

- (1) REPORTABLE: YES/NO.
- (2) OF INTEREST TO OTHER JUDGES: YES/NO.
- (3) REVISED

25/3/2008
DATE


SIGNATURE

DATE:
CASE NO: 36853/2006

In the matter between:

MORESPOORT (PTY) LIMITED

APPLICANT

And

THE COMMISSIONER FOR THE
SOUTH AFRICAN REVENUE SERVICE

1ST RESPONDENT

MAGISTRATE SAMUEL MAKU N.O.
CHRISTINE FOUCHE
MR MOVER CC
CROCS INC.

2ND RESPONDENT
3RD RESPONDENT
4TH RESPONDENT
5TH RESPONDENT

JUDGMENT

SERITI, J

1. Introduction

This matter came to court by way of motion.

In the notice of motion the applicant is praying for an order in the following terms:

1. That the search and seizure warrant issued in chambers by the second respondent, Magistrate Samuel Maku NO in the magistrate court, Cape Town on 14 September 2006 *ex parte*

and without notice to the applicant, in pursuance of affidavits lodged on behalf of Crocs Inc, be set aside and/or declared to be of no force and effect.

2. That in terms of section 7(4)(a) of the Counterfeit Goods Act 37 of 1997 hereinafter referred to as the "Act" the goods seized in terms of the aforesaid warrant are not counterfeit goods as defined in the Act.
3. That the goods seized in terms of the aforesaid warrant be released forthwith and returned to the applicant.
4. That the first respondent pays the costs of this application.

2 Founding Affidavit

It was attested to by Mr Roy William Ansell, an adult male Chartered Accountant and employed as Chief Financial Officer of the applicant.

He alleges that the applicant is a registered company having its principal place of business situated in Cape Town. Applicant conducts business *inter alia* as an importer and distributor of footwear.

The first respondent whose offices are situated in Pretoria, is cited in his representative capacity as executive head over the officials of the South African Revenue Services and exercises control over the officials who

conducted inspections to which this application relates and which resulted in the detention and seizure of alleged counterfeit goods in terms of the powers conferred on inspectors in the Counterfeit Goods Act 37 of 1997.

The second respondent is the magistrate who issued the search and seizure warrant which is the subject matter of this application.

The third respondent is an adult female employed as an official of the South African Revenue Services in the capacity of a custom officer and stationed in Cape Town. The third respondent is also an inspector who executed the warrant under discussion in this case.

The fourth respondent with its principal place of business in the Western Cape, conducts business as an authorised counterfeit goods depot designated as such in terms of section 23 of the Act. The goods seized from the applicant are stored at the fourth respondent's depot.

The fifth respondent is a corporation having juristic personality, incorporated in accordance with the laws of the United States of America and having its principal place of business in Colorado, United States of America. The fifth respondent conducts business, *inter alia* as a manufacturer and distributor of footwear.

The fifth respondent lodged a complaint in terms of the Act with the South African Revenue Services in support of an application for the warrant

under discussion. The fifth respondent's attorneys, whose offices are situated in Pretoria, have stated that they are authorised to accept service of this application on behalf of the fifth respondent

On 15 June 2006 the applicant who is an importer and distributor of *inter alia*, footwear purchased from Holey Soles Holdings Limited, situated at Vancouver, a total of 5015 pairs of footwear. These goods arrived in South Africa at Cape Town harbour during July 2006.

On 19 July 2006 the applicant was advised by its clearing agent that the applicant's goods had been detained by the South African Revenue Service at Cape Town harbour on the basis that "The goods that were found are identical to the 'Crocs' shoes, which are a registered trade name in South Africa. Therefore the detention is in terms of section 113(1)(a) of the Customs and Excise Act for possible counterfeit."

On 26 July 2006 the applicant's attorneys of record addressed correspondence to the third respondent *inter alia*, requesting a copy of the affidavit of complaint filed by the fifth respondent in support of the detention. A similar letter was addressed to the fifth respondent's attorneys of record. Applicant received no response from the third respondent or from the fifth respondent's attorneys.

