

Onus on importers to prove legality of goods

IN A recent decision of the Cape High Court the court had the occasion to consider the procedural and substantive lawfulness of a detention and seizure by the South African Revenue Service under the Customs and Excise Act of 1964 for the purposes of the Counterfeit Goods Act of 1997.

The case concerned the importation of 19 524 pairs of beach sandals from China. Crocs Inc was the owner of the copyright and trademark in Crocs shoes. Under the provisions of the Counterfeit Goods Act, Crocs Inc applied to the SARS customs division in terms of section 15 of the act. Such an application has to be in place before SARS will detain or seize any suspected counterfeit goods.

In July last year, SARS customs examined the containers of shoes which were imported and the customs official concerned identified, based on his knowledge of the section 15 application which Crocs Inc had in place, that the imported shoes were possibly counterfeit. A detention notice was issued under the Customs Act and the importer's clearing agents were provided with copies. Once an affidavit was received from Crocs Inc which confirmed that the imported shoes were counterfeit, the customs official together with Crocs Inc brought an application before a magistrate in chambers on an ex



parte basis for the issuing of a warrant for the seizure, removal, detention and collection of the detained goods. When an application is ex parte, there is no notice to the party against whom an order is sought, therefore that party against whom the order is sought will not be present at the time that the order is granted.

The importer then applied to the Cape High Court, on an urgent basis, for an order on the following basis:

- Directing that the warrant issued by the magistrate be set aside;
- Directing that the detention, seizure and removal of the 19 524 pairs of shoes be declared unlawful and that they should be released to it immediately; and

- Directing that the shoes were not counterfeit.

The importer requested the high court to set aside the seizure warrant on the following grounds:

- The customs official did not have reasonable grounds to assume that the goods were counterfeit and therefore failed to apply his mind properly;

- That the importer was not afforded an opportunity to be heard before the application to issue the warrant was granted;

- That all material facts were not divulged by SARS to the magistrate that issued the warrant; and

- That SARS and the brandholder failed to make out a prima facie case that the brandholder enjoyed any of the intellectual property rights in the shoes.

The high court held that the warrant was appropriately granted and that it was not the role of customs authorities to make decisions as to whether the goods were counterfeit or not. The issue of whether goods were counterfeit or not would be resolved in litigation between the brandholder and the importer of the goods.

With regard to the application for a warrant being held ex parte, it was held that the purpose of seizure was to prevent the goods from entering "the channels of commerce" pending resolution of the question whether or not the

goods were counterfeit. Further, pending finalisation of the proceedings to determine whether the goods were counterfeit, they were kept in safe custody at a counterfeit goods depot.

The court also drew a distinction between a seizure in terms of section 88 of the Customs Act and the attendant consequences thereof and the seizure in terms of a warrant in terms of section 6 of the Counterfeit Goods Act. The court expressed the view that a seizure in terms of the Counterfeit Goods Act was less intrusive and that it was a step in the process of determining whether the goods were indeed counterfeit. The legislature did not envisage compliance with the rules of natural justice as a prerequisite for the granting of a seizure warrant under the said act, especially since such an order is a provisional order and open to challenge; that is, it is not final.

The high court found the importer's legal representatives did not have a right to make oral representations before the granting of the warrant by the magistrate.

With regard to the allegation that SARS and the brandholder failed to make out a prima facie case that the brandholder enjoyed any of the intellectual property rights in the shoes, the court found that the onus was borne by the importer but that the importer failed

to prove that the brandholder did not own the copyright and it was not proved that the copyright had not been infringed.

For importers of goods that may be suspected of being counterfeit, this decision is significant in that it makes it clear that importers should be able to prove that the goods that they import do not infringe a protected intellectual property right. In order to do so, importers must be able to obtain evidence from their overseas suppliers relating to the circumstances under which the imported goods were manufactured.

From this judgment it is also apparent that importers do not have a right to be present and to adduce any evidence at the ex parte application for the seizure warrant, as the matter is not final as a result of the issuing of the warrant. It would therefore be in the importer's interest to place their version of events in writing and address a letter in this regard to SARS and the brandholder. SARS will have to make full disclosure to the court at the ex parte hearing which means that the importer's version would also, if in writing and in possession of SARS, have to be disclosed to the court.

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