

## ***Santam Limited v Dial Direct Limited and Joe Public (Pty) Ltd***

### **Unreported Western Cape High Court case number 13278/11 (WCC)**

*Intellectual property law: Copyright and ASA implications of an insurance television commercial*

#### **1 Introduction**

The dispute in *Santam Limited v Dial Direct Limited and Joe Public (Pty) Ltd* (unreported Western Cape High Court case number 13278/11), ended via a settlement, and judgment was given without any reasons being provided. Nevertheless, the facts raise a number of interesting questions, some of which are considered below. The facts were that Santam had a television advertisement produced (described in the court papers as “the Real McCoy” – available at <http://www.youtube.com/watch?v=5JJWdpKATPO> (accessed 2011-12-10)). Sir Ben Kingsley is shown walking on the beach, talking about how consumers should discern between insurance companies, and in the end four look-alike men are shown. Dial Direct, a competitor of Santam, produced a commercial in response (available at <http://www.alonberman.com/dial-directs-take-on-sanlams-ben-kingsley-ad> (accessed 2011-12-10)). This commercial depicted an entity with a hand as the upper “body”, walking on a beach, saying “yada yada”, and at the end four similar entities appear. The words “less yada yada, more ching ching” then appear on the screen. In the applicant’s founding affidavit the similarities were said to be, more in particular, that both advertisements had the same backdrop; the “persons” involved had the same dress style; the composition, grading and camera angles of the shots in the adverts are virtually identical; and similar music and lighting is used to create the same mood (par 24).

Santam brought an urgent application for relief on the following bases. Firstly, that the copyright in the *Real McCoy* advertisement, said to be a cinematograph film (“film”), was infringed by the production of the *Yada Yada* advertisement. Secondly, that the Dial Direct advertisement amounted to disparagement. Relief on both grounds was granted and an interim order made on 4 July 2011. The focus of this discussion is the application of the facts to the provisions of the Copyright Act (98 of 1978), as well as those of the Advertising Standards Authority (ASA) (available at <http://www.asasa.org.za/> (accessed 2011-12-19)).

## 2 The Copyright Act

### 2 1 Protecting the *Real McCoy* Commercial *qua* Cinematograph Film

The basis of the court's order in this regard was the definition of "cinematograph film" in section 1 of the Copyright Act, as well as section 8 (exclusive rights) read with section 23(1) (primary infringement through the performance of an exclusive activity). Of specific interest is section 8(1)(a), which renders the reproduction of a film an act of infringement. Was the *Real McCoy* commercial reproduced however? Can one, *a priori*, reproduce a film except by mechanical means? What is the position where no physical copying takes place, but film B is, in all material respects, hardly distinguishable, for want of a better term, from film A, that was created earlier? Does this still amount to copying? It is possible, on the one hand, to focus on the result of an action, not the nature thereof. One can take as an example the situation where a poem is not copied mechanically, by way of a photocopy machine for instance, but reproduced by writing it down. The copyright is still being infringed, even though the particular format (material form to which it was reduced) such as a book, was not physically copied. It is the work that is being copied (*Norowzian v Arks Ltd* [1998] FSR 394 398). The mere recitation of a poem might even, arguably, be seen as a "reproduction" (definition of "performance" in s 1(1) read with s 6(1)(c) Copyright Act). One can also discern, on the other hand, a work such as a sound recording, which of course consists of one or two underlying works, namely a literary and/or musical work. The crisp question is whether the reproduction of the sound recording by non-mechanical means would amount to infringement? A performance with a different singer might perhaps not amount to the reproduction of the recording. What about the situation though where, for argument's sake, all performers involved in the original recording "reproduce" the original recording, in every aural facet, in a new recording? One must bear in mind that a sound recording has a separate existence from its constituent musical and literary works, and that copyright can exist simultaneously in a literary work and a sound recording (Van der Merwe (ed) *Law of Intellectual Property in South Africa* (2011) 157). Can infringement thus take place?

