

REPUBLIC OF SOUTH AFRICA

COUNTERFEIT GOODS BILL

(As amended by the Select Committee on Economic and Foreign Affairs (National Council of Provinces))

(MINISTER OF TRADE AND INDUSTRY)

[B 22B—97]

REPUBLIEK VAN SUID-AFRIKA

WETSONTWERP OP NAGEMAAKTE GOEDERE

(Soos gewysig deur die Gekose Komitee oor Ekonomiese en Buitelandse Sake (Nasionale Raad van Provinsies))

(MINISTER VAN HANDEL EN NYWERHEID)

[W 22B—97]

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BILL

To introduce measures aimed against the trade in counterfeit goods so as to further protect owners of trade marks, copyright and certain marks under the Merchandise Marks Act, 1941, against the unlawful application, to goods, of the subject matter of their respective intellectual property rights and against the release of goods of that nature (called “counterfeit goods”) into the channels of commerce; for that purpose—

to prohibit certain acts in relation to counterfeit goods as well as the possession of counterfeit goods in certain circumstances;

to create offences in that regard and prescribe penalties in relation thereto;

to confer, in certain circumstances, upon inspectors and certain members of the South African Police Service the power, upon having obtained a warrant, or upon being otherwise authorised by or in terms of this Act, to enter premises and there to search for, and, if found, to seize and remove, counterfeit goods or suspected counterfeit goods for detention pending the finalisation of civil or criminal proceedings to be instituted or any other disposal thereof authorised by or in terms of the Act;

to provide that the Commissioner for Customs and Excise and his or her staff, upon having granted an application to that end by the owner of an intellectual property right, will have the power to seize and detain counterfeit goods or suspected counterfeit goods imported into or entering the Republic during a particular period and calculated to infringe that intellectual property right; and to provide for incidental matters.

BE IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

Definitions

1. (1) In this Act, unless inconsistent with the context—
- (i) “act of dealing in counterfeit goods” means any act or conduct referred to in section 2(1); (iii) 5
 - (ii) “apply to”, with reference to any goods, means use upon or in physical or other relation to any goods, and, unless clearly inappropriate, includes to embody or incorporate in any goods; (i)
 - (iii) “complainant” means a person who, in terms of section 3(1), is entitled to lay a complaint contemplated in that section and who has laid such a complaint; (xi) 10
 - (iv) “counterfeiting”—
 - (a) means, 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; 15
 - (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 20 25

- (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. 5
- However, the relevant act of counterfeiting must also have infringed the intellectual property right in question; (xv)
- (v) “counterfeit goods” means goods that are the result of counterfeiting, and includes any means used for purposes of counterfeiting; (xiii)
- (vi) “counterfeit goods depot” means a place designated under section 23 to be a counterfeit goods depot, and includes any place deemed by section 7(1)(c) to be a counterfeit goods depot; (xiv) 10
- (vii) “document” includes a tape recording, a photograph and any electronic or magnetic or other medium on, in, or by means or by way of which, images, sound, data or information may be stored, and “documentary” will be construed accordingly; (iv) 15
- (viii) “exporter” includes any person who, at the relevant time—
- (a) is the owner or is in control or possession of any goods exported or to be exported from the Republic;
- (b) carries the risk for any goods so exported or to be so exported; 20
- (c) represents that or acts as if he or she is the exporter or owner of any goods so exported or to be so exported;
- (d) actually takes or attempts to take any goods from the Republic;
- (e) has a beneficial interest, in any manner or of any nature whatsoever, in any goods so exported or to be so exported; 25
- (f) acts on behalf of any person referred to in paragraph (a), (b), (c), (d) or (e) of this definition,
- and, in relation to imported goods destined for exportation from the Republic, includes the manufacturer, producer, maker, supplier or shipper of those goods or any person inside or outside the Republic representing or acting on behalf of such a manufacturer, producer, maker, supplier or shipper. “Export” and “exportation” will be construed in accordance with the preceding provisions of this definition; (xvii) 30
- (ix) “importer” includes any person who, at the relevant time—
- (a) is the owner or is in control or possession of any goods imported or to be imported into the Republic; 35
- (b) carries the risk for any goods so imported or to be so imported;
- (c) represents that or acts as if he or she is the importer or owner of any goods so imported or to be so imported;
- (d) actually brings or attempts to bring any goods into the Republic; 40
- (e) has a beneficial interest, in any manner or of any nature whatsoever, in any goods so imported or to be so imported;
- (f) acts on behalf of any person referred to in paragraph (a), (b), (c), (d) or (e) of this definition,
- and “import” and “importation” will be construed accordingly; (x) 45
- (x) “inspector” means any person who under or by virtue of section 22 has been appointed as or designated to be an inspector for the purposes of this Act, as well as—
- (a) any police official as defined in section 1(1) of the Criminal Procedure Act, 1977 (Act No. 51 of 1977), holding the rank of sergeant or a higher rank; 50
- (b) the Commissioner for Customs and Excise and any official contemplated in section 15(9), in performing their functions in the circumstances contemplated in section 15(4); (viii)
- (xi) “intellectual property right” — 55
- (a) means the rights in respect of a trade mark conferred by the Trade Marks Act, 1993 (Act No. 194 of 1993);
- (b) means the copyright in any work in terms of the Copyright Act, 1978 (Act No. 98 of 1978);
- (c) in the case where, by a notice issued under section 15 of the Merchandise Marks Act 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 60

- the concomitant exclusive right of that specified person so to use that mark; (ix)
- (xii) “Minister” means the Minister of Trade and Industry; (xii)
- (xiii) “owner”, in relation to an intellectual property right, includes a person who has the capacity in law to enforce the intellectual property right in his or her own name; (v) 5
- (xiv) “package” or “packaging” means any container, wrapping or outer cover and the contents thereof, or any bundle or single piece in the case of unpacked goods, and, when used as a verb, has a corresponding meaning; (xvi)
- (xv) “prescribed” means prescribed by regulation under this Act; (xix) 10
- (xvi) “protected goods” means—
- (a) goods featuring, bearing, embodying or incorporating the subject matter of an intellectual property right with the authority of the owner of that intellectual property right, or goods to which that subject matter has been applied by that owner or with his or her authority; 15
- (b) any particular class or kind of goods which, in law, may feature, bear, embody or incorporate the subject matter of an intellectual property right only with the authority of the owner of that intellectual property right, or to which that subject matter may in law be applied, only by that owner or with his or her authority, but which has not yet been manufactured, produced or made, or to which that subject matter has not yet been applied, with the authority of or by that owner (whichever is applicable); 20
- (i)
- (xvii) “this Act” includes any regulation made under this Act; (vii) 25
- (xviii) “tools” includes machinery; and (vi) 30
- (xix) “vehicle” includes any motor car, van, truck, trailer, caravan, cart, barrow, train, aircraft, ship, boat or other vessel, and any other vehicle, craft or means of conveyance of any kind whatsoever, whether self-propelled or not, as well as any pack animal. (xviii)
- (2) Without derogating from the meanings of the words “place”, “premises” and “vehicle”, and unless clearly inappropriate, any reference in this Act— 30
- (a) to any place or premises, must be construed as a reference also to any freight container, irrespective of its size, at, on or in the place or premises;
- (b) to any vehicle, must be construed as a reference also to such a freight container on or in the vehicle. 35

