



THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

JUDGMENT

Case No: 771/2010

In the matter between:

DAVID WALLACE ZIETSMAN

APPELLANT

and

**ELECTRONIC MEDIA NETWORK
LIMITED**

FIRST RESPONDENT

**MULTICHOICE AFRICA (PTY)
LIMITED**

SECOND RESPONDENT

Neutral citation: *Zietsman v Electronic Media Network* (771/2010) [2011]
ZASCA 169 (29 September 2011)

Coram: Mthiyane, Van Heerden, Bosielo and Leach JJA and
Meer AJA

Heard: 13 September 2011

Delivered: 29 September 2011

Summary: Application for security for costs — s 17(2) of Patents Act 57 of 1978 — Earlier application dismissed on appeal to the SCA — Whether second application precluded by the operation of doctrine of *res judicata* or issue estoppel.

ORDER

On appeal from: Court of the Commissioner of Patents (Pretoria)
(Sapire AJ sitting as court of first instance):

The appeal is dismissed with costs.

JUDGMENT

MTHIYANE JA (VAN HEERDEN, BOSIELO, LEACH JJA and MEER AJA CONCURRING):

[1] This appeal is against the judgment of Sapire AJ sitting as a Commissioner of Patents in the Court of the Commissioner of Patents of the Republic of South Africa, in which the appellant was ordered to furnish security for the costs of the first and second respondents jointly in the amount of R100 000.

[2] The application that gave rise to this appeal is the second application for security for costs. The appellant was previously ordered to furnish security for the costs of the respondents in the amount of R250 000 each. The appellant noted an appeal against that ruling and succeeded. The judgment in that case is reported as *Zietsman v Electronic Media Network Ltd & others* 2008 (4) SA 1 (SCA), (the SCA judgment). The appellant's answer to the respondents' request for security for costs was that, in light of the SCA's judgment, the respondents were precluded

from seeking further security from the appellant as the matter was res judicata.

The history of the matter

[3] It is necessary to describe briefly the background to the present application. In December 2004 the appellant instituted action against the first and second respondents and three other entities for the alleged infringement of his South African patent number 92/9925. This action (the main action) is pending in the court below.

[4] On 15 February 2005 the respondents requested security for costs in terms of Uniform rule 47(1).

[5] The respondents thereafter brought the first application for security for costs in the court of the Commissioner of Patents and the appellant was ordered to furnish security. This order formed the subject of the appeal in the SCA judgment.

[6] On 7 March 2008 the appellant's appeal against the order on the first application for security for costs was upheld and the order of the Commissioner of Patents was altered to one dismissing the respondents' application with costs.

[7] Although this court made findings adverse to the appellant's ability to satisfy an order for costs that may be given against him, it refused the respondents' application on the basis that they had not disclosed a defence and because evidence relating to their defence and their prospects of success in the main action had not been tendered.

[8] On 10 June 2008, the respondents again requested security for costs in terms of Uniform rule 47(1). This time the notice under Uniform rule 47(1) contained, inter alia, statements indicating that the respondents had good prospects of success in their defence of the main action.

[9] The appellant refused to offer security for costs in response to the respondents' aforesaid (second) request and the respondents then launched their second application for security for costs before the court a quo on 28 August 2008.

The issue on appeal

[10] The issue for decision in this appeal is whether the second application for security for costs should have been refused by the court a quo because of the operation of res judicata or issue estoppel. The underlying ratio of the doctrine of res judicata is that where a cause of action has been litigated to finality between the same parties on a previous occasion, a subsequent attempt by one party to proceed against the other party on the same cause of action should not be permitted. The constituent elements of this defence are: (a) an earlier judicial decision, (b) which is final and definitive of the merits of the matter; (c) involving the same parties; (d) where the cause of action in both cases is the same; and (e) the same relief is sought.¹

[11] Where a defendant raises the defence that the same parties are bound by a previous judgment on the same issue, it has become commonplace to refer to this defence as one of 'issue estoppel'. The essential requirements of issue estoppel are: (a) an earlier judicial decision; (b) which is final and definitive of the merits of the matter; (c)

¹See *Yellow Star Properties 1020 (Pty) Ltd v MEC, Department of Development Planning & Local Government, Gauteng* 2009 (3) SA 577 (SCA) para 21.

involving the same parties; and (d) which involves an issue of fact or law which was an essential element of the judgment on which reliance is placed.²

[12] The appellant's primary submission is that this court has in the SCA judgment ruled on the appellant's liability to furnish security and that the respondents are precluded from again approaching this court on the matter in circumstances where the respondents have not introduced any new evidence that was not available when the matter was first before this court.

[13] The respondents submit that the appellant has failed to discharge the onus of proving the sustainability of the defence of res judicata or issue estoppel. They accept that the SCA judgment has the following elements in relation to the judgment of the court a quo: (a) an earlier judicial decision; (b) which involves the same parties; and (c) where the same relief was sought. The respondents however, dispute that the SCA judgment is a final and definitive judgment on the merits of the first application for security for costs and aver further that the causes of action in both applications for security for costs are not the same.