This issue came to the fore in the Australian decision in *CBS Records Australia Ltd v Telmak Teleproducts (Aust)(Pty) Ltd* (9 IPR 440). It was alleged that, apart from the lyrics and music, a "substantial number of the sounds" embodied in the original soundtracks were copied, in other words, it was a "sound alike". Section 85(a) of the Australian Copyright Act (of 1968) provided that copyright in relation to a sound recording involves the exclusive right to copy the recording. Section 10(3)(c) determines that "a reference to a copy of a sound recording shall be read as a reference to a record embodying a sound recording or a substantial part of a sound recording being a record derived directly or indirectly from a record produced upon the making of a sound recording". It was held that the said provision "is referring to an actual embodiment of the

very sounds on the original record however they may be copied” (444). Also, in the context of the replacement of a lost or stolen recording “[t]he right given to make a copy, notwithstanding the existence of copyright, for the purpose of replacing that sound recording in the collection must refer to a copy of the actual sounds embodied in the original sound recording and not to something produced later by other performers by way of imitation of the original” (444). In the course of its judgment, the court also referred to the position in the United States (444). Section 114(b) of the American Copyright Act (of 1976) deals with the rights of the owner of the copyright subsisting in a sound recording, and determines, amongst others, the following:

The exclusive rights of the owner of copyright in a sound recording under clauses (1) and (2) of section 106 do not extend to the making or duplication of another sound recording that consists entirely of an independent fixation of other sounds, even though such *sounds imitate or simulate* those in the copyrighted sound recording.

That the above reasoning may apply to films, appears from the British *Norowzian* decision (*supra*). Here it was alleged that the defendant’s film was purposely made to resemble the plaintiff’s film, a “reshoot” containing all the essential features. It was held that it is only the copying of the film itself which would amount to infringement (400). This approach seems applicable to section 8(1)(a) of the South African Copyright Act. It would follow that a non-physical “copy” would also not infringe the right to make an adaptation of the film (s 8(1)(e) Copyright Act). Yet another implication of this approach might apply to section 8(1)(a) of the Act, which also grants the copyright holder the exclusive right to make a still photograph from the film. It seems that having regard to the physical connotation a film has in an infringement context, it would not amount to infringement to paint an exact copy of a still photograph of a film. The physical copying of the photo would however infringe the copyright in the film. In summary of the above discussion, it appears that infringement of the copyright in the film was an incorrect basis for the court’s finding in the *Santam* case (*supra*).

## 2 2 Protecting the *Real McCoy* qua Literary Work

An alternative basis for relief might be the infringement of a literary work, the script of the *Real McCoy* advertisement being a “cinematograph film scenario” (definition of “literary work” in s 1(1)) Copyright Act). In relation to the requirement of “originality” in section 2(1) of the Act, the Supreme Court of Appeal has held that creativity is not required, only that a work must not have been copied from an existing source, and its production must have involved a substantial (or not trivial) degree of skill, judgment or labour (*Haupt t/a Soft Copy v Brewers Marketing Intelligence (Pty) Ltd* (2006 4 SA 458 (SCA) par 35). The script can probably amount to a few paragraphs, and, in light of the approach of the *Haupt* case (*supra*), would with ease qualify as a literary work. As alluded to above, any copying of a literary work, by handwriting or mechanically, would amount to infringement. This did not occur in the *Santam* case (*supra*). What is the position thus? One does not have to

