

IN THE HIGH COURT OF SOUTH AFRICA
(TRANSVAAL PROVINCIAL DIVISION)

DATE: 03/04/2007

CASE NO: 3917/2007
UNREPORTABLE

In the matter between:

S N T (PTY) LIMITED

Applicant

And

**COMMISSIONER OF THE SOUTH AFRICAN REVENUE
SERVICES**

First Respondent

GLORY ESTABLISHMENT

Second Respondent

SUZETTE CRONJE

Third Respondent

JUDGEMENT

LEDWABA J

[1] This application was launched as an urgent application, it did

not proceed in the normal urgent court and was enrolled for hearing before a special judge because of the volume of the documents and the estimated duration of the time the arguments would take was five hours.

[2] The applicant sought the urgent setting aside of the notice of detention issued on 24 January 2007 by the first and third respondents in respect of a container number KKTU7660647 containing soccer balls bearing the trade mark 'PELE', in terms of **section 113A of the Customs and Excise Act 91 of 1964, (Custom and Excise Act)**, on the basis that the goods were suspected to be counterfeited goods in terms of the **Counterfeit Goods Act 37 of 1997, (Counterfeit Act)**, and they infringed the alleged trade mark rights of the second respondent.

[3] Applicant further sought that **section 15(1) of the Counterfeit Act** application, in respect of the trade mark 'PELE', applied for by the second respondent and granted by the first respondent be set aside.

[4] The issue of urgency was not vigorously contested and all the parties argued the merits of the application in detail. I proceeded hearing the matter on the basis that urgency is not an issue.

[5] The essential issue to be decided was the correctness or the lawfulness of the detention of the applicant's goods by the first and/or third respondents. **Section 15 of the Counterfeit Act** reads as follows:

“Customs authorities’ powers in relation to counterfeit goods being imported into Republic

15. (1) The owner of an intellectual property right may apply to the Commissioner for Customs and Excise to seize and detain all goods—

(a) which are counterfeit goods featuring, bearing, embodying or incorporating the subject matter of that intellectual property right or to which the subject matter of that right has been applied;

(b) and which are imported into or enter the Republic during the period specified in the application. However, that period may not extend beyond the last day of the period for which that intellectual property right subsists.”

[6] Applicant’s counsel, Advocate G. E Morley SC submitted that the first respondent was not entitled to act arbitrary in detaining the goods unless it had reasonable grounds for doing so, especially having regard to the following facts:

6.1 Since 1994 the applicant has been importing and distributing soccer balls bearing the mark ‘PELE’ from Siam Ball Sport Industry Co. Ltd, (Siam), a company in Thailand. Applicant regarded the soccer balls bearing the mark ‘PELE’ as its own product and adopted the mark on soccer balls. Invoices to confirm the importing of the soccer balls were attached to the application.

6.2 What led to the detention of the goods was that the second respondent lodged an application to the first respondent in terms of **section 15(1) of the Counterfeit Act** for the applicant's soccer balls bearing the mark 'PELE' to be seized and detained.

6.3 The third respondent after receiving the approval of the **section 15(1)** application by the first respondent for the 'PELE' trade mark in class 28 registered as a well-known protected trade mark detained the goods bearing 'PELE' trade mark under classes 25 and 28 in terms of **section 113A of the Customs Excise Act** without applying her mind to the matter.

[7] Second respondent is the registered proprietor of the trade mark 'PELE' in class 25. The goods described therein are under trade mark no. 1981/04409 registered on 16th September 1993. (See annexure WBC 11 page 91) clothing including, boots, shoes and slippers. The 'PELE' trade mark

under class 28 will be dealt with latter hereunder.

[8] In the year 2000 the applicant applied to the Registrar of Trade Marks, (the Registrar), to register the 'PELE' trade mark under application number 2002/06782 in class 28 in respect of 'games and playthings, gymnastics and sporting articles not included in other classes, decorations for Christmas trees.

[9] A dispute between applicant and second respondent arose concerning the use of the mark by applicant on soccer balls. Negotiations to settle the matter were not successful. In October 2004 applicant launched an application to the Registrar for the expungement of the second respondent's trade mark no. 1981/04409 'PELE' in class 25 on the basis that the mark has not been used by the second respondent for a period of five years and three months. Second respondent filed a notice of Intention to Defend.

