

IN THE HIGH COURT OF SOUTH AFRICA

(WITWATERSRAND LOCAL DIVISION)

CASE NUMBER: 04/30677

In the matter between:

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|--|--------------------------|
| CADAC (PTY) LIMITED | Applicant |
| and | |
| WEBER STEPHEN PRODUCTS COMPANY | First Respondent |
| GALACTEX OUTDOOR (PTY) LIMITED | Second Respondent |
| THE MINISTER OF SAFETY & SECURITY | Third Respondent |
| THE REGISTRAR OF TRADEMARKS | Fourth Respondent |

JUDGMENT

SCHWARTZMAN J:

1. The Trade Marks Act gives the owner of a registered trade mark, whose mark is being infringed, the right to approach a High Court for *inter alia* an interdict, delivery up of the offending material and damages. The Copyright Act, which gives similar protection to the owner of a copyright whose copyright is being infringed also criminalises the breach. One of the objects of the Counterfeit Goods Act 37 of 1997 (CGA) that was passed in response to an international

- 3.1 The First Respondent, an American company, is the registered owner of certain trade marks, relating to the shape and configuration of its barbecue kettle grills. It has made extensive use of its registered trade marks in South Africa through the Second Respondent, who is the sole South African distributor of what is known as the "*Weber Kettle Grill*".
- 3.2 About 18 months before this application was launched in December 2004, the Applicant, a company that trades nationally under its brand name "Cadac", manufactured and marketed two kettle grills having a similar shape and configuration to the Weber Kettle Grill. These Cadac kettle grills are known as the "*Charcoal Champ*" and the "*Charcoal Mate*" respectively. The First Respondent has at all times known that these products were being manufactured and distributed nationally. It did nothing to stop the Applicant. In November 2004 the Applicant manufactured and distributed what it called the Cadac "*Charcoal Pro*", a 57cm Kettle Grill.
- 3.3 On 17 November 2004 Mr CCH Van Rooyen, the First Respondent's attorney, telefaxed a letter to the Applicant in which a demand was made that the Applicant immediately cease the manufacture, distribution and sale of the Charcoal Pro, that it withdraw the product from the market place, and that it cease advertising and promoting the sale of the product. The First Respondent's grounds for its demands were that the Charcoal Pro infringed its registered trade mark, that it

was virtually identical to a comparable 57cm Weber Kettle Grill, and that the sale of the product would result in consumer deception and confusion. It was also said that the manufacture, sale and promotion of the product amounted to unlawful competition and passing off. In the event that these demands were not complied with, the First Respondent threatened to approach the High Court on an urgent basis for the appropriate relief. The letter contained no reference to CGA.

- 3.4 On 22 November 2004 the Applicant's attorney responded to these demands. Reference was made to English authorities to the effect that a shape trade mark, which is co-extensive with itself is unenforceable. Based on these authorities, it was said that the First Respondent's trade mark was invalid and vulnerable to rectification in terms of the Trade Marks Act. The writer went on to deny any passing off or any right to the shape and configuration of the 57cm Weber Kettle Grill. Attention was also drawn to a number of competing products having the same shape and configuration that have been consistently marketed in competition with the First Respondent's Kettle Grill. In the circumstances, the Applicant refused to comply with the First Respondent's demands stating that it would seek a costs order against the First Respondent should it proceed with the threatened urgent application.

3.5 The First Respondent's response was to tell the Applicant on 29 November 2004 that in addition to what it had previously said, the Applicant was contravening CGA and that the First Respondent intended laying a complaint with the police. In the First Respondent's answering affidavit, signed on 7 January 2005, it is said that acting on legal advice, it was decided not to proceed with the urgent application based on trade mark infringement and passing off. *"(This) was owing in large part to the fact of the impending court vacation"*. It was however said that *"trade mark infringement and passing off proceedings will be launched against the Applicant shortly"*. I heard argument on 25 February 2005, by which date no such proceedings had been launched by the First Respondent.

3.6 On 30 November 2004, the First Respondent followed up this letter with a letter to most of the Applicant's major customers telling them that the Applicant's Charcoal Pro Kettle Grill infringed its trade mark. The customers were also told that proceedings were being brought against the Applicant in terms of CGA. The letter went on to tell the Applicant's customers that they should immediately stop selling the Charcoal Pro Grill and return all unsold stock to the Applicant, failing which the First Respondent would lay a criminal charge against the customer for contravening CGA. The effect of this letter on the Applicant's major customers was to halt their sale of the Applicant's grill over what is known to be the busiest retail trading period.

