

IN THE KWAZULU-NATAL HIGH COURT, DURBAN
REPUBLIC OF SOUTH AFRICA

Case No: 1540/2013

In the matter between:

FUTURA FOOTWEAR LIMITED

Applicant

and

MINISTER OF POLICE

First Respondent

THEMBA M SISHI

Second Respondent

MARIAAN RAATH

Third Respondent

SALOMON S.A.S.

Fourth Respondent

TRAIL TERRAIN SPORTS CC

Fifth Respondent

OXYROS CC

Sixth Respondent

JUDGMENT

Delivered on 11 June 2013

Vahed J:

[1] Acting under a warrant (“the warrant”) obtained on 4 February 2013 in terms of the Counterfeit Goods Act, 37 of 1997 (“the Act”), the third respondent, an officer in the employ of the South African Police Service, on 6 February 2013, seized certain shoes, which had been imported into South Africa by the applicant. In the present application the applicant seeks to set aside that warrant and obtain release of the shoes seized pursuant thereto.

[2] The application is opposed by the fourth and fifth respondents.

[3] The applicant is an importer and distributor of footwear. Amongst others, it imports footwear bearing the trademarks POWER and the POWER device. It does so under licence from Bata Brands S.A.R.L.

[4] The first respondent is the MINISTER OF POLICE who was cited in his capacity as the Minister in government responsible for the South African Police Service. Although the first respondent initially gave notice, intending to oppose the application, that was subsequently withdrawn and he now abides my decision.

[5] The second respondent is the magistrate who issued the warrant on 4 February 2013. He also issued an earlier warrant ("the earlier warrant") relating to the same consignment of shoes. He has not entered the lists.

[6] As indicated above, the third respondent is an officer in the South African Police Service, holding the rank of Inspector. She applied for and executed the warrant, which is the subject matter of this application and the earlier warrant.

[7] The fourth respondent is a French company. It is the proprietor of the intellectual property rights associated with the brand SALOMON.

[8] The fifth respondent is a South African close corporation and operates as the agent and/or licensee for footwear bearing the SALOMON brand.

[9] The sixth respondent operates and is in charge of the warehouse depot where the seized goods have been stored.

[10] As indicated above, only the fourth and fifth respondents oppose the relief sought in this application. They are the applicant's competitors.

[11] Mr *Michau* SC who, with Ms *Joubert*, appeared for the applicant and Mr *Bester* SC who appeared for the fourth and fifth respondents have furnished me with detailed heads of argument. These have been of great assistance to me and I record my acknowledgement. I borrow freely from them.

[12] In order to fully appreciate the applicant's complaints and its reasons for contending that the warrant falls to be set aside it is necessary to understand the factual background preceding its execution.

[13] On 8 April 2011 800 pairs of shoes ("the shoes") were seized from the applicant at its premises. This was done in terms of the earlier warrant. The earlier warrant was issued pursuant to a complaint made on oath by a deponent to an affidavit made on behalf of the fourth and fifth respondents. The third respondent acted as commissioner of oaths in that affidavit.

[14] Under case number 10980/2011 the applicant commenced application proceedings in this Court seeking an order setting aside the earlier warrant. That application was opposed by the fourth and first respondents. They raised a number of defences in support of their allegation that the shoes were counterfeit. In that application the applicant relied upon a number of deficiencies in the earlier warrant. The application papers, and the subsequent argument in court also dealt with the merits of the defences raised by the fourth and fifth respondents. The applicant also raised a number of 'defences' to the fourth and fifth respondent's allegations of and concerning counterfeiting. It appears that these were also dealt with during argument.

[15] The matter was eventually argued and on 29 November 2012 this Court, *per Penzhorn AJ*, delivered a judgment setting aside the earlier warrant and directing that the shoes be released to the applicant. In essence, that judgment concentrated on the deficiencies in the earlier warrant and found it unnecessary to deal with the defences raised by the fourth and first respondents or with the 'defences' raised by the applicant in opposition to the counterfeiting allegations. For reasons which are not entirely clear the handing down of that judgment did not come to the attention of at least the applicant and the first and third respondents and the shoes were not released.