[10] In about May 2004, the second respondent brought an applicant terms of **section 15 of the Counterfeit Act** based

on its trade mark registration 81/04409 in class 25. The application was granted from the period 17 August 2004 -24 May 2005. This implied that the protected goods claimed were only those in the class 25 and not goods falling outside the said class.

[11] The second respondent brought a second similar application which was again approved and granted for the period May 2005-May 2006.

[12] In May 2006 the second respondent applied to the Registrar, which application was opposed by the applicant, for the trade mark 'PELE' in classes 25 and 28 to be protected in terms of **section 15(1) of the Counterfeit Act** alleging that the trade mark 'PELE' was well known within the meaning of **section 35(1) and (1A) of the Trade Mark Act 194 of 1993**, (**Trade Mark Act**) which read as follows:

“35. Protection of well-known marks under Paris

Convention. - (1) References in this **Act** to a trade mark

which is entitled to protection under the Paris Convention as

a well-known trade mark, are to a mark which is well known in the Republic as being the mark of-

- (a) a person who is a national of a convention country; or*
- (b) a person who is domiciled in, or has a real and effective industrial or commercial establishment in, a convention country, whether or not such person carries on business, or has any goodwill, in the Republic.*

(1A) In determining for the purposes of subsection (1) whether a trade mark is well-known in the Republic, due regard shall be given to the knowledge of the trade mark in the relevant sector of the public, including knowledge which has been obtained as a result of the promotion of the trade mark.”

[13] It should be noted that in the third application, in terms of **section 15(1) of the Counterfeit Act**, the second respondent listed under the heading ‘Registration Number’ the number and ‘2000/17903’ appears under ‘Expired Date’ the phrase

'well-known' appears in the application form, (see page 123 of the indexed papers). The application was approved and granted for the period 25 May 2006 - 26 May 2008.

[14] After the second respondent submitted an application that the trade mark was well known within the meaning of **section 35 of the Trade Marks Act**, further evidence was needed by the first respondent to support the application. Second respondent submitted an affidavit of, one, Mr. Munyan, a New York attorney on 3 January 2007 to support or supplement the application that the trade mark 'PELE' was well-known in respect of soccer balls.

[15] Advocate Morley SC in articulating his arguments he, *inter alia*, meticulously argued that:

15.1 The first respondent approval of second respondent's third application was in conflict with the requirements of **section 15(3) of the Counterfeit Act** because the approval of **section 15(1)** application was also widened to afford the second respondent protection to an alleged

“well-known” trade mark of ‘PELE’ on soccer balls without the necessary facts and information being filed.

15.2 The third application even though it was referred to as an extension it was actually a ‘new application’ because new information was added to it. Application should therefore not be regarded as a valid trademark registration.

15.3 The trade mark registration no 81/04409 ‘PELE’ in class 25 should not have formed the basis for the detention of “soccer balls” as the soccer balls were not claimed to be “protected goods” in the application itself, and thus the grant of the section 15 (1) application in May 2006 could not have extended to “soccer balls” in so far as it was based on mark 81/04409.

15.4 The issue of the proprietorship of the ‘PELE’ trade mark is pending before the Registrar and the second respondent’s applications for the mark ‘PELE’ in class 28 to include soccer balls was opposed.

15.5 The first respondent officials should maintain a high standard of professional ethics and be fair and impartial in exercising their administrative function.

15.6 The third respondent mistakenly believed that there was a valid registration in class 28 covering, *inter alia*, soccer balls, hence, in annexure 'WBC 15' of the indexed papers in page 112 she stated that:

"The PELE trademark in class 28 was registered in the section 15 application as a well-known protected trade mark which was supported with a subsistence of well-known affidavit regarding the 'PELE' trade mark in class 28."

15.7 The detained goods were not counterfeit in terms of the **Counterfeit Act** because the mark 'PELE', on soccer balls, has not been registered as a trade mark in the Republic of South Africa. The notice of detention in terms of the **Customs and Excise Act** in terms of **section 113A** should therefore be set aside and the detained

soccer balls should be released.

[16] The first and third respondents counsel, Advocate I. Joubert, submitted that the respondents in authorising the detention acted on the basis that the trade mark 'PELE' is, *prima facie*, a well-known name within the meaning of **section 35 of the Trade Marks Act**.

