Associates in the case of the film *Grease* and Century Associates in the case of the film *Star Trek—The Motion Picture*). If that licence did not exist, then the rights in question would be exercisable by the applicant by virtue of its agreements with the owners of the said two films.

### Absence of evidence as to ownership

The second defence raised by the respondent was that the applicant had placed insufficient facts before the Court to establish the vesting of any copyright in respect of either of the two films in the applicant as owner, prior to the assignment by the applicant of its rights and the subsequent grant in its favour of an exclusive licence. The respondent relied upon the decisions in *Vagar (trading as Ragshree Release) v Transavalon (Pty) Limited (trading as Avalon Cinema)*<sup>17</sup> and *Video Rent & Another v Flamingo Film Hire*<sup>18</sup> where the Courts held that copyright is a technical subject, and it is essential that a person who claims to be the owner of the whole or partial copyright should offer evidence of the points necessary to establish his claim. In the subsequent unreported case of *MCA International BV v Movietime*,<sup>19</sup> Page J. held that the bald statement that the applicant was the author of the films within the meaning of that term in the Act was insufficient to comply with the requirements laid down unless the deponent also set forth the facts upon which that statement was based.

In *hoc casu* McCreath J. found that the deponent to the applicant's founding affidavit, being the Vice-President of the applicant, and the applicant's chief resident legal counsel, had set out sufficient facts within his personal knowledge to justify the conclusion that the parties described as the makers of the two films were in fact the 'authors' of the films in terms of section 1(1) of Act 98 of 1978.

### Third defence—no requisite knowledge

The third defence raised by the respondent was that it had not been proved that the respondent had the requisite knowledge in terms of section 23(2) of Act 98 of 1978. In rejecting this contention, McCreath J. relied on the decision in *Gramophone Co. Ltd v Music Machine (Pty) Limited & Others*<sup>20</sup> in which it was held that 'knowledge' appearing in similar provisions in the Copyright Act of 1965 meant 'notice of facts such as would suggest to a reasonable man that a breach of copyright law was being committed'. McCreath J. also held that these views were in accordance with the *dicta* in several English cases<sup>21</sup> dealing with similar provisions in the UK Copyright Act. McCreath J. held further that the fact that the applicant's attorneys had addressed letters to the respondent, prior to the institution of proceedings, informing the respondent that by dealing in video cassette versions of the applicant's cinematograph films in the manner in which it was doing the respondent was infringing the applicant's copyright, was sufficient to have created the necessary 'knowledge' in the mind of the respondent. The Court held further that the respondent could have checked the Register of Copyright and thereby confirmed that the applicant had rights in respect of the copyright and that, moreover, there was a warning on the cassette that the copyright proprietor had licensed the film contained therein for home use only and that (*inter alia*) the hiring and renting of the cassette was strictly prohibited.

### Account of profits/damages

Finally, the Court dealt with the contention of the applicant that it was entitled to an account of profits.

In refusing this relief, McCreath J. held that in South African law a claim for an account is in the nature of a procedural remedy designed merely to assist the plaintiff in proving his damages in cases where the extent of these damages is something peculiarly within the knowledge of the defendant. The Court held further that it was not a remedy entitling the plaintiff as of right to such profits as the defendant may be shown to have made, such as is the case in English law; and that it was not competent to seek such procedural relief in proceedings on motion.

In conclusion, it should be mentioned that the respondent launched two counterapplications against Paramount Pictures Corporation, the owners of the copyright respectively in the films *Grease* and *Star Trek—The Motion Picture* and the Registrar of Copyright seeking an expungement of the respective registrations in terms of the Registration of Copyright in Cinematograph Films Act No. 62 of 1977. Section 17 of such Act provides that an application of this nature may be brought by 'any person aggrieved' by the entry in the Register. Video Parktown North (Pty) Limited had alleged that both registrations were susceptible to expungement due to certain errors and irregularities which had occurred in the respective registration

17 1977 (3) SA 766(W) at 775 C.

18 1981 (3) SA 42(C) at 46 G to H.

19 Unreported case heard by Page J. in the Durban and Coast Local Division of the Supreme Court of South Africa on 17 March 1980.

20 1973 (3) SA 188(T) at 207 F to G.