- 3.7 The Applicant's response to the First Respondent's threat to resort to CGA came in a telefax dated 30 November 2004. The First Respondent was told that the Applicant had a valid defence to the alleged trade mark infringement and that the First Respondent was well aware of the nature of the dispute. Any contravention of CGA was denied. The Applicant then threatened an urgent application in the event that the First Respondent did not withdraw its notice to the Applicant's customers and its threat to go to court. In an attempt to protect itself against the consequences of a complaint in terms of CGA, the Applicant sent copies of its letter *"to the appropriate authorities who are involved in claims under CGA to alert them to the dispute"*. In this letter the addressees were asked to inform Cadac's attorneys of any complaint it may receive so that it could respond before any warrant was issued. The First Respondent's complaint that resulted in the seizure of the Applicant's products was not received by any of the persons to whom the Applicant's attorney wrote its letter.
- 3.8 On 1 December 2004 the Applicant's attorney wrote another letter to the First Respondent's attorney in which it set out in considerable detail its grounds for saying that the First Respondent's trade mark infringement claim was frivolous. Any contravention of CGA was once again denied. The letter ended by saying that *"... in light of the declared dispute, we trust that you will serve a copy of the complaint on our offices simultaneously, together with information as to the*

relevant authority it is intended for, to allow us to copy (sic fill) them in on the letter and resist your client's complaint".

3.9 In the First Respondent's attorney's reply written on 2 December 2004, it joined issue with the Applicant's attorney on the trade mark infringement, passing off and contravention of CGA. It did so in considerable detail. With particular reference to the CGA issue, it advised that *"we are under no obligation to furnish you with a copy of the complaint. We will however furnish you with a copy of the warrant and the complaint once the warrant has been issued"*. That day the Applicant sent a fax, the concluding paragraphs of which reads: *"Our client is entitled to a copy of the complaint in terms of the Constitution and possibly, also the Access to Information Act. Consequently, unless we are notified, at the time of filing, of the complaint, either by way of a copy from yourselves or the authorities, the issue will be brought to the court's attention. Furthermore, we draw your attention to the fact that you have already undertaken to provide a copy of the complaint or at least notification thereof, and cannot renege on this undertaking. We therefore await your co-operation in this regard"*. In a response dated 3 December 2004, the First Respondent's attorney said that *"we have undertaken to furnish you with a copy of the complaint once the warrant has been issued. This will possibly happen prior to the actual execution of the warrant"*. The Applicant's first knowledge of the content of the complaint and the warrant issued in terms of it did not come from the First Respondent or its attorney. It

learned of it when the complaint and warrant were handed to it at the commencement of the execution of the warrant.

- 3.10 On 6 December 2004, a professional assistant employed by the First Respondent's attorney signed a 10 page 15 paragraph affidavit setting out the grounds on which the First Respondent based its complaint that the Applicant was contravening the CGA. CGA permits an attorney to depose to a complaint on behalf of a client. What follows is a summary of the affidavit:
- 3.10.1 After setting out details of the First Respondent Trade Mark in the shape of the kettle grill complete with diagrams and a colour photograph, the deponent went on to say that the product had been marketed since 1970 and has been very successful in South Africa.
- 3.10.2 He then stated that it had come to the First Respondent's attention that the Applicant is manufacturing and selling a kettle grill that is a copy of the First Respondent's product.
- 3.10.3 A copy of the letter of 17 November 2004 that was sent to the Applicant and its attorney is then attached (see paragraph 3.3 hereof). Immediately thereafter it is said that "*It would appear that they (sic the Applicant and its attorney) are not willing to adhere to these requests*". Reference is then made to the letter sent to the Applicant's customers (see paragraph 3.5 hereof).