resort to section 6(f) of the Act which lists the making of an adaptation of a literary work as the exclusive right of the copyright owner. There already exists a specific provision. In so far as the exclusive right to reproduce is concerned, the Act namely determines that “reproduction”, in relation to a literary work includes a reproduction in the form of a record or a cinematograph film. Accordingly, in a formal sense, the reproduction of the script could amount to infringement. However, it goes without saying that all literary works are not equal, so to speak. One can compare the modest script that resulted in the *Real McCoy* “film”, a film with a duration of two minutes and six seconds, with the script of a full-length film of, say, two hours. Similarly, one can envisage a script of only a few pages by renowned filmmaker Quentin Tarantino, also resulting in a film of only two minutes, but containing vivid and varied scenarios. The unavoidable conclusion is that there are levels of creativity. Whilst the Act may disregard literary quality as far as the subsistence of copyright is concerned (s 1(1) Copyright Act), one must contemplate the possibility that the level of “originality” of a script may not always cast a shadow long enough to indicate infringement. In contrast, the *physical* copying of merely a part of a film, even though based on a script with a low level of originality, could amount to infringement of the copyright in the film. By way of example, film B is a mechanical copy of film A, which simply depicts a boy kicking a ball. Such copying would amount to infringement of the copyright in film A, but the two or three sentence script resulting in film A, whilst still perhaps an “original” literary work, will not have the *gravitas* to found a claim of infringement when this (literary) work is compared to film B. The nature of a work is thus important.

To develop the above proposition further, it can be noted that in cases of alleged infringement, it is necessary to prove that the first and second works, or substantial parts thereof, are the same or similar, and that B copied A’s work. When comparing the two relevant works for purposes of determining infringement, one must consider the parts of the plaintiff’s work which are original (Dean *Handbook of South African Copyright Law* (1987) 1-38). This was stated by said author by drawing an analogy with the test found in trade mark law, namely whether the respective trade marks are confusingly similar (see s 34(1) Trade Marks Act 194 of 1993). An interesting question that arises is whether one cannot perhaps expand the analogy further? All registered marks are not treated equally. Notably, ordinary trademarks enjoy protection in relation to use on the same or similar goods or services (section 34(1)(a)-(b) Trade Marks Act). However, well-known or, rather, famous marks, enjoy protection against use in relation to *any* goods or services (section 34(1)(c) Trade Marks Act). The explanation is simply that famous marks have a greater amount of commercial magnetism. Similarly, various copyrighted works which all meet the originality requirement on a *minimum* level, can, factually, have different degrees of originality.

It is useful here to have regard to the decision in *Preformed Line Products (SA) (Pty) Ltd v Hardware Assemblies (Pty) Ltd* (202 JOC (N)).

Here the court approved of the approach that even though a work is original, the copyright will not be infringed unless a substantial part is used. Furthermore, *substantiality relates, principally, to the quality of what is taken, specifically, its degree of originality*. Therefore, when the ideas which have been copied are of an insubstantial or hackneyed character, even taken collectively, there will be no infringement (215H). Applying the above to the *Real McCoy* script, it appears that one may argue that the level of originality might be so low that its copying through the *Yada Yada* film would not amount to infringement. There is, indeed, a causal connection between the *Real McCoy* script and the *Yada Yada* film, but a substantial part (as described above) was not copied, only the idea embodied in the former.

### 3 The ASA Code

It is interesting to speculate as to what the position would have been if Santam lodged a complaint with the Advertising Standards Authority (ASA), instead of approaching the High Court? The following rules might apply.

#### 3 1 Clause 6 (Disparagement) Clause 6 Provides as Follows:

6.1 Advertisements should not attack, discredit or disparage other products, services, advertisers or advertisements directly or indirectly.

A point of reference might be the decision of the ASA Appeal Committee in *Kentucky Fried Chicken International Holdings v Golden Fried Chicken (Pty) Limited, t/a Chicken Licken* (2009-03-02). Here a competitor showed, amongst others, characters having features similar to the well-known Colonel Sanders image, criticising the complainant's products on the basis that they are boring. The conclusion reached by the ASA was that the advertisement "diminishes and devalues" the well-established Kentucky Fried Chicken brand. Chicken Licken relied on its advertisement being a parody, with reference to the decision in *Laugh It Off Promotions CC v SAB International (Finance) BV t/a Sabmark International and Another* 2006 1 SA 144 (CC). This defence was however rejected as "... the right of Chicken Licken to freedom of expression must give way to its obligation not to advertise in a manner which would discredit or be disparaging of its major competitor's product or advertisements."

