



**THE SUPREME COURT OF APPEAL
OF SOUTH AFRICA**

Reportable

CASE NO: 395/2001

In the matter between:

PRECISMECA LIMITED

APPELLANT

and

MELCO MINING SUPPLIES (PTY) LIMITED
RESPONDENT

Before: HEFER AP, NAVSA, NUGENT JJA, JONES *et* LEWIS AJJA

Heard: 12 SEPTEMBER 2002

Delivered: 25 SEPTEMBER 2002

Summary: Jurisdiction of high court in respect of common law licensing agreement

J U D G M E N T

LEWIS**AJA:**

[1] The single issue for determination in this appeal is whether the jurisdiction of a high court to determine the right of the appellant to a statement and debatement of account, and payment of licence fees under a contract, is ousted by s 18 of the Patents Act 57 of 1978. Section 18 (1) provides:

‘Save as otherwise provided in this Act, no tribunal other than the commissioner shall have jurisdiction in the first instance to hear and decide any proceedings, other than criminal proceedings, relating to any matter under this Act.’

The court *a quo* (Mlambo J) upheld a special plea of absence of jurisdiction filed by the respondent (‘Melco’) on the basis that the remedies sought depended on the validity of a contract, which in turn depended on the validity of certain patents – an issue that could be determined only by the Commissioner of Patents under s 18(1). This appeal is brought with the leave of the High Court.

[2] In terms of the agreement in issue the appellant (‘Precismeca’) granted Melco the right to manufacture certain items known as ‘rollers and idlers’ in return for the payment of a royalty. Precismeca sued Melco for disclosure of the number of items manufactured by it under the agreement, and for payment of royalties. These claims, it contends, are based on the common law rights to claim a statement and debatement of account and royalties in terms of the agreement. (Precismeca had taken cession of all rights under the agreement between Melco and the cedent, an associated company, prior to the institution of the action.) The agreement, concluded in 1975, required Melco to account on a half-yearly basis for payments due under it, in respect of every ‘idler and roller’ of the product manufactured and sold by Melco, as licensee. The ‘product’ is defined in the agreement as ‘roller and idler set design and technology, such as they are

manufactured by Precismeca’.

[3] The preamble to the agreement explained that Precismeca had applied for registration of the trademark ‘Precismeca’ in relation to the product; wished to grant to Melco an exclusive right to manufacture the product within specified areas (the ‘territory’) ‘in accordance with the Patents applied for’ and to sell the product under the name Precismeca. Melco undertook to make payments to Precismeca in respect of the manufacturing and sales of the product in accordance with the provisions of the agreement. Clause 3.3 provided that on the execution of the agreement Precismeca would grant ‘an exclusive Licence to manufacture, use and sell the Product in accordance with the . . . secret knowledge and secret formula the subject of the Patents applied for and the Trade Mark ‘Precismeca’ in the Territory’. Clause 3.4 imposed an obligation on Precismeca to apply ‘diligently’ for the registration of the patents and the Trade Mark, and, if granted, to license Melco under the patents, and to enter into a user agreement in respect of the registered Trade Mark. Clause 3.5 provided inter alia that until the licences were granted and the user agreement registered, the licensing agreement itself would operate as a ‘licence in respect of the patents applied [for]’. I shall examine this provision more closely later in the judgment since in my view it is decisive of the dispute as to the nature of the contract in issue.

[4] It is common cause that no licences in respect of patents that were to be applied for were ever granted and that the trade mark user agreement was not concluded. The licensing agreement, Precismeca thus argued, accordingly took effect as a licence itself in respect of the product manufactured, and retained that status.

[5] It is also common cause that the patents referred to in the agreement by reference to the schedule (as opposed to those still to be applied for) had expired at the time of action, two before the conclusion of the agreement and one thereafter. It was accordingly argued for Melco that the litigation in the court a quo constituted a dispute between the parties as to their rights ‘to make, use, exercise or dispose of an invention’ as contemplated by s 28(1) of the Patents Act, which should have been referred to the commissioner of patents to determine. And it was on this basis that the court of first instance upheld the special plea as to jurisdiction. The issue was characterized by the court as an enquiry into patents and their effect on a licensing agreement when they lapse.

[6] Melco contended on appeal that because there were no patent applications pending at the time of the conclusion of the contract, the agreement was void for vagueness. (It should be noted that the patents supposedly extant were said to be listed in a schedule attached to the agreement, but that no such list was in fact attached, at least when the agreement was signed for Melco.) And the question whether any patent application was in fact pending, Melco argued, is a matter that can be determined only by the commissioner in terms of s 18(1)

of the Act. That question is, however, not before us.

[7] Melco submitted further that even the liability to account and pay royalties to Precismeca in respect of the product manufactured is dependent on the licence in respect of the patents applied for (defined in the agreement as 'the Patents when granted relating to the Product in respect of which applications are at present pending . . .'). It should thus be determined, the argument continued, whether the product Melco has manufactured is one that has used the patents applied for. Again, it was argued, the determination of that question is one that falls within the exclusive jurisdiction of the commissioner of patents.

