



IN THE HIGH COURT OF SOUTH AFRICA
(GAUTENG DIVISION, PRETORIA)
REPUBLIC OF SOUTH AFRICA

Case Number: 39111/2018

DELETE WHICHEVER IS NOT APPLICABLE

(1) REPORTABLE: ~~YES~~/NO

(2) OF INTEREST TO OTHER JUDGES: ~~YES~~/NO

(3) REVISED

DATE: 11 July 2019

SIGNATURE: _____

In the matter between:

ELLIES ELECTRONICS (PTY) LTD

Applicant

And

BEYOND PLATINUM (PTY) LTD

First Respondent

ROBRIDGE CONSTRUCTION CC T/A EASY STORE

Second Respondent

THE MINISTER OF TRADE AND INDUSTRY

Third Respondent

THE MINISTER OF POLICE

Fourth Respondent

CYANRE

Fifth Respondent

MUHAMMAD MOOLLA STORAGE CC

Sixth Respondent

JUDGMENT

JANSE VAN NIEUWENHUIZEN J

INTRODUCTION

- [1] Ellies Electronics (Pty) Ltd (“Ellies”) has been selling DSTV remote control units (“DSTV RCU’s”) for a considerable period of time. Every person in South Africa who owns a DSTV decoder is well acquainted with this device, possession of which, could cause considerable animosity between household members.
- [2] The present case revolves around the technology involved in this daily household item. Beyond Platinum (Pty) Ltd (“BP”) alleges it has copyright to the technology, whereas Ellies maintains that the workings of a remote control are common knowledge in the industry and that the DSTV RCU could by no stretch of the imagination qualify as “*intellectual property*”.
- [3] BP’s view culminated in the issuing of no less than three search and seizure warrants in terms of the provisions of section 6 of the Counterfeit Goods Act, 37 of 1997 (“the Act”).

- [4] The present application pertains to the setting aside of the warrants with ancillary relief.

PARTIES

- [5] The applicant is Ellies Electronics (Pty) Ltd, a South African company registered under number 2007/010759/07. Ellies is the importer and distributor of the DSTV RCU's which were seized in terms of three search and seizure warrants issued at the behest of BP.
- [6] The first respondent is Beyond Platinum (Pty) Ltd, a South African company registered under number 2012/085787/07. According to Ellies, BP's website indicates that BP together with an alliance partner in Korea, is a developer and manufacture of radio frequency (RF) and infra-red remote controls. These are predominantly – in order to control electronic devices such as televisions, decoders, air-conditioning, hi-fi systems, curtains, lights, garage doors and the like.
- [7] The second respondent is Robridge Construction CC, a South African close corporation. The second respondent operates an authorised counterfeit goods depot as contemplated in the Act. The DSTV RCU's that were seized in terms of the first search and seizure warrant were in pound at the second respondent's premises.
- [8] The third respondent is the Minister of Trade and Industry. The Minister of Trade and Industry is cited as being the responsible Minister for the enforcement of the Act.

- [9] The fourth respondent is the Minister of Police. Ellies stated that it joined the Minister of Police due to a pending criminal investigation that was instigated by the BP.
- [10] The fifth respondent is CYANRE, an entity that renders digital forensic services and was involved in the seizure of electronic information during the first seizure operation.
- [11] The sixth respondent is Muhammed Moolla Storage CC, which trades as Allied Storage Solutions. The sixth respondent is also a designated counterfeit goods depot and the goods seized in terms of the second and third search and seizure warrants are stored at the sixth respondent's premises. In the result, all the seized goods are in storage at the sixth respondent's premises.
- [12] The application is only opposed by BP.

RELIEF

- [13] Ellies claims the following relief:
- [13.1] the setting aside of the various search and seizure warrants and the seizures effected as a consequence thereof;
 - [13.2] a declaration that the goods seized are not counterfeit goods;
 - [13.3] relief in respect of the misappropriation of its confidential information;
 - [13.4] an enquiry into damages suffered by it.

