

IN THE HIGH COURT OF SOUTH AFRICA
(CAPE OF GOOD HOPE PROVINCIAL DIVISION)

CASE NO: 9251/2003

DATE: 29 December 2003

In the matter between:

THE COMMISSIONER OF THE SOUTH AFRICAN First Applicant

REVENUE SERVICE

COLIN MARK JANSEN Second Applicant

COMMISSIONER FOR CUSTOMS & EXCISE Third Applicant

and

SHOPRITE-CHECKERS (PTY) LIMITED First Respondent

UTI (PTY) LIMITED Second Respondent

In the matter between:

Case No. 9444/2003

THE COMMISSIONER OF THE SOUTH AFRICAN First Applicant

REVENUE SERVICE

CARL ROBERT HANCOCK Second Applicant

COMMISSIONER FOR CUSTOMS AND EXCISE Third Applicant

and

SHOPRITE CHECKERS (PTY) LTD First Respondent

UTI (PTY) LIMITED Second Respondent

J U D G M E N T

FOURIE, J: The applicants in case number 9251/2003 and case number 9444/2003 have applied for relief against the respondents in terms of the

29-12-03/

Counterfeit /...

Counterfeit Goods Act 37 of 1997 ("the Act").

The respondents gave notice of their intention to oppose both applications, such notice having been given on 14 November 2003 and 3 December 2003, respectively.

On 18 December 2003 the first respondent gave notice and filed affidavits in support of counter-applications in both matters. For the sake of convenience I continue to refer to the parties as they are referred to in the main applications.

In the main applications the applicants seek, firstly, an order in terms of section 5(4) of the Act confirming the search, seizure, removal, detention, collection and subsequent removal to the counterfeit goods depot, of certain alleged counterfeit goods which were imported into South Africa by the first respondent. Secondly, an order is sought declaring the said goods to be counterfeit, and thirdly, an order authorising the delivery of such goods to the owners of the intellectual property rights, the subject matter of which has been unlawfully applied for those goods, irrespective of the outcome of the applications.

In the counter-applications the first respondent seeks orders directing the applicants to immediately release the said goods seized, detained and removed by the applicants in terms of the Act, to the first respondent. In its founding affidavits in the counter-applications the first respondent has not only set out the grounds upon which it alleges that the seizure of the said goods is null and void by virtue of the applicants' failure to comply with the requirements of the Act, but also dealt with the merits of the main applications by answering the allegations in the

founding affidavits of the applicants. The applicants have responded to the counter-applications by filing opposing affidavits.

In its notices of counter-application, the first respondent gave notice of its intention to bring the counter-applications as matters of urgency and the Registrar accordingly placed the counter-applications before me for adjudication on the date indicated in the counter-applications, i.e. 24 December 2003. After hearing argument I reserved judgment until today, 29 December 2003. In view of the fact that this judgment is given in the recess it is not as detailed as I would normally have preferred it to be. As I have mentioned, only the counter-applications and not the main applications have been enrolled for hearing.

During argument I enquired from Mr Sholto-Douglas, who appears for the respondents, what impact the granting of orders in the counter-applications would have upon the main applications. He submitted that a finding in favour of the first respondent in the counter-applications would also appear to dispose of the main applications. He accordingly asked for orders granting the counter-applications and dismissing the main applications, alternatively, only orders granting the counter-applications. Mr de Villiers Jansen, who appears for the applicants, was of the view that only the counter-applications were to be dealt with in this hearing.

Having regard to the manner in which these matters have been brought before me I am of the view that only the counter-applications have been enrolled for hearing on an urgent basis by the first respondent and that the main applications are not to be adjudicated. This raises the

question whether, having regard to the common law rule that a claim and counter-claim, and accordingly also an application and counter-application, should be adjudicated *pari passu*, it would be proper for me to adjudicate upon the counter-applications only. Erasmus: Superior Court Practice at B1-52 states that the Court has a discretion to depart from this general rule. Herbstein and Van Winsen: The Civil Practice of the Superior Court of South Africa (4th ed.) at 357 agree with the view of Erasmus and state that: "*the Court has a wide discretion*". In Truter v Degenaar 1990(1) SA 206 (T) at 211E-F, Van Dijkhorst, J said that the Court has a wide discretion in this regard and that "*die goeie redes wat 'n Hof daartoe bring om dit uit te oefen nie vooraf vatbaar vir definisie is nie.*" Having given the matter serious consideration I have concluded that it would be proper for me to adjudicate upon the counter-applications separately, even though my findings may, to a certain extent, impact upon the relief sought in the main applications. At the outset, however, I wish to stress that in deciding the counter-applications I do not make any finding as to whether the relevant goods are counterfeit or not. I should also mention that the main reason why I have decided to adjudicate upon the counter-applications is that considerations of public interest in the proper and lawful execution of their duties by government officials in terms of the Act, dictate that the issues in the counter-applications should not stand over for hearing in the usual course, which would probably only be three or four months hence.

