

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

CASE NO: 13354/2007

In the matter between:

PICK ‘N PAY RETAILERS (PTY) LTD

Applicant

And

**THE COMMISSIONER OF SOUTH AFRICAN
REVENUE SERVICES**

1st Respondent

**COLLIN JANSEN
THE COMMISSIONER FOR CUSTOMS**

2nd Respondent

AND EXCISE

3rd Respondent

**CROCS INC.
THE MAGISTRATE, CAPE TOWN**

4th Respondent

MAGISTRATE’S COURT

5th Respondent

JUDGMENT: 6/05/008

VAN REENEN, J:

- 1] This application is about the procedural and substantive propriety of the detention by Mr Collin Jansen (the second respondent), an employee of the South African Revenue

Services, acting in his capacities as a customs officer in terms of the Customs and Excise Act, No 91 of 1964 (CEA) and as an inspector in terms of the Counterfeit Goods Act, No 37 of 1997 (CGA) and the seizure of 19524 pairs of beach sandals (the seized goods) imported into South Africa from China by Pick ‘n Pay Retailers (Pty) Ltd (the applicant) in containers TGHU 467653 and TGHU 7265570 (the containers) by virtue of a warrant granted by Senior Magistrate M.A. Attridge the (fifth respondent) on 5 September 2007 in terms of section 6(1) of the CGA. It is also about whether the seized goods are counterfeit or not and if not whether they should be returned to the applicant.

2] The applicant is a well-known retailer with a substantial number of outlets throughout the Republic of South Africa. It, inter alia, imports, stocks and sells footwear.

3] Crocks Inc (the fourth respondent), a company incorporated in Delaware in the United States of America and with its principal place of business in Colorado, is a manufacturer and distributor of footwear under the trade mark Crocs. A style of shoe so manufactured and marketed is described as the Crocs Beach Model shoe (the Beach Model shoe), the strapless portion whereof is based on a design originally conceived by one Ettore Battiston (Battiston) a citizen of Italy whilst employed by a company incorporated in that country namely, L’Artigiana Stampi di Battiston Ettore e C S.n.C. (L’Artigiana). That design enjoys copyright protection locally by virtue of the fact that South Africa and Italy are members of the Berne Convention. It is common cause that the aforesaid company as the holder of the copyright in the drawing(s) embodying the design of the Beach Model shoe duly assigned the copyright therein to Finproject

N.A. Inc - which later changed its name to Foam Creations Inc - and that the latter in turn assigned such rights to the fourth respondent.

4] The fourth respondent has appointed Tidal Trade CC (Tidal Trade), a close corporation incorporated in the Republic of South Africa, as the sole distributor of its products in the Republic of South Africa and it has since May 2005 been responsible for the importation, distribution, marketing, advertising and sale of the Crocs Beach Model shoe. Tidal Trade has established in excess of 340 retail stockists throughout the Republic of South Africa and avers that as a result of its marketing efforts approximately 175000 pairs of genuine Crocs Beach Model shoes were sold during 2006. The fourth respondent contends that as a result of the exposure of the Beach Model shoe to a substantial number of members of the public they have come to know the Crocs trade mark and more in particular the Beach Model shoe design well. The fourth respondent also contends that the shape, configuration, pattern and/or ornamentation of the Beach Model shoe (which for the sake of brevity shall hereinafter be referred to as "the shape") is so distinctive that it has, by reason thereof alone, become immediately recognisable and that its distinctive features have served and still serve to distinguish it from other shoes in the South African market. In view of what has been set out above the fourth respondent claims that the intellectual property rights subsisting in the Beach Model shoe vest in it. In addition to the copyright in the original design drawings thereof the fourth respondent asserts that the shape of the Beach Model shoe constitutes a trade mark under the Trade Marks Act, No 194 of 1993 (The TMA) and that it as a well-known trade mark, qualifies for protection under section 35 of that act.

5] After three dimensional reproductions of the Beach Model shoe had been introduced to the market by the fourth respondent its popularity served as a catalyst for the copying of the design by unscrupulous manufacturers worldwide, particularly China, for their own financial gain. Such conduct has obliged the fourth respondent to be involved in litigation in different parts of the world in an attempt

to thwart the sale of unauthorised reproductions of the Beach Model shoe. That state of affairs prompted the fourth respondent to instruct its South African attorneys Messrs Adams & Adams (Adams & Adams) to submit an application in terms of section 15 of the CGA (the section 15 application) to the Commissioner for Customs and Excise (the third respondent) for the seizure and detention of all goods which are suspected of being counterfeit in that they feature, bear, embody or incorporate the subject-matter of the intellectual property rights vesting in it in respect of the Beach Model shoe or goods to which the subject-matter of such rights have been applied, if imported into the Republic of South Africa. That application was approved for a period that expired on 30 April 2007, but another was submitted on 28 August 2007. Despite the fact that the period for which it had been granted had lapsed, all the information contained in the section 15 application remained on the internal data base of the Commissioner of the South African Revenue Services (the first respondent). It needs to be noted however that no reference was made to the second of the bases on which the fourth respondent in these proceedings claims to be entitled to intellectual property rights in the Beach Model shoe.

6] On 31 July 2007, the second respondent, for primarily customs purposes, examined the containers in which, it is now common cause, the seized goods were imported into the Republic of South Africa by the Applicant. He during such examination noticed that the shoes in 1627 cartons in the containers resembled the Crocs Beach Model shoe. That conclusion was based on his awareness of the information contained in the original section 15 application as well as knowledge gleaned in the past because of his involvement in other instances where shoes which prima facie infringed the fourth respondent's intellectual property rights in the Beach Model shoe had been imported. He on the basis of his knowledge of the shape of the genuine Beach Model shoe identified the shoes which are the subject-matter of this application as possible counterfeit goods. He sorted and counted them; prepared an inventory; and on the same day forwarded samples thereof to the fourth respondent's attorneys. The second respondent thereafter reviewed samples of the said

shoes and, on the basis thereof as well as the facts in the first respondent's internal data base with regard to the shoes manufactured and marketed by the fourth respondent, entertained what he considered were reasonable grounds for suspecting that they were counterfeit. Having come to that conclusion he on 8 August 2007 issued a detention notice in terms of section 113A(1)(a) of the CEA in respect of the seized goods and provided copies thereof to the clearing agents and the applicant. He on 23 August 2007, received an affidavit attested to by one Emil Olsen (Olsen), the Director of Product Development of the fourth respondent, from Adams & Adams which confirmed that he, after having studied and examined digital images of the samples which had been forwarded to him, had come to the conclusion that they were counterfeit and provided details of the grounds upon which that conclusion was based. The second respondent accentuated that although the granting of the section 15 application had lapsed by the time the aforesaid detention notice was issued, he in issuing it had acted in terms of the provisions of section 3(4) as read with section 4(1) of the CGA, because he at the time entertained reasonable grounds for suspecting that an offence contemplated in section 2(2) of that act had been, was being, or was likely to be committed by the applicant.