- [14] BP launched a counter application in terms of which it seeks an interim interdict prohibiting Ellies from dealing with the goods pending finalisation of the action instituted by it.

SEARCH AND SEIZURE WARRANTS

Facts

- [15] Ellies has, for many years, been buying a variety of remote control products from varied sources. The products were not considered original and were branded as Ellies products. The original products would emanate from for instance Sony, Panasonic or DSTV, whilst Ellies' products were marketed as replacements for the original remote controls purchased with the device.
- [16] The manufacturers of remote controls are plentiful and mostly utilise the same or similar technology. Each remote control is individualised to operate a specific device for instance a hi-fi, a television set, an air-conditioning unit and the like.
- [17] BP is a manufacturer of DSTV RCU's and Ellies, in the course of business purchased DSTV RCU's from BP, branded it as its own and sold the products in various stores.
- [18] BP denies that the DSTV RCU's are sold under the Ellies brand and alleges that the RCU's are embossed with its mark as well as the DSTV mark. According to BP, Ellies only do the packaging, which packaging describes the DSTV RCU as an original. This is in turn denied by Ellies, who asserts that the RCU's are sold as DSTV products by

Ellies and not by BP. Ellies further points out that the BP branding is on the back of the DSTV RCU and not visible when a client purchases the unit.

- [19] It appears from the papers that a good business relationship developed between Ellies and BP over the years. This relationship, however soured significantly when Ellies, during mid-2017, decided to source DSTV RCU's from a Chinese manufacturer. To this end, Ellies placed a specific order for the manufacturing of DSTV RCU's that looked and operated the same as the DSTV RCU's manufactured by BP ("imported RCU's"). I pause to mention, that this matter pertains to three specific DSTV remotes, the details of which are not important for present purposes.
- [20] BP is of the view that it is the owner of the technology in respect of the three DSTV remotes in question. Notwithstanding the longstanding business relationship between BP and Ellies and for reasons still unknown, BP chose not to inform Ellies of its view nor did it endeavour to obtain an undertaking from Ellies that it will desist from selling the imported RCU's pending the resolution of any dispute that may exist between the parties in respect of the ownership of the technology in the DSTV RCU's.
- [21] Instead, and on, 27 November 2017, Mr Bick ("Bick"), a director of BP deposed to a complaint affidavit in terms of section 2 read with section 3 of the Act. In the affidavit Bick stated that BP is the exclusive manufacturer of original DSTV RCU's for Multichoice. According to Bick, Ellies previously supplied the DSTV RCU's manufactured by BP ("BP RCU's") to a wide network of retailers.

[22] In respect of BP's alleged Intellectual Property rights in the DSTV RCU's it manufactures, the following appears from the complaint affidavit:

- "48. The Complainant (BP) is the owner of the Copyright, as provided for in the Copyright Act 98 of 1978, in the computer program constituted by the remote control protocol for the remote control of Multichoice decoders ("the work").
49. The work is an infra-red protocol, referred to as "MNEC IR protocol". Each of the buttons on the remote control, when pressed, generates a unique binary code (or digital command) which is transmitted to the decoder by way of a beam of infra-red light. The MNEC IR protocol translates the pulses of light emitted by the remote control into particular commands.
50. The commands transmitted by the remote control to the DSTV decoder when received by the decoder, bring about the result or effect on the television which corresponds with the command sent. I am advised that this constitutes a computer program within the meaning of the Copyright Act." (own emphasis)

[23] As will appear more fully *infra* the correctness of this advice is vehemently denied by Ellies.

[24] In its founding affidavit deposed to by Mr. Adrian Bock "Bock" the Chief Financial Officer and Acting Chief Executive Officer of Ellies, Ellies denies that BP has a copyright to the MNEC protocol. Ellies' allege that the MNEC protocol was developed many years ago by the Japanese corporation NEC Corporation. An 'infrared red' is, according to Ellies, no more or no less than the use of short bursts of infrared light to send messages. In support of these allegations, Ellies provided a lengthy technical

explanation in respect of the technology underlying the transmission of signals from the DSTV RCU to a DSTV decoder.