[16] It was only in late January 2013 that matters came to the attention of the applicant and on 23 January 2013 it obtained a copy of the written judgment. On 25 January 2013 that fact was communicated telephonically to the third respondent and she was requested to release the shoes. At her

insistence that request was communicated to her in writing and delivered to her on 30 January 2013. She was then expected to issue what has been referred to as a release notice. The release notice was issued by her on 4 February 2013. The fact of its issue was only communicated by her to the applicant's attorneys on 6 February 2013. The release notice itself indicated that the goods would be released to the applicant on 8 February 2013.

[17] The shoes, however, were not released.

[18] On 4 February 2013, the same day that the release notice was issued by the third respondent, she again acted as commissioner of oaths to an affidavit of complaint by the same deponent, again on behalf of the fourth and fifth respondents. The third respondent then again approached the second respondent and obtained the issue of the warrant, which is the subject matter of this application. On the papers it is not clear what prompted the issue of the warrant (i.e. the second warrant). The absence of an affidavit from the third respondent explaining what happened and the sequence of events is to be lamented. On the probabilities the conclusion that it was the applicant's approach to her for the issue of a release notice spurred her into action to obtain the issue of the second warrant is inescapable.

[19] On 6 February 2013 the third respondent telefaxed a copy of the release notice to the applicant's attorneys. During a telephone conversation on the same day she also informed them of the issue of the second warrant

and the fact that the shoes had again been seized and detained by her. The seizure and detention occurred at the premises of the sixth respondent.

[20] The affidavit of complaint filed in support of the second warrant was based almost exclusively upon the affidavits of complaint filed in support of the earlier warrant. They were in fact annexed to and incorporated by reference in the affidavit of complaint filed in support of the second warrant, which, additionally, informed the second respondent that "... [t]he Durban High Court found fault with the original warrant in this matter in that the warrant did not, the court found, adequately describe the counterfeit goods. There was no finding that the goods were not in fact counterfeit, and no finding that the [fourth respondent's] Copyright was not infringed".

[21] The affidavits delivered in the earlier High Court application and *Penzhorn* AJ's written judgment were not placed before the second respondent. The second respondent was not appraised of their contents.

[22] On that basis the issue of the warrant was sought and obtained on 4 February 2013.

[23] The applicant contends that by the time the warrant was sought and obtained on 4 February 2013 the fourth and fifth respondents were fully aware of its (i.e. the applicant's) cogent defences to the infringement and counterfeiting claims. As such those facts ought to have been placed before

the second respondent for him to properly apply his mind to whether the second warrant ought to have been issued.

[24] Section 6 of the Act provides as follows:

'The warrant contemplated in section 4(2) read with section 5(1) will be issued in chambers by any judge of the High Court or by a magistrate who has jurisdiction in the area where the relevant suspected act of dealing in counterfeit goods is alleged to have taken or to be taking place or is likely to take place, and will be issued only if it appears to the judge or magistrate from information on oath or affirmation that there are reasonable grounds for believing that an act of dealing in counterfeit goods has taken or is taking place or is likely to take place, and the Inspector seeking the warrant may be asked to specify which of the powers contemplated in section 4(1) is or are likely to be exercised.'

[25] It is immediately clear that the second respondent needed to be put in a position where he could conclude that there were "... **reasonable grounds for believing**..." that the applicant was dealing in counterfeit goods.

[26] In my view it was necessary for the third respondent, and indeed the deponent to the second affidavit of complaint, to have placed all of the relevant information before the second respondent for him to properly address the need to issue the second warrant. I pause to mention that, like in this matter, the third respondent was also a respondent in the earlier application.