7] As a consequence the first- to third respondents brought an application in terms of section 6(1) of the CGA before the fifth respondent in chambers and on an ex parte basis for the issuing of a warrant for the seizure, removal, detention and collection of the detained goods as well as for authority to exercise in relation thereto those powers contained in sections 4 and 5 of the CGA if deemed necessary (the warrant application). That application was duly granted on 5 December 2007 and the warrant issued pursuant thereto was executed on 10 September 2007.

8] As a result thereof the applicant launched an application in this court on 18 October 2007, on notice to the first to fifth respondents, in which the following relief was claimed on an urgent basis: -

8.1] An order –

8.1.1] directing that the warrant issued by the fifth

respondent on 5 September 2007 in terms of Section 6(1) of the CGA be set aside;

8.1.2] directing that the detention, seizure and removal of the 19 524 pairs of plastic shoes pursuant to the said warrant be declared wrongful and that they should be released to the Applicant immediately;

8.1.3] in terms of section 7(4)(a) of the CGA directing that the offending goods are not counterfeit.

8.2] Subject to the relief sought in paragraph 8.3 below, an order directing that the First to Third and Fifth Respondents jointly and severally (or so many of them as this court may deem fit) pay the Applicant's costs;

8.3] Only in the event of the Fourth Respondent opposing the application, an order directing that it be ordered to be jointly and severally liable for the Applicant's costs;

8.4] An order granting the Applicant such further and/or alternative relief as the court may deem fit.

9] Save for the fifth respondent, who abides the decision of this court, all the other respondents are opposing the application and have filed answering affidavits to which the applicant has filed a reply.

10] It would appear that the relief in paragraph 8.1.2 above is claimed merely as a corollary to the relief in paragraph 8.1.1 so that its fate is dependent upon whether or not the warrant issued on 5 September 2007 is set aside.

The setting aside of the seizure warrant:

11] Mr Sholto-Douglas SC, who with Ms Vaughan appeared for the applicant, assailed the granting of the said warrant on a number of grounds. The first is that the second respondent, because of

an absence of reasonable grounds for an assumption that they were counterfeit, failed to apply his mind properly or at all to whether the offending goods were in fact counterfeit. The second is that the applicant had not been afforded an opportunity to be heard before the application in terms of section 6(1) of the CGA for the issuing of a warrant was granted. The third was that the first- to third respondents in the said application failed to divulge all material facts to the fifth respondent. The fourth was that the first- to third respondents in the warrant application failed to make out a prima facie case that the fourth respondent enjoyed any of the intellectual property rights “in the three dimensional footwear” contemplated by the CGA and/or that such rights had been infringed by the applicant.

Each of those grounds will be considered below.

The first ground:

- 12] The first ground fails to recognise the dichotomy between the detention of the seized goods by the second respondent and the seizure and detention thereof pursuant to the warrant issued by the fifth respondent. It is apparent that subsequent to the issuing and execution of the warrant on 10 September 2007, the offending goods were being seized and detained pending finalization of the criminal and civil proceedings

envisaged in section 9(1) of the CGA and no longer for the purpose of determining whether the provisions of the ECA or any other law have been complied with or in order to ascertain whether they are counterfeit or not. Sight seems to have been lost thereof that prior to 10 September 2007 the seized goods were being detained pursuant to the provisions of the CEA and that in terms of section 107(2)(a) thereof the third respondent was precluded from allowing them to pass from his control until the provisions of that act or any other law relating to, inter alia, the importation of such goods had been complied with, except on such conditions as determined by him. Section 4(8A) of the CEA, in terms whereof a customs officer is empowered to stop, detain and examine the goods contemplated in section 107(2) (a) thereof in order to determine whether the provisions of that act or any other law have been complied with, appears to me to be the only basis on which the offending goods could have been lawfully detained until such time as the second respondent, on 8 August 2007, issued a notice of detention pursuant to the provisions of section 113A(1)(a) of the CEA. Unlike section 4A(c)(i) of the CEA which provides that the goods referred to in section 4(8A)(ii) may be detained for a reasonable period, section 113A(1)(a), which provides that an officer may detain any goods for the purpose of ascertaining whether they are counterfeit as contemplated in the CGA, is silent thereanent, but there, in my view, is no reason why a

similar limitation should not be read into it (Cf: **Commissioner, South African Revenue Services v Trend Finance (Pty) Ltd and Another** 2007(6) SA 117 (SCA) at paragraphs 28, 29). That the second respondent detained the offending goods for the purposes envisaged by the CEA, more in particular whether the provisions of the CGA had been offended against, can reasonably be inferred from the fact that he forwarded samples thereof to the fourth respondent's attorneys with a view to obtaining their and/or their client's input in regard thereto; compared samples thereof against the data on the first respondent's data base; and after he had received an affidavit on 23 August 2007 which confirmed the correctness his own suspicions in that regard, took the initiative in bringing the warrant application in conjunction with the first- and third respondents.