[25] BP responded to this allegation, by stating that whether the protocol is sufficiently original is a matter for argument. BP is further of the view that any disputes in respect of the origin of the protocol is a matter that should be resolved in the pending trial, BP having issued summons in which its claim is based on the copyright in the protocol.

[26] More pertinently, Ellies denies that the protocol could be classified as a computer program. In response BP changed its stance in its answering affidavit by stating that should it be held that the protocol is not a computer program, it still qualifies as a 'literary work' for purposes of the Copyright Act.

[27] In response to the detailed and highly technical explanation in respect of the protocol and operation of the DSTV RCU's in question, BP provided its own lengthy and technical expose supporting the claim that it has copyright in the DSTV RCU's.

[28] In respect of Ellies' knowledge of BP's copyright claim, the following is stated in the complaint affidavit:

"82 *The Suspects (inter alia Ellies) are committing this copyright infringement with the knowledge that they are doing so.*

8.3 *An email from the Complainant to Mr Brett Blackman 11 September 2015 is attached marked "Z". The email brings copyright protection in the MNEC protocol to the attention of Mr Blackman, who was at the time the general manager of Ellies (Pty) Ltd, the*

Second Suspect. By virtue of this notice, paragraph C.10 above and the relationship between the Suspects and the Complainant, the Suspects are aware that the remote controls are protected by the Complainant's intellectual property. In addition to this, there is also the copyright notice that is presented with both the Complainant's remote controls.

84. *The copyright notice, which states "MNEC IR Copyright © 2012 Beyond Platinum", is provided on the paper slips inside the battery compartments of the Original Remotes as shown in the annexures marked "J", "N", and "S".*

[29] I pause to mention, that the email referred to was a request to include a contractual term in a proposed agreement between BP and Ellies during 2015. It is not clear from the papers whether the clause ever formed part of a contract between the parties.

[30] Ellies' response to these allegations in the complaint affidavit is noteworthy:

"37. BP's Complaint Affidavit (annexure B, referred to below) revealed that it was aware of its perceived cause for concern from as long ago as early October 2017. The Applicant finds it remarkable that, at no stage, did anyone from BP pick up a phone and call me, or to the best of my knowledge and belief anyone of the far-better known executives at Ellies, to raise demur about Ellies' importation of the RCU's in question. That would have been the responsible and prudent thing to do, particularly seeing that the products are not fraudulent fakes sold at a flea-market, or on the roadside of the William Nichol carriage-way; and, more so, seeing that all BP has to complain about is a possible infringement of its (even less likely) copyright. That BP waited until the start of the Christmas holiday to action its plan is also remarkable- and, palpably, a stratagem employed to maximize the damage and harassment caused by the seizure."

[31] On the strength of the complaint's affidavit a search and seizure warrant was issued by a magistrate at Johannesburg Magistrate court on 11 December 2017. The raid that ensued at Ellies' offices on 11 December 2017 was, according to Ellies, of epidemic proportions. Approximately 20 people, including a dozen police officials armed and clad in riot gear arrived at Ellies' head office. During the raid R 4 million worth of stock was confiscated and the entire accounting record database as well as email servers were copied. Save for denying that the police officers were clad in riot gear and armed, these allegations are not seriously disputed by BP.

[32] BP does, however, state that although its attorney, Mr Dessington ("Dessington") was present, it had no control over the raid.

[33] Shortly after the raid more stock arrived via shipping containers and to avoid further harassment, Ellies undertook to quarantine the goods in demarcated locked cages. Mr Salkow, chairman of Ellies also addressed a letter to BP's attorney on 11 December 2017, stating the following:

"Ellies Electronics (Pty) Ltd hereby agrees to the fact that we have imported remote controls from the East.