21 See *Van Dusen v Kritz* [1936] (2) KB 176; *Infabrics Ltd & Others v Jaytex Shirt Co. Ltd* [1978] FSR 451; *Cooper v Whittingham* (1880) Vol. XV—see Ch.D. 501.

documents. McCreath J. held that:

A 'person aggrieved' must be a man who has suffered a legal grievance, a man against whom a decision has been pronounced which has wrongfully deprived him of something, or wrongfully refused him something, or wrongfully affected his title to something.<sup>22</sup>

The Court held that Video Parktown North (Pty) Limited did not have the necessary *locus standi* to bring the two counterapplications, and refused them with costs.

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22 *Estate Friedman v Katzeff* [1924] WLD 298 at 305.

## Wheatley v. Bell Confidential Information—Property or Not? Robyn Durie

In a recent interlocutory judgment in the Supreme Court of New South Wales the question of the jurisprudential nature of confidential information was raised. In *Wheatley v Bell*<sup>1</sup> the Chief Judge in Equity, his Honour Mr Justice Helsham, characterised the jurisdiction of the courts when dealing with confidential information as based on the duty to be of good faith rather than on any form of property.

### The Facts

In mid-1981 the plaintiffs had conceived an idea involving advertising for small businesses, using teledexes. Initially they divided up the city of Perth into various localities. Those localities were selected according to the mix of businesses in the locality and their homogeneity. It was found that this had not been done before.

It was decided that each locality would be franchised to a particular operator. That operator would solicit entries for a teledex (a form of index for telephone numbers which operates mechanically) from businesses and local service activities within the particular locality. The judge found that the idea of putting businesses within easy contact of potential customers, by putting them beside the customer's telephone, was an idea which had not been used before. It was also found that the insertion of advertising material in a teledex had not been thought of before.

The plaintiffs then placed advertisements in Perth newspapers seeking franchise operators. Those advertisements did not disclose the type of business involved, nor were interested people advised over the telephone of details of the business. When interested persons were interviewed by the plaintiffs the system was explained to them. No specific mention was made of confidentiality.

<sup>1</sup> Unreported, No. 3443 of 1982, judgment delivered 1 October 1982.

Helsham J. noted that by its very nature, once the system was used, anyone would be able to duplicate it. If the originator had no protection, he or she would get nothing, despite their time, effort and skill in developing and originating the system. Once people were interested, it was necessary to disclose the system. Unless such disclosure was on the basis that the system was the subject of confidential information, the person developing the system ran the risk of losing its benefit.

The first defendant (Bell) had answered one of the plaintiffs' advertisements in April 1982. He expressed interest and attended two interviews, and the system was explained to him. He was also informed of two things; that it was proposed to take the system to the city of Sydney, and that the system was new, and only known to the plaintiffs.

Bell subsequently indicated to the plaintiffs that he was not interested in proceeding with their system. When the plaintiffs came to Sydney some months later, and after they had undertaken work in dividing Sydney into locations and advertising businesses for sale, they discovered that Bell was already operating a similar business.

It was later found that Bell had been operating in Sydney since June and had incorporated a company, the second defendant, to take over his business. He had already obtained three licensees, the third to fifth defendants. Bell did not deny that he had learnt of the idea from the plaintiffs. The third to fifth defendants, however, were not aware of the plaintiffs' existence until the proceedings were commenced.

### The Law

Helsham J. then addressed a number of areas: whether the information was confidential, whether it was imparted in circumstances importing an obligation of confidence, and whether the third to fifth defendants, 'the innocent defendants', could be restrained from using the confidential information.

#### *Was the information confidential?*

The judge said that even though the plaintiffs did not expressly say to Bell that the information was confidential, that did not prevent it from having the necessary quality of confidence to enable the plaintiffs to restrain its disclosure and use by Bell and his company. He noted that the idea was a business one, that time and effort had gone into devising it, and that it was imparted by its creator. The very nature of the system and the fact that once it was implemented it would be public confirmed that it was confidential information.

#### *Was the information imparted in circumstances of confidence?*

Helsham J. found that in the circumstances of the case, Bell knew or ought to have known that the information and the nature of the idea were being given to him in circumstances importing an obligation of confidence. In addition, the conversations deposed to between the plaintiffs and Bell indicated that the plaintiffs regarded the information as their property and that they would protect it from unauthorised use.