13] Irrespective of what the second respondent has said in the application for a seizure warrant as well as in the opposing affidavit filed in these proceedings, neither subsection 4(8A)(a)(ii) nor subsection 113A(1)(a) of the CEA required him "to apply his mind properly or at all" to whether or not the offending goods were counterfeit. He was statutorily empowered to detain them simply in order to determine whether or not the provisions of the CEA or any other law had been complied with or to ascertain whether or not they were counterfeit. By contrast: the powers vested in the second respondent by section 4(1) of the CGA, other than in the circumstances referred to in section 4(2) thereof, could not be exercised lawfully without the authority of a warrant issued in terms of section 6(1) of the CGA. The existence of reasonable grounds for

believing that an act of dealing in counterfeit goods has taken or is likely to take place is a jurisdictional requirement for the granting of such a warrant, and the decision whether that requirement had been shown to be present was for the fifth respondent to decide on the basis of the evidence placed before her independently of the requirements enumerated in section 4(1).

14] In the premises I incline to the view that the first ground lacks any merit. That conclusion appears to be consonant with the view expressed in **The Commissioner for the South African Revenue Services and Others v Sterling Auto Distributors CC** in re: **Bayerische Motoren Werke and Another v Sterling Auto Distributors CC and Others**, Case No A1796/04 (an unreported judgment of the Transvaal Provisional Division) to the effect that it is not the role of the customs authorities to make decisions on whether goods are counterfeit or not but that it is a matter for resolution in later litigation between an intellectual property rights owner and the importer of the goods in question.

The second ground:

15] It is common cause that the fifth respondent considered the application for a warrant of seizure in chambers and on an ex parte basis. Whilst section 6(1) pertinently provides that the warrant contemplated in section 4(2) as read with section 5(1) of the CGA “will be issued in chambers ... by a magistrate” i.e. in the privacy of his or her own chambers in contrast to in an

open court to which the general public has access (See: **Robinson v Rossi** [1996]2 All SA 349 (W) at 359 e – f) it, other than specifying that the information to be taken into account has to be on oath or affirmation, is silent as regards the nature and format of the proceedings.

- 16] The applicant contends that the principles of natural justice found application; that the warrant should not have been issued without it first having been given an opportunity by the fifth respondent to be heard; and that the failure to have done so constituted a “gross irregularity in the proceedings” which would justify the setting aside of the issuing thereof. Although the underlined words would appear to echo the wording of section 24(1)(c) of the Supreme Court Act 59 of 1959 in terms whereof the proceedings of an inferior court may be reviewed by a provincial or local division of the High Court having jurisdiction I have no intention of approaching this matter on that narrow basis. As in my view the question whether the fifth respondent in issuing the warrant was performing a judicial or an administrative function is not in itself determinative of whether the rules of natural justice needed to be complied with, it is for the purposes of this judgment not necessary to resolve that vexed question (Cf: **Pretoria Portland Cement Co Ltd and Another v Competition Commission and Others** 2003(2) SA 381 (T) at 384 A – B; **Pretoria Portland Cement**

Co Ltd and Another v Competition Commission and Others 2003(2) SA 385 (SCA) paragraphs 17 – 26; **De Lange v Smuts NO and Others** 1998(3) SA 785 (CC) at paragraphs 80 and 161).

- 17] What however needs to be resolved is whether or not the rules of natural justice, more in particular the right to be heard, found application in the warrant application. The general rule in that regard is that where a statute empowers a public official to make a decision which may prejudicially affect the property or liberty of an individual he or she has a right to be heard unless the statute either expressly or by necessary implication manifests an intention on the part of the legislature to exclude it (See: **Attorney-General, Eastern Cape v Blom and Others** 1988(4) SA 645 (AD) at 662 G – I). By contrast section 7(4)(a) which specifically refers to an application on notice of motion and section 11(1) which refers to an ex parte application on notice of motion, section 6(1) of the CGA merely provides for the issuing of a warrant in chambers by a judge or magistrate. It is generally accepted that there may be situations in which an act of parliament or conduct in terms thereof, because of its nature, would not be subject to the operation of the rules of natural justice by reason of the possibility that, depending on the circumstances, public policy and interest may, in the interests of advancing effective

- governance, overshadow the rights of individuals (See: **Deacon v Controller of Customs and Excise** 1999(2) SA 905 (E)).
- 18] A number of considerations have been identified by courts as being pertinent to the enquiry whether or not the rules of natural justice are applicable to a decision taken by a public official in terms of a statute. They include: the object of the statute; the nature of the statutory power that has been conferred on such an official; the nature of the conduct which is intended to be controlled thereby; and also any potential prejudice to the individual concerned as well as others who have an interest in the decision (See: **Henbase 3392 (Pty) Ltd v Commissioner, South African Revenue Service and Another** 2002(2) SA 180 (T) at 190 F – G). It is also accepted that the more serious the intrusion and the more far-reaching the prejudice, the more readily it will be inferred that the rules of natural justice are intended to apply (See: **Deacon’s** case, supra at 917 D).
- 19] The applicant’s counsel in order to bolster the submission that the rules of natural justice found application accentuated that the purpose of a warrant issued under section 6(1) of the CGA is to procure the seizure - in contra-distinction to detention - of goods suspected of being counterfeit and called in aid a

dictum of Van der Westhuizen J in the **Henbase** case (supra) at 191 E to the effect that, whereas it can be easily understood that the rules of natural justice may or have to be applicable to seizure and forfeiture, the same may not necessarily be true as regards mere detention. That superficially alluring submission, however, fails to have regard of the fact that the purpose of a seizure under section 88 of the CEA is merely a precursor to forfeiture, in the absence of the payment of the required duties and/or charges and/or penalties; a direction by the third respondent in terms of section 93(1) on good cause shown for delivery of the seized goods; and a claim by or on behalf of the owner of goods for the return thereof in terms of section 89(1). The purpose of a seizure in terms of a warrant issued under section 6(1), on the other hand, is less incursive in that it precludes the goods in question from entering “the channels of commerce” pending the resolution of the question whether or not they are counterfeit in an application for a determination brought in terms of section 7(4)(a) or the criminal or civil proceedings envisaged by section 9 of the CEA. Pending finalization of such proceedings, such goods are stored and kept in safe custody at a counterfeit goods depot and in terms of section 8(2) “will be available” to a complainant or prospective complainant; the suspect; or any other interested person.