We were totally unaware of copyright infringement on your product, and want to work with you to resolve this issue.

We are happy to supply you all relevant documentation, as regards to quantities imported and sold."

[34] BP's attorney responded to the letter on 11 January 2018 and stated that the aforesaid letter served as an admission that the imported remotes were counterfeit. BP further demanded that Ellies collect all counterfeit goods in order to enable BP to destroy the devices.

[35] Ellies' attorney responded to the letter on the same date, denying that the 11 December letter was an admission. The letter further explains that due to the holiday period it would only be possible to consult with Senior Counsel during the week of 15 – 19 January 2018 and an extension to respond to BP's demands were requested until 26 January 2018. Pending Ellies' response the following undertaking was given:

"10. In the interim, without admission of any liability whatsoever but in order to demonstrate our clients ongoing good faith to this process it will quarantine the products on the basis set out below:

10.1 Remove the products from its shelves at its head office and all branches throughout South Africa;

10.2 Replace the offending products at retail outlets with the new products ordered from and supplied by your client which are presently in the process of being packaged by our client. As soon as the packaging is complete the products will be distributed and swapped out whereafter the return products will be placed in the caged storage facility controlled by your client referred to in paragraph 10.3 below. In so doing our client will keep comprehensive records of the quantify and movement of the products.

10.3 At no charge provide your client with a storage facility at its premises at 94 Eloff Street Extension Johannesburg which area will be caged thereby securing

access/egress from the cage controlled by your client who will hold the keys.

Your client is also welcome to appoint a security guarantee if it so wishes to ensure compliance with the undertaking.

11. ...

12. *We respectfully submit that our client is dealing with this matter with the urgency deserving thereof and in a bona fide manner. For this reason, approaching the retail outlets directly and the filing of a further complaint with the Commercial Crimes Unit on Monday 15 January 2018 is unnecessary. Your clients threatened action to approach the Commercial Crimes Unit on Monday 15 January 2018 is beyond our clients control and accordingly its rights are reserved in toto."*

[36] In an email dated 12 January 2018, BP's attorney advised that Ellies' proposal is accepted as an "*interim measure*".

[37] It does not appear from the papers what transpired after 26 January 2018 between the parties. The undertaking was, however, not withdrawn and remained in place.

[38] The present application was issued on 5 June 2018.

[39] Notwithstanding the aforesaid undertaking and on 6 June 2018, members from the South African Police Service attended at the offices of Ellies with a further search and seizure warrant issued on 17 May 2018 in respect of the goods that were placed in quarantine by Ellies during December 2017. It appears that the second search and

seize warrant was issued on the strength of a further complaint affidavit deposed to by Dessington. Dessington referred to the correspondence *supra* between the parties and simply stated that no settlement could be reached between the parties.

[40] Quite astonishing, the warrant indicated that there was a need to search for and seize the goods that was clearly at that stage kept in quarantine. Having regard to the undertaking by Ellies to keep the goods in quarantine, it is unclear why there was a need to search for the goods and seize same.

[41] The following reasons for the further complaint are set out in the affidavit as follows:

"F. THE REASON FOR THE CURRENT COMPLAINT

26. *As already indicated, no settlement of the Complainant's civil claim has been achieved.*

27. *A combined summons was issued and served on the Suspects initiating civil proceedings. The Suspects have defended those proceedings.*

28. *I was advised by the State Advocate charged with prosecuting the criminal complaint on behalf of the National Prosecuting Authority that the Specialised Commercial Crime Unit did not deliver to the Suspects a notice in terms of Section 9(2)(a)(i) of the Counterfeit Goods Act. For this reason, the State Advocate declined to proceed with a criminal complaint.*

29. *The Complainant wishes to have the Suspects prosecuted for the offences under the Counterfeit Goods Act.*

30. *The Suspects want to have the counterfeit remote controls that are identified in the section 7(1)(d) notice (annexure "AD 2") released into their possession.*

