Feldman NO v EMI Music SA (Pty) Ltd
[2009] 4 All SA 307 (SCA)

Division:	SUPREME COURT OF APPEAL
Date:	1 June 2009
Case No:	268/2008 & 269/2008
Before:	FDJ BRAND, IG FARLAM, MML MAYA, NZ MHLANTLA JJA and NV HURT AJA
Sourced by:	A Street
Summarised by:	DPC Harris
Parallel Citation:	2010 (1) SA 1 (SCA)

. Editor's Summary . Cases Referred to . Judgment .

Intellectual property law - Copyright - Allegation of copyright infringement - Co-author of work of joint authorship not entitled to sue for all damages resulting from infringement without joining other co-authors or making out a case for such entitlement.

Editor's Summary

As executor of the deceased estate of a well-known local musician, the appellant had instituted two actions in the High Court, claiming relief based on copyright. 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 delivered.

In each of his actions, the appellant claimed damages based on copyright infringement. He alleged that the respondents had performed acts in respect of works which fell within the exclusive entitlement of the copyright owner and were guilty of copyright infringement. He therefore claimed damages equal to the royalties which would reasonably have been payable by a licensee, as well as so-called "punitive" damages. In this regard the appellant claimed to have joint ownership of the copyright in 157 works of the musician. All but four of the 157 works were the result of the musician's collaboration with other artists. They were accordingly works of "joint authorship" as defined in section 1 of the Copyright Act 98 of 1978 (the "Act").

The High Court upheld the exceptions and gave the appellant leave to amend the particulars of claim within 21 days. The present appeal was noted against that order.

Held - Before dealing with the parties' respective contentions, it was convenient to briefly consider the law concerning joint authorship of works protectable by copyright. Ownership of such work vests in the co-authors. A co-author of copyright does not have the right, without the others' consent, to exploit the entitlements flowing from his copyright, and cannot ordinarily claim the whole proceeds of any exploitation of a co-ownership. A co-author who sues, as an individual, for damages arising from infringement of copyright will be restricted to the portion of the "reasonable" royalty to which he would have been entitled had the work been licensed properly.

Turning to the three exceptions raised by the respondents, the court found only the first to be sustainable. The appeal against the upholding of the other two exceptions was thus upheld.

In respect of the first exception, the respondents argued that the appellant had failed to indicate that the co-authors had assigned their copyright to the musician in whose deceased estate the appellant was appointed, and that he did

not have standing to bring the matter on his own. The Court confirmed that in the absence of averments relating to the appellant's share of the copyright, the claim for punitive damages was rendered excipiable, on the basis submitted in the exceptions. The appeal against the first exception was thus dismissed.

Notes

For Intellectual property see:

. *LAWSA* First reissue Vol 29

. Burrell TD *Burrells South African Patent and Design Law* 3ed Durban LexisNexis Butterworths 1999

Cases referred to in judgment

Collin v Toffie 1944 AD 456	311
Smith v Conelect [1987] 3 All SA 1 (1987 (3) SA 689) (W)	311

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Judgment

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 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

> 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 aforestated.

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> 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.3

[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 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.4 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",5 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*6 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 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) SA 689 (W) [also reported at [1987] 3 All SA 1 (W) - Ed]. Apart from noting that Tindall JA in *Collin* (*supra*) stated that a point of non-joinder may be taken on

exception, but only if it is expressly referred to in the exception,7 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 paragraph 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 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 plaintiffs 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:

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> "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 *Liebowitz*, 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 paragraphs 1-12, 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 paragraph 3 of the particulars, to ownership of the copyright and the allegation in paragraph 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

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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 paragraph 4(*c*) is to run from the date of delivery of this judgment.

(Farlam, Brand, Maya and Mhlantla JJA concurred in the judgment of Hurt AJA.)

For the appellant:

JR Gautschi SC and *M Smit* instructed by *Feldman & Nance Kivell*, Johannesburg and *Lovius Block*, Bloemfontein

For the respondent:

David Leibowitz instructed by *Rosin Wright Rosengarten*, Johannesburg and *Claude Reid Inc*, Bloemfontein

Footnotes

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.

3 "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."

4 OH Dean *Handbook of South African Copyright Law* at 1-30A; K Garnett, G Davies, G Harbottle *Copinger and Skone James on Copyright* 15ed at 288.

5 "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."

6 *Op cit* at 287-288.

7 At 467.