

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

CASE NO : 2926/006

In the matter between :

JAZZ CELLULAR CC

Applicant

and

NOKIA CORPORATION

First Respondent

**THE COMMISSIONER FOR THE
SA REVENUE SERVICE**

Second Respondent

THE CONTROLLER OF CUSTOMS & EXCISE

Third Respondent

THE MINISTER OF FINANCE

Fourth Respondent

THE MINISTER OF TRADE AND INDUSTRY

Fifth Respondent

ERNST EGGARS

Sixth Respondent

ANNETTE KOTZE

Seventh Respondent

JUDGMENT DELIVERED THIS 22ND DAY OF SEPTEMBER, 2006

FOXCROFT, J : This is an application brought on Notice of Motion for an order in terms of section 7(4)(a) of the Counterfeit Goods Act No 37 of 1997 declaring that certain goods seized by Sixth Respondent and/or Seventh Respondent, employees of Second Respondent, on 30 November 2005 at Cape Town International Airport are not counterfeit goods. A further prayer seeks the return of the goods forthwith. The goods are itemized in

/.....

Annexure 'FA.1', and an order is sought against Second to Seventh Respondents. There are further alternative bases for Applicant's claim in terms of section 9(1)(b) of the Counterfeit Goods Act, hereinafter referred to as the 'CGA' and in terms of section 9(2)(ii) of the same Act. Final alternatives rely on section 9(2)(b) of the CGA.

Mr J A Bassa, an adult male businessman of a shop in Access Park, Kenilworth, alleges on affidavit that he is a member of the Applicant close corporation duly authorised to depose to the affidavit and to file it. He claimed that the Applicant is the owner of certain refurbished cellular telephones seized and detained by the Respondents in terms of the Customs and Excise Act 91 of 1964 and/or the Counterfeit Goods Act 37 of 1997. Mr Bossa must have meant that Sixth and/or Seventh Respondents detained the goods, since this is his allegation in paragraph 19 of his founding affidavit.

In sketching the background to the present matter, he deposes to the fact that in about mid-2005 he decided to cause the Applicant to import refurbished cellular telephones

"since it was quite clear to me that the prices at which new phones are being offered to the public are exorbitant."

He placed an order for the refurbished telephones with a company in Taiwan and bought these goods for US \$ 27,08.00

The goods in question landed in South Africa on or about 21 November 2005 and the shipment was processed by the Department of Customs on or about 25 November 2005.

On 30 November 2005 the relevant inspector detained the goods at the cargo shed at Cape Town International Airport.

Mr Bassa then draws attention to Annexure 'FA.6' to the affidavit which is a Notice of Detention in terms of section 113A(1)(a) of the Customs and Excise Act in regard to 'suspected counterfeit goods'. This notice states that Ms Amanda Francis of the SA Revenue Service, appointed as an Inspector in terms of the CGA, informs Jazz Cellular CC (Applicant) that certain of its goods had been detained at the cargo shed at Cape Town International Airport *"to determine whether the goods are in contravention of the Counterfeit Goods Act"* and that the owner of the intellectual

property, Nokia, had been notified accordingly and invited to inspect the goods.

There follows an affidavit by one Gerhard Muller Du Plessis, a partner in the firm Adams & Adams of Pretoria (the attorney responsible for all litigation on behalf of First Respondent in South Africa) in which he states that on 30 November 2005, his partner, Mr Steven Yeates, was contacted by Ms Francis of SARS at Cape Town International Airport to inform him that a consignment of goods had been detained. On the same day Mr Yeates arranged for the collection of samples drawn from the seized consignment for examination purposes. On 2 December 2005, these were delivered to Mr Du Plessis, who examined the samples in detail on 6 December 2005 and reached certain conclusions. He summarised them in the final paragraph of his affidavit as follows :

"In conclusion, having carefully examined the samples and as a result of my training and experience with authentic products bearing the trademark Nokia, I am of the opinion that the samples are not products which were produced by Nokia, or on its behalf or under license from it and are counterfeit."