The first respondent has raised several grounds in its founding affidavits to the counter-applications upon which it relies for the

allegation that the seizure of the goods is null and void and that same should accordingly be released. I do not intend to deal with all these grounds, but only with those that I consider to be the main grounds upon which first respondent relies.

Firstly, the first respondent alleges that the failure of the second applicants to obtain warrants authorising the seizure of the goods as provided in section 5(1) of the Act, is fatal. Sub-sections 5(2)(a) and (b) provide circumstances in which the relevant inspector may proceed without a warrant, but it is clear from the founding affidavits deposed to by the second applicants in the main applications that no grounds have been alleged to bring the seizure within the provisions of section 5(2)(b) of the Act. The second applicants do, however, allege that the seizure, removal and detention of the goods occurred with the consent of a person on behalf of the first respondent who is competent to consent thereto with the result that no warrant was required as provided in section 5(2)(a) of the Act

It is common cause that the person upon whose consent the applicants rely is one Nigel Williams, the freight agent of the first respondent. Mr Sholto-Douglas submitted that the applicants have failed to show that Williams actually consented as required by section 5(2)(a) and that he merely acknowledged receipt by signing the relevant documentation. However, it is alleged in the founding affidavits in the main applications by the applicants that Williams did consent, which allegation is not dealt with by the first respondent in its affidavits in support of the counter-applications. It follows, in my view, that on the

papers before me the applicants have shown that the second applicants were entitled to proceed without a warrant as envisaged in section 5(2)(a) of the Act.

Secondly, the first respondent alleges that the applicants have failed to bring the main applications for confirmation of the seizure, detention and removal of the goods timeously as required in terms of section 5(4)(a) of the Act. This sub-section reads as follows:

"Notwithstanding the provisions of sub-sections (1) and (2) any acts performed by an inspector by virtue of sub-section (2) must be confirmed by a magistrate or a judge of the High Court having jurisdiction in the area where the acts were performed on the application of the inspector brought within 10 court days of the day on which those acts were performed."

In Mati v Minister of Justice, Police and Prisons, Ciskei 1988(3) SA 750 (CGD), Claassens, J exhaustively considered the authorities dealing with the interpretation of the phrase "*proceedings shall be brought*". I respectfully concur with his interpretation that proceedings are brought by means of the issue of a summons or application and that service thereof is not a requirement. In the instant matters this puts paid to this submission of the first respondent as in both instances the main applications were issued within 10 court days of the first seizure of the goods in terms of the Act.

Thirdly, the first respondent alleges that the seizure and detention of the goods is null and void as no facts existed upon which the second

applicants, as inspectors, could have concluded that reasonable grounds existed for such seizure and detention.

In both main applications the second applicants allege that they satisfied themselves that the relevant goods were *prima facie* counterfeit with reference to an affidavit received from one Boshoff, the attorney of the complainant. See for example paragraphs 12 and 13 of the founding affidavit in case number 9444/03 which read as follows:

"The goods referred to in paragraph 8.2 above were confirmed by the Yuntai Lock Manufacturing Group and its legal representative Mr Quentin Boshoff of the aforementioned firm of attorneys to be counterfeit. In this regard I annex hereto a copy of an affidavit received from Mr Boshoff marked CRH4. On the basis of the aforesaid affidavit I was reasonably satisfied that an offence had been committed in terms of the Counterfeit Goods Act. Pursuant thereto on 29 October 2003 a seizure notice was issued in terms of the provisions of the Counterfeit Goods Act. A copy of this notice is annexed hereto marked CRH5."

The relevant similarly worded paragraphs in case number 9251/2003 are paragraphs 11 and 12.

The relevant provisions of the Act and, in particular, sections 3, 4 and 15 authorise an inspector appointed in terms of the Act or the Commissioner for Customs and Excise, as the case may be, to seize and detain alleged counterfeit goods only if he or she is satisfied on reasonable grounds that the goods are *prima facie* counterfeit and/or that

an offence has been committed in terms of the Act. Section 3(2)(a) for example requires a complainant to furnish information and particulars to the satisfaction of the inspector to the effect that the goods are *prima facie* counterfeit. In my view, the requirement that the inspector has to be satisfied that such reasonable grounds exist should be strictly complied with, especially in a case where the inspector proceeds without the authority of a warrant, to seize and detain the goods as counterfeit. This view is strengthened if one has regard to section 17(2) of the Act which restricts the liability of the State and the inspector to cases of gross negligence or bad faith.

The affidavits filed by Attorney Boshoff in the main applications are similarly worded and fail to disclose any information or particulars to show that the relevant goods are counterfeit. The affidavits allege that the complainant is the owner of certain trademarks and conclude with the following rather incoherent paragraph 7:

"7. The complainant confirmed that the padlocks, digital images given to my firm are indeed counterfeit and request the Customs authorities to detain it."

