

Anti-counterfeiting

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Proceedings under the Counterfeit Goods Act no. 37 of 1997

Intellectual property

Intellectual property, although intangible, is a valuable asset on the balance sheet of any business – in many cases exceeding in actual marketable value the fixed property of the business.

'Intellectual property' is a generic term used to refer collectively to intangible products such as patents, industrial designs, trade marks and brand names, copyright, trade secrets and know-how, etc., all of which are products created through the innovative or creative efforts of

people. It is important for people in business to be informed of the different kinds of intellectual property, to recognise when intellectual property has been created within the ambit of their business activities, and to see to it that the necessary steps are taken timeously to ensure that this property is protected. Legal protection is necessary to prevent others from making unauthorised use of the intellectual property to the detriment of the true owner, and to ensure that the true owner will enjoy the full commercial benefit of his/her creative efforts.

Introduction

The Counterfeit Goods Act ("the CGA") no. 37 of 1997 enables the owner of an "intellectual property right", or any other person with an interest in goods bearing or embodying such rights ("the protected goods"), to act speedily and effectively against persons involved in counterfeiting activities, both on a criminal and/or civil basis.

The Counterfeit Goods Act defines "intellectual property rights" as including:

- rights in a trademark conferred

by the Trade Marks Act no. 94 of 1993, including rights in respect of a well-known trade mark as contemplated in Section 35 of that Act;

- copyright in any work in terms of the Copyright Act no. 98 of 1978; and
- the right of a person to use a specific mark included in a notice issued under section 15 of the Merchandise Marks Act which other people are prohibited from using ("prohibited mark").

The term "interested persons", for the purpose of laying a

complaint in terms of the CGA, is defined as:

- the owners or licensees of trade marks or copyright works in respect of protected goods;
- importers, exporters or distributors of protected goods;
- the duly authorised agent, representative or attorney of the abovementioned persons.

“Counterfeit goods” are defined as goods:

- which are manufactured, in the Republic or elsewhere, without the authority of the owner of an intellectual

property right subsisting in protected goods in the Republic, where the protected goods are imitated to such an extent that the manufactured goods are substantially identical copies of the protected goods;

- to which a trade mark or the subject of copyright which subsists in respect of protected goods in the Republic, or a colourable imitation thereof, is applied with the intention of causing confusion between the manufactured goods and the protected goods; or
- to which a prohibited mark (in terms of the Merchandise Marks Act), has been applied without authority.

Prohibited Acts

Acts amounting to the prohibited “dealing” in counterfeit goods include:

- possessing or controlling counterfeit goods in the course of business;
- manufacturing counterfeit goods other than for private or domestic use;
- selling, hiring out, bartering or exchanging counterfeit goods or offering or exposing them for sale;
- exhibiting counterfeit goods in public for the purposes of trade;
- distributing counterfeit goods for the purposes of trade or any other purpose with the result that the intellectual property right owner suffers prejudice;
- importing or exporting counterfeit goods, except for the private and domestic use of the importer;
- disposing of counterfeit goods in any other manner in the course of trade.

It is an offence for any person to perform or engage in any of the above prohibited acts, if such person knows or has reason to suspect that the goods are counterfeit goods and does not take reasonable steps to avoid the prohibited act.

Criminal complaints procedure

The following criminal complaints procedure may be followed when a prohibited act is committed or is likely to be committed:

- any person with an interest in the protected goods who reasonably suspects that an offence in terms of the Act is being, has been or is likely to be committed, may lodge a complaint with an “inspector”, who may be an official appointed by the Minister of Trade and Industry, a police official holding the rank of sergeant or higher, or the Commissioner for Customs and Excise;
- a complainant must furnish the inspector with sufficient information that a prohibited act is being performed, or is likely to be performed;
- if the inspector is satisfied that the complainant is entitled to lodge the complaint, that an intellectual property right subsists in protected goods and that the suspicion on which the complaint is founded is reasonable, he may take appropriate steps to restrain the counterfeiting activity;
- the inspector must first obtain a warrant from a judge of the High Court, or a magistrate, in chambers. In certain prescribed circumstances, an inspector may proceed without a warrant;
- once an inspector has a warrant, he or she may enter any place, premises or vehicle to:
 - seize, detain and/or remove any counterfeit goods;
 - collect evidence relating to the counterfeiting activities;
 - conduct any searches reasonably necessary;
 - seal off any place, premises or vehicle where counterfeiting activities have taken, or are taking place;
 - seize, detain and/or remove any tools used in the counterfeiting activities;
 - question persons and take down statements;
 - procure relevant books, documents and materials;
 - take reasonable steps to terminate the counterfeiting activities;
- seized goods are then, where possible, removed to a counterfeit depot, which is a place designated as such by the Minister of Trade & Industry;
- the complainant has three days, after being notified by the inspector that the goods have been seized, to lay a criminal complaint;
- the seized goods must be

released if the State does not prosecute the offender, or if the complainant does not institute civil proceedings against the offender within a certain period of time;