Applicant, through Mr Bassa, claims that Mr Du Plessis did not apply his mind to the question of whether the goods in question were refurbished.

His affidavit proceeds to explain that on 14 December 2005 Applicant's legal representatives wrote a letter to Seventh Respondent pointing out that the goods were refurbished, not new and not counterfeit. The same day he proceeded to the Controller of Customs, where he spoke to Ms Annette Kotze (Seventh Respondent) and Mr Ernst Eggers (Sixth Respondent).

On 20 December 2005 Applicant's legal representative addressed a letter to Nokia's legal representatives, a copy of which is annexed as 'FA.8'. Mr Yates replied to that letter ('FA.9) in which it was pointed out that parts of the cellular telephones

"are not original and are not authorised merchandise of our client. It has also been confirmed that the related accessories were not manufactured by, or under license of, our client."

Mr Yeates sought an undertaking from Applicant to immediately cease any form of dealing in the goods in issue and to deliver up for destruction all items bearing the trademark Nokia *"currently under the control of the South African Revenue Service and which are being held under Ref. No. TC21/2006."* Other undertakings also required are set out in the letter.

Mr Puckrin, who appeared with *Mr Michau* for First Respondent, drew attention to the fact that section 9(2)(a)(ii) of the CGA contemplates the institution of civil proceedings *viz-a-viz* goods that have been seized in terms of the provisions of section 4(1) and that these civil proceedings have in fact already been instituted out of this court under Case No 1105/2006 on 6 February 2006 by First Respondent against Applicant. *Mr Puckrin* submitted further that, apart from the fact that Applicant in this matter seeks in prayer 1 the relief which is already the subject of an action between the parties based on the same subject matter, motion proceedings are inappropriate on these papers. He submitted that even on the version of Applicant's witness, *Mr N S Kaprie*, it appears that alterations to the telephones may have been material.

It is so that *Mr Kaprie* refers to '*bridging of wiring*', and to the fact that "*techniques used to replace and/or affix parts in some instances deviated from the practices in the Nokia factory*".

In Supplementary Heads of Argument, *Mr Tredoux*, for Applicant, presented a list of what he claimed was the exact state of affairs in respect of each cellular telephone in dispute. Having regard to these allegations by Applicant and reaction to those allegations on the papers, it is obvious

that there is a dispute as to the extent of the 'refurbishment' of the cellular telephones. *Mr Tredoux* also submitted that the onus in an application of this kind rests upon respondents to establish an entitlement to continue to hold the goods in question. *Mr Puckrin* contended to the contrary.

In my view, section 7(4)(a) of the CGA makes clear that a person who considers himself prejudiced by seizure of his goods and who may at any time apply to the court for a determination that the seized goods are not counterfeit goods and should be returned to him, bears the onus of proof. As *Mr Puckrin* submitted, the whole purpose of a seizure of this kind by the appropriate authorities is to ensure by pre-emptive action that counterfeit goods are not allowed to enter the country.

Apart from the PLASCON-EVANS case, *Mr Puckrin* referred to **NGQUMBA v STATE PRESIDENT AND OTHERS, 1988[4] SA 224 [A] at 258-263**, which makes clear that the PLASCON-EVANS principle applies even if the onus of proof were to be on the first respondent.

The obligation to prove his case on the papers remains on an applicant regardless of where the onus of proof rests.

Mr Puckrin submitted that where goods have been altered in such a manner that they can be said no longer to be the original goods, this can

constitute an infringement of a registered trademark (as to which see **TELEVISION RADIO CENTRE [PTY] LTD v SONY, 1987[2] SA (994)** and therefore by extension can constitute counterfeit goods as contemplated in the CGA. The definition section is unhappily worded, particularly in sub-paragraph (b), where the wording is

*“... or applying to goods, whether in the Republic or elsewhere, the subject matter of that intellectual property right, **or (sic)** 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 license.”*

It would seem that the word ‘or’, which I have highlighted should perhaps have been ‘of’, or perhaps the word ‘or’ should not be there at all. The sense seems clear, that ‘counterfeiting’ will include a ‘colourable imitation’ calculated to cause confusion as to whether the article sold is the genuine product of the owner of the intellectual property.