The first respondent has applied for these hearsay allegations to be struck out, but having regard to my view of the matters, it is not necessary to consider the striking out applications. In my view, there has been no compliance at all with the requirement that reasonable grounds for the seizure and detention had to exist. In the affidavits of Attorney Boshoff, on the strength of which the second applicants purported to act, no information or particulars to show that the goods are

counterfeit, are given. At best for the applicants, Boshoff says that the complainant confirmed that the goods are counterfeit. The mere say-so of the complainant through its attorney cannot, in my view, qualify as sufficient grounds upon which the inspectors could have been satisfied that the goods are prima facie counterfeit and that reasonable grounds for the seizure and detention thereof existed.

It is significant to note that in the e-mail messages which Boshoff sent and received from his client, copies of which are annexed to his affidavit in case number 9251/03, the following appears. Firstly, the e-mail sent by Attorney Boshoff to his client on 15 October 2003 reads as follows:

"Dear Des

I have been advised by Customs in Cape Town that they have stopped a container in which they have found padlocks which feature the Tri-circle trade mark. Enclosed please find scanned images of same. The Customs authorities need confirmation as to whether the goods are authorised by client or not. If the goods are not authorised by client the Customs authorities will require an affidavit setting out client's rights and putting forward reasons why these goods do not constitute authorised use of client's trade mark whereafter they will provide us with the importer's details and quantity involved. Due to the time constraints we look forward to receiving your urgent instructions."

The response thereto on 16 October 2003 reads as follows:

"Dear Quentin

Quincy (which I believe is a reference to the entity known as Yuntai Quincy) authorises you to proceed against this company and requests that you do the affidavit on behalf of Yuntai. Yuntai Lock Manufacturing Group also gives you indemnity in this regard."

This exchange by e-mail shows that no information or particulars were provided to Boshoff by the complainant upon which it can be found that the relevant goods are in fact counterfeit. There is in fact no allegation whatsoever by the complainant that the goods are counterfeit.

It follows, in my view, that the goods were seized, detained and removed without lawful grounds.

The applicants have opposed the counter-applications on two grounds. Firstly, that the counter-applications should not be heard as matters of urgency as the first respondent has been the author of its own urgency. I do not agree. As I have already indicated, considerations of public interest dictate that if there has been an unlawful seizure, detention and removal of the goods, the matter should not be delayed but heard as soon as possible. In addition thereto, it appears from the papers that since the service of the main applications the parties have been involved in negotiations in an attempt to settle the matters, which negotiations subsequently proved to be unsuccessful.

Secondly, the applicants allege that the complainant (the holder of the intellectual property rights) ought to have been joined in the counter-applications /...

applications. It is trite law that if a third party has a direct and substantial interest in the right which is the subject matter of the litigation, he is a necessary party and should be joined in the litigation. In my view, the complainant does not have such an interest as the real issue in the counter-applications is whether there has been a lawful seizure, detention and removal of the goods imported by the first respondent. The complainant, in my view, only has an indirect financial interest in the outcome of the counter-applications and not a legal interest in the subject matter of the counter-applications which could be prejudicially affected by a judgment on the counter-applications.

I accordingly find that there is no merit in the non-joinder defence raised by the applicants.

I accordingly conclude that the first respondent is entitled to the relief sought in the counter-applications. With regard to costs, Mr Sholto-Douglas has submitted that if the counter-applications were to succeed the first respondent should be entitled to its costs. Mr de Villiers Jansen submitted that as the applicants are public officials who discharged their duties in terms of the Act, they should not be mulcted in costs in the event of the Court finding that they acted unlawfully. 2

In my view, it is important to bear in mind that in deciding the counter-applications I have not disposed of the main applications and, in particular, of the cardinal issue, that is whether the goods are counterfeit. If, for argument's sake, it were to be found in the main applications that the goods are in fact counterfeit, this may be an 21
important consideration with regard to the issue of costs, including the

costs of the counter-applications. It accordingly appears to me that it would be just if the costs of the counter-applications were to be reserved for later determination, either at the hearing of the main applications or, if the main applications were not to proceed, at a later stage upon the request of either party.

In the result the following orders are made:

1. In case number 9251/2003:

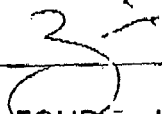
- (i) the applicants are ordered to immediately release the goods seized, detained and removed from container number EMCU2575315 by virtue of written notice in terms of section 7(1)(d) of the Counterfeit Goods Act 37 of 1997, dated 23 October 2003, to the first respondent;
- (ii) the costs of this application, including the costs of the application to strike out, are reserved for later determination.

2. Case number 9444/2003:

- (i) the applicants are ordered to immediately release the goods seized, detained and removed from container number EMCU2575315 by virtue of written notice in terms of section 7(1)(d) of the Counterfeit Goods Act 37 of 1997, dated 29 October 2003, to the first respondent;

JUDGMENT

- (ii) the costs of this application, including the costs of the application to strike out, are reserved for later determination.



FOURIE, J