The *Yada Yada* advertisement implies that the commercial of Santam contains nonsense, which amounts to disparagement. An allegation of racial exploitation would also seem to do so. But in the *Laugh It Off* ruling (*supra*) a robust view was followed and it was noted by Sachs J that "There is no proof whatsoever that imputations of racist labour practices in the past by SAB would in any way affect the eagerness of present day customers to down another glass of Carling Black Label." (par 98). To be read with this *dictum*, is the important statement by Moseneke J that "It is appropriate to observe that the mere fact that the expressive act may indeed stir discomfort in some and appear to be morally reprobate or unsavoury to others is not ordinarily indicative of a breach of s 34(1)(c)."

(par 55). Is this to be taken to refer only to offensive types of use? The picture that emerges for a litigant finding itself in the position of Santam is, accordingly, bleak. The position seems to be that a “mere” insulting advertisement would simply have to be tolerated. Where will the line be drawn though? One possibility might be the requirement of “substantial economic detriment” (*Laugh It Off* case (*supra*) par 56). To be sure, the principle laid down by the case is that a “negative” connotation with a mark is permitted, unless the owner can prove substantial economic harm. The question that arises now is to what extent this finding can be applied to clause 6? Is disparagement in itself enough? Can guidance be obtained from the Trade Marks Act? Infringement in terms of section 34(1)(a)-(b) of the Act, in contrast to section 34(1)(c), does not require proof of detriment (disparaging use of a mark will not easily fall within the scope of these provisions though, as such use will mostly differentiate the respective marks). The above *dictum* from the *Laugh It Off* case (*supra*) thus cannot represent the whole spectrum of trade mark infringement, only that envisaged in section 34(1)(c) of the Trade Marks Act. The Trade Marks Act accordingly does not take the matter further. Can guidance be obtained from the common law? The position also seems to be that “mere” disparagement is not enough, there must be a probability of loss (Van Heerden-Neethling *Unlawful Competition* (2008) 276). What is the solution therefore? It must be borne in mind that the ASA Code is a contract, containing rules to which the participants agreed. Consequently, “mere” disparagement might be sufficient for a contravention of clause 6, even in the absence of substantial economic detriment or probable damage to the advertising function of a trade mark. However, as mentioned by Neethling (319), if a ground of justification is present a business may be disparaged (or defamed) under the banner of the constitutional right to freedom of expression. The obvious ground of justification, in the context of the *Santam* case (*supra*), is parody. This aspect is discussed below.

### 3 2 Clause 8 (Exploitation of Advertising Goodwill)

Clause 8 reads as follows:

8.1 Advertisements may not take advantage of the advertising goodwill relating to the trade name or symbol of the product or service of another, or advertising goodwill relating to another party’s advertising campaign or advertising property, unless the prior written permission of the proprietor of the advertising goodwill has been obtained...

8.2 Parodies, the intention of which is primarily to amuse and which are *not likely to affect adversely the advertising goodwill of another advertiser to a material extent*, will not be regarded as falling within the prohibition of paragraph 8.1 above.

It can be assumed that there will be goodwill attached to the advertising campaign of Santam. The inevitable question is that of the meaning of clause 8.2? The parody defence contained in clause 8.2 can be seen in two contexts. Firstly, the phrase “which are not likely to affect adversely the advertising goodwill of another advertiser to a material extent” is reminiscent of section 107(4) of the American Copyright Act. Section

107, delineating the fair use defence to copyright infringement, reads as follows:

[T]he fair use of a copyrighted work ... is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include-

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) ...
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