The information before me on the papers concerns allegations that new packaging was used in which to market the ‘refurbished’ or second-hand telephones. New instruction manuals and a number of other items are also in issue, such as stickers, boxes and chargers.

Mr Du Plessis in his Answering Affidavit sets out what is not disputed, namely that as explained in the Affidavit of Mr Kyllönen, the IMEI numbers of the telephones had been changed in all cases, and various other amendments and/or modifications have been made to the telephones which substantially influence the performance of the telephones and their safety for users.

Mr Tredoux objected to this 'bald statement', as he called it, contending that one would have expected more factual information to have been provided by Mr Du Plessis as a justification of his answer.

I do not consider that to be an acceptable argument, since Mr Du Plessis was not trying to establish any claim. He was answering allegations by Applicant that the Nokia telephones did not constitute counterfeit goods within the meaning of the definition.

He goes on to deny many other allegations in the founding papers, pointing out, for instance, that it was not correct to suggest – as Mr Bassa had done in paragraph 19.2 of the Founding Affidavit – that the goods were detained in terms of section 4(1) of the Counterfeit Goods Act.

Annexure FA.6 attached by Mr Bassa himself makes clear in the heading of that Notice of Detention that it was issued in terms of section 113(A)(1)(a) of the Customs and Excise Act. There is no explanation why Mr Bassa claims to 'verily believe' that the notice was incorrect and should have referred to a different section in the Counterfeit Goods Act. This answer, as Mr Puckrin pointed out, disposes of the alternative in prayer 2 of the Notice of Motion relating to a period of three working days which First Respondent might have been required to take certain steps. As Mr Du Plessis said,

"The 3-day period referred to in section 9(1)(a) of the Counterfeit Goods Act is irrelevant, as the goods were not detained in terms of section 4(1) of the Counterfeit Goods Act. As explained, the goods were detained in terms of section 113(A) of the Customs and Excise Act and subsequently seized in terms of section 4(1) of the Counterfeit Goods Act. The First respondent elected only to institute civil proceedings against the applicant. As a result the first respondent was merely required to comply with the provisions of section 9(2) of the Counterfeit Goods Act."

He went on to say that First Respondent did comply with these provisions by notifying Applicant within ten working days of the date of the notice issued in terms of section 7(1)(d) of the Counterfeit Goods Act, of the First Respondent's intention to institute civil proceedings. This notice appears as Annexure GDP.6 at page 123 of the papers.

I agree further with *Mr Puckrin's* argument that Respondent has complied with the wording of section 9(1) since that section pertains only to a complainant who wishes to lay a criminal charge. There is no obligation to lay a criminal charge.

As for the point taken by Mr Bassa that compliance with section 9(2)(b) of the Counterfeit Goods Act requires process to be served and not merely issued within 10 court days in terms of section 9(2)(b) of CGA, I agree with *Mr Puckrin's* submission that this contention has been disposed of by this Court in *COMMISSIONER OF SOUTH AFRICAN REVENUE SERVICE AND OTHERS v SHOPRITE CHECKERS*, Case No 9444/2003 (unreported), a judgment of FOURIE, J dated 29 December 2003. I agree that there is no requirement of service within 10 court days, only institution of proceedings within that time. Of course, service would have to take place for the action to proceed, but service after the 10 day period would not have the effect of non-suiting a plaintiff.

Mr Bassa complained in his founding papers that First Respondent had adjusted its position in regard to the precise kind of counterfeiting which was taking place, saying that First Respondent had made a new claim that

the goods were clearly refurbished after this was drawn to its attention. Mr Du Plessis replied [Record, 103] that he had already explained that he had regarded the telephones as refurbished all along. At Record, 85 he did assert that as is more fully set out in the Affidavit of Harri Kyllönen,

“the telephones imported by Applicant had been altered or modified in material respects (‘refurbished’) to such an extent and to such a degree that they can no longer be regarded as authorised Nokia goods. The use of the Nokia trademark in regard to these goods is not authorised.”