- 3.10.4 After expressing a number of opinions, including an opinion that the Applicant is infringing the First Respondent's copyright and that the Applicant is contravening CGA, the deponent concludes in paragraph 10 that *"the sale and distribution of the counterfeit goods constitutes an act of 'dealing' in counterfeit goods as well as the fact that these acts constitute an offence in terms of the Counterfeit Goods Act"*.
- 3.10.5 In paragraph 11 it is said that *"I submit that Cadac is very aware of the fact that the kettle grills that they are manufacturing and offering for sale in South Africa infringe on the registered trade marks of Weber Stephen. I also submit that they are aware that by manufacturing and offering for sale the Cadac product in South Africa they are contravening the provisions of the Counterfeit Goods Act, alternatively they should reasonably have known or suspect that by manufacturing or offering for sale these kettle grills they are contravening the provision of the Counterfeit Goods Act"*.
- 3.11 On 8 December 2004 the affidavit now in the form of a complaint was handed to Inspector Johannes Scheepers, a police officer appointed in terms of CGA to deal with such complaints. Relying on the truth of the affidavit, Scheepers in turn signed an affidavit in support of an application, in terms of CGA for a search warrant of the Applicant's premises. The Applicant's factory is in the Roodepoort magisterial area. Scheepers then went to the chambers of Magistrate Kader that are in the Roodcpoort Magistrates Court. After considering the

application that included the complaint, the Magistrate who appeared to be satisfied that an act of counterfeiting had taken place issued a search warrant that authorised the search of the Applicant's factory and the seizure of any offending goods.

- 3.12 On 10 December 2004 Scheepers, accompanied by the First Respondent's attorney and others went to the Applicant's premises. In the course of executing the warrant, a considerable number of glazed and unglazed lids and pots that make up the kettle of the grill were seized and taken away to a designated depot. An inventory listing the goods taken and the address at which they would be stored was handed to the Applicant's representative. A copy was given to the First Respondent's representative.
- 3.13 On 15 December 2004, the Applicant brought this application in which it sought an order setting aside the magistrate's search and seizure warrant (prayer 2). It also asked for an order for the return of the goods seized (prayer 4), a determination in terms of Section 7 (4) (a) of CGA that the goods seized were not counterfeit goods as defined (prayer 3) and an inquiry in terms of Section 10 (1) (c) of CGA to determine the damages it had suffered (prayer 5). The application was argued on 25 February 2005. Judgment was reserved.
4. Before turning to deal with the relevant sections of CGA, it is necessary to briefly describe the competing products. Both kettle

grills are spherical in shape. Their principle components are a black pot and a black lid. As already stated, 1 534 pots and lids were seized in the course of executing the warrant. The First Respondent's trade mark is limited to the shape of the product. Both products stand on a tripod. Both have a container underneath the bowl to catch ash from holes in the bowl. Both lids have handles. Prominently emblazoned on each is the manufacturer's name, i.e. "Weber" and "Cadac" respectively. Both names are branded product names in the South African market place. Although the two grills look alike, no literate member of the public looking at the two products could ever be confused as to what he was buying. The relevance of this observation is that in CGA the definition of "counterfeiting" means either "imitated in such a manner and to such a degree that those other products are substantially identical copies of the other" or that the fraudulent imitation must be "... calculated to be confused with or be taken as being the protected goods of the said owner ...".

5. The purpose of CGA and the clumsiness with which it was drafted was dealt with by Harms JA on 23 November 2004 in the as yet unreported judgment of the Supreme Court of Appeal in **A M Moola Group Ltd & Other v GAP Inc & Others (Case number 543/03)**. What he said was that:

"[4]... Piracy, which concerns copyright infringement committed knowingly, was criminalised by the Copyright Acts and still is. International concern a t counterfeiting and piracy led to certain

provisions in the TRIPs agreement, the preamble of which speaks the desire of member states-

'to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade'.

The agreement requires of member states to provide certain minimum measures for the protection of intellectual property rights but leaves it to them to grant more should they wish to do so. As far as border measures are concerned, art 51 is of significance for present purposes:

'Members shall, in conformity with the provisions set out below, adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. ... Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.' (My underlining)

[5]. In footnote 14, the terms 'counterfeit trademark goods' and 'pirated copyright goods' are defined in these terms:

'For the purposes of this Agreement:

(a) "counterfeit trademark goods" shall mean any goods, including packaging, bearing without authorisation a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of

the owner of trademark in question under the law of law of the country of importation;

(b) "pirated copyright goods" shall mean any goods which are copies made without the consent of the right holder or person duly authorised by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation.'

