

CUSTOMS AND BORDER MANAGEMENT

EXTERNAL POLICY

COUNTERFEIT GOODS

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1 SCOPE

- a) This document applies to applications by Intellectual Property Right Holders (IPR Holders) to the Commissioner to seize and detain goods that are counterfeit or suspected to be counterfeit and to target specific consignments being imported and / or exported (including goods in transit, transshipments or goods under Customs control).
- b) It applies to the approval and registration of such applications and the dissemination of the information to Branch Offices to detain, seize and dispose of such goods.

2 POLICY STATEMENT

2.1 Counterfeit Goods Act

- a) The Counterfeit Goods Act 37 of 1997 (CGA) was assented to on 19 September 1997 and the date of commencement thereof is 1 January 1998.
- b) A summary of certain provisions alluded to hereunder is intended to provide the reader with a broad overview of the CGA from a Customs perspective. For the purpose of applying the provisions the relevant Sections in the CGA must be read in full.
 - i) The preamble of the CGA states that the purpose of the Act is to introduce measures against the trade in counterfeit goods and to protect owners of trademarks, copyright and certain marks under the Merchandise Marks Act, 1941 (MMA).
 - ii) Section 2(1) provides for acts which are considered to be in contravention of the CGA.
 - iii) Section 3(4) provides for an inspector to take appropriate steps in terms of Section 4(1) on own initiative provided the requirements of that Section are met.
 - iv) Section 4(1) gives an inspector the power in accordance with a warrant issued in pursuance of a complaint or other information, and on grounds of suspicion, to enter any place and seize and detain such stipulated goods, collect evidence related thereto, to conduct a search of such a place / person and take the steps necessary to terminate the act of dealing in counterfeit goods.
 - v) Section 5(1) provides for the actions that may be taken by an inspector when acting in accordance with a search warrant.
 - vi) Section 5(2) provides for an inspector to perform the actions contemplated in Section 5(1) without a search warrant in certain circumstance
 - vii) Section 5(4) requires that any act performed by an inspector in terms of Section 5 (2) must be confirmed by a Magistrate or Judge of the High Court within ten (10) court days of the date on which the acts were performed. The Section also provide that if an Officer acted without a search warrant and his actions are not confirmed by a Judge of Magistrate he must return all seized goods and make good any damages caused.
 - viii) Section 6 provides for the issue of a warrant in chambers by a judge of the High Court or a Magistrate in the Magistrate Court, the circumstance under which it will be issued, the content thereof and circumstances / conditions under which it may be executed.
 - ix) Section 7(1) regulates the duties of an inspector following the seizure of goods.
 - x) Section 7(2) stipulates the requirements that must be included in the notification issued in terms of Section 7(1).
 - xi) Section 8(1) requires seized goods to be stored in a CGD.
 - xii) Section 9(1) requires that the complainant lay a criminal charge or institute civil proceedings. The notice for such criminal or civil proceedings is set out in this section. Failure to give notice and institute such proceedings in the prescribed time periods will result in the release of the seized goods.
 - xiii) Section 10 provides for other orders that a court may issue relating to counterfeit goods.
- c) Provisions pertaining to actions by Customs
 - i) Section 15 provides for powers to the Customs Authority in relation to counterfeit goods imported into South Africa.