20] As is apparent from the preamble thereto the object of the CGA is the introduction of measures aimed against the trade in counterfeit goods and to “further protect” the owners of trademarks, copyright and marks under the Merchandise Marks Act, 1941 against the unlawful application of the subject-matter of their respective intellectual property rights to goods and also against the release thereof into the channels of commerce and for that purpose to prohibit certain acts in relation to such goods; the possession thereof as well as the creation of certain offences in relation thereto.

The conduct which the CGA is intended to control is firstly, the infringement of intellectual property rights by counterfeiting and secondly, the combating of the perpetration of fraud on the purchasing public (See: **Cadac (Pty) Ltd v Weber-Stephens Production Company and Others** 2005 BIP 439 (W) at par 17) due to a combination of the distribution of similar or identical goods and the application thereto of the intellectual property rights vesting in others. To that end, and because of considerations of policy, provision is made for criminal as well as civil sanctions.

21] Section 6(1) circumscribes the nature of the discretion conferred on a magistrate or a judge clearly namely, whether there are reasonable grounds for believing that an act of dealing in counterfeit goods has, is or is likely to take place. The only prescribed requirements are that the discretion has to be exercised in chambers and on the basis of information on oath or affirmation. Such a belief must not only exist in fact but must furthermore be based on the existence of objective facts

- consistent therewith (Cf: **R v Ismail & Another** 1958(1) SA 206 (AD); **O’Hara v Chief Constable of the Royal Ulster Constabulary** [1997] All ER 129 (HL) at 138 j – 139 a; **Vumba Intertrade CC v Geometric Intertrade CC** 2001(2) SA 1069 (W) at 1071 g).
- 22] The following considerations, in my view, favour the inference that the legislature did not envisage that the power to issue a warrant in terms of section 6(1) had to be exercised pursuant to proceedings of a formal nature. Firstly, the reference in section 6(1) of the CGA to a magistrate or a judge respectively, rather than the institutions in which they do service (See: **Briel v Van Zyl** 1985(4) SA 163 (T) at 168 G – H and Cf: **Pretoria Portland Cement Co Ltd and Another v Competition Commission and Others** (SCA) (supra) at paragraph 39); secondly, the requirement that the discretion is to be exercised in chambers and not in an open court; thirdly, the absence of any indications that proceedings of an adversarial nature are envisaged; and finally there are a number of pointers in the act itself which are consistent with a recognition of the need for an expeditious resolution of matters relating to counterfeiting:
- 23] An unavoidable consequence of the seizure of goods suspected of being counterfeit is the immediate impairment of the ability of

those lawfully entitled to deal freely therewith. As has been pointed out above when dealing with the fundamental differences between detention, seizure and forfeiture, such an impairment in the case of a seizure pursuant to a warrant issued under section 6(1) of the CGA does not amount to a complete deprivation but merely an impairment of limited duration pending the finalization of a section 7(4)(a) application or the criminal or civil proceedings envisaged in section 9, in which proceedings the issue of any violation of the provisions of the CGA are to be fully ventilated and resolved. What has to be weighed against that is the possibility of immediate and irreversible detrimental consequences on the interests of intellectual property holders if such goods were to be released into the “channels of commerce” without a full prior enquiry and it should later transpire that they are counterfeit. A further factor to be weighed, having regard to the prominence in our present constitutional dispensation of the over-arching principle of legality, is the undesirability, from a public policy point of view, of releasing such goods prior to the resolution of the proceedings envisaged by section 9 and thereby increasing the risk of furthering the commission of one or more of the offences enumerated in section 2(2) of the CGA.

I, in view of the foregoing, incline to the view that there are cogent indicators that the legislature did not envisage compliance with the rules of natural justice as a prerequisite for

the granting of a warrant under section 6(1) of the CGA. That conclusion appears to be fortified by the fact that any order made ex parte is by its very nature provisional and open to challenge (See: **Ghomesh-Bozorg v Yousefi** 1998(1) SA 692 (W) at 696 D – E - approved of by the Supreme Court of Appeal in the **Pretoria Portland Cement** case (SCA) (supra) at paragraph 45) and possibly is the *raison d’etre* for the remedy provided for in section 7(4)(a) of the CGA which can be invoked at any time by a person prejudiced by a seizure of goods in terms of section 4(1) i.e. pursuant to a seizure warrant issued under section 6(1) of the CGA.

In view of the foregoing, I am of the opinion that the legislature, by necessary implication, did not intend that the rules of natural justice would need to be complied with as a prerequisite to the issuing of a seizure warrant under section 6(1) of the CGA.

- 24] Should I be erring in that regard, I in any event, am of the view that the requirements of such rules relating to an opportunity for the making of representations, have been substantially complied with. The particular manifestation of the applicant’s entitlement to fair procedure which had allegedly been violated is its right to a hearing. Assuming that it was thereby intended to refer to the failure by the fifth respondent to have allowed the making of oral submissions by the applicant’s legal

representatives, my understanding of the legal position is that no right of that nature exists. That, in my view, is apparent from not only the case law (See eg: **Bam-Mugwanya v Minister of Finance and Provincial Expenditure, Eastern Cape and Others** 2001(4) SA 120 (Tk) at paragraph 24) but also the provisions of section 3(3) of the Promotion of Administrative Justice Act, 3 of 2000 (Paja) which makes the making of oral representations dependent upon the favourable exercise by an administrator of his or her discretion (See: **Cora Hoexter: Administrative Law in South Africa** at 334; **J.R. de Ville: Judicial Review of Administrative Action in South Africa** at 254/5). By contrast, section 3(2)(b) of Paja, which recognises the right of a reasonable opportunity to make representations as an element of procedurally fair administrative action - failing an opportunity to make oral representations - inferentially permits written representations.

- 25] Although the second respondent in a letter addressed to the applicant's attorneys on 30 August 2007 stated that it was not intended to deprive the applicant of "the right" to be heard and that its "rights" in terms of section 3 of Paja would be respected, there could not have been any room for doubt that the second respondent was persisting with the contention that all that section 6(1) of the CGA envisaged was an ex parte "seizure warrant application". The said letter had been written

in response to the applicant's attorney's letter of 24 August 2007 wherein the broad bases on which it was being contended that the offending goods could not be detained and seized, were set out. Paragraph 5(d) of that letter contained the following passage:

"To the extent that you may be of the view that our client has no right to be heard prior to the issue of a warrant we demand that you place the contents of this letter before the judge in chambers or the magistrate hearing such application."