[6]. As indicated, the Act prohibits certain acts in relation to 'counterfeit goods' but, although it to some extent follows the wording of footnote 14, it does not distinguish clearly between piracy and counterfeiting in the technical sense. Instead, both are referred to as counterfeiting. In the definition of 'counterfeiting' the Act has also changed the wording of the footnote in such a manner as to make the definition unintelligible. The definition of 'counterfeiting', to the extent that it deals with the counterfeiting of trade marks, reads as follows:

'Counterfeiting ... means, without the authority of the owner of any intellectual property right (meaning for present purposes, the rights in respect of trade mark conferred by the Trade Marks Act] subsisting in the Republic in respect of protected goods [meaning, if one paraphrases, goods bearing a trade mark registered under the Trade Marks Act], manufacturing, producing or making, or applying to goods, whether in the Republic or elsewhere, the subject matter of that intellectual property right, or a colourable imitation thereof so that the other goods are calculated to be confused with or to be taken as being the protected goods of the said owner or any goods manufactured, produced or made under his or her licence ...

However, the relevant act of counterfeiting must also have infringed the intellectual property right in question.'

[7] There are serious shortcomings in the definition. First, the definition tends to equate trade mark infringement with counterfeiting, something contrary to TRIPs and something completely unnecessary. Counterfeiting, as mentioned, is a fraudulent imitation. The use of the term 'calculated' is especially confusing in this context because it has a special meaning in trademark law, meaning 'likely'. Why a developing country such as ours should give greater trademark protection via criminal sanctions than, for instance the European Community, is not readily apparent. The greater problem though, which is not a matter of policy but one of interpretation, is the meaning of the proviso. What TRIPs did was to define counterfeit trademark goods (I paraphrase) as goods with marks identical to registered trade marks and which cannot be distinguished from the original and 'thereby' infringe a trade mark. The definition in the Act, on the other hand, by means of the proviso, does not draw a conclusion of infringement but adds an additional requirement of infringement (by the use of 'however' and 'also'). To explain by way of an example: the Trade Marks Act (s 34 (10)) requires, for infringement, use in the course of trade, obviously in this country since trade marks are territorial. Must that, too, be established in addition to the acts proscribed in s 2 (1) of the Act under consideration? If it must, it would mean that transshipment would not amount to a prohibited act because the goods would then not be the result of 'counterfeiting'. On the other hand, why list the proscribed acts in s 2(1), many of which duplicate the requirement of 'use in the

course of trade'? What then is the sense of the definition in covering goods manufactured 'elsewhere' (ie not in this country)? The problems accumulate if one attempts to harmonise the definition with the infringement provisions of s 23 of the Copyright Act.

[8] In light of the conclusion I have reached it is not necessary to try to solve these problems..."

I draw particular attention to the court's finding that the definition of counterfeit goods in CGA is "*unintelligible*" and that it has "*serious shortcomings*". For reasons that appear hereafter, I also do not have to solve these problems.

6. The following sections of CGA are relevant to this judgment:
 - 6.1 Section 2 creates the offence of manufacturing, selling and distributing counterfeit goods.
 - 6.2 Section 3 gives a trade mark owner, who reasonably suspects that a person is committing the crime of counterfeiting his product the right to lay a complaint with an Inspector appointed in terms of CGA.
 - 6.3 Section 4 empowers an Inspector to act on the complaint if based thereon he has reasonable grounds to suspect that a crime has been committed. Among the powers given to an Inspector in Section 5 is

the right to enter premises, seize the suspect goods, remove the goods and cause them to be detained in terms of CGA.

- 6.4 An Inspector's right to search, seize, remove and detain goods in terms of Section 4 and 5 is subject to the Inspector first obtaining, in terms of Section 6, a warrant that will be issued in chambers by a High Court Judge or a magistrate who has jurisdiction over the area where the suspected counterfeit goods are to be found. The warrant will be issued "*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 or is taking place or is likely to take place...*" (Section 6 of CGA).
- 6.5 Having seized and removed goods the Inspector must, by way of a written notice and within 72 hours, give to the person from whom the goods were taken an inventory of what was taken and the address where the goods are being stored. A similar notice must be given to the complainant (Section 7 (1) and in particular Section 7(1) (d)).
- 6.6 In the notice, the complainant must also be told of its right to lay a criminal charge within three days against the person from whom the goods were seized.
- 6.7 If a criminal charge is not laid within three days, the seized goods must be released (Section 9 (1) (b)).