Dealing in counterfeit goods prohibited and an offence

2. (1) Goods that are counterfeit goods, may not—
- (a) be in the possession or under the control of any person in the course of business for the purpose of dealing in those goods;
- (b) be manufactured, produced or made except for the private and domestic use of the person by whom the goods were manufactured, produced or made; 40
- (c) be sold, hired out, bartered or exchanged, or be offered or exposed for sale hiring out, barter or exchange;
- (d) be exhibited in public for purposes of trade;
- (e) be distributed— 45
- (i) for purposes of trade; or

- (ii) for any other purpose to such an extent that the owner of an intellectual property right in respect of any particular protected goods suffers prejudice;
- (f) be imported into or through or exported from or through the Republic except if so imported or exported for the private and domestic use of the importer or exporter, respectively; 5
- (g) in any other manner be disposed of in the course of trade.
- (2) A person who performs or engages in any act or conduct prohibited by subsection (1), will be guilty of an offence if—
- (a) at the time of the act or conduct, the person knew or had reason to suspect that the goods to which the act or conduct relates, were counterfeit goods; or 10
- (b) the person failed to take all reasonable steps in order to avoid any act or conduct of the nature contemplated in subsection (1) from being performed or engaged in with reference to the counterfeit goods.

Laying a complaint 15

3. (1) Any person who has an interest in protected goods, whether as the owner or licensee of an intellectual property right in respect of the protected goods or as an importer, exporter or distributor thereof (including the duly authorised agent or representative or the attorney of any such person), who reasonably suspects that an offence referred to in section 2(2) has been or is being committed or is likely to be committed by any person, may lay a complaint to that effect with any inspector. 20

(2) (a) The complainant must furnish information and particulars, to the satisfaction of the inspector, to the effect that the goods with reference to which that offence allegedly has been or is being or is likely to be committed, *prima facie* are counterfeit goods. 25

(b) For the purposes of paragraph (a), the complainant may furnish to the inspector a specimen of the alleged counterfeit goods, or, if not reasonably possible, sufficient information and particulars from which the essential physical and any other distinctive features, elements and characteristics of the alleged counterfeit goods may be ascertained, and sufficient information and particulars as to the subsistence and extent of the intellectual property right, the subject matter of which allegedly has been applied to the goods alleged to be counterfeit goods, and as to the complainant's title to or interest in that right, and, where the alleged counterfeit goods are calculated to infringe an intellectual property right that subsists in respect of or has been applied to protected goods contemplated in paragraph (a) of the definition of "protected goods" in section 1(1), also a specimen of the relevant protected goods. 30 35

(3) In relation to a complaint that has been laid, an inspector must take appropriate steps in terms of and subject to section 4(1), if reasonably satisfied—

- (a) that the person having laid the complaint, *prima facie* is a person who, in terms of subsection (1), is entitled to do so; and 40
- (b) that—
 - (i) the goods claimed to be protected goods, *prima facie* are protected goods; and
 - (ii) the intellectual property right, the subject matter of which is alleged to have been applied to the offending goods, *prima facie* subsists; and 45
- (c) that the suspicion on which the complaint is based, appears to be reasonable in the circumstances.

(4) The preceding provisions of this section do not preclude an inspector from taking any appropriate steps in terms of section 4(1) on his or her own initiative in relation to any act or conduct believed or suspected to be an act of dealing in counterfeit goods, provided the requirements of that section are met. 50

Inspector's powers in relation to counterfeit goods

4. (1) If, pursuant to any complaint laid with an inspector or on the strength of any other information at his or her disposal, the inspector has reasonable grounds to suspect

that an offence contemplated in section 2(2) has been or is being committed or is likely to be committed, or to believe that an act of dealing in counterfeit goods has taken or is taking place or is likely to take place, he or she has the power, in accordance with paragraphs (a) to (f) of section 5(1)—

- (a) to enter upon or enter any place, premises or vehicle in order to inspect any relevant goods and seize any suspected counterfeit goods, and may seize any suspected counterfeit goods found and cause them to be detained in accordance with this Act, and, where applicable, remove the suspected counterfeit goods for the purposes of detention; 5
- (b) to collect or obtain evidence relating to the suspected counterfeit goods or the relevant act of dealing in counterfeit goods; 10
- (c) to conduct at, on or in such place, premises or vehicle whatever search may be reasonably necessary for the purposes of paragraph (a) or (b) (including the search of a person); and
- (d) to take whatever steps may be reasonably necessary in order to terminate the relevant act of dealing in counterfeit goods. 15

(2) Subject to section 5(2), the powers conferred on an inspector by subsection (1) may be exercised only on the authority of a warrant issued under section 6, and may be exercised wherever the suspected act of dealing in counterfeit goods has taken or is taking place or is likely to take place or is suspected on reasonable grounds to have taken place or to be taking place. 20

Extent of Inspector's powers in relation to counterfeit goods

5. (1) An inspector acting on the authority of and in accordance with a warrant issued under section 6, may at any reasonable time—

- (a) enter upon or enter, and inspect, any place, premises or vehicle at, on or in which goods that are reasonably suspected of being counterfeit goods, are to be found or on reasonable grounds are suspected to be or to be manufactured, produced or made, and search such place, premises or vehicle and any person thereat, thereon or therein, for such goods and for any other evidence of the alleged or suspected act of dealing in counterfeit goods. For the purposes of entering, inspecting and searching such a vehicle, an inspector who is a police official or who is assisted by a police official may stop the vehicle, if necessary by force, wherever found, including on any public road or at any other public place; 25
- (b) take the steps that may be reasonably necessary to terminate the manufacturing, production or making of counterfeit goods, or any other act of dealing in counterfeit goods being performed, at, on or in such place, premises or vehicle, and to prevent the recurrence of any such act in future. Those steps may include any of the steps contemplated in paragraphs (c), (d) and (e) but do not include the destruction or alienation of the relevant goods unless authorised by the court in terms of this Act; 30
- (c) seize and detain, and, where applicable, remove for detention, all the goods in question found at, on or in such place, premises or vehicle; 35
- (d) seal or seal off any place, premises or vehicle at, on or in which— 40
 - (i) the goods in question are found, or are manufactured, produced or made, either wholly or in part; 45
 - (ii) any trade mark, or any exclusive mark contemplated in paragraph (c) of the definition of “counterfeiting” in section 1(1), or any work which is the subject matter of copyright, is applied to those goods; 50
 - (iii) the packaging for those goods is prepared; or 50
 - (iv) the packaging of those goods is undertaken;
- (e) seize and detain, and, where applicable, remove for detention, any tools which may be used in the manufacturing, production, making or packaging of those goods or applying a trade mark or that exclusive mark or such a work to them; and, 55