31. *Unless the Suspects wish to sell the remote controls, there is no reason for them to seek the release of the controls. The Complainant wishes to, and is entitled to, enforce the provisions of the Counterfeit Goods Act to prevent any such sales.*
32. *In the circumstances, the Complainant requires a warrant to perform a search and/or to seize:*
- (a) *Any remaining counterfeit remote controls that are held by the Suspects at their premises (94 Eloff Street Ext, Village Deep, Johannesburg) including any such remote controls in the caged area; and*
 - (b) *The counterfeit remote controls that are identified in the section 7(1)(d) notice (annexure "AD 2") and currently held at the premises of Easy Store (11 Highview Boulevard, Ferndale Ext 29, Randburg).*
33. *The search and/or seizure referred to would reinstate the timelines for compliance under the Counterfeit Goods Act in relation to the counterfeit remote controls already seized and any further counterfeit remote controls that can be seized from the Suspects premises."*

[42] There are no facts to support either the allegation that Ellies wanted to remove the seized goods or that they wanted to sell the imported remotes. As set out *supra*, the undertaking of 11 January 2018 was not withdrawn and was still in place.

[43] On 29 May 2018 a third search and seizure warrant in respect of the goods that were seized in terms of the first warrant and kept at the second respondent's premises, was issued.

- [44] As a result of the second and third seizures, Ellies filed a supplementary affidavit detailing the aforesaid events. In the supplementary affidavit, Bock pointed out that the allegation that Ellies wishes to sell the goods in dispute is without any factual foundation and devoid of truth. He emphasised that the goods were at all relevant times kept in quarantine pending resolution of the dispute between the parties.
- [45] According to Bock the sole reason for the second and third search and seizure warrants was to overcome the statutory difficulties encountered by BP subsequent to the first search and seizure warrant.
- [46] Although Bick referred in the answering affidavit to two purchases of the imported remotes made during June 2018 by Dessington, he confirms that *"the execution of the second search and/or seizure warrants reinstated the timelines for compliance under the Act in relation to the RCU's already seized and any further RCU's that might be seized"*. Ellies furthermore pointed out that the further search and seizure warrants were issued on respectively 17 and 29 May 2018, i.e. before the alleged June 2018 purchases.
- [47] BP admitted that, subsequent to the first search and seizure, it failed to institute the action within the ten-day period prescribed by the Act.

Legal Framework: Counterfeit Goods Act, 37 of 1997

- [48] From the preamble of the Act, it is clear that the Act is aimed at supplementing the civil remedies available to owners of trade marks, copyright and certain marks under the Merchandise Marks Act, 17 of 1941.
- [49] In respect of the aim of the Act, Harms JA (as he then was) stated in *A M Moolla Group Ltd v The Gap Inc* 2005 (2) SA 412 SCA at 418 F-G that "*The Act is intended to criminalise a particular species of fraud*". It is for this reason that the Act should be resorted to only in circumstances where there is a *bona fide* reasonable suspicion that a crime as defined in the Act is committed. A mere alleged infringement of a copyright should be properly resolved through the utilisation of civil remedies.
- [50] This much was confirmed by the Supreme Court of Appeal in *Cadac (Pty) Ltd v Weber-Stephen Products Co and Others* 2011 (3) SA 570 SCA at 574 B-C ("*Cadac SCA*"): "*Counterfeiting involves deliberate and fraudulent infringement of trademarks and counterfeit cases involve an infringer attempting to reproduce-and substitute for-the goods (not just the trademark) of the trademark owner. That is why the Act is concerned with trademark and copyright infringements that are criminal in nature. The Act does not permit a rights holder to steal a march on an alleged infringer in order to settle a bona fide dispute about the boundaries of rights. Those disputes should be litigated under either the Trade Marks Act or the Copyright Act.*" (own underlining)

[51] Civil litigation has the advantage that litigating parties usually engage each other prior to the institution of proceedings. Both parties are as a result aware of the others stance on the issue in dispute which lays the foundation for a fair legal process.