6.8 The goods must also be released to the suspect if:-

- (a) the State fails to inform the suspect in writing of its intention to institute a prosecution for contravening the Act. This notice must be given within 10 working days of the written notice that informs the suspect of where the seized goods are kept (Section 9 (2) (a) (i)).
- (b) the complainant fails to give the suspect written notice of its intention to institute civil proceeding founded on the suspect's wrongful act. This notice must also be given within 10 working days of the complainant knowing where the seized goods are kept (Section 9 (2) (a) (ii)).
- (c) if the criminal or civil proceedings referred to above are not instituted within a further 10 court days (Section 9 (2) (b)).
- (d) a competent court so orders.

6.9 Without derogating from the above powers, a court may in civil proceedings "*relating to counterfeit goods*" order:

- (a) That the goods be delivered up to the owner of the intellectual property if it finds that they are counterfeit goods (Section 10 (1) (a));
- (b) The goods to be released to any person (Section 10 (1) (b));
- (c) The complainant pay damages and costs to the person from whom the goods were seized (Section 10 (1) (c)).

6.10 In terms of Section 17 of CGA.

"(1) Any person suffering damage or loss caused by the wrongful seizure, removal or detention of goods alleged to be counterfeit goods, or by any action contemplated in section 7 (1) (a), (b) or (c) or (2) wrongfully taken by an inspector with reliance on that section read with section 4 (1), or caused during or pursuant to the seizure, removal or detention of such goods in terms of this Act, will be entitled to claim compensation for that damage or loss which claim, subject to subsection (2), will be against the complainant and not against the State, the inspector or the person in charge of the counterfeit goods depot where those goods are or were detained. (My underlining)

(2) The State or such inspector or the person in charge of the relevant counterfeit goods depot, as the case may be, will be liable in respect of a claim contemplated in subsection (1) only if-

(a) *in the seizure or removal of the alleged counterfeit goods, the inspector, or, in the detention and storage of those goods, that person so in charge or the inspector (depending on the circumstances), has been grossly negligent; or*

(b) *the inspector or that person so in charge (as the case may be), in the seizure, removal, detention or storage of those goods, acted in bad faith.*

7. Bearing the above summary of CGA in mind, I agree that *"The basic approach of the Act is to impose a relatively low threshold for the availability of relief (and thus to facilitate taking prompt and effective action to curtail dealing in counterfeit goods with a minimum of formalities) and to reduce as far as possible the potential liability of the police or other inspectors in seizing counterfeit goods; the risk of action being taken against police and other inspectors for unjustified seizure and detention of goods is thus reduced. However, responsibility for the action of seizing and detaining goods is placed squarely at the doors of the complainant. If action is taken without justification, or the position of a dispossessed person is unduly prejudiced, responsibility and liability accrue to the complainant. Be it on his head if he acts in an unjustified, improper or reckless manner in causing the seizure and detention of alleged counterfeit goods. This approach ought to go some way towards dispelling the reluctance of the police to take effective action in intellectual property matters, due to their unwillingness to expose themselves to possible damage*

claims, and at the same time inhibit intellectual property right holders from acting irresponsibly in enforcing their rights or perceived rights."

– See Owen H Dean's article in **SA Mercantile Law Journal Volume 10 1998 page 33 at page 56 and 57** (My underlining).

- 8.1 Following the search and seizure of the Applicant's products. Scheepers prepared an inventory detailing the products seized and the address of the depot to which the products were to be taken. This inventory was signed by the Applicant's and the First Respondent's representatives. This document complies sufficiently with the requirements of Section 7 (d) (i) of CGA. What the notice did not record was that the First Respondent had the right, within 3 days of the notice to lay a criminal charge against the Applicant. This failure on the part of Scheepers did not prejudice the First Respondent, who had initiated the complaint on the advice of an experienced attorney who was aware of the provisions of CGA.
- 8.2 The right that the First Respondent had to lay a charge against the Applicant had to be exercised within three days of the Section 7 (2) notice. As I have said, the notice given to the Applicant did not comply with the requirements of Section 7 (2) as it did not alert the First Respondent to the time within which a charge had to be laid. It was submitted that by reason of this failure, the Applicant could not claim the return of the products in terms of Section 9 (1) (b). Technically, this approach is correct. Regard being had to the First

Respondent's knowledge, the First Respondent was not prejudiced by this oversight.