A reminder was addressed to the fifth respondent's attorneys on 15 August 2006. In addition, the applicant's attorneys addressed

correspondence to Ms Venter, the National Counterfeit Coordinator at the head office of South African Revenue Service, Pretoria, requesting a copy of the affidavit of complaint filed by the complainant.

On 23 August 2006, the fifth respondent addressed a letter to applicant's attorneys in which letter a copy of the so-called *ex parte* affidavit deposed to by Erik Olsen was attached. The said *ex parte* affidavit was also filed with the South African Revenue Service. In addition the fifth respondent's attorneys stated that a legalised copy of the affidavit deposed to by Mr Ettore Battiston was en-route to the South African Revenue Service, as the copy that was attached to the correspondence in question was not legalised

On 29 August 2006, the fifth respondent's attorneys addressed a letter to the applicant's attorneys. In the said letter, the said attorneys alleges, *inter alia* that:

- (a) the applicant knows the fifth respondent's local distributor, Tidal Trade;
- (b) Holey Soles Holdings Limited knew the fifth respondent and they are involved in litigation in a foreign jurisdiction;

- (c) the applicant and Holey Soles were well aware of the fifth respondent's proprietary interests in the design of its Beach Model shoe;
- (d) that they wish to bring to the attention of the applicant the following information, in case the applicant is not aware of the said information:
- (i) the original design drawings of the fifth respondent's strapless Beach Model shoes were created by Ettore Battiston, an adult male business man, director and owner of an Italian company;
 - (ii) Mr Battiston had, at all relevant times, been permanently resident and domiciled in Italy, and in particular was so resident and domiciled at the stage when he allegedly created the Beach Model design;
 - (iii) Italy is a signatory to the Berne Convention for the Protection of Literary and Artistic Works of 1866;
 - (iv) Mr Battiston is the sole author and designer of the Beach Model design, which he allegedly created in 2000 in the course and scope of his employment and that the applicant was in possession of a copy of an affidavit

deposed to by Mr Battiston to which copies of the original design drawings were attached'

- (v) Mr Battiston allegedly employed his own creative skills and efforts in designing the Beach Model design and did not have reference to any other designs, and as a result, the design was original as defined in the Copyright Act;
- (vi) the Beach Model design drawings had been reduced to a material form;
- (vii) Mr Battiston created the original Beach Model design in the course and scope of his employment with L'Artigiana Stampi di Battiston Ettore e c, S.N.C. and as a result, the copyright in the design automatically vested in the company;
- (viii) the copyright in the aforesaid design had subsequently been assigned to the fifth respondent by way of a written deed of assignment and that the applicant was already in possession of the details of the assignment;
- (ix) the shoes imported by the applicant and which are the subject matter of this dispute constituted three dimensional reproductions, alternatively, adaptation of

the aforesaid Beach Model design and as a result, infringed the complainant's copyright.

- (x) the applicant's importation of shoes which constituted unauthorised reproductions, alternatively, adaptations of the original Beach Model design amounted to copyright infringement in terms of the Copyright Act 98 of 1978.
- (xi) by virtue of the alleged fact that the shoes imported by the applicant were colourable imitations of the fifth respondent's products, the importation of such goods amounted to an act of dealing in counterfeit goods as defined in the Counterfeit Goods Act 37 of 1997.
- (xii) the applicant was formally notified of the fifth respondent's copyright and any trade or dealing in distribution or marketing of infringing shoes would amount to indirect copyright infringement as contemplated in section 23(2) of the Act.

Consequently, the applicant is requested to comply with the following demands:

- (a) delivery of all shoes incorporating the Beach Model design for destruction;

- (b) an undertaking, in writing, never again to import goods which allegedly infringe the fifth respondent's copyright;
- (c) provide the fifth respondent's attorneys with a letter addressed to the South African Revenue Services confirming that the aforesaid goods might be delivered to them on the fifth respondent's behalf for destruction;
- (d) pay the fifth respondent's costs including all storage, transport and destruction costs;
- (e) undertake, in writing, that should the applicant in future import or deal in goods which infringes the fifth respondent's alleged copyright, the applicant would pay to the fifth respondent a penalty of R100.00 per infringing item so imported or dealt in above and beyond any other claim for damages or costs that the fifth respondent might have against the applicant.