[52] Due to the criminal nature of the Act, this basic element of fair proceedings is absent. Section 6 of the Act provides for an *ex parte* procedure in obtaining a search and seizure warrant. It is as a result, incumbent on a complainant to display *uberrima fides* and to fairly and honestly state all facts that have a bearing on the matter under consideration.

[53] Once a complainant fails in this respect, the possibility that the Act might be utilised for purposes other than to curb and prevent criminal conduct, arises.

Discussion

[54] In the present circumstances, utmost good faith would have entailed that BP brought the fact that it believed that Ellies is trading in counterfeit goods to the attention of Ellies. It is difficult to fathom on what conceivable basis Ellies could have been involved in a criminal activity in circumstances were it was blissfully unaware of BP's copyright claim.

[55] BP's failure resulted in a situation where the magistrate had to make a decision without having knowledge of all the facts. The failure to mention all known facts is, to my mind, akin to a failure to obtain and present all relevant facts.

- [56] It is clear from the affidavits filed herein that a *bona fide* dispute in respect of BP's assertion that it has a copyright in the technology of the goods exists. To make matters worse, when BP was faced with the difficulty that the protocol might not classify as a "*computer program*", it changed its stance and stated that the protocol qualifies at least as a literary work. This was not the basis on which the warrants were obtained and is an indication that the facts presented to the magistrate only depicted a one-sided version.
- [57] Had BP taken the most basic step and alerted Ellies to its claim, the complaint affidavit would have read quite different. It would not have been possible for BP to assert without fear of contradiction that it had a copyright in the protocol. The mere advice that the protocol is a computer program, would, in view of Ellies' version not have sufficed. More importantly, the criminal element of Ellies' conduct would have been in serious dispute.
- [58] In failing to engage with Ellies prior to resorting to the draconic remedies of the Act, BP "*stole a march*" on Ellies in order to settle what is clearly a *bona fide* dispute in respect of BP's alleged copyright.
- [59] BP, no doubt, could argue that it was not aware that its copyright was in issue until it received correspondence from the attorneys acting on behalf of Ellies. The sole reason for its claimed "*innocence*" is, however, its failure to determine the status of its copyright claim before rushing off to obtain a warrant in terms of an Act that deals with criminal behaviour.

[60] Even if there was a shadow of a doubt in respect of BP's *bona fides* in obtaining the first search and seizure warrant, all doubt in respect of its *bona fides* is removed when it obtained the second and third search and seizure warrants. The warrants were obtained for the sole purpose of reviving the statutory machinery of the Act.

[61] More disconcerting, however, is the fact that BP utilised the first search and seizure to elicit a settlement of the dispute between the parties. In the second complaint affidavit, Dessington made it clear that further search and seizure warrants were necessary because the parties could not reach a settlement. This is confirmed by Bick in his answering affidavit. Bick stated that further warrants were applied for because Ellies, instead of settling the matter, defended the civil claim instituted by BP. This is a clear example of a party abusing the provisions of the Act in order to procure a settlement of a *bona fide* civil dispute between the parties.

[62] At the stage when the further search and seizure warrants were applied for, it was perfectly clear that Ellies had desisted from trading in the goods. Ellies gave a clear written undertaking not to trade in the goods until the dispute in respect of BP's alleged copyright was resolved.

[63] To make matters worse, there were no grounds whatsoever to allege that Ellies made itself guilty of criminal conduct. To utilise the draconic measures of the Act in the prevailing circumstances, is an absolute abuse of the legal process and should not be countenanced.

[64] When confronted with BP's abuse of the Act, Mr Michau SC, counsel for BP merely stated that BP was entitled to utilise the provisions of the Act. Entitlement is, however, somewhat different from placing all relevant facts before a court in order to exercise the entitlement. Had the magistrate been made aware that the copyright in the goods is in dispute and that Ellies had no intention of trading in the goods until the dispute between the parties was resolved, the second and third warrants would, no doubt, not have been issued.