[14] In order for the defence of res judicata to be sustained it must be shown that the earlier judicial decision on which reliance is placed was a decision on the merits. It has been said that, 'it is not the form of the order granted but the substantive question (did it decide on the merits or merely grant absolution?) that is decisive in our law and that what is required for the defence to succeed is a decision on the merits.'³ The respondents

²*Yellow Star Properties* para 22.

³See *MV Wisdom C: United Enterprises Corporation v STX Pan Ocean Co Ltd* 2008 (3) SA 585 SCA para 9.

submit that the SCA judgment was one of absolution from the instance. As indicated above they submit further that the causes of action in both applications for security for costs are not the same.

[15] On an analysis of the SCA judgment (especially paras 19 and 20), it is clear that the ratio for the decision was that insufficient evidence had been placed before the court and the respondents had not disclosed a defence.⁴ Neither the respondents' defence, nor their prospects of success in the main action were dealt with in the first application. This caused this court to hold that it would place an unjust impediment on the appellant's constitutional right in terms of s 36 of the Constitution were the court to direct the appellant to furnish security for costs. The respondents' application for security for costs was thus dismissed.

[16] In my view the effect of the SCA judgment is that it only granted absolution from the instance. It clearly did not deal with the merits. It is simply not so as contended by the appellant that the merits were considered in detail. Accordingly, the doctrine of *res judicata* cannot be relied on by the appellant to prevent adjudication of the respondents' second application for security for costs.

[17] As already indicated above, one of the elements underlying the defence of *res judicata* is that the earlier judicial decision relied on must be in respect of the same cause of action. In the respondents' second application for security for costs the respondents have not only relied on essentially the same facts on which the SCA judgment is based, but have in addition tendered new evidence. This new evidence deals with the respondents' prospects of success in the main action and cures the

⁴*Zietsman* supra para 19 at 9J-10J.

deficiency that resulted in the respondents being non-suited in the first application. The evidence now shows that the respondents have good prospects of success in the main action and that there is therefore a good prospect of an adverse costs order being made against the appellant at the termination of the main action.

[18] The evidence now tendered relates to the respondents' application in terms of s 51(10) of the Patents Act 57 of 1978 which identifies 15 grounds for the setting aside of the amendment which was made by the appellant to his patent. If this application succeeds, the appellant's patent may become wholly or partially invalid. It is important to note that this application was made only after the first application for security of costs had been instituted. So too, the affidavit deposed to by the respondents' expert, Mr Hanrahan, had only become available during the course of the previous proceedings for security for costs.

[19] The further evidence tendered by the respondents shows, at least prima facie, that the respondents could not have infringed the appellant's patent. This evidence was not before the court in the first application. Clearly, the second application is premised on a cause of action which is different from the cause of action in the first application.

[20] On this basis the doctrine of res judicata (as such or in the form of issue estoppel) is inapplicable. There was therefore no reason for the Commissioner of Patents, Sapire AJ, not to entertain the respondents' application. His approach finds support in the dictum of Hefer JA in *Shepstone & Wylie & others v Geyser NO 1998 (3) SA 1036 (SCA)* at 1042H where the court said in relation to refusal of an application for security for costs:

‘It may be that the Court, having once refused an application, retains the power to entertain a subsequent one. But any subsequent application will obviously require new evidence.’

[21] During argument the question arose as to whether it was open to the respondents to rely on evidence which they did not raise in the first application, when they had the opportunity to do so. The appellant submitted that they were not entitled to do so. The respondents offered two reasons why the evidence was not tendered in the first application. First, the evidence in question only came into their possession after the first application had been lodged. Second, the respondents did not consider themselves under any obligation, at that stage, to incur the additional expense of tendering evidence on their prospects of success. The appellant’s allegations of patent infringement were considered to be without any merit and the respondents did not consider it necessary to investigate (in the appellant’s words) ‘all aspects regarding the patent, possible infringement and possible invalidity, of the claims’ before applying for security for costs at the earliest possible opportunity. At that stage, given their view of the strength of the respondent’s case, this would have been unduly expensive and time-consuming. In terms of s 17(2)(b) of the Patents Act, the Commissioner of Patents is not obliged to have regard to the prospects of success of any party in considering whether security should be furnished. The section reads as follows:

‘The Commissioner may have regard to the prospects of success or the *bona fides* of any such party in considering whether such security should be furnished.’ (Emphasis added.)

[22] In my view the respondents have provided a satisfactory explanation as to why evidence regarding their defence and their prospects of success was not tendered in the first application. The

appellant argued that the respondents' failure to disclose their defence in the first application amounts to an abuse of the process of court. I do not agree that any abuse has been established and the submission to that effect falls to be rejected.

[23] In sum the plea of res judicata cannot be upheld and was correctly rejected by the Commissioner of Patents.

[24] As to costs I do not think that the matter justified the employment of two counsel. The appeal did not raise complex or novel issues. In essence, this court simply had to consider whether the order for security for costs given by the court a quo was liable to be set aside on the basis of res judicata.

Order

[25] In the result the following order is made:
The appeal is dismissed with costs.

K K MTHIYANE
JUDGE OF APPEAL

APPEARANCES

For Appellant: AGS Galgut

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