



SUPREME COURT OF APPEAL OF SOUTH AFRICA

MEDIA SUMMARY – JUDGMENT DELIVERED IN THE SUPREME COURT OF APPEAL

FROM The Registrar, Supreme Court of Appeal

DATE 27 November 2020

STATUS Immediate

Beyond Platinum (Pty) Ltd v Ellies Electronics (Pty) Ltd (Case no 73/2020) [2020] ZASCA 154 (27 November 2020)

Please note that the media summary is intended for the benefit of the media and does not form part of the judgment of the Supreme Court of Appeal.

Today the Supreme Court of Appeal (the SCA) dismissed the appeal of the appellant, Beyond Platinum (Pty) Ltd (BP), against the decision of the Gauteng Division of the High Court, Pretoria (the high court).

The matter dealt with the interpretation and application of the Counterfeit Goods Act 37 of 1997 (the Act) which purpose is to protect against the unlawful application of intellectual property rights and against the release of counterfeit goods into the channels of commerce. A person who has an interest in such protected goods whether as an owner or licensee, among others and who reasonably suspects that an act of dealing in counterfeit goods has taken or is taking place or is likely to take place, may lay a complaint with an inspector who may include a member of the South African Police Service. Acting on the authority of a warrant, issued by a judge of the high court or a magistrate, the inspector may search the premises where the offending goods are kept and seize such goods for detention at a designated depot. Goods must be released to the suspect if upon the expiry of the time stipulated in the Act, no criminal proceedings have been instituted against the suspect.

In this case BP laid a complaint with the inspector against the first respondent, Ellies Electronics (Pty) Ltd (Ellies), that remote control units (RCUs) distributed by Ellies embodied an infra-red protocol, known as MNEC IR protocol (the protocol) that BP had developed. BP contended that the protocol constituted BP's computer program or literary work as defined in the Copyright Act 98 of 1978. The protocol communicates with or controls a set-top box (a decoder) employed by DSTV. Ellies denied that BP owned the protocol contending that the technology used in RCUs is not new. They have a long history and are utilised in different forms premised on the same basic technology, which is that frequencies are used on infra-red emissions to enable communication between an RCU and a receiving device.

On 11 December 2017, after a warrant obtained at the instance of BP, which had laid a complaint in terms of s 3 of the Act, a senior police official conducted a search and seizure operation at Ellies' premises, on the basis that Ellies was trading in counterfeit goods. Millions of rands worth of Ellies' stock was seized and kept in detention at the premises of a designated Counterfeit Goods Depot of the second respondent, Robridge Construction CC t/a Easy Store (the depot). Following the seizure of goods, more RCUs ordered by Ellies from China arrived in shipping containers. Without admission of liability and as a show of good faith, in January 2018, Ellies undertook to quarantine the offending RCUs pending the resolution of the dispute, which offer was accepted by Ellies.

The time in which to institute criminal proceedings against Ellies, pursuant to the December 2017 warrant, lapsed. Despite the January 2018 agreement and without warning, BP sought and obtained two further search and seizure warrants against Ellies on 17 and 29 May 2018 respectively. The purpose for these further warrants, according to BP, was to reinstate the timelines for compliance under the Act in relation to the alleged counterfeit RCUs already seized and any further counterfeit RCUs that could be seized from Ellies' premises, in order to have BP prosecuted under the Act. Both warrants were executed on 6 June 2018.

Ellies brought an application before the high court to set aside the three warrants which was successful. To show its displeasure at the way it had behaved the high court granted a punitive costs order against BP. In turn BP's counter-application seeking an interim interdict to prevent Ellies from trading in the seized goods pending the outcome of its action proceedings against Ellies was in effect dismissed. The matter came to the SCA with the leave of the high court.

The SCA held that the remedies contained in the Act were far-reaching and highly invasive. They impact negatively upon constitutionally enshrined rights to privacy, property ownership and fair trial of a suspected trader. It reiterated a settled position that these provisions of the Act should be resorted to only when it is justifiable to do so. The remedies are directed at preventing fraudulent conduct and not to give a party to a genuine trade mark or copyright dispute a weapon to be used *in terrorem* against its opponent. Because the warrants are sought and granted ex-parte it is incumbent upon the complainant to place all the relevant information before the judge or magistrate who has to decide the matter and to ensure that it is in compliance with the requirements of the Act.

The SCA found it to have been common cause that the first warrant had lapsed and had been overtaken by the second and third warrants. All the offending goods were still in quarantine when the second warrant was sought and there was no indication that the undertaking to keep the goods so quarantined would not be kept. There were no reasonable grounds to suspect that in respect of those goods an act of dealing in counterfeit goods was taking place; and there was no basis for, nor was any provided for suspecting that there were any more allegedly offending RCUs on Ellies' premises. As to the third warrant (which related to the goods kept at the depot), there was no indication that those goods could then enter the marketplace at the instance of Ellies. The SCA held that the second and third warrants ought not to have been sought or granted; and that all of the warrants were correctly set aside. In the circumstances, the appeal was dismissed with costs.