[17] The second respondent's counsel, Advocate Puckerin SC briefly commented on the history of the mark, or name, 'PELE' and its origin. The undisputed synopsis of what is said about the name 'PELE' in the second respondent's answering affidavit is the following:

17.1 Pele is the nickname of Edson Arantes do Nascimento who is a well-known footballer, since he was a young boy of seventeen years. He is a Brazilian citizen in South America.

17.2 He led the Brazilian soccer team to victory in three soccer world cup championships between 1958 and

1970.

17.3 He also played soccer in the United States of America in 1975. He retired from playing soccer in 1978 and became a businessman based in Brazil.

17.4 He is described as being football's greatest ambassador. He became Minister of Sport in the Brazilian Government in 1990. Because of his fame worldwide PELE was approached by numerous entities since 1970 to use his nickname 'PELE' as a trademark.

17.5 In 1981 the second respondent was registered in terms of the company laws, of Liechtenstein. Pele authorised second respondent exclusively to own the 'PELE' trade marks worldwide, and to licence the PELE trademark and the Pele signature, for use in relation to various products and other activities in various countries and in the world including South Africa.

17.6 Pele did authorise the second respondent to use and register his nickname 'PELE' as a trade mark for various goods. See annexure WRM 5 on page 388. He further signed an affidavit to confirm same.

[18] Advocate Puckrin SC, submitted that Pele's fame as a football legend extended to South Africa in relation to soccer related goods and services generally.

[19] He further submitted and correctly so in my view, that the soccer balls imported by the applicant bearing the mark PELE are an infringement in terms of the provisions of **section 35 of the Trade Marks Act** in that the trade mark 'PELE' is a well-known trade mark and, in addition, it is an infringement on the second respondent's registered trademark no. 81/4409. 'PELE' in class 25 on the basis of **section 34(1)(b) of the Trade Mark Act** which reads as follows:

“34. Infringement of registered trade mark

(1) The rights acquired by registration of a trade mark shall be infringed by-

(b) the unauthorized use of a mark which is identical or similar to the trade mark registered, in the course of trade in relation to goods or services which are so similar to the goods or services in respect of which the trade mark is registered, that in such use there exists the likelihood of deception or confusion”.

[20] I interpose to mention that a submission was made by the applicant in its papers that the detained goods cannot be regarded as counterfeit goods because on 6 December 2006 applicant obtained a certificate for the registration of the ‘PELE’ trade mark, (trade mark no. 2002/06782), in class 28 from the Registrar. This submission was abandoned by Advocate Morley SC.

[21] Despite the fact that ‘PELE’ trade mark is used in respect of other goods which are not related to soccer, e.g. credit cards, in my view, it cannot be disputed that in soccer, which is one of the major sports in this country, the majority of soccer fans in seeing equipments, especially soccer balls, with the mark

'PELE' embossed thereon would think that the mark is related or refers to Pele, the soccer legend.

[22] Advocate Puckrin SC further submitted that the use of the trade mark 'PELE', by applicant on soccer balls could not have been bona fide and justified because second respondent and Pele applied and obtained a court order cancelling the 'PELE' trade mark, registration in Thailand, which trade mark was owned by Siam Ball, the company from whom the applicant obtained the soccer balls.

[23] In the evaluation of the evidence I will keep in mind that Advocate Morley SC submitted that the order is appealed against.

[24] However, this aspect needs proper attention because applicant submitted that originally it imported and distributed the soccer balls bearing the 'PELE' mark from Siam Ball Sport Factory Co. Ltd, a company in Thailand. On page 50 of the indexed papers, an invoice from Siam dated 15 February 1995 and on page 54 a letter from Siam have a mark 'PELE' as part

of their letterhead with the internationally recognised symbol ‘®’ next to the ‘PELE’ mark which indicate that the trade mark has been registered. It is significant to state that applicant’s case is not based on the fact that Siam authorised it to use its registered trade mark ‘PELE’. Applicant alleges that ‘PELE’ is it’s trade mark and it has been using it since 1994. Siam too, in its letter on page 54, does not allege that it authorised applicant the use it’s trade mark. The applicant was, originally, importing and selling its soccer balls with the signature of Pele himself and the caption “*Signature of Pele*”, (see annexure WBC 2 on page 41). Advocate Puckrin SC informed me that the caption and the signature do not appear on the soccer balls anymore. The mark ‘PELE’ and the Pele signature, in my view, is a clear indication that they suggested an endorsement by Pele the soccer legend.

