

## Intellectual property

## The world isn't our stage

OWEN DEAN

Can a South African court adjudicate an infringement of copyright which took place in a foreign country? Is the court in a position to exert a form of intellectual property imperialism and presume to adjudicate over alleged unlawful conduct beyond South Africa's borders? These are important and perplexing issues in the modern world of the internet where the media plays scant regard to national boundaries.

The issue of whether a South African court can adjudicate infringements of copyright perpetrated in foreign countries, where the infringer is a local resident or incola of South Africa, was considered and decided by the

Supreme Court of Appeal in *Gallo Africa Ltd and Others v Sting Music (Pty) Ltd and Others* 2010 (6) 329 (SCA). Jurisdiction over foreign infringements is a matter which has been considered by a number of foreign courts, and, more particularly and most recently, by the United Kingdom Supreme Court in *Lucasfilm Ltd v Ainsworth* [2011] UKSC 39. This case was an appeal from the decision of the Court of Appeal in *Lucasfilm v Ainsworth* [2009] DWCA Civ 1328.

In the Gallo case, Gallo sued Sting Music, a South African company, for copyright infringement in respect of a musical production called "Umoja" in respect of which Gallo claimed to be the owner of copyright in South Africa, as well as in several foreign countries. Sting Music performed, made recordings and cinematograph films of, and broadcasted the stage production in South Africa and in 19 other countries. Its activities in this regard were not authorised by Gallo hence the claim by Gallo that its copyright subsisting in the various countries had been infringed.

## Fraud

### Is your business at risk?

All businesses, no matter how well-run, face the risk of being the victims of fraud - whether perpetrated by officers, staff, customers, suppliers or unrelated third parties. Large sums of money can be siphoned out of companies on a daily basis by sophisticated fraudsters and such theft is often undetected for long periods of time leading to difficulties in tracing misappropriated assets.

In today's highly regulated business environment, with increased emphasis on corporate governance and individual liability, a sound understanding of the principles of fraud prevention and the powers of the regulatory authorities is essential to properly protect your business, your people and your reputation.

*If you have experienced fraud, speak to us, and allow us to uncover the truth.*



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Gallo brought an action against Sting in South Africa in which it claimed an injunction restraining the unauthorised acts and damages and/or royalties. To the extent that it claimed copyright infringement in the foreign countries, it relied upon the copyright laws of each of those countries and it did not contend that Sting was infringing the South African Copyright Act by carrying out the various activities in the foreign countries. In its papers Gallo proclaimed its intention of establishing copyright infringement in respect of the Copyright Acts of each of the foreign countries in respect of which relief was claimed.

Sting filed an exception to Gallo's claim stating that the proceedings for copyright infringement instituted in a South African court may only be based on the provisions of the South African Copyright Act and that the court did not have jurisdiction to adjudicate issues relating to copyright infringement in foreign countries. The crisp issue was, therefore, whether a South African court can entertain and enforce a claim for infringement of a foreign copyright, against a defendant who is an *incola* of South Africa.

In its judgement, the Supreme Court of Appeal emphasised that jurisdiction depends on either the nature of the proceedings or the nature of the relief claimed or, in some cases, on both of these issues. It does not depend on the substantive merits of the case or the substantive defence relied upon by a defendant.

In advancing the jurisdictional issue, the defendants essentially claimed that the court had jurisdiction to determine the dispute because they were domiciled or resident in South Africa and were within the jurisdiction of the court – s19(1) 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*”, and a court can grant an effective interdict against someone residing within its jurisdiction. The Defendant also argued that the court can determine through expert evidence what the relevant foreign law is. The court expressed the view that this point was of little relevance because it did not necessarily require evidence of foreign law – it may take judicial notice of foreign law insofar as such law can be ascertained readily and with sufficient certainty.

The court was of the view that, although effectiveness lies at the root of jurisdiction and is the rationale for jurisdiction, it is not necessarily the criterion for its existence. (See *Ewing McDonald Ltd v MGM Products Co. 1991 (1) SA 252 A 259D-E, 260 B-E*). The right sought to be enforced is, however, relevant; it may arise for instance from contract, delict or the *ratione rei sitae*. It depends on the nature of the right or claim whether the one or the other provides a ground for jurisdiction. The court quoted from *C M Forsyth Private Law* 4th Edition, 167 Footnotes 64 and 65; in saying that domicile on its own may not be enough; that is to say “*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*.” Taking these principles into consideration, the court found that copyright, like other intellectual property rights, are territorial in nature and that the situs or situation of a copyright is to be found where it can effectively be dealt with. It followed the lead of the Australian court which found that the *forum rei sitae* had exclusive jurisdiction to decide a case relating to patent infringement (*Potter v Broken Hill Pty Company Ltd* [1906] HCA 88), as the New Zealand court had also done (*Adkinson Footwear Ltd v Hodgskin*

*International Services Limited* (1994) 31 IPR 186 (NZ).

The court confirmed that registered IP rights (such as patents and trade marks) and unregistered rights (such as copyright) are territorial in nature and that the *rei sitae* was therefore in the country where the delict occurred. In reaching the conclusion that the country where the infringing act occurred was the *rei sitae*, the court classified copyright as immovable intangible property. The correctness of this premise is open to doubt in light of the provisions of s22(1) of the

Copyright Act, which specifically states that copyright is transmissible as movable property. It is submitted, however, that this factor does not detract from the correctness of the decision.

The territoriality of copyright played a strong role in the court reaching its decision. It found support for its views in the Berne Convention with its three basic principles, national treatment, automatic protection and independence of the protection. As pointed out in *Yegar (via Rajshree Release) v Transavalon (Pty) Ltd (via Awalon Cinema) 1977 (3) SA 766 (W)*, with reference to 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*”. The same applies to foreign copyright. It seems logical that a statutory creation of property in a particular country should only be dealt with by the courts of that country.