In response to the abovementioned correspondence, the applicant's attorney in a letter dated 4 September 2006 stated the following:

- (i) whilst the complaint has alleged copyright, the complainant appears to have ignored the provisions of section 15(3A) of the Copyright Act 98 of 1978;
- (ii) as they are aware, the copyright in an artistic work of which three dimensional reproductions had been made available to the public is not infringed if someone, without the consent of the copyright owner, make or make available to the public, three dimensional reproductions or adaptations of the authorised reproductions, provided the authorised reproductions primarily had a utilitarian purpose and were made by an industrial process.
- (iii) the applicant maintains that the abovementioned exemption from alleged copyright infringement is applicable in this matter and the first respondent's right to control the reproduction of the footwear in question in a three dimensional form fell away when the fifth respondent distributed authorised three dimensional versions of the footwear anywhere in the world.
- (iv) in these circumstances, the applicant was surprised that the fifth respondent simply ignored the provisions of section 15(3A) of the Copyright Act and proceeded to request the South African Revenue Services to detain the goods in question.

- (v) the applicant accordingly calls upon the fifth respondent to forthwith instruct the South African Revenue Services to release the detained goods to the applicant.
- (vi) in the alternative to the above, the applicant is of the view that the fifth respondent has not satisfied the infringement provisions of the Copyright Act 98 of 1978 in particular section 23(2) and it therefore follows that the fifth respondent had not satisfied the requirements of the definition of counterfeiting as contained in the Counterfeit Goods Act.
- (vii) at the time of importation of these goods into the Republic of South Africa, the applicant was not aware that the complainant was the owner of any alleged copyright.
- (viii) consequently, the initial detention of these goods was and remains unlawful.
- (ix) the applicant calls upon the fifth respondent to furnish evidence it relied upon to satisfy the requirements of section 23(2) of the Copyright Act.
- (x) the applicant accordingly demands that the fifth respondent:

- (a) instruct customs to immediately release the detained goods to the applicant;
- (b) pay all the accosts.

The deponent further alleges that to date of signing the founding affidavit, the fifth respondent has not produced the requested information.

On 4 September 2006 the applicant's attorneys addressed correspondence to Ms Venter and copied Ms Enslin. The latter is the legal advisor in the employ of the South African Revenue Services, Pretoria. On 7 September 2006 the applicant's attorney received a letter from fifth respondent's attorneys stating that they are taking instructions from client and they will revert. On 14 September 2006 applicant's attorneys received a letter from the fifth respondent's attorney wherein the latter stated *inter alia* that they have been authorised to accept service of documents in this matter on behalf of the fifth respondent.

Applicant awaited notification of the formal seizure of the applicant's goods.

On 11 October 2006 the applicant's attorneys made contact with the third respondent to enquire when she intended making the formal seizure of the applicant's goods. To their surprise they were advised by the third respondent that the goods were formally seized on 3 October 2006.

On 12 October 2006 the applicant's attorneys addressed a letter to the third respondent and copied same to Ms Venter and Ms Enslin. In the said letter, *inter alia*, the applicant's attorneys requested that the third respondent urgently furnish them with copy of the search and seizure warrant, copies of all affidavits and documents that were placed before the magistrate who issued the warrant, copy of the inventory and a copy of the seizure notice.

No response was received and on 16 October 2006 a reminder was sent out by applicant's attorneys.

On 20 October 2006 the applicant's attorneys received the documents mentioned in the previous paragraph from the fifth respondent's attorneys after the applicant's attorneys requested same from the fifth respondent's attorneys.

The applicant further alleges that the affidavits filed in support of the application for the search and seizure warrant are fatally defective and the search and seizure warrant that was issued based on the strength of the said affidavits is invalid. The affidavit is defective as it omitted to make essential averments in respect of the claim of copyright infringement. The applicant further alleged that there were certain shortcomings in the affidavits of Messrs Olson, Battiston, and Ms Fouché.