- (f) if he or she reasonably suspects that a person at, on or in such place, premises or vehicle may furnish any information with reference to any act of dealing in counterfeit goods—
- (i) question that person and take down a statement from him or her;
 - (ii) demand and procure from that person any book, document, article, item or object which in any way may be relevant to the nature, quantity, location, source or destination of the goods in question, or the identity and address of anyone involved or ostensibly involved as a supplier, manufacturer, producer, maker, distributor, wholesaler, retailer, importer, exporter or forwarding agent of, or other dealer in, the goods in question.
- (2) Subject to subsection (3), an inspector may, during the day, without a warrant enter upon or enter any place, premises or vehicle after having identified himself or herself, and, in accordance with paragraphs (a) to (f) of subsection (1), exercise the powers of seizure, removal, detention, collecting evidence and search contemplated in section 4(1)(a), (b) and (c) (except the power to search any person), as well as the power to take the steps contemplated in section 4(1)(d), if—
- (a) the person who is competent to consent to the entry and to such search, seizure, removal and detention, gives that consent; or
 - (b) the inspector on reasonable ground believes that—
 - (i) the required warrant will be issued to him or her in terms of section 6 if he or she were to apply for the warrant; and
 - (ii) the delay that would ensue by first obtaining the warrant would defeat the object or purpose of the entry, search, seizure, removal, detention, collection of evidence and other steps.
- (3) Subsection (2)(b) does not serve as authority for, and may not be applied for the purposes of, entering and searching any private dwelling, nor for conducting such seizure and removal, the collection of evidence and the taking of the said other steps therein.
- (4) Notwithstanding the provisions of subsections (1) and (2)—
- (a) any steps taken by an inspector in accordance with paragraph (a), (b), (c) or (d) of subsection (1), or like steps taken by him or her by virtue of subsection (2), will cease to have any legal effect whatsoever unless the court confirms such steps, either finally or *pendente lite*, on the application of the inspector or the relevant complainant (where applicable) brought within 10 court days of the day on which those steps had been taken;
 - (b) no answer given or statement made by any person to an inspector exercising his or her powers in terms of paragraph (f)(i) of subsection (1) or given or made to any inspector exercising like powers by virtue of subsection (2), will, if self-incriminating, be admissible as evidence against that person in criminal proceedings instituted in any court against him or her, except in criminal proceedings where that person is tried for an offence contemplated in section 18(d)(ii), and then only to the extent that such answer or statement is relevant to prove the offence charged.
- (5) The provisions of section 6(4) regarding the manner in which a search must be conducted, and section 6(5)(b), (6), (7), (8) and (9), will apply *mutatis mutandis* to an inspector acting by virtue of subsection (2) of this section.

Provisions relating to issue and execution of warrant

6. (1) 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.

(2) A warrant in terms of this section may be issued either with reference to only one separate suspected act of dealing in counterfeit goods or with reference to any number of such acts, whether any such act involves only one alleged offender or any number of alleged offenders, and irrespective of whether such offender or number of offenders is identified specifically by name or by reference to any particular place or circumstances, and any point in time. 5

(3) A warrant in terms of this section may be issued on any day and will be in force until— 10

- (a) it has been executed; or
- (b) it is cancelled by the judge or magistrate who issued it, or, if not available, by any other judge, or by any other magistrate with like authority (as the case may be); or
- (c) the expiry of three months from the day of its issue; or 15
- (d) the purpose for which the warrant was issued, no longer exists,

whichever may occur first.

(4) A warrant issued in terms of this section may be executed by day only, unless the person who has issued the warrant has authorised the execution thereof by night at times which must be reasonable, and the entry upon or into and search of any place, premises or vehicle specified in the warrant, and the search of any person thereat, thereon or therein, must be conducted with strict regard to decency and order, including— 20

- (a) a person's right to, respect for and protection of his or her dignity;
- (b) the right of a person to freedom and security of his or her person; and
- (c) the right of a person to his or her personal privacy. 25

(5) An inspector executing a warrant in terms of this section must immediately before commencing with the execution thereof—

- (a) identify himself or herself to the person in control of the place, premises or vehicle to be entered upon or entered, if that person is present, and hand to that person a copy of the warrant, or, if that person is not present, affix a copy of the warrant to a prominent spot at, on or to the place, premises or vehicle; 30
- (b) furnish that person at his or her request with particulars regarding the inspector's authority to execute such a warrant. For that purpose an inspector may be requested to produce the certificate issued in respect of him or her under section 22(3). 35

(6) An inspector who on the authority of a warrant issued in terms of subsection (1) may enter upon or enter, and search, any place, premises or vehicle and search any person thereat, thereon or therein, may use such force as may be reasonably necessary to overcome any resistance to the entry and search.

(7) An inspector may enter upon or enter, and search, any place, premises or vehicle, and may search any person thereat, thereon or therein, only if he or she audibly has first demanded access thereto and has notified the purpose of the entry, unless the inspector on reasonable grounds is of the opinion that any goods, document, article or item may be destroyed or be lost if access is first demanded and that purpose notified. 40

(8) If, during the execution of a warrant in terms of this section, a person claims that any goods, document, article or item found at, on or in the place, premises or vehicle in question contains privileged information and refuses the inspection or removal thereof, the inspector executing the warrant, if of the opinion that the goods, document, article or item may be relevant to and necessary for the investigation of any complaint or any alleged or suspected act of dealing in counterfeit goods, must request the registrar of the High Court having jurisdiction, or that registrar's deputy, to seize and remove such goods, document, article or item for safe custody until the court has made a ruling on the question whether or not the information in question is privileged. 50

(9) In undertaking any search for and inspection and seizure of suspected counterfeit

goods an inspector may be assisted by the complainant (if any) or any other knowledgeable person in identifying goods as suspected counterfeit goods.

Duties of inspector following seizure of goods

7. (1) An inspector who, in exercising his or her powers in terms of section 4(1), has seized any suspected counterfeit goods, must— 5
- (a) forthwith seal, clearly identify and categorise these goods and prepare, in quadruplicate, an inventory of them and cause the person from whom those goods were seized to check the inventory for correctness, and, if correct, cause that person to make a certificate to that effect under his or her signature on each original of that inventory. If the seized goods are removed in terms of paragraph (c), the inspector must endorse that fact under his or her signature on every original of that inventory, in which case that inventory will also serve as a receipt; 10
 - (b) furnish one of the originals of the inventory to the person from whom the goods were seized and another to the complainant (if any) within 72 hours after the seizure; 15
 - (c) as soon as possible remove the goods, if transportable, to a counterfeit goods depot for safe storage, or, if not capable of being removed or transported, declare the goods to have been seized, and seal off or seal and lock up those goods or place them under guard at the place where they were found, and thereupon that place will be deemed to be a counterfeit goods depot; and 20
 - (d) by written notice inform the following persons of the action taken by the inspector in terms of section 4(1) and of the address of the counterfeit goods depot where the seized goods are kept:
 - (i) The person from whom those goods were seized; and 25
 - (ii) also—
 - (aa) the complainant, where the inspector exercised his or her powers in terms of section 4(1) pursuant to a complaint laid in terms of section 3(1); or
 - (bb) any person who, in relation to those goods, qualifies in terms of section 3(1) to be a complainant, but who had not yet so laid a complaint at the time when the inspector exercised those powers on his or her own initiative as contemplated in section 3(4). 30
- (2) In any notice in terms of subsection (1)(d) that is issued—
- (a) to the complainant, the complainant must be notified of his or her right by virtue of section 9(1)(a) to lay a criminal charge, not later than three days after the date of the notice, against the person from whom those goods were seized (hereafter called the suspect); 35
 - (b) to a person qualifying to be a complainant, as contemplated in paragraph (d)(ii)(bb) of subsection (1), the inspector must invite that person (hereafter called the prospective complainant) to lay a complaint with him or her, and lay with the South African Police Service a criminal charge, not later than three days after the date of the notice, against the suspect for having performed an act of dealing in counterfeit goods that is an offence in terms of section 2(2). 40
- (3) An inspector may demand from a complainant to disclose any information which may be relevant to the action that has been taken. 45
- (4) (a) Any person prejudiced by a seizure of goods in terms of section 4(1), may at any time apply to the court on notice of motion for a determination that the seized goods are not counterfeit goods and for an order that they be returned to him or her.
- (b) The court may grant or refuse the relief applied for and make such order as it deems just and appropriate in the circumstances, including an order as to the payment of damages and costs, if applicable. 50
- (c) If deemed just and appropriate in the circumstances by a court that has refused the order sought, it may order, where those goods have been seized pursuant to a complaint

laid in terms of section 3(1), that the complainant furnishes security to the applicant in respect of those goods in an amount and manner determined by the court.

