THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

REPORTABLE
Case No. 700/98

In the matter between:

SCHLUMBERGER LOGELCO INC **Appellant**

and

COFLEXIP S A **Respondent**

Coram: HEFER, GROSSKOPF, HARMS, OLIVIER JJA AND FARLAM AJA
Heard: 9 MAY 2000
Delivered: 25 MAY 2000

Subject: Patent infringement within the exclusive economic zone

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JUDGMENT

HARMS JA

HARMS JA:

[1] The issue in this appeal is whether a South African patent can be infringed by the installation of a pipeline to transfer a substance from the sea-bed to a research, exploration or production platform situated within the exclusive economic zone. The Commissioner of Patents (MacArthur J), answered the question in the affirmative and dismissed the appellant's special plea to the respondent's claim based on patent infringement. The appeal is with his leave.

[2] For purposes of the special plea a number of facts are either common cause or may be assumed. The respondent is the patentee of SA patent 89/1418. It relates to an apparatus for transferring fluid - particularly oil produced by a sub-sea deposit - between the sea and the sea surface. The appellant installed such apparatus at a Soekor Field Development Project which is situated 95 nautical miles off the South

African coast (and therefore within the exclusive economic zone of the Republic) near Mossel Bay. The appellant's case is that South African patents cannot be infringed within the exclusive economic zone and that the respondent's claim is therefore ill-founded.

[3] The effect of a South African patent is to grant to the patentee "in the Republic", subject to the provisions of the Patents Act 57 of 1978, the right to exclude other persons from making, using, exercising, disposing or offering to dispose of, or importing the invention (s 45(1)).

[4] The term "Republic" is not defined in the Act and bears its ordinary meaning. In terms of international law, it would include the territorial sea or waters of the Republic (*Oppenheim's International Law* 9th ed vol 1 p 572 - 573; Dugard *International Law: A South African Perspective* 2nd ed p286; *Yorigami Maritime Construction Co Ltd v Nissho-Iwai Co Ltd* 1977 (4) SA 682 (C) 695D-G and on appeal to the

full court at 1978 (2) SA 391 (C) 394G-H). The 1982 United Nations Convention on the Law of the Sea ("LOSC") which came into force on 16 November 1994 (1994 Annual Survey of SA Law 101; Ladan *Freedom of navigation: an unfair competition with the economic objectives of the exclusive economic zones of African states* [1994] 27 CILSA 234) placed the issue beyond doubt. It confirms or accepts the principle that the sovereignty of a coastal state extends beyond its land territory to an adjacent belt of sea, described as the territorial sea (art 2 par 1). In addition, every state has the right to establish the breadth of its territorial sea up to a limit of 12 nautical miles (art 3).

[5] The Maritime Zones Act 15 of 1994, whose object was to bring our law in line with the LOSC, provides that the sea within a distance of twelve nautical miles from the baselines shall be the territorial waters of the Republic (s 4 (1)) and that any law in force in the Republic, including

the common law, shall also apply in its territorial waters and the airspace above its territorial waters (ss (2)).

[6] Furthermore, the Act provides that the sea beyond the territorial waters, but within a distance of two hundred nautical miles from the baselines, is the exclusive economic zone of the Republic (s 7 (1)). This accords with those provisions of the LOSC which provide for such an area in which the coastal state has certain sovereign rights, specified jurisdiction and other rights and duties (part V, art 55 et seq).

[7] The Act, also in accordance with the LOSC, claims extensive rights in relation to installations, whether within internal waters, territorial waters or the exclusive economic zone or on or above the continental shelf (s 1 "installation"; Devine *South African Civil Law and Offshore Installations* [1994] 111 SALJ 736). In particular, any law in force in the Republic, including the common law, applies on and in respect of an

installation (s 9 (1)) and for this purpose an installation is deemed to be within the district, as defined in s 1 of the Magistrates' Courts Act, 1944 (Act 32 of 1944), designated by the Minister of Justice (ss (2)). In the absence of a designation, an installation is deemed to be within the district nearest to that installation (ss (3)). The term "installation" is defined in wide terms:

"'installation' means any of the following situated within internal waters, territorial waters or the exclusive economic zone or on or above the continental shelf:

(a) Any installation, including a pipeline, which is used for the transfer of any substance to or from-

(i) a ship;

(ii) a research, exploration or production platform; or

(iii) the coast of the Republic.

(b) Any exploration or production platform used in prospecting for or the mining of any substance.

(c) Any exploration or production vessel used in prospecting for or the mining of any substance.

(d) A telecommunications line as defined in section 1 of the Post Office Act, 1958 (Act 44 of 1958).

(e) Any vessel or appliance used for the exploration or exploitation of the seabed.

(f) Any safety zone as defined in section 1 of the Marine Traffic Act,

1981 (Act 2 of 1981).

(g) Any area situated under or above an installation referred to in paragraph (a) or (b)."