[25] In paragraph 12 on page 95, Warren Bran Copelowitz stated that:

“The applicant has refused to comply with such demands as it is the true proprietor of the trade mark PELE in South Africa in

relation to goods falling in class 28. It has used the trade mark extensively for many years...”

The aforesaid allegation was made despite the fact that applicant was not the registered owner of the ‘PELE’ trade mark on soccer balls.

[26] The soccer balls detained which were to be sold by the applicant has a mark ‘®’ which is an indication that the trade mark ‘PELE’ has been registered at the office of the Registrar. Despite the fact that the applicant knew very well that it was not the registered owner of the trade mark it allowed and/or instructed and/or in collaboration with Siam put the mark ‘®’ to cause confusion and deception. Furthermore, concerning the use of the mark ‘®’, in terms of **section 62 of the Trade Marks Act**, it is an offence to indicate that a trade mark is registered when it is not. The punishment on conviction is a fine or imprisonment for a period not exceeding twelve (12) months. The offence is committed even if the mark is in the process of an application but is not yet actually registered.

[27] On the submission, by Advocate Morley SC, that the **section 15** application should be detailed and should contain all the relevant details, in my view, such application should not be required to be of a standard of court documents. The officials of the first and third respondents should not be expected to scrutinise and deal with the parties as if the application is brought in court. In **Bato Star Fishing (Pty) Ltd v Minister of Environmental Affairs 2004 (4) SA 490 at pages 514 - 515 paragraph 48**, it was correctly stated that:

“In treating the decisions of administrative agencies with the appropriate respect, a Court is recognising the proper role of the Executive within the Constitution. In doing so a Court should be careful not to attribute to itself superior wisdom in relation to matters entrusted to other branches of government. A Court should thus give due weight to findings of fact and policy decisions made by those with special expertise and experience in the field. The extent to which a Court should give weight to these considerations will depend upon the character of the decision itself, as well as on the identity of the decision-maker. A decision that requires an equilibrium to be struck between a range of

competing interests or considerations and which is to be taken by a person or institution with specific expertise in that area must be shown respect by the Courts.”

[28] Regarding the contents of annexure ‘WBC 14’ on page 109, the allegation that the third respondent was under the impression that the mark ‘PELE’ was registered in class 28 as a trade mark in relation to soccer balls cannot be correct because Magdalena Venter in her affidavit deposed on behalf of the first respondent stated that she was not misled by the second respondent and she understood the ground relied upon by the second respondent that is the owner of the trade mark goods in class 28 to be on the basis that the mark is ‘well-known’. This is the reason why she did not request the second respondent to provide her with a registration certificate.

[29] In the light of overwhelming documentation and information by the second respondent regarding the mark ‘PELE’, applicant, except to state that it has been using the name since 1994,

does not state why it wants the mark 'PELE' to be its own mark i.e. applicant does not state why the mark 'PELE' and not any other name.

[30] The other factor to be considered on page 96, paragraph 13, Mr Copelwitz, on behalf of the applicant said the following:

"13. The Applicant has reason to believe that as far as long as the Respondent's registration remains on the register:

13.1. The respondent's trade mark registration No 81/04409

PELE stands as a bar to the registration of the

Applicant's trade mark No 2002/06782 PELE class

28.

13.2. The Respondent's trade mark registration No 81/04409

PELE will hamper the Applicant in the normal course of

its business and its use of the PELE trade mark."

[31] This, in my view, is an indication that the applicant appreciates that the second respondent's registered trade mark no.

81/04409 is a serious obstacle for a registration of the trade mark 'PELE' on soccer balls.

[32] The first respondent has, in my view, clearly furnished the applicant with reasons why it authorised the detention, in annexure WBC 15 on page 112 first respondent stated the following:

“The application was granted on the following basis –

- 1. The goods claimed to be protected goods are prima facie protected goods;*
- 2. The intellectual property right, the subject matter of which relates to the protected goods, prima facie subsist;*

and

- 3. The applicant prima facie is the owner of the intellectual property right.*

The PELE trade mark in class 28 was registered in the Section 15 as a well-known protected trade mark which was supported with a subsistence of well-known affidavit regarding the

PELE trade mark in class 28. Specific reference was in the affidavit to the PELE trade mark in relation to soccer-related products including balls.