[65] Exacerbating matters, BP knowing full well that Ellies had attorneys on record, laid a second and third complaint without the courtesy of informing Ellies' attorneys of their intention.

[66] BP's conduct as a whole and more specifically its lack of utmost good faith in obtaining the second and third warrants, justifies the setting aside of the warrants.

[67] The facts *in casu* are a text book example of an alleged copyright infringement that should have been resolved by resorting to civil litigation.

DECLARATION THAT GOODS ARE NOT COUNTERFEIT

[68] Ellies relies on section 7(4) of the Act which provides that any person whose goods have been seized may apply to a court for a determination that the goods are not counterfeit and for the return of the goods.

- [69] In setting aside the warrants, Ellies is entitled to the return of its goods and it is consequently not necessary to decide this issue.

[See: *Cadac v Weber-Stephen Products Co* 2005 BIP 439 WLD ("*Cadac WLD*")]

MISAPPROPRIATION OF CONFIDENTIAL INFORMATION

- [70] During the raid, the fifth respondent was requested to obtain information from the applicant's computer system. To this end the employees of the fifth respondent made mirror-images of the entire accounting database and the mail server. According to Mr Bock the hard drives on which the copies were made were simply placed in a plastic bag and carried away.

- [71] Ellies alleges that the aforesaid conduct by the employees of the fifth respondent resulted in a misappropriation of its confidential information.

- [72] In view of the aforesaid assertion, Ellies claims extensive relief against the fifth respondent to wit:

"C.1 The Fifth Respondent is ordered, within 10 days to file with the Registrar and serve on the Applicant's attorneys of record a full and comprehensive written report, in the form an affidavit deposed to under oath and including with reference to annexed documents and/or data-messages, recording the following:

- a. The precise terms of its appointment, mandate or request, and whether it was from SAPS or from or on behalf of the First Respondent or its attorneys, being the reason for its presence and attendance at the premises of the Applicant during the raid on 11 and 12 December 2017 (and subsequently);*

- b. *The precise terms of its acceptance of such mandate and/or request;*
- c. *Whether anyone in its employ or service at any stage saw or read or inspected or took any advice on the warrant issued on 11 December 2017 by the Magistrate: Johannesburg Central;*
- d. *Precisely what action was taken as a result;*
- e. *Precisely what instructions were issued to anyone in the employ or service of the Fifth Respondent concerning in any way the purpose and/or execution of the mandate*
- f. *Precisely what happened to the mirror-image of the Applicant's Accounting Database that was made by the Fifth Respondent (or at its instigation or under its control or that of the First Respondent or its attorneys) and which was removed from the premises by the Fifth Respondent;*
- g. *In particular, to whom was access to the said (copy of the) database (or parts thereof) given, by what means, where, and on what occasions;*
- h. *Whether any copies of any part of the said database were made; and, if so, by whom, how, when, by what means, and what parts;*
- i. *What happened to such copies;*
- j. *Who requested such access and/or such copies, how, and on what grounds;*
- k. *Precisely what happened to the mirror-image of the Applicant's email server that was made by the Fifth Respondent (or at its instigation or under its control or that of the First Respondent or its attorneys) and which was removed from the premises by the Fifth Respondent;*

- l. In particular, to whom was access to the said (copy of the) server (or parts thereof) given, by what means, where, and on what occasions;*
 - m. Whether any copies of any part of the said server were made; and, if so, by whom, how, when, by what means, and what parts;*
 - n. What happened to such copies; and*
 - o. Who requested such access and/or such copies, how, and on what grounds.*
- C.2 The Fifth Respondent is ordered to deliver up to the Applicant the storage media on which the said mirror-images were made, same to be retained by the Applicant pending the outcome of the further proceedings as set out below:*
- C.3. The Fifth Respondent is ordered, in the presence of a representative of the Applicant and to his/her satisfaction, permanently and irretrievably to delete from any other medium in its possession or under its control, all and any information of any sort copied, mirrored, retrieved or taken from the Applicant's servers."*

[73] In the answering affidavit, Bick dealt in detail with the steps that were taken in the presence of Lieutenant Colonel Kubeka, to properly seal the bags containing the information retrieved from Ellies' computer system by employees of the fifth respondent. On each occasion a photo was taken of the properly sealed bag. The photos are attached to the answering affidavit.