[8] It follows from this exposition that the Patents Act would apply to "installations" within the exclusive economic zone. It could have been otherwise if, by necessary implication, the Patents Act was not included in the term "any law in force in the Republic" (cf Devine *The Application of South African Law to Offshore Installations* 1994 TSAR 229 at 230). That was not the appellant's argument. Instead, it relied upon s 71(1) of the Patents Act which reads:

"(1) Subject to the provisions of this section, the rights of a patentee shall not be deemed to be infringed-

(a) by the use on board a convention vessel of the patented invention in the body of the vessel or in the machinery, tackle, apparatus or other accessories thereof, if the vessel comes into the territorial waters of the Republic, temporarily or accidentally only, and the invention is used exclusively for the actual needs of the vessel; or

(b) by the use of the patented invention in the construction or working of a convention aircraft or land vehicle or accessories thereof if the aircraft or vehicle comes into the Republic temporarily or accidentally only.

(2) For the purposes of this section, vessels and aircraft shall be deemed to be vessels and aircraft of the country in which they are registered, and land vehicles shall be deemed to be vehicles of the country within which the owners are ordinarily resident."

The definition of "convention vessel" etc is to be found under that of "convention country" in s 2:

"'convention country', in relation to any provision of this Act, means any country, including any group of countries and any territory for whose international relations another country is responsible, which the President has with a view to the fulfilment of any treaty, convention, arrangement or engagement, by proclamation in the Gazette declared to be a convention country for the purposes of such provision; and the expressions 'convention aircraft', 'convention land vehicle' and 'convention vessel' have corresponding meanings."

[9] This provision initially became part of our municipal law by virtue of s 65 of the Patents Act 37 of 1952 following on South Africa's accession during 1947 to the Paris Convention for the Protection of Industrial Property. The wording of s 71 is based upon that of art 5 *ter* of the Convention. What underlies both provisions is a recognition of the principle that patents can be infringed within a country's territorial waters.

According to Prof Bodenhausen, art 5 *ter* -

"provides for certain limitations on the exclusive rights conferred by a patent in cases where the full exercise of such rights would cause too much prejudice to the public interest in maintaining freedom of transport. Its effect is, in principle, that if ships, aircraft or land vehicles temporarily visit foreign countries, their owners are not required to obtain licenses on patents in force in these countries in order to avoid infringing such patents."

(*Guide to the application of the Paris Convention for the Protection of Industrial Property* p 82. Although the Convention dates back to 1883, art 5 *ter* was introduced at The Hague in 1925.)

[10] The appellant submitted that sec 71 was not repealed by the Maritime Zones Act. No-one suggested otherwise and the provision has, in any event, no application in the present case: the installation is not a "convention vessel" and is not within the territorial waters.

[11] The appellant's substantive argument is based upon an inconsistency between the Patents Act and the Maritime Zones Act: a vessel used for exploration or exploitation of the seabed is included in the

definition of an “installation”; if the vessel is a convention vessel, it is entitled to the exception created by s 71(1) of the Patents Act whilst within the territorial waters, but not when it is within the exclusive economic zone. With this anomaly in mind, the appellant submits that s 9 (1) of the Maritime Zones Act must be interpreted to exclude the application of the provisions of the Patents Act relating to infringement on or by an installation - irrespective of whether it is a convention vessel or not - when such installation is situated beyond the territorial waters but within the exclusive economic zone; in all other respects the Maritime Zones Act extends the operation of the Patents Act to installations within the exclusive economic zone.

[12] Both art 5 *ter* of the Paris Convention and s 71 of the Patents Act contain, depending on one's point of view, a number of possible anomalies or *lacunae.* The first is that the infringement exception applies

only to *convention* vessels, i e, vessels carrying the flag of other countries of the Paris Union. This means that a vessel carrying a South African flag, even if it has a home port elsewhere and enters the territorial waters temporarily or accidentally, is not entitled to the protection against infringement since South African vessels are not, for purposes of the South African Patents Act, convention vessels (see Bodenhausen *op cit* p 83). There is further a difference between the immunity granted to vessels on the one hand and aircraft and land vehicles on the other. The provision moreover covers only the *use* of patented devices if such use is in the *body of the vessel itself* or in the machinery etc.

[13] It is not at all clear by what process of reasoning the appellant's ultimate submission is reached because there is no relationship between the premise and the conclusion. It would have made some sense if the argument were to the effect that there is a *casus omissus* in relation to

convention vessels within the exclusive economic zone. On the other hand, such argument would not have assisted the appellant. That possible omission is, however, readily explicable. Art 5 *ter* of the Paris Convention has not been amended and the LOSC did not deal with the problem. The issue was not addressed by the TRIPS agreement[1] and is not part of the basic proposal of 11 November 1999 for a Patent Law Treaty.[2] There has been thus far no incentive for Parliament to extend the immunity of s 71 to the exclusive economic zone.

[14] The court below was therefore correct in its dismissal of the special

plea. In the result the appeal is dismissed with costs, including the costs

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1 Agreement on Trade-Related Aspects of Intellectual Property Rights of 1994, to be found in Burrell's South African Patent and Design Law 3rd ed 949 or at www.wto.int.

2 To be found at www.wipo.int. It is the subject of a diplomatic conference which was scheduled for 11 May 2000.

of two counsel.

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L T C HARMS
JUDGE OF APPEAL

AGREE:

HEFER JA
GROSSKOPF JA
OLIVIER JA
FARLAM AJA