- ii) Section 15(1) provides for the owner of an intellectual property right (IPR) to apply to the Commissioner to seize and detain all goods that are suspected to be counterfeit (stipulated goods) and which are imported during the period specified in the application.
- iii) Section 15(2) provides for an applicant to furnish the Commissioner with specimens of the protected goods, sufficient information and particulars as to the subsistence and extent of the IPR and the title to that right.
- iv) Section 15(3) provides for the Commissioner to approve of such applications if satisfied that the goods are prima facie protected goods, that the right prima facie subsist and that the applicant is prima facie the owner of the IPR.
- v) Section 15(4) provides for Customs to seize and detain counterfeit or suspected counterfeit goods in performing their functions under the Act, subject to the provisions of Sections 15 (6) and (7) of the CGA.
- vi) Section 15(5) provides for the Commissioner to notify the applicant in writing of the approval of the application and the period for which the provisions of Section 15(4) will be applied, or if refused, give the reasons the refusal.
- vii) Section 15(6) stipulates that that any member of the Customs Authority will act as if an inspector exercising the powers contemplated in Section 4(1) on own initiative in terms of Section 3(4). Section 15(6) in addition provide for the Minister of Trade and Industry to exempt members of the Customs authority by notice in the Gazette, from the provisions of Section 15(6) provided suitable and appropriate arrangements are made by or under the Act.
- viii) Section 15(7) provides for the owner of the IPR to furnish the Commissioner with an indemnity against claims arising from the seizure or detention of goods in terms of this Section and to cover expenses incurred in effecting the seizure or detention.
- ix) Section 15(8) provides that the Customs Authority cannot be held liable in the event of failure to detect, inadvertent release or action taken in good faith in respect of stipulated goods.
- x) Section 15(9) clarifies the term Customs Authority to be the Division Customs and Excise in the South African Revenue Service, comprising the Commissioner and Officers as defined in Section 1.

2.2 Customs And Excise Act

- a) Section 18(1A) provides that goods in transit through South Africa are included in the definition of imported goods.
- b) Section 43(5) (a) excludes the disposal of goods detained under Section 113A for the purposes of the CGA from the provisions of that Section.
- c) Section 43(6) provides for the disposal of goods seized and detained under the CGA where the importer is not known, or cannot despite reasonable efforts be located and where no proceedings are instituted or where no instruction for the release of the goods is received.
- d) Section 88(1)(a) provides for the detention of goods for the purposes of the Act.
- e) Section 89(4) provides for goods seized for the purposes of the Act to be condemned and forfeited in certain circumstances.
- f) Section 90 provides for the disposal of goods seized for the purposes of the Act.
- g) Section 113A(1) provided for officers to detain and / or seize goods for the purpose of the CGA.
- h) Section 113A(2) provides for a Customs Officer to refuse a request for detention if it is not in compliance with the CGA and where the Commissioner has not been indemnified.
- i) Section 113A(3) provides that goods seized or detained under the CGA may not be stored in the State Warehouse.
- j) Section 113A(4) exempts the Commissioner from any claim resulting from a bona fide action of an Officer.

- k) Section 113A(5) provides for the Commissioner to make rules for procedures to be followed by Officers, the forms that may be required to be completed and any other matter for the purpose of administering the provisions of this Section.

2.3 Role Of Customs

- a) Sections 15, read with the other relevant Sections of the CGA refer to therein, provide for the actions and assistance that will be provided by Customs to IPR Holders.
- b) It is required of IPR Holders to apply to the Commissioner to assist with the protection of their intellectual property on goods imported, exported or removed in transit. IPR Holders may appoint representatives to act on their behalf, in which case a letter of appointment / authority would be required together with all other relevant documents that need to accompany the application. Once approved, all particulars will be inserted on the Section 15 Registration Database on the intranet on the path Functions, Operations, Customs, Customs Links to which all SARS personnel have access. The database is only for internal use.

2.4 Area Of Operation

- a) Subject to the provisions of Sections (6) and (7) of Section 15 of the CGA the Customs Authority is empowered to seize and detain counterfeit or suspected counterfeit goods whilst performing their duties under the Act. This in effect limits the area of operation of the Customs Authority to the time of importation / exportation / removal in transit and on goods that are under Customs Control in a Customs and Excise Warehouse.
- b) It is the intention of the CGA to distinguish between the area of operation for the different role players, i.e. DTI inspectors, other Law Enforcement Agencies (SAPS) and Customs Officers. It is for this reason that Section 15(4) of the CGA refers to "in performing their functions under the Act". However, should Customs Officers become aware of or detect any suspected counterfeit goods outside of this area they may detain such goods and inform an inspector of the DTI thereof.
- c) In order for Customs Officers to perform the functions of an inspector in any other manner under the CGA they must be appointed or designated in terms of Section 22 thereof.