It was attested to by Ms Christine Fouche a major female employed by South African Revenue Services as a custom official, Anti-smuggling Team, Cape Town.

She alleges that she is the official who initially detained and later seized shoes under discussion which were imported by the applicant.

She further alleges that she would like to raise two points *in limine*, namely non-compliance with the provisions of section 96(1) of the Customs and Excise Act of 1964 in that the applicant has failed to give at least one month's notice of its intention to institute these proceedings. Secondly that this court has no jurisdiction as all the goods in question and parties in respect of which the applicant seeks relief are situated in the Cape Province.

She further alleges that on or about 19 July 2006 she examined a certain container number PONU2024809 containing certain shoes. Initially the purpose of her examination was to establish whether the consignment complied with the requirements of the CEA.

Upon opening the container and seeing the shoes inside the container, she immediately realised that the shoes were replicas of Crocs shoes by virtue of their shape and general resemblance in design to the well-known Crocs shoes.

She contacted Ms Venter, the National Co-ordinator, Intellectual Property Rights of Customs and Excise. The latter advised her that an application in terms of section 15 of the Counterfeit Goods Act for the CROCS BEACH MODEL shoes has been received from the fifth respondent and approved in terms of the Counterfeit Goods Act. The said section 15 application covered both the Crocs trademark and the design of CROCS BEACH MODEL shoes.

Ms Venter further confirmed that she may proceed to detain the consignment of shoes and advise the fifth respondent's attorneys of the importation of the consignment of the offending goods.

On the same day as her initial inspection, she drew a sample of the shoes which were in the container. At the time of the said inspection and drawing of the sample Mr Hasin Sha, a representative of Expeditors, the applicant's clearing agent was present. She drew a sample inventory to keep record of the samples drawn and Mr Sha signed the said inventory to confirm the correctness thereof and he was given a copy of the sample inventory. She also took digital images of the drawn sample and forwarded them to Mr Steven Yeates of the fifth respondent's attorneys via e-mail.

The following day, that is 20 July 2006 she dispatched the samples to fifth respondent's attorneys via DHL couriers. On the same day, she was contacted telephonically by Mr Ansell, the deponent to the applicant's founding affidavit. Mr Ansell advised her that Holey Soles was a registered

trade mark and that his company was licensed to import and distribute the said shoes. Mr Ansell undertook to get the licence agreements from his supplier and forward them to her. Mr Ansell failed to forward to her the alleged licence agreements.

The fifth respondent was given five court days to provide her with an affidavit confirming that the goods detained are not original Cross merchandise.

On 26 July 2006 she received a facsimile from Mr Ramara of the applicant's attorneys wherein he advised her that they are acting on behalf of the applicant and Holy Soles, the applicant's supplier.

On 27 July 2006 the fifth respondent's attorneys requested an extension to file the necessary affidavits and on 2 August 2006 she received an affidavit of Mr Olson to which an affidavit of Mr Battiston was attached.

After discussing the matter with Ms Venter and Ms Enslin of the SARS legal department she decided not to do anything further until such time she has received the original affidavits. While awaiting the original affidavits she received a telephone call from the applicant's attorneys enquiring whether she has received the affidavits and she advised them about the status of the matter.

She received the original affidavits from fifth respondent's attorneys on 17 August 2006. On same day, she received telephonic enquiries about progress of the matter from Mr Ansell and the latter was advised about progress made in the matter.

On 22 August 2006, through telephone the fifth respondent's attorneys advised her that they will forward copies of the requested affidavits to the applicant's attorneys.

On 23 August 2006 the applicant's attorneys confirmed that they have received copies of the affidavits from fifth respondent's attorneys. The applicant's attorneys further enquired if she was going to apply for a warrant and she advised them that she was going to consult with SARS legal services and she will revert to them as soon as possible.

On 24 August 2006 she was contacted by Mr Pillay, who is in their legal department and the latter advised her that he was going to take over the matter and apply for a warrant. She provided him with copies of her file contents.