Storage of seized goods, and access thereto

8. (1) Goods that have been seized in terms of section 4(1) must be stored and kept in safe custody at a counterfeit goods depot until the person in charge of the depot— 5
- (a) is ordered by a competent court in terms of this Act to return, release, destroy or otherwise dispose of those goods as specified in the order; or
 - (b) is directed by the inspector concerned, in the circumstances provided for in subsection (1)(b) or (2)(a), (b) or (c) of section 9, to release those goods to the suspect. 10
- (2) Goods seized in terms of section 4(1) will be available for inspection by the complainant, or, as the case may be, prospective complainant (if any), the suspect and any other interested person at the counterfeit goods depot on any working day during normal office hours.
- (3) The person in charge of the counterfeit goods depot, on the request of the complainant or prospective complainant (as the case may be) or the suspect, must make the relevant seized goods available for testing or analysis by or on behalf of any such complainant or the suspect if the person so in charge, having taken into account the nature of such seized goods, the nature of the tests or analyses to be conducted, and the competence and suitability of the person by whom the tests or analyses are to be conducted, is satisfied that a request in that regard is reasonable. 15 20
- (4) The person in charge of a counterfeit goods depot who is not willing to allow seized goods under his or her custody to be made available to the suspect for testing or analysis by any person or by a particular person, must forthwith refer the matter to the complainant or prospective complainant (as the case may be) who must either confirm or reverse that decision within 48 hours. 25
- (5) (a) Where any such complainant has confirmed the decision not to allow the seized goods to be made available to the suspect for testing or analysis, that decision must be conveyed in writing to the suspect who may apply to the court for an order rescinding the decision and allowing those goods to be made so available. 30
- (b) The court will grant the application if it finds the decision to be unreasonable in the circumstances.

Seized goods to be released if criminal investigation or criminal or civil proceedings not contemplated against suspect

9. (1) (a) Where suspected counterfeit goods have been seized by an inspector in terms of section 4(1), the complainant or prospective complainant (as the case may be), if he or she wishes to lay a criminal charge against the suspect with the South African Police Service for having committed an offence referred to in section 2(2) and request that a criminal investigation into the matter be undertaken, must do so not later than three days after the date of the notice referred to in section 7(2). 35 40
- (b) If, upon the expiry of that three day period, a criminal charge has not so been laid, the relevant seized goods must be released to the suspect, subject to subsection (2).
- (2) Subject to subsection (3), goods seized in terms of section 4(1), must be released to the suspect also—
- (a) (i) if the State fails within 10 working days after the date of the notice given to the suspect in terms of paragraph (d)(i) of section 7(1) to inform the suspect, by further written notice, of its intention to institute a criminal prosecution against him or her for having committed an offence referred to in section 2(2); and 45
 - (ii) if any person to whom notice has been given in terms of paragraph (d)(ii) of section 7(1) fails within 10 working days after the date of that notice 50

- to inform the suspect, by further written notice, of the person's intention to institute against the suspect civil proceedings founded on an act of dealing in counterfeit goods on the part of the suspect; or
- (b) in any case where the State or that person has so given further notice, if that criminal prosecution or those civil proceedings (as the case may be) is or are not instituted within 10 court days after the date of the relevant further notice; or
- (c) if the complainant in writing has instructed the inspector to release those goods to the suspect. However, such an instruction may not be given and the relevant seized goods may not be so released at any time after a criminal prosecution involving those goods has been instituted against the suspect; or
- (d) upon the order of a competent court.

(3) (a) For the purpose of effecting the release of goods in terms of subsection (1)(b) or (2)(a), (b) or (c), the inspector who had seized those goods in terms of section 4(1) must issue a notice to the person in charge of the counterfeit goods depot where those goods are detained, directing that the relevant goods, as specified in the copy of the inventory attached to that notice, be released to the person specified therein, and at the same time cause a copy of that notice to be served on the suspect and on the complainant.

(b) The person in control of a counterfeit goods depot to whom a notice has been issued in accordance with the provisions of paragraph (a), must release the relevant goods in accordance with that notice, on the fourth day after the date of that notice, unless a competent court has ordered otherwise.

Other orders that may be issued by court

10. (1) Without derogating from the powers of a court in any civil or criminal proceedings relating to counterfeit goods, such a court may order—

- (a) that the goods in question, where they have been found to be counterfeit goods, be delivered up to the owner of the intellectual property right the subject matter of which has been unlawfully applied to those goods, or up to any complainant deriving his or her title from that owner, irrespective of the outcome of the proceedings;
- (b) that those goods be released to any person specified in the order;
- (c) that the complainant pays damages, in an amount determined by the court, to the person from whom those goods were seized and pays that person's costs;
- (d) that the accused or the defendant or respondent (as the case may be) discloses the source from which those goods, if found to be counterfeit goods, have been obtained, as well as the identity of the persons involved or ostensibly involved in the importation, exportation, manufacture, production or making, and the distribution, of the counterfeit goods and in the channels of distribution of those goods.

(2) If a court in any civil or criminal proceedings has ordered the delivery up to any person of goods found to be counterfeit goods derived from any process of counterfeiting contemplated in paragraph (b) or (c) of the definition of "counterfeiting" in section 1(1), then, notwithstanding the provisions of any law, those goods—

- (a) may not be released into the channels of commerce upon the mere removal of the subject matter of the intellectual property right that was unlawfully applied to those goods;

(b) if imported, may not be exported in an unaltered state, unless the court, on good cause shown, has ordered otherwise.

Court may authorise search and attachment, pending institution of civil proceedings, to preserve evidence relevant to infringement of intellectual property right, etc.