The first- to second respondents duly acceded to that request and included the said letter as an annexure to the founding affidavit deposed to by the second respondent in the warrant application. It has not been suggested, and there is no basis for accepting that the fifth respondent failed to take cognisance thereof before she decided to issue the said warrant, I have come to the conclusion, on the basis of the immediately preceding facts, that there was substantial compliance in the warrant application with the rules relating to fair procedure as regards the right to have made representations.

The third ground:

- 26] The gravamen of this grounds is that the first- to third respondents, acted in conflict with the uberrimae fides rule, which requires an applicant in an ex parte application to disclose all material facts that might influence a court in coming

to a decision (See: **Schlesinger v Schlesinger** 1979(4) SA 345 (W) at 349 A – B; **Mv Riscun Trader(4): Mv Riscun Trader v Manly Appledore Shipping Ltd** 2000(3) SA 776 (C) at 793 I – J). The submission that the first- to third respondents violated that rule in the warrant application is limited thereto that Mr Jodysveran Pillay, who is a legal consultant in the employ of the first respondent and who represented the respondent’s therein, had reached an agreement with the applicant’s attorneys to the effect that the application would not be dealt with on an ex parte basis. There is a dispute between the applicant’s attorneys on the one hand, and the second respondent and Mr Pillay on the other hand, as regards whether the latter two had given an undertaking of that nature and whether Mr Pillay had prior to the reaching of a decision on whether the warrant should be issued, failed to inform the fifth respondent of the request for a hearing. I am in disagreement with the submission in applicant’s counsels’ heads of argument that the three factors enumerated in paragraph 7.9 thereof tilt the probabilities in favour of the acceptance of the applicant’s version in preference to that of the respondents as regards whether such an agreement had been reached or not. On the contrary. The passage quoted in paragraph 14 above as well as the following statement in the ultimate paragraph of the second respondent’s letter of 30 August 2007 to the applicant’s attorneys would seem to point

the other way.

“It is not our intention to deny your client the opportunity to be heard but aver that this is an ex parte seizure warrant application and no service of the application is provided for in terms of the Counterfeit Goods Act”

- 27] The applicant was unable to challenge the second respondent’s averment - confirmed by Mr Pillay on oath - that he informed the fifth respondent of the applicant’s request for a hearing but that she decided to dispose of the matter on an ex parte basis despite the fact that it should have been apparent to her from the contents of the first of the aforementioned letters that the applicant desired such an opportunity. As the applicant is seeking relief which is final of nature on notice of motion, material disputes of fact must be resolved on the basis of the approach enunciated in **Plascon Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd** 1984(3) 623 (A) at 634 H – I (the **Plascon-Evans** rule), namely, that the claimed relief can be granted only if the facts in the applicant’s affidavit which have not been placed in issue, together with the facts alleged by the first- to third respondents, justify it. If that approach is followed in the instant matter there, on the papers, in my view, is no basis upon which it could be found that the first- to second respondents violated the uberrimae fides rule.

28] What needs be considered next is whether the procedural fairness of the warrant application was fatally flawed because the fifth respondent failed to afford the applicant's legal representative(s) a hearing. In my view not. Not only would it be contrary to the proper administration of justice to permit the emasculation of a magistrate's powers to control the proceedings in his or her court (See: **The Civil Practice in the Magistrates' Courts in South Africa**, 9th Edition, Volume II, 39-3) by extra-curial arrangements entered between parties and/or their legal representatives but - as is apparent from what has already been found above - the applicant's legal representatives did not have the right to make oral representations. There furthermore is nothing to suggest that the fifth respondent had not exercised her discretion against permitting such representations. In any event the written representations embodied in the applicant's attorneys' letter of 24 August 2007 had been placed before the magistrate and nothing suggests that she had not considered the contents thereof.

I accordingly incline to the view that also the third of the aforementioned grounds is devoid of merit.

The fourth ground:

29] It is apparent from paragraph (a) of the preamble to the seizure warrant issued by the fifth respondent, that she on the basis of the facts which had been placed before her was satisfied that reasonable grounds existed for believing that an act of dealing in counterfeit goods had taken or was likely to take place. The thrust of this ground was that the first- to third applicants had failed to make out a prima facie case that the fourth respondent enjoyed any of the intellectual property rights referred to in section 1 of the CGA “in the three dimensional footwear” or that such rights had been infringed. The Counsel for the applicant; Advocate De Villiers Jansen for the first- to third respondents; and Advocate Michau who with Advocate Joubert appeared for the fourth respondent, were in agreement that the applicable criterion of proof in the warrant application was one of prima facie proof. If that concept is being used in the sense of untested facts which on their face and when viewed objectively (See: **United Democratic Front and Another v Acting Chief Magistrate, Johannesburg** 1987(1) SA 413 (W) at 421 A – B; **Highstead Entertainment (Pty) Ltd v Minister of Law and Order and Others** 1994(1) SA 387 (C) at 392 I – 393 A) are sufficient to engender a reasonable belief, either directly or inferentially, that the required factum probandum namely, an act in dealing in counterfeit goods has taken place or is likely to take place, I am in full agreement therewith. What the fifth respondent had to be reasonably

satisfied of before issuing the warrant was that “an act in dealing in counterfeit goods” was taking place or was likely to take place. Support for an evidentiary burden of a less demanding norm than a balance of probabilities is to be found not only in our case law (eg: **LA Group and Others v B & J Meltz Limited and Others** [2005] JOL 15756 (T) but also in the architecture of the CGA which envisages that the question whether goods are counterfeit or not is to be determined subsequently in the proceedings provided for in sections 7(4) and 9(1) of the CGA. The concept “an act in dealing in counterfeit goods” is in section 1 of the CGA defined as any act or conduct which is referred to in section 2(1). That subsection provides that goods that are counterfeit goods may, inter alia, not be imported into the Republic except for the private and domestic use of the importer. It is not in issue that the applicant was an importer as defined in the CGA. The concept “counterfeit goods” is in the CGA defined as meaning goods that are the result of counterfeiting and includes any means used for the purpose of counterfeiting. The concept “counterfeiting” in turn is defined as meaning –

- “(a) without the authority of the owner of any intellectual property right subsisting in the Republic in respect of protected goods, the manufacturing, producing or making, whether in the Republic or elsewhere, of any goods whereby those protected goods are imitated in such manner and to

- such a degree that those other goods are substantially identical copies of the protected goods;
- b) means, without the authority of the owner of any intellectual property right subsisting in the Republic in respect of protected goods, 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; or
 - c) where, by a notice under section 15 of the Merchandise Marks Act, 1941 (Act No. 17 of 1941), the use of a particular mark in relation to goods, except such use by a person specified in the notice, has been prohibited, means without the authority of the specified person, making or applying that mark to goods, whether in the Republic or elsewhere”.