2.5 Acts Which Constitute Counterfeiting

- a) The following acts constitute a contravention in terms of Section 2 of the CGA –
- i) Being in possession of or having control over counterfeit goods for the purpose of dealing therein;
 - ii) Manufacturing, producing or making of counterfeit goods, including the keeping, storing or packing thereof, other than for private and domestic use;
 - iii) Counterfeit goods being exposed for sale or being sold, hired out, bartered or exchanged;
 - iv) Counterfeit goods being exhibited in public for purposes of trade;
 - v) Counterfeit goods being distributed for trade or other purposes;
 - vi) Counterfeit goods being imported into or through or exported from South Africa; or
 - vii) The act of dealing in counterfeit or suspected counterfeit goods.
- b) Customs Officers will in the main encounter suspected counterfeit goods in the possession of persons or over which persons have control at the time goods being of imported and exported are examined for Customs purposes.

2.6 Proof Of IPR

- a) IPR includes copyright in any work, a trade mark or the use of a particular mark. In this regard refer to Section 1(1)(xi) of the CGA.

- b) Copyright
- i) The responsibility for the administration of the Copyright Act No. 98 of 1978 (CRA), is vested with the Companies and Intellectual Property Registration Office (CIPRO) in the Department of Trade and Industry. The following information is provided on the CIPRO website regarding the protection provided in the CRA –
 - A) For most works (except for films) it is not possible to apply for copyright protection as it automatically exists.
 - B) Copyright is created by putting the words “copyright” or “copyright reserved” or “copyright Smith 2002” (i.e. copyright, followed by name and the year), or the copyright symbol, name and year e.g. © Meati 2002.
 - C) You can obtain copyright protection in South Africa, if you are South African or if your work was produced in South Africa. If you are not South African, you can obtain copyright protection provided the country you are a national of is part of the Berne Convention. The Berne Convention is an international agreement on copyright by which member countries grant each other copyright protection.
 - ii) Proof of copyright will therefore be in the form of an affidavit by the owner thereof which shall include a copy of or a reference to the work for which protection is applied for. However, for films, confirmation of registration from the CIPRO must be submitted.
- c) Trade marks
- i) The responsibility for the administration of the Merchandise Marks Act No. 17 of 1941 (MMA), and the Trade Marks Act No. 194 of 1993, are vested with the Companies and Intellectual Property Registration Office (CIPRO) in the Department of Trade and Industry.
 - ii) Proof of registration of trademarks with CIPRO, in the name of the applicant, which must still valid, must be included in the Section 15 application to the Commissioner. An affidavit must be provided for those trademarks that are indicated as well-known.
- d) Notice - The Minister of Trade and Industry may by notice in a Government Gazette in terms of Section 15 of the MMA prohibit or limit the use of the national flag.
- e) The identification of counterfeit goods must in all instances be left to the IPR holders or their appointed representatives.
- f) Under no circumstances may Customs officers confirm goods to be counterfeit.
- g) Should there be any dispute regarding whether the goods are counterfeit or not, this will be settled either by a court order or a settlement between the parties concerned.

2.7 Indemnity

- a) The action by Customs to seize and detain goods are subject to the provisions of Sections 15(6) and (7) of the CGA, i.e. acting on own initiative and having been indemnified by the IPR Holder.
- b) When performing a seizure and detention, in terms of Section 15 (6) or executing a warrant, Customs Officers shall act as inspectors in terms of the CGA, exercising the powers provided for in Section 4(1) and on own initiative in terms of Section 3(4).
- c) Seizure and detention may only occur where in accordance with Section 15 (7) the IPR Holder has indemnified the Commissioner against any possible claims pursuant to the seizure or detention of suspected counterfeit goods. The indemnity may be provided in the application form or on a separate document attached thereto. However, the wording thereof must be the same as provided in the application form.

2.8 Removal In Bond / Transit

- a) Section 2 of the CGA prohibits the movement of counterfeit goods into, from or through the territory of South Africa. Reference is made to Section 18(1A) which covers goods which are declared for transit.