[8] Precismeca, on the other hand, argues that it claims relief under the common law and not in terms of the Patents Act. The claims for payment of royalties and for an accounting are remedies that the common law provides and that the ordinary courts have jurisdiction to entertain. Even if a patent is in issue, in an incidental though perhaps essential respect in the determination of the dispute, Precismeca submits, where the relief sought is not statutorily based, a high court will have jurisdiction.

[9] Precismeca claims support for these contentions from the decisions in *Buckingham v Doyle & others* 1961 (3) SA 384 (T) and *Helios Ltd v Letraset Graphic Art Products (Pty) Ltd* 1973 (4) SA 81 (T). In *Buckingham* Cillie J, dealing with the predecessor to s 18(1) (s 77(1) of the Patents Act 37 of 1952, which was in substantially the same terms as s 18(1)), in ruling on a point taken in limine in an action for the settlement of a dispute by partners in connection with the partnership, held that although the partnership 'has as its basis the joint ownership of a patent', the court had jurisdiction to hear the matter. The action was not one, the court held, where it would be asked to decide on the ownership of the patent, or on the parties' respective rights in it. The court held also that the person alleging that it has no jurisdiction must show that the action contemplated 'falls under the provisions of the [Patents] Act and has been allocated to the jurisdiction of the Commissioner's court'.

[10] In *Helios Ltd* the court was asked to interdict the respondent from publishing a circular letter that purported to explain a decision of the Appellate Division relating to a patent infringement. It was argued for the respondent that the determination of the application involved a decision on the validity of the patent itself, and therefore fell within the jurisdiction of the Commissioner. Rejecting the argument, Margo J said that what was being sought was relief afforded by the common law for an injurious falsehood (the letter being inaccurate about the findings of this Court), which the court was competent to grant. Margo J approved the decision in *Buckingham*, saying that '[s]ec. 77(1) was obviously not intended to subsume all possible forms of relief, common law or otherwise' (at 87C—D).

[11] *Melco*, in contending that the payment of the royalties and the right to claim an accounting, is indeed dependent on the validity of the patents and of the agreement, has in turn relied upon *Maxicorp Holdings (Pty) Ltd & others v Pearman & others* 1997 BIP 256, in which Heher J found that the relief claimed by way of an amendment to an application could not be granted because that which was sued for initially fell within the exclusive jurisdiction of the commissioner. The court considered that 'the determining factor' was that whatever patent rights the applicants laid claim to originated in and were 'solely dependent upon' the validity of an agreement of sale, the purpose of which was to provide for the disposal of the respondents' patent and trademark interests, and for a consideration. At issue were the rights of the applicants to the patents,

and that fell within the exclusive jurisdiction of the commissioner. Heher J considered that *Buckingham* and *Helios Ltd* were accordingly of no assistance to him. (See also the unreported judgment of Spoelstra J in *Flexitainer International (Pty) Ltd v Flexitainer SA (Pty) Ltd & another*, unreported, case 32503/00 Pretoria High Court, 25 May 2001.)

[12] It is not necessary to consider the correctness of these apparently different approaches in light of the view I take in this matter. The jurisdiction of the high court is excluded only where the proceedings relate to 'any matters' under the Patents Act. Whatever the limits of this phrase might be, the claim in the present case clearly falls outside its terms.

[13] The agreement, properly construed, is not a licensing agreement in terms of the Patents Act: it is not a contract to make a patented article or to use a patented process. The agreement is a common law licensing agreement and the reference to the patents does no more than describe the product. The fact that the list of patents was not attached shows that it was not intended to be a patent licensing agreement. Moreover, although two of the patents had lapsed before the agreement was concluded, and the third shortly thereafter, the parties in fact performed in terms of it for a period exceeding 20 years. And the initial period of the agreement was to be 10 years, renewable for further periods of five years at a time, without limitation. It could thus endure for an indefinite period, whereas the life of a patent is limited. A number of other features of the agreement were also argued to be indicia that a patent licensing agreement was not intended. In my view, these obligations are not patent-related, but are exigible in return for the payment of licence fees in terms of the agreement.

[14] The decisive provision, however, is clause 3.5 of the agreement. It reads: 'The exclusive Licence hereinbefore referred to and the Licence under the Patents applied for and the registered User Agreement shall be in the standard form and shall be subject to the terms and conditions contained in this Agreement and until such Licences and registered User Agreement are granted this Agreement shall take effect as a Licence in respect of the Patents applied [for].'

The clause contemplates three different licences: the technology licensing agreement - that which is referred to as the exclusive licence; the licence under the patents applied for; and the registered user agreement. In my view, since it is clear that patents were not granted (although there is apparently a dispute as to

whether they were ever applied for), and that a user agreement was never concluded, the agreement can be no more than a technology licensing agreement, for the manufacture of the products described with reference to patents previously in existence, enforceable under the common law.

[15] Accordingly, the rights under the agreement for an accounting and for payment of royalties arise at common law and the high court has jurisdiction to enforce them.

[16] The appeal succeeds with costs, including those of two counsel. The order of the high court upholding the respondent's special plea is set aside.

C H LEWIS
ACTING JUDGE OF APPEAL

HEFER AP)
NAVSA JA)
NUGENT JA)
JONES AJA)

CONCUR