Due to approval of the Section 15 application of Glory Establishment for the PELE trade mark in class 28 registered as a well-known protected trade, the Customs officer was authorised in terms of Section 113A of the Customs and Excise Act to detain any goods bearing the PELE trade mark under class 25 and 28 for protection of the trade mark against possible counterfeiting.”

[33] Before the applicant launched the urgent application it was aware of the contents of annexure WBC 16 on page 113, letter dated 23 January 2007 from the second respondent’s attorneys wherein it is stated that:

“1. While our client does not have a registration for the trade mark PELE in class 28, it does have a trade mark in class 25. In your client’s founding affidavit relating to the opposition to our client’s trade mark application numbers 2000/17902-3 PELE in classes 25 and 28, it is stated that

your client is of the view that: “the Opponent’s goods namely soccer balls are goods of the same description as goods falling into class 25”. Similarly, in your client’s application for the expungement of our client’s trade mark registration number 81/04409 PELE in class 25, it is stated that your client is concerned that the aforementioned registration will be cited against your client’s application for the registration of the PELE trade mark in class 28. Therefore, while the dispute between the parties relates to the proprietorship of the PELE trade mark, your client cannot alter its stance from time to time as circumstances require.”

[34] The 113A detention notice was issued in terms of the **Customs and Excise Act** was issued on 24 January 2007 by the third respondent after the affidavit confirmed the ‘well-knownness’ of the trade mark on goods in class 28 was filled.

[35] It is important to emphasize that the goods were only

detained and not seized. In my view, the application was made prematurely and there were no exceptional circumstances warranting to bring this application at this stage. In, **The Commissioner for the South African Revenue Service & Another v Sterling Auto Distributors CC** (delivered on 13 October 2005 under TPD case number A1796/04) Smit J stated that:

“It is not the role of customs authorities to make a finding on whether the goods are counterfeit or not, the only question being whether it was reasonable for Barath to rely on confirmatory affidavits to detain the container pending further investigation...to the extent that the court a quo required from Barath to go further and undertake an enquiry into the complicated field of intellectual property law and the authorities in relation to the “range of statutory and common law defences” it clearly, with respect, was wrong. No such duty is placed on a customs inspector in terms of the CGA, nor to customs officers in particular as the framework of the CGA is based on the premise that the true debate as to whether the goods are counterfeit or not must be determined by a court of law at a later stage.”

[36] In evaluating the reasonableness of the decision of the first and/or third respondents, I am not to determine whether the decision is in all respects correct or not. If the court is satisfied that the decision is justifiable and there are facts or *prima facie* facts for the decision, I need not interfere with the decision.

[37] The other important aspect in this case is that Puma Sports SA (Pty) Ltd which is also operating in South Africa confirms that Pele is a world famous soccer player and well-known in South Africa. They have entered into an agreement with Pele to use the 'PELE' trade mark and his signature on Puma products. Puma South Africa, imports and distributes authorised Puma goods bearing 'PELE' trade mark including soccer balls. This in my view, shows that the use of the well-known 'PELE' trade mark, without the authorisation or consent of Pele on products, especially soccer balls would create deception and confusion.

[38] It is clear from the papers that there is a dispute regarding ownership of the trade mark 'PELE' between applicant and second respondent particularly on soccer balls which is to be adjudicated by the Registrar.

[39] Having regard to the preamble of the **Counterfeit Goods Act** which states that the purpose of the **Counterfeit Goods Act** is to prevent the release of counterfeit goods into the channels of commerce of South Africa. The dispute cannot, in my view, affect the statutory power of first and third respondents to make an order of detention if there is *prima facie* evidence to make such an order.

[40] Now since there is no specific registration of the trade mark 'PELE' specifically on soccer balls, as alleged by the applicant, and there is an existing dispute, this implies that it would be easy for anybody to import or manufacture and sell soccer balls bearing the mark 'PELE'. Undoubtedly, the channels of commerce would be flooded with soccer balls bearing the 'PELE' mark because no one would claim

ownership to the work unless the dispute which may take more than one year has been finalised. This can also have a negative impact on our country which is to host the world soccer cup in 2010. In my view, there are enough prima facie facts justifying that the decision of the first and third respondents to detain the applicant's goods.

[41] I therefore make the following order:

Applicant's application is dismissed with costs.

A. P. LEDWABA

JUDGE OF THE HIGH COURT