11. (1) The owner of an intellectual property right who is aware or has reasonable grounds to believe that an act of dealing in counterfeit goods has taken or is taking place

or is likely to take place, may, without prejudice to any other remedy that he or she may have in law, apply *ex parte* to a judge in chambers for an order—

- (a) directing the sheriff or another person designated by the court (hereafter referred to as a designated person) to enter upon or enter any specified place or premises accompanied by such other persons as the court may specify (if any) and there to search for, and, if found, seize and remove, such documents, records or other material as the court may specify and any such goods, alleged to be counterfeit goods, as may be so specified (hereafter referred to as subject goods), that are at, on or in such place or premises, and to attach such documents, records, material and goods;
 - (b) directing the respondent to point out to the sheriff or designated person all subject goods and to disclose and make available to him or her all documents and material that are relevant in order to determine whether the subject goods in question are counterfeit goods or are relevant to any transactions or dealings in counterfeit goods at, on or in the relevant place or premises or elsewhere, and to permit the sheriff or designated person to attach such subject goods, as well as such documents and material (hereafter jointly referred to as ancillary materials) and remove them for detention in safe custody;
 - (c) restraining the respondent from—
 - (i) interfering with the state of the subject goods or ancillary materials during the search, seizure, attachment or removal;
 - (ii) carrying out or continuing with the act of dealing in counterfeit goods that gave rise to the application;
 - (d) granting such further or alternative relief as the court considers appropriate.
- (2) An application in terms of subsection (1) will be heard *in camera* unless the court is satisfied that the attendance of the proceedings by members of the public or any class or group of such members will not cause the applicant to suffer any prejudice or to be prejudiced when seeking to protect or enforce his or her relevant intellectual property right, and that such attendance, should the court order the relief sought, will not impair or detract from the efficacy of the order or the execution thereof.
- (3) The court will not grant an application brought in terms of subsection (1) unless it considers that the applicant has a *prima facie* claim against the respondent for the infringement of an intellectual property right and that—
- (a) the applicant's right to discovery of documents in any proceedings to be instituted by him or her is likely to be frustrated, either by reason of the nature of the suspected counterfeit goods in relation to which the application is made or due to other circumstances; or
 - (b) should the normal court procedure be followed or implemented, the goods relevant to the issues in those proceedings, or evidence in connection with transactions or dealings with the latter goods, are likely to be destroyed or to be so altered or placed or be otherwise disposed of in such manner as to effectively preclude the applicant from having access to the relevant goods.
- (4) A court hearing an application so brought, may order that the relief applied for, be granted, subject to the terms and conditions specified in the order, or that relief be refused, or may make any other order that it deems just and appropriate in the circumstances.
- (5) For the purposes of subsection (4), the court may—
- (a) order that the sheriff or designated person may rely upon the assistance of knowledgeable persons, specified in the order, in identifying the subject goods and ancillary materials;
 - (b) order the applicant to furnish security to the respondent in an appropriate amount equal to a specified percentage of the value of the goods attached;
 - (c) issue an order restraining the respondent *pendente lite* from infringing the applicant's intellectual property right;
 - (d) issue a rule *nisi* calling upon the respondent to show cause before or on a specified day (which must fall on a date within 20 court days of the granting

of the rule *nisi*) why an interdict restraining the respondent from infringing the applicant's intellectual property right and any order granting the applicant further relief, including an order directing the delivery of the subject goods up to the applicant, should not be granted or confirmed;

- (e) order that the applicant, should he or she wish to institute proceedings against the respondent for the infringement of the applicant's intellectual property right, must do so not later than the date specified in the order. 5

(6) If the court has not made an order in terms of subsection (5)(e), an applicant who wishes to institute the proceedings contemplated in that subsection must do so within 20 court days of the date of the order made in terms of subsection (4) and whereby his or her application was granted. 10

Provisions relating to execution of court order authorising search for counterfeit goods and evidence relevant thereto

12. (1) When the court in terms of section 11(4) has issued an order authorising a search of any place or premises, the respondent will be entitled to have his or her attorney present during the search and further execution of the order at, on or in such place or premises, if the presence of that attorney can be secured with due speed after the sheriff or designated person has arrived at the place or premises with a view to conducting that search and further executing that order. 15

(2) The sheriff or designated person, for the purpose of conducting the search, must be accompanied by the applicant's attorney who, after service, at the place or premises where the search is to be conducted, of a copy of the application and order on the respondent, or, if the respondent is not present, on a responsible person ostensibly in control of such place or premises, must explain the terms of the order to the respondent or that person and inform him or her that the respondent is entitled to have his or her attorney present during the execution of the order provided the presence of the respondent's attorney is secured with due speed. 20 25

(3) The sheriff or designated person conducting the search, must—

- (a) prepare an inventory of the subject goods and ancillary materials attached by him or her on the authority of an order in terms of section 11(4) and furnish a copy of the inventory to the applicant and to the respondent; 30
- (b) allow the parties to peruse the ancillary materials that have been so attached and to make copies thereof or excerpts therefrom; and
- (c) allow the parties to inspect the subject goods and to have those goods tested or analysed on their behalf. 35

(4) When a search authorised by an order in terms of section 11(4) has been completed, the applicant's attorney must, without delay—

- (a) make a statement under oath or affirmation in which he or she reports fully on the conducting of the search and on any other steps taken by him or her in relation to or pursuant to the search with a view to complying with the requirements of that order or an order in terms of section 11(5) and the requirements imposed by this section, and, where any subject goods or ancillary materials have been attached on the authority of an order in terms of section 11(4), annex to that statement a copy of the inventory prepared in relation to the relevant subject goods and ancillary materials in compliance with subsection (3) of this section; 40 45
- (b) cause the original of that statement, together with its annex, to be filed in the office of the registrar of the court in question and cause a certified copy thereof to be served on the respondent.

Court may order unsuccessful claimant in proceedings for infringement of intellectual property right to pay compensation 50

13. (1) Where in any proceedings the claim of a person (hereafter called the erstwhile applicant) in respect of an infringement of his or her intellectual property right is dismissed, the court may order the erstwhile applicant to pay appropriate compensation

to the erstwhile respondent for any injury or prejudice caused to or suffered by him or her in consequence of any measures and steps taken in terms of section 11 or 12 on the authority of an order contemplated in section 11.

(2) For the purposes of subsection (1) and section 14—

- (a) “erstwhile applicant” means the owner of an intellectual property right who was the successful applicant in any *ex parte* application brought in terms of section 11(1); and
- (b) “erstwhile respondent” means the person against or in relation to whom relief was sought pursuant to that application.

Court may order release of attached subject goods and ancillary materials in certain circumstances

14. If an erstwhile applicant does not, before the date specified in an order contemplated in section 11(5)(e) or within the period referred to in section 11(6), whichever is applicable, institute proceedings against the erstwhile respondent for the infringement of the erstwhile applicant’s intellectual property right, or if, in the case where those proceedings have been so instituted, the erstwhile applicant’s claim has been dismissed by the court, the court, on the application of the erstwhile respondent or any other interested person claiming to be entitled to the subject goods and ancillary materials, may order that such goods and materials be released, respectively, to the erstwhile respondent or to such interested person who has proved his or her entitlement thereto.

Customs authorities’ powers in relation to counterfeit goods being imported into Republic

15. (1) The owner of an intellectual property right may apply to the Commissioner for Customs and Excise (hereafter called the Commissioner), to seize and detain all goods—

- (a) which are counterfeit goods featuring, bearing, embodying or incorporating the subject matter of that intellectual property right or to which the subject matter of that right has been applied;
- (b) and which are imported into or enter the Republic during the period specified in the application. However, that period may not extend beyond the last day of the period for which that intellectual property right subsists.

(2) For the purposes of subsection (1), the applicant may furnish to the Commissioner a specimen of the goods that are protected goods of the nature contemplated in paragraph (a) of the definition of “protected goods” in section 1(1) (if any) and to which the subject matter of his or her relevant intellectual property right relates, and sufficient information and particulars as to the subsistence and extent of that intellectual property right and as to his or her title to that right.