[27] In *Cadac (Pty) Ltd v Weber Stephen Products Company & Ors* 2005 BIP 439 (W) *Schwartzman J* said the following:

'11.4 By reason of the far reaching consequences that can flow from the exercise of the power given to a complainant under [the Act] "(be) it on his head if he acts in an unjustified, improper or reckless manner in causing this seizure and

*detention of alleged counterfeit goods" ... Accordingly, the least that is required of a complainant in what is an *ex parte* application for a warrant is that it disclose all material facts that might influence a Judge's or magistrate's decision to issue the warrant. It follows that if in such an *ex parte* application, there is a material non-disclosure for whatever reason that might influence the outcome, then "unless they are very cogent practical reasons while order should not be rescinded, the Court will always frown on an order obtained *ex parte* on incomplete information and will set it aside even if relief could be obtained on a subsequent application by the same applicant" – per LeRoux J in **Schlesinger v Schlesinger 1979 (4) SA 342 (W)** at page 350A to B.'*

[28] *Schwartzman* J also said that:

'13. There was an incomplete disclosure in the affidavit, resulting in the First Respondent not making a full disclosure of all material facts. What was not referred to were the two similar, albeit slightly smaller kettle grills, that the Applicant had marketed without objection for 18 months. What was not disclosed was the Applicant's defence to the complaint – in law it may have been good or it may have been bad – but it remained material to be known to the Judge or magistrate. What was also not disclosed was the Applicant's request to be heard before a search warrant was issued. To have afforded it this opportunity would not have frustrated a genuine attempt to invoke the provisions of [the Act].'

And

'15. I therefore find that a full disclosure might have influenced the Judge's or magistrates's decision. The First Respondent has not advanced any compelling or substantial reasons for this failure. In this sense, there was a wrongful seizure, removal and detention of the Applicant's goods. It follows that the one should, on this ground, be set aside. A consequence of that flows from this finding is that the goods seized in terms of the warrant must be returned to the Applicant.'

And

'17. What suffices for purposes of this judgment is that it should be borne in mind that the far reaching remedies made available to a complainant in terms of [the Act] are directed at stopping a fraud as a preliminary to criminal or civil proceedings. The object of the Act is not to give a party to a genuine trademark dispute a weapon to be used *in terrorem* against its opponent.'

[29] In *Cadac (Pty) Ltd v Weber-Stephen Products Co* 2011 (3) SA 570 (SCA), at para 6, the Act was categorised as follows:

'Counterfeiting involves deliberate and fraudulent infringement of trademarks, and "counterfeit cases involve an infringer attempting to reproduce – and substitute for – the goods (not just a trademark) of the trademark owner". That is why the Act is concerned with trademark and copyright infringements that are criminal in nature. The Act does not permit a rights holder to steal a march on an alleged infringer in order to settle a bona fide dispute about the boundaries of rights. Those disputes should be litigated and either the Trade Marks Act or the Copyright Act.'

[30] In the earlier application, both on the papers and during argument, the applicant explored its reasons for rejecting the counterfeiting allegations made by the fourth and fifth respondents. It follows, in my view, that that material ought to have been placed before the second respondent. There was thus an incomplete disclosure when the second warrant was applied for. I am accordingly of the view that all the material facts were not before the second respondent and that for that reason alone the fourth and fifth respondents must be non-suited.

[31] Having reached that conclusion there is no need for me to embark upon an analysis of the applicant's contentions on the merits of the allegations with regard to counterfeiting.

[32] I accordingly make the following order:

- a. The warrant issued by the second respondent on 4 February 2013 in terms of the Counterfeit Goods Act, 37 of 1997 and executed by the third respondent on 6 February 2013 at the premises of the sixth respondent in respect of the shoes imported into South Africa by the applicant is set aside.
- b. The first, third and sixth respondents are directed to forthwith release the seized shoes to the applicant.
- c. The fourth and fifth respondents, jointly and severally, the one paying the other to be absolved, are directed to pay the applicant's costs, such costs to include those consequent upon the employment by the applicant of two counsel and are to include all costs reserved on previous occasions.

Vahed J

CASE INFORMATION

Date of Hearing: 20 May 2013

Date of Judgment: 11 June 2013

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