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

Paragraph (c) of the above definition clearly does not find application in the present case.

30] The concept “intellectual property right” in the above definition encompasses a) rights in respect of trade marks conferred by the TMA; b) copy-right subsisting in any work in terms of the Copyright Act 98 of 1973 (the CRA); and c) the exclusive use of a specific mark in relation to goods pursuant to a notice

issued in terms of section 15 of the Merchandise Marks Act, 17 of 1941. The concept “protected goods” is defined as meaning goods featuring, bearing, embodying or incorporating the subject of an intellectual property right; goods to which such subject-matter has been applied by or with the authority of the owner thereof; and goods which may legitimately embody, incorporate or have the subject-matter of an intellectual property right applied to them only by or with the authority of the owner thereof.

The predominant feature of the definition of counterfeiting appears to be that the infringing goods, if considered objectively, are imitations of the protected goods in that they are substantially identical thereto or are a colourable imitation thereof by reason of the application thereto of another’s intellectual property rights and are calculated to be confused with or taken as being protected goods or goods manufactured, produced or made under licence of the owner of such rights. Mere proof of cloning or impersonation is not sufficient. The proviso to the aforementioned definition in addition requires proof that the relevant act of counterfeiting has infringed the intellectual property right in question. The need for that proviso is lucidly explained as follows by **O.H. Dean: Handbook of South African Copyright Law** at 1 – 124/5:

“It was essential for the legislature to provide that the goods must infringe an intellectual property right otherwise legitimate products

which are copies of other products could be caught up in the net which is intended to snare counterfeit goods. For instance, suspect goods bearing a South African registered trade mark, where the registration was acquired by honest concurrent use, or with the consent of the proprietor of an earlier trade mark, and where that mark is substantially identical to the claimant's registered trade mark, could on the face of it appear to be 'counterfeit goods', but this is not so because the use of the mark in question would not infringe the claimant's registered trade mark. Similarly suspect goods which have been made by a process of reverse engineering as contemplated in s 15(3A) of the Copyright Act (see para 9.15 above), would not constitute 'counterfeit goods' because their manufacture would not have constituted an infringement of copyright; this despite the fact that they may be identical to, or 'impersonate' the claimant's goods.”

- 31] In view of the restricted ambit of the attack on the issuing of the warrant namely, the absence of a prima facie case that the fourth respondent enjoyed any of the intellectual property rights enumerated in section 1 of the CGA “in the three dimensional footwear” or that such rights have been infringed, it is not necessary to consider any other aspects relevant to the question whether the fifth respondent justifiably entertained a reasonable belief that an act of counterfeiting was taking place or was likely. The fifth respondent was provided with affidavits by the second respondent; Olsen the Director of Product Development of the fourth respondent since 24 October 2005;

Balliston; and Godfrey Edward Starke (Starke) the holder of a member's interest in Tidal Trade. Olsen stated that as a result of his extensive involvement in the design and development of new products whilst being employed by the fourth respondent he possessed an intimate knowledge of the designs of shoes and sandals manufactured by or on behalf of the first respondent and for that reason is qualified to identify authorised products incorporating, inter alia, the original copyright protected design drawings of the Crocs Beach Model shoe as well as its design trade mark. He also averred that he is able to identify goods which constitute reproductions or imitations of the Crocs Beach Model shoe design trade mark but have not been manufactured by the fourth respondent or under licence from it. He also stated that he is qualified to distinguish authorised products incorporating the copyright protected drawings and/or the Crocs Beach Model shoe design trademark from unauthorised products incorporating the same or similar designs.

32] As is apparent from the affidavits of Olsen and Balliston the design drawings of the strapless portion of the Beach Model shoe was generated by the latter whilst he was being employed by L'Artigiana and that the fourth respondent has acquired ownership thereof by assignment. Olsen, supported by Starke, also averred that authorised reproductions of the Croc's Beach Model shoe has been extensively marketed in South Africa since 1994 (Starke says since May 1995) and that as a result thereof the shape of that shoe is so distinctive that it has become immediately recognizable by reason

thereof alone. As a result, such shape has served and still serves in trade to distinguish the Crocs' Beach Model shoes from other shoes on the South African market and as a consequence has become such a well known trade mark in the relevant sector of the market and qualifies for protection in terms of section 35 of the TMA.

Olsen further averred that he had examined digital images of samples of the shoes imported by the applicant carefully and that as a result of his knowledge of the original Crocs products confirmed that the imported shoes, digital images of the samples whereof were examined by him, have not been produced by the fourth respondent or with its permission.

He also expressed the opinion that they are reproductions, alternatively adaptations of the Crocs Beach Model shoe design which infringes the fourth respondent's copyright in the strapless shoe design, alternatively reproductions or imitations of the Crocs Beach Model shoe design, alternatively substantially identical copies or colourable imitations thereof. He concluded that the imported shoes were counterfeit and that they had not been produced by or with the permission of the fourth respondent or any of its affiliates and licensees and in his opinion were –

- a] reproductions, alternatively adaptations, of the copyright protected design drawings;
- b] reproductions, alternatively imitations of Crocs Beach model shoe design trade mark;
- c] substantially identical copies alternatively colourable imitations of the Crocs Beach model shoe.