(3) The Commissioner must consider and deal with an application in terms of subsection (1) without delay, and must grant the application if satisfied on reasonable grounds—

- (a) that the goods claimed to be protected goods, are *prima facie* protected goods;
- (b) that the intellectual property right, the subject matter of which relates to the protected goods, *prima facie* subsists; and
- (c) that the applicant *prima facie* is the owner of that intellectual property right.

(4) When an application made in terms of subsection (1) has been granted and notice thereof given in terms of subsection (5), all goods that are counterfeit goods of the type with reference to which that application was made (hereafter called the stipulated goods), or suspected on reasonable grounds to be stipulated goods, and imported into or entering the Republic from time to time during the period determined by the Commissioner (which may be shorter than the period applied for), may be seized and detained by the customs authorities in performing their functions under the Customs and Excise Act, 1964 (Act No. 91 of 1964), subject to the provisions of subsections (6) and (7) of this section.

- (5) The Commissioner, by written notice (issued within a reasonable time after having decided the application) must notify the applicant whether the application has been granted or refused, and—
- (a) if granted, state the period during which any stipulated goods being imported into or entering the Republic will be made subject to seizure and become subject to detention under subsection (4);
 - (b) if refused, state the reasons for the refusal.
- (6) For the purposes of acting under subsection (4) in relation to goods that are stipulated goods or suspected on reasonable grounds to be stipulated goods—
- (a) any member of the customs authorities will act *mutatis mutandis* as if he or she were an inspector who, in connection with counterfeit goods or alleged or suspected counterfeit goods, were exercising the powers contemplated in section 4(1) on own initiative in terms of section 3(4);
 - (b) the following provisions of this Act will apply *mutatis mutandis* in relation to any member of the customs authorities, namely—
 - (i) the provisions in accordance with or subject to which the powers contemplated in section 4(1) may be exercised by an inspector so acting on own initiative;
 - (ii) the provisions by which any other power or any right, function, duty, obligation, exemption, indemnity or liability is conferred or imposed on an inspector so acting.
- However, the Minister, at the request of the Minister of Finance acting on the recommendation of the Commissioner, may by notice in the *Gazette* exempt the members of the customs authorities from any of the provisions made applicable by this paragraph if satisfied that there are suitable and appropriate alternative arrangements made by or under the Customs and Excise Act, 1964, that cover the purpose of the provision from which exemption is sought.
- (7) The customs authorities will not be obliged to act in terms of subsection (4) unless the owner of the intellectual property right, the subject matter of which is alleged to be featured or borne by or incorporated or embodied in or to have been applied to stipulated goods, furnishes to the Commissioner security in the manner and amount that the Commissioner may require to indemnify the customs authorities and their members against any liability that may be incurred pursuant to the seizure and detention of goods or anything done in relation to goods when acting or purportedly acting under this section, and to cover any expenses that may be incurred in effecting the seizure and detention of the goods.
- (8) The provisions of this Act will not be construed so as to render the customs authorities or any of their members liable for—
- (a) any failure to detect or seize stipulated goods;
 - (b) the inadvertent release of any such goods; or
 - (c) any action taken in good faith in respect of such goods.
- (9) For the purposes of this section, “customs authorities” means the South African Revenue Service in its Division: Customs and Excise, the members of which are the Commissioner and those officials who are “officers” within the contemplation of the definition of “officer” in section 1(1) of the Customs and Excise Act, 1964.

Evidence and presumptions

- 16.** (1) Subject to section 5(4)(b), any statement taken down or other documentary evidence procured by an inspector in the course of exercising any power in terms of section 4(1), may be made available to a complainant at his or her request. The complainant may make copies of or extracts from any such statement or documentary evidence and must return the original statement or document to the inspector.
- (2) An inspector may be called as a witness by any party to civil or criminal proceedings concerning counterfeit goods, or by the court, whenever the inspector’s

conduct, the exercise or performance of his or her powers or duties in terms of section 4(1), 5, 6, 7 or 9 or the nature of the circumstances in or activities with reference to which those powers or duties were exercised or performed, is in issue or relevant in those proceedings.

(3) In any civil proceedings concerning an act of dealing in counterfeit goods by any person, it will be permissible, if relevant, to present evidence about that person's conviction on account of an offence founded on the same act of dealing in counterfeit goods. 5

(4) (a) A statement in the prescribed form, made under oath or affirmation by an inspector, to the effect that the goods specified under his or her signature in the inventory attached to that statement, are goods seized by him or her from a specified person at a specified place and on a specified date, will, upon production to the court, be admissible in evidence and be sufficient proof of the facts stated therein in any civil or criminal proceedings concerning counterfeit goods or any act of dealing therein, if relevant to those proceedings and if the inventory has been prepared by the inspector, and has been certified to be correct, as required by section 7(1)(a). 10 15

(b) If a statement has been produced and handed in as evidence in terms of paragraph (a), the court, in its discretion and notwithstanding the provisions of that paragraph, may order that the inspector who made that statement be directed or subpoenaed to appear before the court to give oral evidence concerning any matter mentioned or dealt with in that statement. 20

(5) Where the subsistence of an intellectual property right in respect of protected goods or any person's title to or interest in such intellectual property right is in issue in any civil or criminal proceedings concerning counterfeit goods, the subsistence of, title to or interest in such intellectual property right, where it is alleged— 25

(a) to encompass the rights in respect of a trade mark as contemplated in paragraph (a) of the definition of "intellectual property right" in section 1(1), may be proved in accordance with the provisions of sections 49, 50 and 51 of the Trade Marks Act, 1993;

(b) to be copyright in a work, may be proved in accordance with the provisions of section 26(12) of the Copyright Act, 1978, which provisions will apply *mutatis mutandis*; 30

(c) to be the exclusive right to use a particular mark, conferred by a notice issued under section 15 of the Merchandise Marks Act, 1941, may be proved by producing to the court a copy of the *Gazette* in which that notice was published, accompanied by a statement under oath or affirmation made by the Minister or any officer in the Department of Trade and Industry designated by the Minister, which is to the effect that such notice has not been withdrawn or amended in its essence. 35

However, the provisions of this subsection will not be construed so as to detract from the power of the court, in relation to any such matter or any aspect thereof— 40

(i) to require oral evidence to be given;

(ii) in the case of a High Court, to order that the evidence of a person who resides or is for the time being outside the area of jurisdiction of that Court, be taken by means of interrogatories. 45

(6) Where any person who conducts business in protected goods featuring, bearing, incorporating or embodying the subject matter of a particular intellectual property right is proved to have been found in possession of suspected counterfeit goods to which the subject matter of the same intellectual property right has been applied—

(a) it will, in any civil proceedings concerning an act of dealing in counterfeit goods founded on that person's possession of the suspected counterfeit goods, be presumed, until the contrary is proved, that such person was in possession of the latter goods for the purpose of dealing therein if the quantity of those goods is more than that which, in the circumstances, reasonably may be required for his or her private and domestic use; 50 55

(b) the same presumption will, in any criminal proceedings arising from that person's possession of the suspected counterfeit goods, apply *mutatis*

mutandis unless credible evidence in rebuttal of the fact presumed, is tendered.