The court found that its views could not only be justified on principle but also on the grounds of convenience and common sense. These considerations include the fact that enforcement may involve a clash of the IP policies of different countries; an extra territorial jurisdiction involves a restraint on actions in another country – an interference which *prima facie* a foreign judge should avoid; and that it would create too much room for forum shopping. It supported the view expressed in the Court of Appeal judgement in the *Lucasfilm* case, where it was stated “*It is quite clear that those concerned with international agreements about copyright have refrained from putting in place regime for the international litigation of copyrights by the courts of a single state ... A system of mutual recognition of copyright jurisdiction and judgments could have been created but it has not*” (paragraph 179).

In reaching its decision, the courts relied heavily on the court of appeal judgement in the *Lucasfilm* case. At the time when the court's judgement was written, the Supreme Court decision in *Lucasfilm* had not yet been handed down and the later court, of course, reversed the decision of the Court of Appeal. The Court of Appeal, like the South African court, had found that the British court had no jurisdiction to adjudicate on claims of infringement of copyright in foreign countries.

By contrast, however, the Supreme Court watered down the principle espoused by the Court of Appeal and found that no jurisdiction on the part of the United Kingdom court in proceedings for infringement of



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rights in a foreign country is limited to cases where the proceedings are “principally concerned with a question of the title, or the right to possession, of that property”. The Supreme Court came to the “*firm conclusion that, in the case of a claim for infringement of copyright of the relevant kind, the claim is one over which the English court has jurisdiction provided that there is a basis for in personam jurisdiction over the defendant*”.

Thus, in contrast to the position as decreed by the Supreme Court of Appeal in South Africa, the position in the United Kingdom is now that, provided the defendant is domiciled in the UK, a copyright owner can sue in the UK for the infringement of copyright (and potentially other unregistered intellectual property rights) which occurred in foreign countries.

It is an open question whether the South African Supreme Court of Appeal would have followed the decision of the Supreme Court in the *Lucasfilm* case in preference to the decision of the Court of Appeal had

the judgement been available to it. The Supreme Court of Appeal did not base its views simply on the decision of the Court of Appeal in *Lucasfilm*, but rather motivated it on the basis of the South African common law of jurisdiction, which is Roman-Dutch based.

With respect, as seen from a South African perspective, it is submitted that the Supreme Court of Appeal reached the correct decision in the *Gallo* case and this is the current state of South African law, unless, and until, the Supreme Court of Appeal itself overrules its decision in a subsequent case. ♦

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Blog: [tipstell](#) on Google

See also *Star Wars without prejudice* October 2011 p6

# Coca-Cola: definitely a taste for life!

MARIETJIE BOTES

“Our formula is our company’s most valued trade secret and we will not be coming forward with that formula” was spoken by a woman for the Coca-Cola company, Kerry Fessler’s, reaction to a broadcast of *This American Life* on February 11 2011 claiming that Coca-Cola’s secret formula has been discovered.

Producers of the radio programme said they have come across an article on the history of Coca-Cola in an old copy of the *Atlanta Journal-Constitution*, Coca-Cola’s hometown

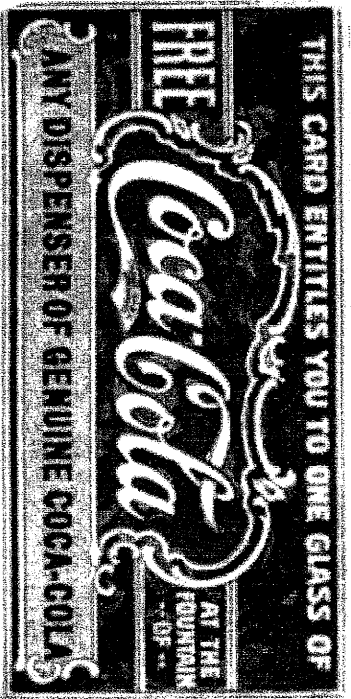
newspaper, published on February 18 1979, containing a photograph of a hand-written copy of John Pemberton’s original recipe.

Since John Pemberton developed Coca-Cola in 1886, the drink’s formula has been shrouded in mystery, been scrutinised and as of lately been displayed.

But where did it all begin?

### Drugstore origins

John Pemberton formulated the prototype Coca-Cola recipe at the Eagle Drug and Chemical Company, a drugstore in Columbus, Georgia after



prohibition legislation, passed in 1886 in Atlanta and Fulton County, prevented him from further using alcohol in his coca wine called Pemberton’s French Wine Coca. (See: *Vin Mariani: Sinner or Saint* June issue of *without prejudice* p33) Pemberton then substituted the alcohol in his coca wine with sugar based syrup. This prototype Coca-Cola was initially sold as a patent medicine for the first time on May 8 1886 at a public soda fountain in Jacob’s Pharmacy in Atlanta, Georgia for five cents a glass.

Being marketed as a patent medicine, Coca-Cola contained an estimated 9 milligrams of cocaine per glass in those days, keeping in mind that it was far from uncommon to use cocaine in patent medicines and other medical potions during the late 1800’s. “Coke”, as it was nicknamed, also claimed to alleviate headaches and to be a “*bram and nerve*

tonic.” Coca leaves were used in its preparation and the small amounts of cocaine provided a buzz to its drinkers.

On April 14 1888 Asa Candler, a drugstore owner, purchased an one-third interest in the Coca-Cola formula and on August 30 the same year became sole proprietor of Coca-Cola

which he bought from the

inventor John Pemberton and other shareholders for \$2 300.

However, in the 1890’s public sentiment began to turn against cocaine