On 30 August 2006 she received an e-mail from the applicant's clearing agent requesting update on the progress of the matter. She responded on the same day and advised them that she had received an affidavit from fifth respondent's attorneys confirming that the goods are counterfeit and that the file has been forwarded to their legal department to

obtain a search and seizure warrant. She also advised them that once they had received the warrant, she would obtain permission from SARS's head office to proceed to seize the goods.

On 4 September 2006 the applicant's attorneys addressed a letter to Ms Venter and cc same to Ms Enslin. The letter in question raised certain defences to which the importer may have been entitled, but it does not set out facts which will justify the importer invoking the said defences. The said letter did not affect her initial view that the offending goods were *prima facie* counterfeit.

On 11 September she received a telephone call from Mr Ansell wanting an update on the progress made in the matter. She provided him with all necessary information.

On 12 September 2006 she signed an affidavit in support of an application for the seizure warrant, which she received from Mr Pillay. She signed the affidavit and sent same back to Mr Pillay.

On 14 September 2006 the warrant was issued.

On 18 September 2006 she happened to come across Mr Khader and the latter enquired from her whether the goods have been seized, and if not when does she intend to do so. She advised him that she has already

obtained the warrant the seizure will occur in the near future. Mr Khader advised her that his client want to oppose the seizure.

On 19 September 2006 she sent an e-mail to Mr Khader requesting him to provide her with an affidavit from his client relating to the seized goods.

On 20 September 2006 Mr Khader replied and stated that he has sent the correspondence to their (deponent's) head office. The only letter received from applicant's attorneys is the one mentioned earlier dated 4 September 2006.

On the same day, Ms Enslin had a telephone conversation with Mr Khader, in which she advised him that the first respondent intended to proceed with the seizure, but the applicant failed to do anything.

On 21 September 2006 she received a message from their Legal Head Office to proceed with the seizure.

On 22 September 2006, Mr Du Toit of the state attorney's office, assigned to deal with this matter discussed the matter with Mr Khader. The latter was advised that the information contained in his letter dated 4 September 2006 was not sufficient and that they were satisfied that, with information at their disposal, they could proceed with the continued detention and seizure of the goods. Mr Du Toit also made it clear that they would proceed with the seizure of the offending goods in the near future.

On 26 September 2006 she made contact with Expeditors, the applicant's clearing agent, and she advised them that the seizure would take place on 2 October 2006. The seizure in fact took place on 3 October 2006 and a representative of the applicant's clearing agent, Mr Alie was present when the container arrived at the premises of the fourth respondent, together with Mr Alie they confirmed it was the correct container.

An inventory was compiled, and a copy was given both to the fourth respondent and Mr Alie.

Notice in terms of section 7(1)(d) was also handed to the clearing agent at the premises of the fourth respondent where the seizure took place. It was signed on behalf of the applicant by its clearing agent, Mr Alie. A copy of the section 7(1)(d) notice was faxed to fifth respondent's attorneys on the same day.

On 11 October 2006 she received a telephone call from applicant's attorneys wanting to know whether the goods had already been seized, and she advised them accordingly.

On 12 October 2006 she received a telephone call from Mr Khader requesting copies of documents in her file.

On 18 October she sent a fax to Mr Khader advising him that she would be couriering the documents to him. She did not hear anything further from Mr Khader until the service of his application. She further alleges that she does not have knowledge of correspondence exchanged between applicant's and fifth respondent's respective attorneys.

At the time she applied for the warrant she was satisfied and believed that an act of counterfeiting had *prima facie* taken place or was likely to take place by way of the applicant's importation into South Africa of these offending goods. She was justified in applying for a warrant and proceeding to seize the offending goods in terms of that warrant.

She further alleges that she is not in a position to decide whether the applicant would be entitled to the defences created by section 23(2) and 15(3A) of the Copyright Act of 1978. This is an issue for the court to decide after having been presented with full facts relating to the defences raised by the applicant. These are not issues that can be decided at the point of detention and/or seizure.

All relevant facts that were provided to her were disclosed to the magistrate at the time of applying for the warrant.

She has extracted the samples of the offending goods and firstly, sent the digital images of the said samples to fifth respondent, and secondly sent the samples to fifth respondent's attorneys. She compared the photographs

annexed to Mr Olson's affidavit with digital images of the samples she took of the offending goods and confirmed that these shoes are in fact the same.

