

# **IN THE HIGH COURT OF MALAWI**

## **PRINCIPAL REGISTRY**

**Civil Cause No. 218 of 2007**

**BETWEEN**

**MARKETPOINT ADVERTISING AGENCY.....PLAINTIFF**

**AND**

**DULUX LIMITED.....DEFENDANT**

**Coram: Manda, J**

**Ulaya** for the Plaintiff

**Nyirenda** for the Defendant

**Mrs Chilimampungwa** Court Clerk/interpreter

## **JUDGMENT**

### **Facts and Background**

The plaintiff in this instance is an advertising agency specialising in the production of various advertising materials. Sometime around the year 2005, the plaintiff was contracted by the defendant company to produce materials for a new product that the defendant was introducing called Dura45. These materials included press adverts, posters, label designs, banners, invitation cards and name tags. The total cost of this work was pegged at MK485, 216.25. This is now the amount that the plaintiff agency is claiming from the Defendant Company plus interest.

The Defendant Company deals in paints and they do not dispute the fact that they owed the plaintiff Agency the sum claimed. However, it was their defence that they could not pay the Plaintiff the sum claimed since the plaintiff owed them the sum of K1, 328, 553.75, which they wanted the Plaintiff to indemnify. In this regard, the Defendant Company filed a counter-claim against the plaintiff claiming the sum of K1, 328, 553.75.

From the facts and evidence presented, there were two contracts which were entered into by the plaintiff and the defendant. The production of materials for the launch of the Dura45 was the second contract. Prior to that, it would seem that the parties agreed that the plaintiff was to produce adverts in the

form of billboards for the defendant to market its paint and paint-related products. In coming up with these billboards, it was alleged that the plaintiff unlawfully used a photograph depicting the view from Chelinda Hills in Nyika, which photograph belonged to Central Africana Limited. It was further stated in evidence that when the billboards were put up, Central Africana Limited sued the Plaintiff and the Defendant for infringement of their copyright rights, which case came before the High Court but was dismissed for want of prosecution by Central Africana Limited, meaning that there was no court determination as to whether indeed the Plaintiff Agency had infringed on the rights of Central Africana Limited.

However, whilst the matter was still pending before the court, the Defendant Company proceeded to settle the claim by Central Africana Limited. This was apparently done “*to save litigation costs*” and according to the defendants, the claim was settled on purely ‘**Without Prejudice**’ basis. In this regard the Defendant Company apparently paid Central Africana Limited K250, 000 being damages for the alleged infringement of the copyrights. The Defendant Company then also paid K100 000 as party and party costs, the sum of K124, 267. 50 to their lawyers Messrs Wilson and Morgan as Solicitor-own-Clients Costs, which were inclusive of VAT, less K13, 807.50 in Withholding Tax. According to the Defendant Company, the total sum they spent in settling the claim filed by them by Central Africana was K514, 746.25.

The Defendant Company also stated that when they were sued by Central Africana Limited, they were forced to pay K100, 000 to pull down the billboards, which the plaintiff agency had designed. It was also the Defendant Company’s assertion that they had initially spent K700, 000 when putting up the billboards, which meant that they had spent K800, 000 on the billboards. The total sum spent on the billboards and in settlement and legal fees, comes up to K1, 314, 746.25, which is now the subject of their counter-claim.

## **The Law**

By definition, the term ‘without prejudice’ is a reservation made on a statement or on offer that it is not an admission or cannot otherwise be used against the issuing party in future dealings or litigation with any determinative legal effect. The term also gives rise to a public policy issue in encouraging the parties to reach agreement as to the repayment of a debt, as there is in encouraging them to agree as to the existence of a debt (see ***Bradford & Bingley Plc v Rashid*** [2006] 4 All ER 705, which is a House of Lords decision. See also the decision of the Malawi Supreme Court of Appeal in ***Construction and Development Limited v Munyenyembe*** 12 MLR.