Liability for damage or loss arising pursuant to application of Act

17. (1) Any person suffering damage or loss caused by the wrongful seizure, removal or detention of goods alleged to be counterfeit goods, or by any action contemplated in section 7(1)(a), (b) or (c) or (2) wrongfully taken by an inspector with reliance on that section read with section 4(1), or caused during or pursuant to the seizure, removal or detention of such goods in terms of this Act, will be entitled to claim compensation for that damage or loss which claim, subject to subsection (2), will be against the complainant and not against the State, the inspector or the person in charge of the counterfeit goods depot where those goods are or were detained. 5 10

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

- (a) in the seizure or removal of the alleged counterfeit goods, the inspector, or, in the detention and storage of those goods, that person so in charge or the inspector (depending on the circumstances), has been grossly negligent; or 15
- (b) the inspector or that person so in charge (as the case may be), in the seizure, removal, detention or storage of those goods, acted in bad faith.

(3) Any reference in paragraphs (a) and (b) of subsection (2) to an inspector or to a person in charge of a counterfeit goods depot (however expressed) will be construed so as to include any person acting on the instruction or under the supervision of the inspector or the person so in charge, as the case may be. 20

Miscellaneous offences

18. A person will be guilty of an offence— 25

- (a) upon failing to comply with any request, direction, demand or order made or given by an inspector in accordance with the provisions of this Act;
- (b) when obstructing or hindering an inspector in performing his or her functions under this Act;
- (c) if that person, without the necessary authority, breaks, damages or tampers with a seal applied by an inspector in terms of this Act or removes any goods, documents, articles, items, objects or things sealed or sealed-off by an inspector or detained or stored at a counterfeit goods depot in terms of this Act; or 30
- (d) when, if asked in terms of section 5(1)(f) for information or an explanation relating to a matter within the knowledge of that person, he or she— 35
 - (i) refuses or fails to give that information or explanation; or
 - (ii) gives information or an explanation knowing it to be false or misleading.

Penalties

19. (1) Any person convicted of an offence referred to in section 2(2), will be punishable— 40

- (a) in the case of a first conviction, with a fine, in respect of each article or item involved in the particular act of dealing in counterfeit goods to which the offence relates, that may not exceed R5 000,00 per article or item, or with imprisonment for a period that may not exceed three years, or with both such a fine and such term of imprisonment; 45
- (b) in the case of a second or any subsequent conviction, with a fine, in respect of each such article or item, that may not exceed R10 000,00 per article or item,

or with imprisonment for a period that may not exceed five years, or with both such a fine and such term of imprisonment.

(2) Any person convicted of an offence referred to in section 18, will be punishable with a fine or imprisonment for a period that may not exceed six months.

(3) (a) A court that has convicted a person of an offence contemplated in section 2(2) must, when considering which penalty to impose, amongst others take into account any risk to human or animal life, health or safety or danger to property (whether movable or immovable) that may arise from the presence or use of the counterfeit goods in question. 5

(b) Without detracting from the discretion that a court in criminal proceedings has with regard to sentencing, a court that has convicted any person of an offence referred to in section 2(2) may take into account, in mitigation of sentence, any evidence to the effect that such person, fully, truthfully and to the best of his or her ability had disclosed to an inspector who acted against him or her in terms of section 4(1) or to a member of the South African Police Service who investigated that offence, all information and particulars available to that person in relation to any one or more, or all, of the following matters (whichever may have been applicable in the circumstances): 10 15

(i) The source from which the counterfeit goods involved in the commission of the offence, were obtained;

(ii) the identity of the persons involved in the importation, exportation, manufacture, production or making of those counterfeit goods; 20

(iii) the identity and, if reasonably demanded, the addresses or whereabouts of the persons involved in the distribution of those goods;

(iv) the channels for the distribution of those goods.

(4) (a) The Minister may from time to time by notice in the *Gazette* increase the amounts of the fines mentioned in paragraphs (a) and (b) of subsection (1). 25

(b) That notice must be laid on the table in the National Assembly, for its consideration and approval, within 14 days after the date on which it is published in the *Gazette*, if the National Assembly is then in session, or, if it is not then in session, within 14 days of the commencement of its next session.

Orders permissible following conviction of person of offence contemplated in section 2(2) 30

20. (1) Subject to section 10, the court having convicted a person of an offence contemplated in section 2(2) may declare the counterfeit goods in question to be forfeited to the State or order that those goods and their packaging, and, where applicable, any tools that were used by or on behalf of the convicted person for the manufacturing, production or making of those or any other counterfeit goods or for the unlawful application to goods of the subject matter of any intellectual property right, be destroyed. 35

(2) Any person who submits any counterfeit goods purchased by him or her (hereafter called the aggrieved person), to an inspector, together with proof of the price that was paid for those goods, will be entitled to receive payment of a sum of money equivalent to three times the amount of that price, in the following circumstances: 40

(a) The person who had sold those counterfeit goods must have been convicted of an offence referred to in section 2(2) founded on the sale of those goods. Alternatively, an order, against the seller, must have been made in terms of section 10(1)(a) directing that those goods be delivered up to the owner of the intellectual property right, the subject matter of which was unlawfully applied to those goods, or up to a complainant deriving his or her title from that owner. 45

(b) The aggrieved person must have co-operated fully in the prosecution of the seller for that offence. 50

(c) When the court having so convicted the seller of those goods or having made an order in terms of section 10(1)(a), has also issued an order awarding that

sum of money to the aggrieved person and directing the seller to pay that award. However, the court must make the latter order if satisfied that the requirements of paragraphs (a) and (b) have been met.

(3) The provisions of subsection (2) will apply and be applied, *mutatis mutandis*, in relation to and for the benefit of any person who, otherwise than by way of a transaction of purchase and sale, has acquired, in consideration for value given by him or her, goods that are counterfeit goods. 5

Civil or criminal liability under other laws and institution of civil or criminal proceedings thereunder not affected by this Act

21. Subject to the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), and the Criminal Procedure Act, 1977, the provisions of this Act will not detract from a person's civil or criminal liability, in terms of any other law, on account of his or her infringement of any intellectual property right and from the capacity or competence in terms of any law to institute civil or criminal proceedings in respect of such infringement. 15

Minister's power to appoint or designate inspectors

22. (1) The Minister may appoint any fit and proper person as an inspector for the purposes of this Act.

(2) (a) The Minister, by notice in the *Gazette*, may designate any specified class or category of persons to be inspectors for the purposes of this Act. 20

(b) The Minister, in a like manner, may amend or withdraw such a notice at any time.

(3) The Minister or any official acting under the authority of the Minister, must issue to each of the inspectors contemplated in this section a certificate in the prescribed form stating that the person in whose name it has been issued has been appointed or designated an inspector (as the case may be) in terms of or by virtue of this Act. 25

Minister's powers regarding counterfeit goods depots

23. (1) The Minister, by notice in the *Gazette*, may from time to time designate any place defined in the notice to be a counterfeit goods depot for the purposes of this Act, and may in a like manner amend or withdraw such a notice at any time.