She was satisfied, based on the evidence contained in Mr Battiston's affidavit together with the fact that the section 15 complaint had been approved by the first respondent that, *prima facie*, copyright subsisted in the Beach Model design.

4. Fifth Respondent's Answering Affidavit

It was deposed to by Mr Erik Rebich, secretary and general counsel of the fifth respondent.

He alleges that there is litigation going on in other jurisdictions, namely United States of America and Canada between the fifth respondent and Holey Sales Holdings Limited.

He has read the affidavit of Mr Olson annexed to the papers as annexure "RWA8" and confirm the contents thereof in so far as they relate to the fifth respondent's business activities, the subsistence of its intellectual property rights and the chain of the title relating to such intellectual property rights, particularly copyright. He also confirms Mr Olson's finding that the sample shoe is counterfeit and his reasoning therefor.

He alleges that this court has no jurisdiction to hear this case, and that the Cape of Good Hope Provincial Division is the appropriate forum to hear this application.

He further alleges that Crocs is the proprietor in South Africa of the copyright subsisting in the design drawing of, *inter alia*, the strapless portions of its Beach Model shoes, which is the subject of this application.

The design drawing was originally created by Mr Ettore Battiston, an Italian citizen and resident, during the course and scope of his employment with L'Artigiana di Battiston e C S.n.C. an Italian company.

He created the design drawing in 2000. He did so with the application of his own original thought and without reference to any other work. The copyright in the design drawing was subsequently assigned to Finproject N.A., a Canadian company. Finproject N.A. changed its name to Foam Creations Inc on 23 September 2004, which in turn assigned the copyright in the design to Crocs on or about 20 June 2006.

Copies of the relevant deeds of assignment are attached and marked annexure "C1" and "C2" to the affidavit of Mr Olson, which in turn is annexed to the applicant's founding affidavit as "RWAS".

In order to protect its intellectual property rights, including the copyright in the design drawing, Crocs filed an application / complaint in terms of

section 15 of the Counterfeit Goods Act of 1997 with regard, *inter alia*, to its copyright in the design drawing. An electronic copy of the application / complaint was lodged with the first respondent on or about 21 June 2006, and same was provisionally approved by the first respondent with effect from June 2006.

The section 15 application / complaint was not filed with any particular or specific importer or culprit in mind, but with a view to ensuring that no suspected counterfeit Beach Model shoes are imported and sold in South Africa.

As a result of the section 15 application mentioned above having been accepted by the first respondent, the third respondent, on her own accord, detained the offending goods and proceeded to request confirmation from the fifth respondent that the goods were indeed not authorised by it. It was in response to this request that the expert affidavit of Mr Olson was filed with the first respondent.

The goods under discussion are offending goods as they are not authorised Crocs merchandise and are counterfeit.

He further alleges that the applicant's supplier of the offending goods, Holey Soles Holding is a Canadian company. The latter company, prior to drawing being assigned to Crocs, was a distributor of shoes embodying the design drawing. Holey Soles purchased the said shoes from Foam Creations

Inc, prior to that company being purchased by Crocs under its previous name, Western Brands, LLC.

Western Brands, LLC is Crocs Inc in its previous form. On 4 January 2005 Western Brands LLC was converted to Crocs Inc.

In May 2004 Foam Creations Inc discontinued supplying shoes to Holey Soles. Later it came to the attention of Western Brands LLC that Holey Soles had commenced manufacturing in China and distributing and selling shoes which are reproductions or adaptations of the design drawing in the United States of America and Canada but with the Holey Soles trademark attached to them.

In a letter dated 17 May 2004 addressed to Holey Soles Holding, Western Brands LLC, *inter alia* demanded that Holey Soles Holdings desist with its illegal activities of manufacturing, distributing and offering for sale the offending shoes.

In January 2005, Crocs, through its wholly owned subsidiary Foam Creations Inc, filed a lawsuit in Canada against Holey Soles, based on Holy Soles infringement of intellectual property rights, including the design of the strapless portions of the Beach Model shoe. Litigation is still continuing.