292). Further, the policy of encouraging negotiation therefore requires that the law should give effect to two objectives: first, the objective furthered by the normal **without prejudice** rule, which allows the parties to speak freely without fear that their statements will be relied upon as admissions if negotiations should break down, and secondly, the objective of the special acknowledgement rule in the Limitation Act, which allows a creditor to give time to negotiate for the payment of an admitted indebtedness without fear that the claim will become statute barred. Of course it must be added that in determining whether there was an admission or not, [t]he question to be considered is, what was the view and intention of the party in making the admission; whether it was to concede a fact hypothetically, in order to effect a settlement, or to declare a fact really to exist.

A further point that is to be made is that in terms of Order 18, r.17 of the Rules of the Supreme Court, the Defendant Company's counter-claim is in effect raising the defence of set-off. This it must be stated is regardless of the fact that the Defendant Company actually pleaded the defence of set-off. In this regard, the court is required to look at the true nature of the pleadings and that the making of such a determination is a matter of law. Of course it must also be stated that the defence of set-off can be raised regardless of whether the amount that is being claimed by the defendant has been ascertained or not. However, it must be noted that this type of set-off constitutes what is known as a legal set-off. A Legal set-off does not affect the substantive rights of the parties against each other, at any rate until both causes of action have been merged in a judgment of the court (see **Stein v Blake** [1996] 1 A.C 243).

### **Issues and Analysis**

It is to be accepted that a defendant would be entitled to bring a counter-claim against a plaintiff for the purpose of setting-off the whole or part of the plaintiff's claim. However with reference to this particular instance the question is whether the Defendant Company did have a cause of action against the plaintiff? As earlier stated, the defendant's action was based on the fact that it settled an action in which it was effectively sued as a third party. This is in view of the fact that the action that Central Africana Limited filed was based on the assertion that the Plaintiff Agency had infringed their copyrights by using a photograph which belonged to them. It is quite clear from the facts and the evidence in this instance, that Dulux Limited was not aware of the purported infringement or indeed that they did actually influence the plaintiff agency to use the photographs in question. Indeed it was the evidence of Mr. Thomas Chipata, the defendant's Finance and Administration Manager, that they felt that Dulux was not supposed to be included in the claim that was filed by Central Africana Limited. The

question then if this was the feeling within the defendant company and if indeed they did not have anything to do with the alleged copyright infringement, why did they decide to settle the matter? It must be noted that settling of the matter cannot be done on 'without prejudice' basis as the settlement brings the matter to a conclusion after which there can no longer be any negotiations regarding the matter. Indeed a settlement of a matter is a clear declaration that there exists liability and that the person making the settlement has no defence whatsoever; in as far as the settled amount is concerned. Thus in this instance, by settling the matter, what the Defendant Company did was to admit that they were **guilty** copyright infringement and were thus liable to pay Central Africana Limited damages and that they were also liable to pay a fine under the Copyright Act. Indeed it is in this regard that damages for infringement of a copyright are calculated on the basis of conversion.

It must be noted that an infringement of a copyright attracts a penal sanction under the Copyright Act which means that there must be proof beyond all reasonable doubt that such an infringement was indeed committed. In making such a determination, the court will of course have to look at issues as to whether there was a deliberate infringement or the infringement was done unwittingly (see **British Leyland Motor Corp & Others v Armstrong Company Limited & Others** [1986] 1 All ER 850, [1986] 2 WLR 400, ). It must be stated in this regard that the defence of unwitting infringement is available when it comes to certain infringements of materials protected under Copyright Law. Apart from this, there are also issues as to whether the unwitting infringement was committed under the assumption that there was implied authorisation from the holder of the copyrighted material to use the same. More importantly, there is also the question as to whether the material which is the subject matter of the copyright suit falls under the category of materials which are protected under the Copyright law. These issues I believe are matters which must be determined basing on the interpretation of the law by the courts and I doubt that the Defendant Company had the capacity to make such determinations. This is especially in view of the fact that by settling the claim, they were in effect, imputing that the Plaintiff Agency was guilty of infringement of a copyright under the Copyright Act, which finding as earlier noted attracts a penal sanction.