At page 98 of the Record Mr Du Plessis added :

“Mr Yeates was able to indicate to Mr Chafeker of the Applicant’s attorneys (in their telephone conversation of 20 December 2005) and only after a cursory perusal of my examination notes and the digital images of the samples, that the telephones in question had, in all likelihood, been refurbished. It is, however, the extent of the refurbishment that renders the telephones counterfeit.”

In an incorrect reference to “ad paragraph 24”, Mr Bassa stated :

“Regrettably I cannot accept that attorney Du Plessis is telling the truth insofar as he claims that he was

‘at no stage, in any doubt whatsoever that the telephones had been refurbished.’ ”

Mr Du Plessis said this in paragraph 23 of his Affidavit in answer to paragraph 24 of the Founding Affidavit.

In my view, this is a matter of semantics, since the matters which Mr Du Plessis referred to in his first Affidavit (FA.7) are in many cases capable of being construed as signs of refurbishing.

A perusal of the detailed report on telephones from page 33 to 37 of the Record shows a number of instances where the silver rubber panel above the lens bearing the Nokia trademark was not secured to the housing in the correct manner; the lens was not secured to the housing in the correct manner; the quality of the engraving on the charger was not of a sufficiently high quality, causing the charger not to seal properly and the pin plug being poorly moulded. It is not surprising that Mr Du Plessis concluded that as a result of his careful examination he was of the opinion that the samples were *not products which were produced by Nokia, or on its behalf or under license from it and are counterfeit.*" [Record, 39]

Mr Bassa complains that he cannot accept that attorney Du Plessis is telling the truth. Only a trial will establish where the truth lies.

Mr De Villiers Jansen, who appeared for Second to Seventh Respondents, associated himself with the argument of Mr Puckrin and referred in particular to a number of documents which show that search and seizure procedures in terms of section 6 read with sections 2 and 5 of the Counterfeit Goods Act 37 of 1997, were issued by the Magistrate of Goodwood on 9 January 2006. The first warrant at Record, 119 GDP.4 states that

"WHEREAS it appears that the information on oath or affirmation that there are reasonable grounds for believing an act/acts of dealing in counterfeit goods ... in terms of section 2(2) of the Counterfeit Goods Act 37 of 1997 has/have taken place ... and whereas certain counterfeit goods as set out ... which are concerned in the above mentioned act ... which are in possession of the respondent and/or his agent and detained in terms of section 113A of the Customs and Excise Act 91 of 1964 and which were imported by the respondent and presently detained at the State warehouse at Cape Town International Airport

YOU ARE HEREBY AUTHORISED TO

- 1. Inspect the ... suspected counterfeit goods.*
- 2. "*

[Emphasis added]

The form of this warrant is strongly supportive of the case of all of the Respondents, as is GDP.5, a letter from SARS to Adams & Adams Attorneys. What is more, GDP.6 is proof of notification in terms of section 9(2)(a)(ii) of CGA of intention to institute civil proceedings founded on an act of

dealing in counterfeit goods. A copy of the summons issued on 7 February 2006 appears at p.126 of the Record.

In reply, *Mr Tredoux* attempted to obtain an order in his favour on the strength of an undertaking which he gave that every item sold would be marked as refurbished. He also suggested that the Court could order that no packaging like that demonstrated on the papers before me to be of a misleading nature could be used.

I was not impressed with these submissions. In my view, a matter of this kind cannot be determined on counsel's undertakings at the Bar. The Respondents were either entitled to act as they were on the facts presented, or not. In my view, there is no merit in this application and it falls to be dismissed. I also considered *Mr Tredoux's* argument that if I should be against Applicant, then the costs of this application should be costs in the action and should stand over for later determination. I am not disposed to make such an order, and in the exercise of my discretion, Applicant is ordered to pay the costs of this application, such costs to include the costs of two Counsel.

J G FOXCROFT