In South Africa, Crocs shoes are distributed by its local agent, Tidal Trade CC. The members thereof are Geeff Starke and Tertia Wesseis.

Initially, Tidal Trade CC also supplied authorised Crocs Beach Model shoes to the applicant for sale in its Sportsman's Warehouse outlets.

At some stage, it came to the attention of Tidal Trade CC that the applicant was selling in its stores shoes manufactured by Holey Soles and which are similar to the ones imported by the applicant in the present case. Applicant was presenting the latter shoes as the "new Crocs" or "the same as Crocs".

Following the discovery mentioned in the previous paragraph Tidal Trade CC addressed a letter to the applicant that it would no longer supply the applicant with Crocs shoes.

On 28 November 2005 the fifth respondent's attorneys addressed a letter to the applicant demanding that the applicant, *inter alia* stop its illegal activities.

That the applicant's shoes are reproductions of the design drawings and of the fifth respondent's well-known Crocs Beach Model shoes, is apparent from the obvious similarities.

He denies that insufficient information was made available to the first and second respondents and alleges that the decision to issue a search and seizure warrant was correctly made.

5. Applicant's Replying Affidavit

It was deposed to by the person who deposed to the founding affidavit. He alleges that contents of their letter dated 4 September 2006 addressed to Ms Venter and Ms Enslin was not placed before the magistrate and if that was done that would have afforded the magistrate an opportunity to consider all material facts.

Applicant only received copies of the relevant documentation that was filed in support of the application for the search and seizure warrant on 20 October 2006, and these proceedings were instituted on 9 November 2006. Third respondent did not furnish any facts from which it can be concluded that she "immediately realised that the shoes were replicas of Crocs shoes by virtue of their shape and general resemblance in design to the well-known Crocs shoes". She is not qualified to make such conclusion.

The section 15 application and the alleged sample inventory were not placed before the magistrate when the application was made for the issuance of the search and seizure warrant.

As far as the fifth respondent's answering affidavit is concerned, he denied the existence of the intellectual property of the fifth respondent, and also denied that the sample shoe referred to is a counterfeit.

He further alleges that while there may have been correspondence between the applicant and Tidal Trade CC he denies that the applicant was aware of the fifth respondent's alleged rights, and also denies that the intellectual property rights relied upon by the fifth respondent subsists and that the applicant has infringed the said rights.

6. Findings

During oral argument, the applicant's counsel advised the court that the applicant is not pursuing prayer 2 of the notice of motion.

The Court was also informed that the question of alleged lack of jurisdiction is no longer being pursued by the respondents.

Section 4 of the Counterfeit Goods Act 37 of 1997 provides that:

"Inspector's powers in relation to counterfeit goods. – (1) If, pursuant to any complaint laid with an inspector or on the strength of any other information or on the strength of any other information at his or her disposal, the inspector has reasonable grounds to suspect that an offence contemplated in section 2(2) has been or is being committed or is likely to be committed, or to believe that an act of dealing in counterfeit goods has taken or is taking place or is likely to take place, he or she has the power, ..

- (a) to enter upon or enter any place, premises or vehicle in order to inspect any relevant goods and seize any suspected counterfeit goods. ..."

Section 6 thereof deals with provisions relating to issue and execution of warrant. It reads as follows:

- "(1) The warrant contemplated in section 4(2) read with section 5(1) will be issued in chambers by any judge of the High Court or by a magistrate who has jurisdiction in the area where the relevant suspected act of dealing in counterfeit goods is alleged to have taken place or to be taking place or is likely to take place, and will be issued only if it appears to the judge or magistrate from information on oath or affirmation that there are reasonable grounds for believing that an act of dealing in counterfeit goods has taken place. ..."

In his heads of argument, the applicant's counsel submitted that the third and fifth respondents failed to make a full disclosure to the magistrate when an application for a seizure warrant was made. He submitted that they failed to disclose the correspondence from the applicant's attorneys in which defences to allegations of copyright infringement were raised. The said counsel further submitted that the information contained in the said correspondence is material to a proper determination by the magistrate

whether there were reasonable grounds for believing that an act of dealing in counterfeit goods has or is likely to take place.