From the foregoing, I do believe that the Defendant Company was not supposed to settle the claim by Central Africana Limited. This is especially in view of the fact that technically, they were not the ones who would have been held to be guilty of infringing the copyright, should the court have made such a finding. This would of course also raise issues as to whether

Central Africana Limited was right in joining the Defendant Company is its claim for copyright infringement since for parties to be joined in an action there must be a common question of law or fact as per Order 15, r.4 of the Rules of the Supreme Court. In the claim by Central Africana Limited, the question was whether the Plaintiff Agency had breached the Copyright Act such that it was to be condemned in damages for conversion as well as be made to suffer a penal sanction. These I believe were not questions which could not have been asked of the Defendant Company since its assertion is that it did not have anything to do with the infringement. Thus clearly there was no common question of fact or law in as far as the Defendant Company was concerned. The same argument would in my view apply to situations where all rights to relief claimed in an action in respect of or arising out of the same transaction or a series of transactions. The transaction that was complained of by Central Africana Limited was alleged the infringement of their copyrighted material. This transaction was specific between Central Africana Limited and the Plaintiff Agency and Dulux was not part of the same. Dulux was just given advertising materials, which were created using the alleged copyrighted material, which I believe was a totally different transaction since it involved some alterations to the copyrighted material to suit the requirements of Dulux. In this regard then perhaps what Dulux should have done was to question why it was being included as a party to the Central Africana Claim. This is more so considering that there is need for leave of court for one to be joined as a party to an action. Indeed I would want to believe that before granting such leave the court will first of all have to determine if there were issues of commonality law or facts or if indeed the claim was arising out the same transaction(s).

Further, if indeed Dulux strongly felt that it was not supposed to be a party to this case, I would have thought that the best option for them would not have been to settle the matter but rather to apply to the court to be discharged as a party. This I believed would have better saved Dulux from incurring litigation costs other than the option of a settlement. As it is Dulux settled on a matter which was then dismissed for want of prosecution by Central Africana Limited. Such a dismissal in my view could be interpreted to mean, inter alia, that Central Africana Limited did not have a good claim and hence the reason why they did not wish to pursue it. This in itself would bring doubt as to whether the plaintiff agency was indeed guilty of copyright infringement, which would in turn beg the question as to why the defendant decided to settle the claim or indeed pull down the billboards? Clearly there was no cause for the defendant to take the actions that he did and I must seriously ask if their counter-claim is justified at all. In my view there is clearly no basis for such claim since all the actions that the defendant took were done on a voluntary basis. Of course it is conceded that these actions

were taken on the advice of counsel and that the defendant could not have been aware of all the legal intricacies involved in such matter. However looking at the facts before me, I would venture to state that the defendant was given bad legal advice and that if anything it could be counsel who had given the advice who is responsible for the 'loss' suffered by the defendant. In my view I do not think that it would be right for a court to hold the plaintiff liable for the voluntary actions done by the defendant, albeit done under wrong advice. In my view and from the facts presented, there is no way that the defendant could have been found guilty of copyright infringement under the Copyright because they were not the ones who were alleged to have converted the property belonging to Central Africana Limited.

### **Findings**

From the discussion above, I must really find that the counter-claim that was filed by the defendant has no basis and lacks merit and as such I must proceed to dismiss it with costs. As for the claim by the plaintiff, I did state earlier that a Legal set-off does not affect the substantive rights of the parties against each other, at any rate until both causes of action have been merged in a judgment of the court (and this was per the decision in **Stein v Blake** [1996] 1 A.C 243). What the defendant sought to claim in this instance was that there should be a legal set-off; which had it been successful would have affected the substantive rights of the plaintiff. However the defendant's counter-claim not having been successful and indeed there being no judgement of the court that the plaintiff had infringed any copyright rights as claimed by Central Africana Limited, I do proceed to find that the plaintiff's claim succeeds in its entirety. The plaintiff is thus awarded the sum of K485, 216.25. Since this was a contractual debt and the defendant has been holding on to this matter all this time, the case of **Zgambo v Kasungu Flue-Cured Tobacco Authority** 12 MLR 311 would be applicable in that the plaintiff would be entitled to interest on the sum claimed from the date on which this cause of action arose. In this regard the plaintiff is thus awarded interest. The plaintiff is also awarded costs of this action.

Made in Open Court this.....day of.....2011

K.T. MANDA

**JUDGE**