

## COUNTERFEIT GOODS ACT VERSUS THE CONSTITUTION

Written by Ron Wheeldon

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When South Africa adopted the Constitution as its supreme law it certainly seemed that we were headed for an enlightened and balanced society that would provide at least one example in the world of a changed society where George Orwell's cynical adage from "Animal Farm" – "all animals are equal, but some animals are more equal than others" – would not hold true. In the IP field, the Counterfeit Goods Act, No 37 of 1997 ("CGA") provides as noxious an example of inequality, and as eloquent an argument for respect of the basic tenets of Anglo-Roman-Dutch law as I have been able to find.

There is a major problem, world-wide, with counterfeit goods. Counterfeiting, as a world-wide phenomenon, has been estimated to be worth some US\$60 billion per year and ranges from the apparently innocuous counterfeiting of clothing and bags right through to the plainly criminal counterfeiting of pharmaceuticals and even aircraft parts. Counterfeiting is aligned to organised crime and is used for laundering drug money. So serious is the problem that TRIPS requires the members to put in place criminal procedures and penalties for wilful trade mark counterfeiting or copyright piracy on a commercial scale. Counterfeiting is difficult to define.

Most people think of a "counterfeit" as being an imitation of a known object which so closely resembles the genuine object that deception is virtually ensured. In extreme cases, it is easy to identify – the fake pair of Levis bearing faked "Levi" labels including the "non-genuine without this label" label. Only an expert can tell the genuine article from the fake and, quite clearly, most consumers are not experts. The problem comes in drawing the line. To go back to the example - is a pair of "Lives" jeans an infringement or a counterfeit? How about "Elvis" jeans?

The CGA has 3 definitions of "counterfeiting", viz. "substantially identical copies of the protected goods", goods bearing "a colourable imitation" of "the subject matter" of an IP right "so that the other goods calculated to be confused with or to be taken as being the protected goods" or licensed goods of the IP owner; are using a prohibited mark as defined under the Merchandise Marks Acts. Important, though, is the qualification that "the relevant act of counterfeiting must also have infringed the intellectual property right in question" (my emphasis).

The complaint procedure is ex parte. A complainant makes a complaint to an inspector who may apply to a magistrate or judge for a seizure warrant. This is then executed by the police accompanied by the inspector and a "knowledgeable person" who can tell the real from the fake. Properly applied it is an effective remedy against people who are typically impossible to use normal civil procedure against such as itinerant street vendors, flea markets and inner city buildings of obscure ownership and tenancy where much of the counterfeit clothing is produced or finished.

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Where "counterfeiting" is alleged against reputable traders who are not counterfeiting, but possibly infringing the one sidedness is harder to justify. Last year, in *Sterling Auto Spares v Commissioner of Customs & Excise*, Sterling brought an urgent application before the High Court in Pretoria for a shipment of goods, detained by customs, to be released. In brief, the container had been stopped and detained by a customs officer because it contained, inter alia, the indications "MB" and "BM" with part numbers which serve to show the type of vehicle for which the parts were intended. Samples were drawn and sent to attorneys representing BMW and Mercedes Benz who confirmed, by affidavit, that the parts were indeed "counterfeit" because some of them featured the term "C Class" (a registered trade mark of Mercedes Benz) and others featured part numbers commencing "BM" which is a registered trade mark of BMW AG. There was no allegation that the goods were in packaging designed to mislead the public into assuming that these were genuine goods rather than aftermarket ones.

Nevertheless, Customs refused to release the goods. Sterling sued Customs on the grounds, primarily, that the customs officer was not an inspector under section 15 of the CGA as no application to the Commissioner as contemplated by that Act had been made. It was also claimed that, on the face of it, the goods were not counterfeit. Mr Justice Patel in the TPD agreed and ordered the goods released. He was particularly scathing about the affidavits from the BMW and Mercedes representatives which he dismissed as pure hearsay and which did not prove that the goods were counterfeit. An application for leave to appeal was dismissed but a further application to the Supreme Court of Appeal, was allowed and referred back to a full bench of the TPD to decide. It has been decided in favour of SARS and the complainants.

The arbitrary deprivation of a person of his property may not be permitted under any law, according to S.25 of the Constitution. The effect of the CGA in practise at this point is that a mere allegation of counterfeiting by a complainant is, at the whim of an inspector (who is not a judicial officer) sufficient to result in seizure of goods without warning and, most seriously, without the defendant having any right to be heard. A magistrate is typically approached to issue the warrant and he has no means of testing the accuracy of the allegations made before him. In the *Checkers* case in the Cape, also last year, the High Court found that the goods had been unlawfully seized and severely criticised the complainant's attorneys for the evidence that was used to obtain the seizure.

It is not everyone that can afford High Court litigation, especially against a large, wealthy foe, and more often than not, the value of the goods seized is insufficient to justify the very high stakes that must be played in order just to have the constitutional right and fundamental human right of being heard. In *Sterling* the released goods were immediately re-detained by SAPS, on a fresh complaint, but on the same facts. Sterling's further urgent application to the TPD claiming *res judicata*, was frustrated by an application by the complainants to be joined, which,

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remarkably, was granted with costs by Judge Botsielo, something the CPD, in my respectful view, correctly refused in Checkers citing the complainant's lack of an interest in determining the legality of the state's seizure of goods. So, Sterling, a close corporation, must test its financial mettle against the resources of two industry giants, as well as the state, just to get heard on whether it was right to take away again the goods the High Court had just ordered released, when it was not heard at all when they, very cheaply, and without the inconvenience of making out a case, took them away.

Finality on these issues will come from the SCA or the Constitutional Court, but the injustice to someone wrongly accused is palpable. It cannot be right that only the very rich can be heard, for that is no access to justice at all. I have sufficient faith in our legal system to be confident that parts at least of the CGA will be struck down as unconstitutional and some measure of balance restored. The recent judgment in the Sterling matter by the full bench of the TPD, which ignored Checkers and reaffirmed Botsielo's judgment, may indicate that that faith is misplaced, and amendment of the Act is the route to follow.