On the other hand the first and second respondents' counsel submitted that the alleged non-disclosure of the correspondence between applicant's attorneys and fifth respondent's attorneys is not material at all. They further submitted that alleged defence raised by the applicant in the said correspondence was not on oath and it lacks facts on which applicant could positively claim to be entitled to the defence raised.

In *National Director of Public Prosecutions v Basson* 2002 1SA 419 (SCA) paragraph 21, p428H-I NUGENT AJA said the following:

"Where an order is sought *ex parte* it is well established that the utmost good faith must be observed. All material facts must be disclosed which might influence a court in coming to its decision and the withholding or suppression of material facts, by itself, entitled a court to set aside an order, even if the non-disclosure or suppression was not wilful or *maia fide* (*Schlesinger v Schlesinger* 1979 (4) SA 342 (W) at 348E-349B." See also *Trakman NO v Livshitz and Others* 1995 1 SA 282 (AD) 288E

In *Canada (Pty) Limited v Webber Stephen Products Company and 3 Others* Case No 04/30677, (WLD) unreported judgment, at p 25 paragraph 13

SCHWARTZMAN J, when dealing, *inter alia*, with seizure in terms of the Counterfeit Act *supra*, *inter alia* said:

"There was an incomplete disclosure in the affidavit, resulting in the First Respondent not making a full disclosure of all material facts. ... What was not disclosed was the Applicant's defence to the complaint – in law it may have been good or it may have been bad – but it remained material to be known to the Judge or magistrate."

In *Cometal-Mometal v Colana Enterprises* 1981 2 SA 412 (W), while dealing with failure to disclose material facts in an *ex parte* application the court quoted with approval, following statement of LE ROUX J in *Schlesinger v Schlesinger supra*, appearing at 350B, which reads as follows:

"It appears to me that unless there are very cogent practical reasons why an order should not be rescinded, the Court will always frown on an order obtained *ex parte* on incomplete information and will set it aside even if relief could be obtained on a subsequent application by the same applicant."

Prior to the granting of the seizure warrant and in particular on 4 September 2006, the applicant's attorneys addressed correspondence to Ms Maggie Venter and Ms Enslin, employees of the first respondent. In the said letter it was stated *inter alia*:

"... our client is of the view that the complainant is not entitled to any relief in terms of the provisions of the Counterfeit Goods Act 37 of 1997 ... on one or more of the following basis:

1. Whilst the complainant has alleged copyright infringement in this matter, it appears to have ignored the provisions of Section 15(3A) of the Copyright Act 68 of 1978 ... We draw your attention to the fact that the copyright in an artistic work of which three dimensional reproductions have been made available to the public is not infringed if someone, without the consent of the copyright owner, makes or makes available to the public, three dimensional reproductions or adaptations of the authorised reproductions, provided the authorised reproductions have a utilitarian purpose and are made by an industrial purpose.

Our client maintains that this exemption from copyright infringement is applicable in this matter and the complainant's right to control the reproductions of the footwear in question in a three dimensional form fell away when it distributed three dimensional versions of its footwear anywhere in the world."

A similar letter was addressed on the same date to the fifth respondent's attorneys.

Section 15 of the Copyright Act *supra* deals with general exceptions from protection of artistic work. If the artistic work that the fifth respondent is desirous to enforce its protection falls within the parameters of the said section 15, then the seizure warrant should not have been granted. This is particularly so because there is no evidence that the artistic work in question was ever published and there is no allegation that the applicant could have obtained the artistic design in question in order to copy it.

My view is that the defence raised by the applicant in its letters dated 4 September 2006 mentioned earlier is relevant and material and should have been disclosed to the magistrate.

There is no justifiable reason why the said communication was not disclosed to the magistrate,

Failure to disclose all the material facts as stated above, makes the decision of the magistrate susceptible to be set aside.

As a result of the conclusion I arrived at as stated in the previous paragraph, I believe that it is not necessary for me to deal with other issues raised in the heads of argument and during oral argument.