- 8.3 Be this as it may, Scheepers gave sufficient written notice to the Applicant in terms of Section 7 (d) (i) of the seizure of the products and where they were to be stored. Within 10 working days of this notice, the State did not inform the Applicant of its intention to institute criminal proceedings against it. To date no such proceedings have been instituted. In these circumstances, the Applicant is in terms of Section 9 (2) (a) (i) of CGA entitled to the return of the products seized.
9. This finding suffices to dispose of the relief sought in prayer 4 of the Notice of Motion, which is a claim for the return of the products seized.
10. I turn to consider whether the goods should also be returned if I grant the order sought in prayer 2 of the Notice of Motion, which is for an order cancelling and setting aside the search warrant. If the seizure of goods in terms of CGA was wrongful, the person from whom the goods were seized has a claim against the complainant and not the State for any damages suffered as a result of the wrongful seizure (Section 17 of CGA – see paragraph 6.16 hereof). In paragraph 5 of the Notice of Motion, the Applicant asks that the enquiry to determine the damages suffered by it be postponed *sine die*. In paragraphs 76

to 85 of the founding affidavit, the Applicant sets out the nature of its as yet uncalculated damages. A pre-condition to a claim for the kind of damages sought by the Applicant is that the seizure of the goods must be "*wrongful*". If, in these proceedings, I can find that the seizure of the goods was wrongful, it follows that any goods seized pursuant thereto must be returned to the Applicant. As will appear hereafter, the wrongfulness with which I am concerned is not dependent on the answer to the question whether the goods seized were or were not counterfeit. For this reason, I need not deal with the First Respondent's submission that, on the paper, there is no basis on which a finding of "*non-counterfeit*" can be made.

- 11.1 The owner of a trade mark, who complains that his mark is being infringed, has, in addition to any common law remedy, the right in terms of Section 34 (3) of the Trade Mark Act to approach a High Court for an interdict, delivery up of the offending goods and damages.
- 11.2 The preamble to CGA states that it is "*aimed against the trade in counterfeit goods, so as to further protect owners of trade marks...*". This further protection comes in two forms. The first, which is indirect, is that a trade mark infringer may be deterred by the substantial penalty a court can impose on conviction (see paragraph 1 *supra*). The second, which is a direct benefit, is that a complainant is afforded the right, without notice to the alleged infringer, to have the infringing

goods seized and kept in a depot pending the outcome of criminal or civil proceedings contemplated in Section 9 (2)a of CGA.

- 11.3 Commercially, this latter remedy would appeal to a person complaining of an alleged trade mark infringement.
- 11.4 By reason of the far reaching consequences that can flow from the exercise of the power given to a complainant under CGA "*(be) it on his head if he acts in an unjustified, improper or reckless manner in causing the seizure and detention of alleged counterfeit goods*" (see Owen H Dean (*supra*)). Accordingly, the least that is required of a complainant in what is an *ex parte* application for a warrant is that it disclose all material facts that might influence a Judge's or magistrate's decision to issue the warrant. It follows that if in such an *ex parte* application, there is a material non-disclosure for whatever reason that might influence the outcome, then "*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*" – per LeRoux J in **Schlesinger v Schlesinger 1979 (4) SA 342 (W)** at page 350A to B.
- 12.1 In the first exchange of letters, the First Respondent and the Applicant, acting through their attorneys, drew the battle lines. The First Respondent's threat was an urgent application to the High Court

based on the infringement of its trade mark, passing off and unfair competition. The Applicant countered by denying the validity of the mark, passing off and unfair competition. Had the First Respondent proceeded with its threatened urgent application, that part of its cause of action based on an infringement of its trade mark would have been met with a counterclaim for expungement of the trade mark (see **Webster & Page: SA Law of Trade Marks, page 12 to 36**). The prospects of success of such a counterclaim is an issue that cannot be decided in this application. For purposes of this application, it suffices that I find that were such a counterclaim to succeed, it would be an answer to any complaint in terms of CGA.

- 12.2 Instead of proceeding with the threatened urgent application, the First Respondent counter attacked by threatening to set in motion a CGA prosecution. In a detailed response, the Applicant gave reasons why proceedings in terms of CGA were inappropriate. Its attorney went on to say that if the First Respondent intended to carry out its threat and by laying a complaint in terms of CGA, then and in attempt to avoid the commercial harm that a CGA warrant could inevitably cause, the First Respondent should give an undertaking that it would simultaneously with the service of the complaint on the relevant authority, serve a copy on the Applicant so that it could "*resist your client's complaint*". The First Respondent refused this request. Its attorney however undertook to furnish a copy of "*the warrant and the complaint once the warrant has been issued*". The attorney who laid

the complaint on behalf of the First Respondent has said that a complainant has no control over what happens from the time a complaint is laid to the execution of the warrant. How this undertaking would, in these circumstances, be honoured is not explained. As already stated, the Applicant got no prior notice of the warrant.