Also the second respondent expressed the view that he, on the information at his disposal, had come to the conclusion that the offending shoes are substantially identical copies of the Crocs Beach Model shoe alternatively, colourable imitations thereof to such an extent that they are calculated to be confused with or taken as being

original Crocs Beach Model shoes and that the fourth respondent's intellectual property rights therein were, prima facie, being infringed. 33] In the face of the submissions in paragraph 5(b) of the applicant's attorney's letter of 24 August 2007 could the fifth respondent, on even a prima facie basis, have been satisfied that the fourth respondent enjoyed intellectual property rights in the Crocs Beach Model shoe design or that such rights had been infringed?

The submissions made in the said paragraph were firstly, that there was no infringement of copyright in that in terms of section 15(3)(A) of the CRA as the copying of three dimensional utilitarian goods by means of an industrial process was lawful as well as a denial that any drawings that enjoyed copyright protection had been used and secondly, that to the extent that reliance is placed on the shape of the Crocs Beach Model shoe as constituting a trademark, it was disputed because shoes similar in shape to those detained by the second respondent and emanating from many different traders and manufacturers were ubiquitous in the South African market. As is apparent from the facts in the remainder of that letter, the applicant was merely the importer of goods manufactured by a foreign third party and for that reason could not have been in possession of first hand knowledge of the facts required to substantiate the successful invocation of the defence of reverse engineering of the Crocs Beach Model shoe. If the reference of the ubiquitousness of shoes of a similar shape was intended to show that the shape of the Crocs Beach Model shoe no longer serves as a badge of origin, it flies in the face of the following statement of Olsen (confirmed by Starke) in paragraph 6.3 of his affidavit:

"The shape, configuration, pattern and/or ornamentation of the Plaintiff's BEACH model shoes is so distinctive that CROCS BEACH model shoes have become immediately recognizable by reason of this shape, configuration, pattern and/or ornamentation

alone. As a result this shape, configuration, pattern and/or ornamentation, has served and serves in trade to distinguish the Crocs' BEACH model shoes from other shoes on the South African market”.

Accepting, as one must, that the fifth respondent was obliged to have taken the submissions in the said letter into account they, for the reasons already set out above, in my view were not of sufficient cogency to have thrown serious doubts on the conclusion reached by the fifth respondent. I accordingly incline to the view that the fifth respondent, on the facts that were placed before her, correctly concluded that there were reasonable grounds for believing that an act of dealing in counterfeit goods had taken, was taking or was likely to take place.

I take comfort in the fact that my colleague Zondi J in **Shoprite Checkers (Pty) Ltd v The Commissioner of the South African Revenue Services and Others** (Case No 1460/06, an unreported judgment handed down on 5 February 2008) came to a similar conclusion in respect of imported shoes which for all intents and purposes were identical to those that feature in the instant case.

The section 7(4) application:

34] In view of the finding that the grounds on which the applicant sought to have the seizure warrant set aside are devoid of merit, it needs to be considered whether the applicant has made out a sufficient case for the granting of the relief

envisaged by section 7(4) of the CGA namely a determination that the seized goods are not counterfeit.

That subsection provides that any person prejudiced by a seizure of goods in terms of section 4(1) of the CGA may at any time on notice of motion apply to the relevant court for a determination that such goods are not counterfeit and are to be returned to him or her. Although on a superficial reading thereof it may appear that prejudice is a prerequisite for the institution of such proceedings it, for the reasons that follow, cannot be so. It self-evidently would be prejudicial to any person entitled to deal with goods which are not counterfeit if they should be seized: not so in the case of goods which in fact are counterfeit. It would appear that the question whether prejudice is present or absent will of necessity be dependent on the outcome of the same issue that is required to be decided later in the proceedings namely whether the goods in question are counterfeit or not. That to me appears to be another example of inept draftmanship in this oft criticised piece of legislation.

35] To the extent that the applicant is seeking a determination that the seized goods are not counterfeit it, as **dominus litis**, seeks relief in proceedings totally separate of the proceedings before the fifth respondent who is functus officio. Accordingly the applicable evidentiary criterion appears to be proof on a balance of probabilities and not prima facie proof. As the applicant claims relief which is final of nature, any material disputes of fact on the papers must be resolved by applying the **Plascon-Evans** rule so that the claimed relief may be granted only if it is justified on the basis of the facts averred in the applicant's affidavits which have been admitted by the respondents together with the averments made in their own

affidavits.

36] The applicant endeavoured to show that the seized goods are not counterfeit by having challenged the fourth respondent's contentions that such goods firstly, constitute a reproduction or adaptation of the Crocs Beach Model shoe design drawings of which it is the copyright owner and infringes of its copyright therein; and secondly; that they incorporate and embody the shape of that shoe, and that such shape constitutes a well-known trade mark in terms of section 35 of the TMA which is being infringed.

37] The applicant challenged an infringement of the claimed copyright by questioning the originality of the design drawings in respect of the strapless part of the Beach Model shoe because it did not constitute an original artistic work that vested in L'Artigiana and that, in any event, the copyright therein had not been properly assigned to the fourth respondent. On an application of the **Plascon-Evans** rule the version of Balliston, in my view, is decisive not only of those issues but also whether the design was based on other designs that were generic and common-place. A further basis on which any infringement of the fourth respondent's copyright in the said design drawings was challenged was that it failed to present any evidence to the effect that the seized goods were reproductions made from the said design drawings, coupled with a disavowal that the manufacturer of the seized goods ever had sight of such drawings or had used them in the creation thereof. It cannot be disputed that the fourth respondent has failed to make any

averments of that kind. But, copying like any other fact may be proved inferentially and it is accepted that a striking similarity of the absence of a cogent explanation - which in my view is the situation in the instant case - may support a compelling inference of copying (Cf: **Marick Wholeslaers (Pty) Ltd v Hallmark Hemdon (Pty) Ltd** 707 JOC (T). The applicant, who was in a more favourable position to have done so than the fourth respondent not only failed to obtain first-hand information from the manufacturer as regards the origin of its design, but also did not provide any explanation for its not having done. It instead preferred to rely on conjecture based on speculation.