The United States Supreme Court earlier held that the fourth factor was the most important (*Harper & Row Publishers v Nation Enterprises* 471 US 539 (1985) 566). However, in the leading case of *Campbell v Acuff-Rose Music Inc* (510 US 569 (1994) 578) the court followed the approach that the four factors must not be considered in isolation, but all must be explored, and the results weighed together, in the light of the purposes of copyright law. In the conventional situation, a copyrighted work is an end in itself. The specific item, a book for instance, is being traded in, it is made available to members of the public. Sales can fluctuate, and the process of determining market harm is relatively easier than is the case with the *Real McCoy* script. It is a once-off product, a commodity not circulated in the market. On a narrow interpretation, there can thus be no market harm. Should one always separate a work from the medium in which it is embodied though? A broader interpretation of the issue of market harm could lead one to the conclusion that the *Yada Yada* commercial would basically erode the effectiveness of the *Real McCoy* advertisement. After all, the impact of the *Real McCoy* commercial is diminished and *its* message diluted, however, there is no market harm to the *script*, there is no reasonable potential for it to become commercially valuable outside the relationship between the author of the script and Santam. It seems real however to recognise the fact that the continued flighting of the *Yada Yada* commercial would have neutralised the *Real McCoy* advertisement to a large extent, jeopardising Santam's investment in the advertisement, which amounted, according to the founding papers, to R25 million (par 12.6). This figure cannot be laughed off. Of relevance is section 107(4) of the American Copyright Act that mentions "the effect of the use upon the potential market for or *value* of the copyrighted work." In summary, if the ASA considered the latter argument, it should have rejected the parody defence.

Guidance may also be found, secondly, in the *Laugh It Off* decision (*supra*). One consideration is that the fact that the particular use is offered as humour does not automatically render it immune from restraint (par 81). Of more significance, it was said, is whether the activity is primarily communicative in character or primarily commercial (par 86). Adopting the position that Dial Direct's expressive activity was primarily commercial, and that humour does not automatically provide a defence,

it is submitted that the parody defence should also be rejected. Incidentally, it was said in the *Campbell* ruling (*supra*) (585) that “The use ... of a copyrighted work to advertise a product ... will be entitled to less indulgence ...”.

### 3 3 Rule 9 (Imitation of an Advertisement)

Rule 9 reads as follows:

9.1 An advertiser should not copy an existing advertisement, local or international, or any part thereof in a manner that is recognisable or clearly evokes the existing concept and which may result in the likely loss of potential advertising value. This will apply notwithstanding the fact that there is no likelihood of confusion or deception or that the existing concept has not been generally exposed.

The mere fact that the “new” advertisement evokes the existing one is not sufficient to obtain relief. For example, in the *Campbell* case (*supra*) it was said (588-589) that even the use of “the heart” of a work could be protected under parody. Also, in the *Laugh It Off* ruling (*supra*), Sachs J stated that the fact that the trademark image is central to the parody does not make it automatically or even presumptively liable for restraint (par 81). One is thus in a position where, to decide the issue, the aspect of “harm” must be considered. It seems reasonable to accept that there will be a “likely loss of potential advertising value”, not only because the central theme of the *Real McCoy* advertisement was copied, but also that the *Yada Yada* commercial effectively erases, alternatively dilutes the message of the *Real McCoy* advertisement. Accordingly, the parody defence should also not apply in the context of clause 9.

## 4 Unlawful Competition

A full discussion of the above falls outside the scope of this note. Suffice it to say, as indicated above, and accepting the summation of the legal position by Neethling (319), that it appears that if a ground of justification is present a business may be disparaged (or defamed) as the other party may rely on the constitutional right to freedom of expression.

## 5 Conclusion

The *Santam* judgment (*supra*) is incorrect as far as the copyright infringement aspect is concerned. It is possible that copyright would subsist in the script of the *Real McCoy* advertisement, but that the level of creativity would probably not have been sufficient to found a claim for copyright infringement. The Dial Direct commercial could notionally lie within the scope of various clauses of the ASA Code. However, the impact of the *Laugh It Off* ruling (*supra*) makes the expression of a final view thereon problematic.

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