- 12.3 The deponent to the First Respondent's answering affidavit has been advised "*that the trade mark issues are because of their complexity perhaps not the proper subject matter for final determination in the present application. These issues should perhaps more conveniently be the subject of fully fledged trade mark proceedings ... which might include a counterclaim for expungement of the relevant trade marks*".
- 12.4 All of the above add up to compelling reasons for making a full disclosure of all material facts in a complaint that it was known would be relied on by the Judge or magistrate before whom it was placed.
13. 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 referred to were the two similar, albeit slightly smaller kettle grills, that the Applicant had marketed without objection for 18 months. 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. What was also not disclosed was the Applicant's request to be heard

before a search warrant was issued. To have afforded it this opportunity would not have frustrated a genuine attempt to invoke the provisions of CGA.

14. It was furthermore misleading to say in the affidavit that by distributing its product, the Applicant "*knows*" or "*should know*" that it is contravening CGA. This may well be the First Respondent's genuine opinion. To the First Respondent's knowledge, this opinion was not shared by the Applicant. The Judge or magistrate should at the very least have been given an opportunity to consider the parties' contentions.
15. I therefore find that a full disclosure might have influenced the Judge's or magistrate's decision. The First Respondent has not advanced any compelling or substantial reasons for this failure. In this sense, there was a wrongful seizure, removal and detention of the Applicant's goods. It follows that the warrant should, on this ground, be set aside. A consequence that flows from this finding is that the goods seized in terms of the warrant must be returned to the Applicant.
16. A considerable part of the Applicant's argument was directed at trying to persuade me that the search and seizure warrant was improperly motivated and that for this reason it should be set aside. For this submission, I was referred to **Mackeson v Minister of Information, Immigration and Tourism & Another 1980 (1) SA 747 (2R)** at page

750H to 751D) and to the unreported judgment in the matter of **Sterling Auto Distributors CC v Commissioner for South African Revenue Services & Others** (TPD Case number 2003/19300 dated 21 October 2003). Having already found that the warrant should be set aside and the goods seized on 10 December 2004 should be returned to the Applicant, it is unnecessary for me to give consideration to this submission.

17. What suffices for purposes of this judgment is that it should be borne in mind that the far reaching remedies made available to a complainant in terms of CGA are directed at stopping a fraud as a preliminary to criminal or civil proceedings. The object of the Act is not to give a party to a genuine trade mark dispute a weapon to be used *in terrorem* against its opponent.
18. A feature of this application is that by 25 February 2005, which is more than two months after the goods were seized, the First Respondent had not brought an application to interdict the Applicant's infringement of its trade mark. In turn, the Applicant had not brought an application for the expungement of the trade mark. These proceedings cannot be used to decide these issues. Notwithstanding a submission to the contrary by the Applicant, it is inappropriate for me to place either party on terms to bring proceedings against the other.

19. In paragraph 3 of the Notice of Motion, the Applicant has asked for a determination in terms of Section 7 (4) (a) of CGA that the seized goods are not counterfeit goods as defined in the Act. Having set aside the warrant and having ordered the return of the goods, it is not necessary for me to decide this issue.
20. In the result, the following order is made:
1. The search and seizure warrant issued on 10 December 2004 is set aside.
 2. The Third Respondent is ordered to forthwith release all goods seized in terms of the warrant and to return such goods to the Applicant's premises at Friedlander Street, Stormhill Township, Roodepoort.
 3. The enquiry into the damages suffered by the Applicant is postponed *sine die*.
 4. The First and Second Respondent are jointly and severally ordered to pay the Applicant's costs, including the costs occasioned by the employment of two Counsel.

I W SCHWARTZMAN
JUDGE OF THE HIGH COURT

Counsel for the Applicant:

Mr AJ Bester

Ms AMVan der Merwe

Instructed by:

D M Kisch Incorporated

Counsel for the First & Second Respondent

Mr L Bowman SC

Ms I Lock

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