- in the case of a seizure conducted without a warrant authorising such action, the inspector or complainant, as the case may be, must apply to Court in terms of Section 5(4) of the Act for confirmation of the seizure, detention and/or removal of the counterfeit goods and any other steps taken in relation thereto within 10 days, failing which the seizure, detention, removal or steps will cease to have any effect;
- in any criminal or civil proceedings the court may order that the seized goods be delivered-up to the owner of the intellectual property right, or to the complainant, and that the identity of any persons involved in the manufacture, importation or distribution of the counterfeit goods be disclosed to the complainant. In certain circumstances, goods which have been delivered-up may not be released into commerce or exported.

Civil steps

Special statutory provision is made in the Act for the granting of Anton Piller type orders to preserve evidence relating to counterfeiting activities.

Where it is suspected on reasonable grounds that an act of dealing in counterfeit goods is taking place, an ex parte application may be brought before a judge in chambers for an order directing the sheriff or another designated person to enter any place or premises, to search, seize and remove documents, records and alleged counterfeit goods. The order may also direct the disclosure by the respondent of any documents, information and material.

Safeguards against abuse of the procedure include:

- the right of the respondent to have his or her attorney present during the execution of the order;
- the compulsory preparation of an inventory of any documents, records or goods seized or removed;
- the filing of a statement under oath with the court by the applicant's attorneys, reporting the search.

Customs action

Application may be made to the Commissioner for Customs and Excise to seize and detain counterfeit goods being imported into the Republic.

Once the Commissioner is satisfied on reasonable grounds that an intellectual property right

subsists and that the applicant is the owner thereof, he must deal with the request without delay and grant it.

The Commissioner may, however, require the applicant to furnish security indemnifying the customs authorities against any liability.

Criminal Penalties and Incentives

In the case of a first conviction, the penalties for being convicted of dealing in counterfeit goods include a fine not exceeding R5 000.00 per article or item, or imprisonment for a period not exceeding three years, or both.

In the case of a second conviction, a fine not exceeding R10 000.00 may be imposed per article or item, or imprisonment for a period not exceeding five years, or both.

In imposing a penalty, the court may take into account any risk to human or animal life, health or safety or any danger to property arising from the use of the counterfeit goods in question. The court may also declare the counterfeit goods to be forfeited to the state or order the goods and any tools used in their manufacture, to be destroyed.

As an incentive to combat trade in counterfeit goods, a person who submits any counterfeit goods purchased by him or her to an inspector together with proof of the price paid therefor, may be awarded a sum of money three times the amount paid for the counterfeit goods if the seller is convicted of an offence under the Act.

Services rendered by Adams & Adams to combat trade in counterfeit goods



Adams & Adams offers a comprehensive range of services relating to the use and implementation of the CGA by owners of intellectual property rights. Such services include the preparation and lodging of criminal complaints, applications to the Commissioner of the South African Revenue Service, applications in terms of Section 5(4) of the Act to confirm steps taken during a search and seizure operation and launching High Court proceedings against importers and/or manufacturers of counterfeit goods. We also have vast experience in

arranging and co-ordinating search and seizure operations with the DTI, SAPS and SARS.

Adams & Adams has the largest team of attorneys and other professional and support staff, including private investigators, dedicated to combating the trade in counterfeit goods in South Africa. Adams & Adams is well equipped to deal with your queries regarding counterfeit goods and can assist you to protect and enforce your intellectual property rights, whatever your specific requirements may be.

General

This booklet is not intended to provide comprehensive or definitive guidance on anti-counterfeiting law but is intended for information.

Specialised advice on matters not dealt within this booklet will be furnished on request. Our charges (including disbursements) for assisting in your anti-counterfeiting efforts depend on the complexity and facts of each matter. We can provide an estimate upon receipt of details.

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