- b) If counterfeit or suspected counterfeit goods are detected and the IPR Holder has applied to the Commissioner in terms of Section 15 of the CGA, Customs are obliged to detain the goods and notify the IPR Holder and the importer. This applies equally to goods which transit our Customs territory as is provided for in Section 2(1) of the CGA. Whether the IPR Holder take action is up to them. However, they would have to inform Customs of their intention in order that the goods can either be seized or released.
- c) Examination Of Goods
 - i) Goods removed in bond or transit may, in line with international standards, be examined for Customs purposes to ensure that the goods entering the territory are the same goods, which leaves the territory. Should it transpire that such goods turn out to be counterfeit or suspected to be counterfeit; it must be detained and / or seized in terms of the Act.
 - ii) Notices of detention or seizure will be given to the IPR Holder and the importer / agent for the appropriate actions to be taken. The detection of counterfeit goods in such cases are incidental to performing normal Customs duties and will not normally be the sole purpose for examination.
- d) Transshipments
 - i) Goods will in the normal cause of Customs Controls and operations for the purpose of the CGA not be detained, unless specific information is available.
 - ii) However, should such goods be examined and found to be counterfeit it will be liable to seizure under Section 113A.
- e) Through Bills Of Lading
 - i) Goods manifested on a through bill of lading to another country within or outside SACU may be detained in terms of the Act or seized and detained for the purposes of the CGA.
 - ii) However, any information coming to light in our investigations will be forwarded to the Customs Administration in the BLNS country of destination.

2.9 Period Of Protection

- a) The approval notification to an applicant of a Section 15 application will include the time period for which the approval will be valid. This will be either the date until which the IPR subsist, or two years from the date of approval, whichever is the soonest.
- b) Should the IPR Holder wish for Customs to continue to protect the IPR against counterfeit infringements after this period, a renewal application must be submitted as least one month prior to the expiry of the existing protection period.

2.10 Times And Time Lines That Must Be Adhered To

- a) When seizure and / or detention notices are issued the times and time lines stipulated by the CGA must be strictly adhered to. Seizure or detention notices will not have any legal effect if the times and time lines are not adhered to.

2.11 Payment And Refunds Of Duty

- a) Prior to the release of counterfeit goods from Customs control, all Customs formalities must have been met, including the payment of all duties and VAT by Importer / Agent. The exception will be where the goods are dealt with in terms of Section 43(7) and (6), i.e. where the importer is not known and no criminal prosecution or civil proceedings is instituted or no instruction is received for the release of the goods as contemplated in Section 9(2) of the CGA. Duties on such goods will not be payable if the goods are disposed of in terms of Section 43(7)(b) read with Section 43(7)(d).
- b) Where Customs duties and VAT have been paid on counterfeit goods which are destroyed no refund thereof will be considered under any circumstances. The reason being that the contravention occurred in terms of the CGA. Duties and VAT have been paid correctly in terms of the Act and Section 76(2) does not provide for a refund thereof in the circumstances.

3 REFERENCES

3.1 Legislation

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	Customs and Excise Act No. 91 of 1964: Sections 18(1A), 43, 88(1)(a), 90 and 113A
Other Legislation:	Counterfeit Goods Act No. 37 of 1997: Sections 1, 2, 4, 5, 8, 9 and 15
International Instruments:	Agreement on Trade Related aspects of Intellectual Property rights (TRIPS Agreement) f 1994)

3.2 Cross References

DOCUMENT #	DOCUMENT TITLE	APPLICABILITY
SC-CC-28-S1	External Standard Operating Procedure - Counterfeit Goods	All
SC-CC-01-A1	Application by owner of an intellectual property right for the detention and / or seizure of counterfeit goods	All
SC-CC-01-A2	Request by IPR Holder to detain and / or seize specific counterfeit goods in the process of being imported	All

4 DEFINITIONS AND ACRONYMS

IPR Holder	Intellectual Property Right Holder
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5 DOCUMENT MANAGEMENT

Designation	Name / Division
Business Owner:	Chief Officer: Customs and Border Management
Policy Owner:	Group Executive: Customs Strategy and Policy
Author:	C C van Rensburg
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