(2) The Minister must in respect of a counterfeit goods depot appoint any fit and proper person as the person in charge of the counterfeit goods depot. 30

Regulations

24. The Minister may make regulations not inconsistent with the provisions of this Act—

(a) in relation to any matter which, in terms of this Act, may or must be prescribed; 35

(b) prescribing any inventory to be prepared or made in terms of this Act;

(c) that may be necessary or expedient for the proper and effective control, management and administration of a counterfeit goods depot and the proper care of the goods detained therein; 40

(d) in relation to the manner or form in which any application (other than any application to a court of law) is to be made in terms of this Act, and may prescribe forms for that purpose; and

(e) in relation to any other administrative or procedural matters that may be necessary or expedient for the proper and effective administration of this Act. 45

This Act binding on State

25. This Act binds the State.

Short title and commencement

26. This Act will be called the Counterfeit Goods Act, 1997, and will come into operation on a date to be determined by the President by proclamation in the *Gazette*.

MEMORANDUM ON THE OBJECTS OF THE COUNTERFEIT GOODS BILL

A feature of commerce in recent years has been the cloning or falsification of merchandise and products, particularly well-known and reputable wares and products, by unscrupulous manufacturers with a view to deceiving consumers into believing that they are purchasing the genuine articles or products while the imitations that in reality they are purchasing, more often are of a far poorer quality than the genuine goods. Articles and products that come into being as a result of cloning or falsification, i.e. "counterfeiting", are commonly referred to as counterfeit goods, being the same description as that accorded by the Counterfeit Goods Bill, 1997 ("the Bill") to goods of that nature.

Counterfeit goods are frequently sold in the informal sector, and, in particular, by street vendors and at flea markets and the like. The sellers of those goods often have no fixed place of business and engage in trade in an itinerant manner. Conventional court proceedings, and more particularly those concerned with the enforcement of intellectual property rights, are, generally speaking, ineffective against this manner of trading. Trading in counterfeit goods is a practice in the nature of fraud, and criminal measures remain the most effective means for combating this form of unlawful activity, which may cause considerable damage (through loss of sales and harm to or loss of the reputation of quality products) to the manufacturers or producers of the genuine goods, and is also to the prejudice of consumers.

Up to the present time, the only legislation providing any measure of relief against trading in counterfeit goods, are the Merchandise Marks Act, 1941 (Act No. 17 of 1941), and the Copyright Act, 1978 (Act No. 98 of 1978), and the Trade Marks Act, 1993 (Act No. 194 of 1993). However, the provisions of those Acts appear, on the whole, to have limited effectivity inasmuch as they create offences only in respect of some ways or instances of trading in counterfeit goods, while lacking appropriate and effective mechanisms, procedures and sanctions aimed at combating trading in counterfeit goods in the many other instances in which this form of trading manifests itself.

As part of the Uruguay round of the GATT negotiations, South Africa has signed the international agreement on Trade Related Aspects of Intellectual Property Law ("the TRIPS agreement"), which lays down minimum requirements and standards with which the intellectual property laws of signatory countries must comply. The TRIPS Agreement devotes considerable attention to the provision, by signatory countries, of adequate measures and protection against the trade in counterfeit goods. Accordingly, South Africa, being a signatory of the TRIPS Agreement, is obliged thereunder to provide in its municipal law for the anti-counterfeiting measures prescribed in that agreement.

The Bill is aimed at providing adequate and practicable protection against trading in counterfeit goods for the benefit of those lawfully engaged or entitled to become engaged as manufacturers and producers of goods as well as consumers, and at meeting South Africa's obligations in this regard under the TRIPS Agreement. In clause 2(2) it creates an offence founded on an "act of dealing in counterfeit goods" which, in turn, encompasses (amongst others) the manufacturing or production (for non-domestic and non-private use), sale, hiring out, exchange, distribution, importation or exportation, or the possession in the course of business, of counterfeit goods. For the purposes of the Bill, counterfeit goods are goods which are imitations of other goods in respect of which there subsist an intellectual property right. Although having a much wider and more inclusive meaning in local and international legal practice, the term "intellectual property right" is by the Bill restricted to any of the following:

- (a) The rights in respect of a trade mark conferred by the Trade Marks Act, 1993;
- (b) the copyright in any work in terms of the Copyright Act, 1978;
- (c) a particular person's exclusive right to use a particular mark in relation to goods, derived from the prohibition, by way of a notice issued under section 15 of the Merchandise Marks Act, 1941, on the use of that particular mark by persons other than that particular person.

In practical terms, therefore, counterfeit goods are goods unlawfully bearing or embodying a trade mark or the appearance of other goods, or bearing such a prohibited mark. However, to constitute an act of dealing in counterfeit goods, an act must also infringe or give rise to the infringement of such an intellectual property right.

The Bill proposes to confer on inspectors appointed or designated by the Minister of Trade and Industry and on members of the South African Police Service holding the rank of sergeant or a higher rank, either acting on their own initiative or after having received a complaint by a person who has an interest in the goods that are the target of counterfeiting, and provided there are reasonable grounds to believe that an act of dealing in counterfeit goods is taking place, the power to enter any premises or vehicle and there to search for counterfeit goods, and to seize and remove goods being or reasonably suspected to be counterfeit goods.

Provision is also made for goods so seized, to be stored at a counterfeit goods depot where they will be held pending the finalisation of criminal or civil proceedings against the alleged offender, or, if such proceedings are not instituted or have been instituted unsuccessfully, until those goods are otherwise dealt with in terms of the Act (i.e. the Bill having become law). The person from whom those goods were seized (usually the alleged offender), the complainant (if any) or any other interested party, has access to those goods while they are in storage at the counterfeit goods depot. At the conclusion of such court proceedings, the court may decide what is to be done with the counterfeit goods. However, the court may order that the alleged offender forfeits those counterfeit goods even though a claim against him or her cannot be substantiated.

In respect of those dealings in counterfeit goods that constitute a criminal offence, the Bill in clause 19 prescribes the penalties that may be imposed on conviction thereof. Since an act of dealing in counterfeit goods usually involves the infringement of an abovementioned intellectual property right, the Bill does not stand in the way of the usual remedies that are otherwise available in cases of infringement of intellectual property rights (see clause 21): Those remedies will continue to be at the disposal of the owners of intellectual property rights in civil proceedings.

The Bill further makes provision for a court in chambers, on *ex parte* application, to authorise a search for and attachment of goods, documents, etc., that are relevant to the infringement of an intellectual property right in respect of which civil proceedings are contemplated, with a view to preserving them as evidence.

In keeping with South Africa's obligations under the TRIPS agreement, clause 15 of the Bill makes provision that the South African customs authorities, upon having granted an application to that end made by the owner of any particular intellectual property right, will have the authority to seize and detain all the counterfeit goods, targeted at infringing that owner's intellectual property right, that are imported into or enter the Republic at any time during a specified period (but not exceeding the duration of that right). Counterfeit goods so seized and detained by the customs authorities are required by that clause to be dealt with in the same way as counterfeit goods that are seized by inspectors and members of the South African Police Service acting on their own initiative.

It is envisaged that the Bill, when it becomes law, will strengthen, extend and streamline existing measures for counteracting trading in counterfeit goods, whether imported or locally manufactured, and conduce to the fulfilment of the Republic's obligations under the TRIPS Agreement.

The view is held, in conformity with legal advice received, that Parliament, in dealing with the Bill, must follow the procedure of and act in accordance with section 76 of the Republic of South Africa Constitution Act, 1996 (Act No. 108 of 1996).

Interested parties, representing members of the South African Institute of Intellectual Property Law across a broad spectrum, were widely consulted in the course of drafting the Bill, which also enjoys the support of the Advisory Committee on Patents, Designs, Trade Marks and Copyright.