38] The applicant’s counsel in argument raised the possibility that the manufacturer of the seized goods could have copied any one of a number of similar items of available footwear or could have copied three dimensional reproductions of the Crocs Beach Model shoe design, in contending that neither would have been unlawful by virtue of the provisions of section 15(3A) of the CGA. That subsection provides that if three-dimensional reproductions of an artistic work made by or with the consent of the copyright-owner have been made available to the public, either in or outside the Republic of South Africa, copyright therein is not infringed if someone without the consent of such owner makes or makes available to the public three dimensional reproductions or adaptations of authorised reproductions thereof, provided that such reproductions primarily have a utilitarian purpose and are made by means of an industrial process. Assuming, without deciding, in favour of the applicant, that the seized goods have a utilitarian purpose and that they were made by an industrial process, no evidence that either of the postulated scenarios prevailed

in the instant case have been placed before this court.

Whilst the fourth respondent’s counsel submitted that the evidentiary burden as regards whether the seized goods are counterfeit or not rested on the applicant, the applicant’s counsel propounded a contrary view. No decided cases were referred to by counsel, and none could be found by me, in which the incidence of the burden of proof in an application in terms of section 7(4) of the CGA has been authoritatively determined. In view thereof and because no exceptional circumstances that militate against it appear to be present, I am of the opinion that the “underlying principle that the plaintiff or applicant has to prove all the requirements for his remedy” (See: **CWH Schmidt & H. Rademeyer: Law of Evidence** at 2 – 28) finds application. The applicant who is merely the importer of the seized goods and for that reason could not have possessed first-hand knowledge of the circumstances surrounding the copying and manufacture of the seized goods, failed to provide any evidence thereanent when it was in a more favourable position to do so than the fourth respondent or to provide an acceptable explanation for its non-availability. I accordingly, incline to the view that the applicant has failed to discharge the onus of showing that the fourth respondent does not enjoy copyright in the design drawings of the Beach Model shoe design and that such copyright has not been infringed in the manufacture of the seized goods.

39] In addition to asserting such copyright, the fourth respondent relies on the shape of the Crocs Beach Model shoe as constituting a well-known trade mark which enjoys protection in terms of the provisions of section 35 of the TMA despite the fact that it has not been registered thereunder. The applicant in an endeavour to discharge the evidentiary burden of showing that the seized goods are not counterfeit challenged the validity of that contention vigorously. The thrust of the challenge appears to be that as a result of the proliferation of almost identical shoes in the South African market the shape of the Crocs Beach model shoe no longer serves - as required by section 2(1) of the TMA - to distinguish it from such shoes in a trademark sense namely, as identifying the fourth respondent as the source of their origin (See: **Beecham Group PLC and Another v Triomed (Pty) Ltd** 2003(3) SA 639 (A) at 646). Counsel for the applicant, whilst alluding to the considerations which militate against the shape of goods being generally accepted as a trademark (See eg: **Die Bergkelder Bpk v Vredendal Ko-öp Wynmakers and Others** 2006(4) SA 275 SCA at 280), in my view correctly accepted, that the shape of goods is capable of constituting a trademark but that the fourth respondent did not solely rely on the shape of the Beach Model shoe to serve as a badge of origin - rather than being the result of its intended function or serving a merely decorative

function - because it did not have the shape thereof registered it as a trademark; did not in the section 15 application refer to it as a protectable intellectual interest; and by having relied on its registered trademarks to indicate the origin thereof did not trust its shape on its own to identify its trade source. I am in full agreement with the applicant's counsels' submission that proof that the shape of the Beach Model shoe is well-known and easily recognisable, does not suffice to show that its shape in itself performs a trademark function. Whether the shape of the Beach Model shoe performs that function is a factual enquiry the outcome whereof is dependent upon whether members of the purchasing public rely thereon as a guarantee of its provenance (See: **The Beecham Group Plc** case (supra) at 646 A – C). The applicant saw fit not to adduce any direct evidence of customers' perceptions regarding whether or not the shape of the Beach Model shoe is considered to signify its origin. It instead preferred to rely on a number of pictorial representations of almost every sandal type of shoe that vaguely resembles the Crocs Beach Model shoe as well as an alleged abundant availability of almost identical shoes throughout the Republic of South Africa for inferring that the shape, thereof no longer serves as a badge of origin. I find the logic behind that approach challenging. I do so because the pivotal enquiry is whether in the eyes of purchasers the shape of the Beach Model shoe conveys its provenance. Surely the

only purpose of imitating the shape of the Beach Model shoe as painstakingly as has been done in the case of the seized goods must have been to induce an unfounded belief in the minds of the purchasing public that they were manufactured by the fourth respondent! The fourth respondent, by contrast, adduced the direct evidence of Starke which was to the effect that the shape of the Beach model shoe has become well-known among members of the South African public and that it has, and still serves in the trade to distinguish it from other shoes in the market and that he has observed, whilst being involved in marketing events, that members of the public immediately recognised the shoes worn by him as Crocs Beach Model shoes even when his trousers concealed the Crocs trademark on the back of the strap or the Crocs device trade mark on the buttons on the sides. Bearing in mind that the applicant, in my view, carries the evidentiary burden of showing that the seized goods are not counterfeit and that any factual conflict relating to whether the shape of the Crocs Beach Model shoe is in the eyes of consumers considered to signify its provenance, must on the basis of the application of the **Plascon-Evans** rule be decided in the fourth respondent's favour, I incline to the view that the applicant has failed to discharge the onus of showing that the shape of the Beach Model shoe does not enjoy trademark protection in terms of the provisions of section 35 of the TMA.

40] As in my view the applicant has failed to show the existence of adequate grounds for the setting aside of the seizure warrant issued by the fifth respondent and as the applicant has furthermore failed to discharge the evidentiary burden of showing that the seized goods are not counterfeit as is required by section 7(4) of the GCA, the relief claimed in prayers 1, 2 and 3 of the Notice of Motion are refused.

The applicant is further ordered to pay the respondents' costs of suit on a party and party basis but excluding the wasted costs occasioned by the appearance on 18 October 2007. The respondents are jointly and severally ordered to pay, the one paying the other to be absolved, the applicant's wasted costs of 18 October 2007 as a result of their failure to have filed their answering papers timeously.

D. VAN REENEN