[74] The sealed bags were taken by Lieutenant Colonel Kubeka to the counterfeit goods depot of the second respondent and deposited with the remainder of the seized goods.

[75] The fifth respondent's involvement, according to the papers, ceased once the hard drives containing Ellies' information was handed to Lieutenant Colonel Kubeka.

[76] Consequently, there is no factual basis to support the assertion that the fifth respondent has misappropriated Ellies' confidential information.

[77] In the result, I am not prepared to grant the relief sought under this heading.

REFERRAL TO AN ENQUIRY

[78] Section 17(1) and section 10(1)(c) of the Act makes provision for payment by the complainant of any damages suffered by a person whose goods were unlawfully seized, removed and detained.

[79] It follows from the setting aside of the warrants that the seizure, removal and detention of Ellies' goods were wrongful and that they are entitled to damages.

[See: *Cadac WLD supra*]

[80] The only question that remains is the proper procedure to be followed in determining the quantification of the damages. The Supreme Court of Appeal in *Cadac SCA supra* dealt with the procedure to be followed in cases of this nature and a similar order will follow herein.

[81] I pause to mention, that BP submitted, that the setting aside of the first search and seizure warrant is no longer necessary due to the fact that the goods are presently

detained in terms of the second and third search and seizure warrant. For purposes of the determination of damages I, however, deem it necessary to issue an order in respect of the first search and seizure warrant.

COUNTER- APPLICATION

[82] In order to succeed with the relief claimed in the counter-application, BP needs to allege and prove that:

[82.1] It has a *prima facie* right to prevent the sale of Ellies' goods pending the finalisation of the pending trial;

[82.2] there is a well-grounded apprehension of irreparable harm if the interdict is not granted;

[82.3] the balance of convenience favours the granting of the interim interdict; and

[82.4] there is no other satisfactory remedy.

[See: *Setlogelo v Setlogelo* 1914 AD 221at 227]

Prima facie right

[83] The approach in determining whether an applicant claiming an interim interdict has established a *prima facie* right, has been set out in *Webster v Mitchell* 1948 (1) SA 1186 W at 1189 as follows:

"[T]he right to be set up by an applicant for a temporary interdict need not be shown by a balance of probabilities. If it is 'prima facie established though open to some doubt' that is enough. ...

The proper manner of approach I consider is to take the facts as set out by the applicant, together with any facts set out by the respondent which the applicant cannot

dispute, and to consider whether, having regard to the inherent probabilities, the applicant could on those facts obtain final relief at a trial. The facts set up in contradiction by the respondent should then be considered. If serious doubt is thrown on the case of the applicant he could not succeed in obtaining temporary relief, for his right, prima facie established, may only be open to 'some doubt'. But if there is mere contradiction, or unconvincing explanation, the matter should be left to trial and the right be protected in the meanwhile, subject of course to the respective prejudice in the grant or refusal of interim relief."

- [84] In *Gool v Minister of Justice* 1955 (2) SA 682 C at 688D-E Ogilvie Thompson J commented as follows on the above passage:

"With the greatest respect, I am of opinion that the criterion prescribed in this statement for the first branch of the inquiry thus outlined is somewhat too favourably expressed towards the applicant for an interdict. In my view the criterion on an applicant's own averred or admitted facts is: should (not could) the applicant on those facts obtain final relief at the trial. Subject to that qualification, I respectfully agree that the approach outlined in Webster v Mitchell... is the correct approach for ordinary interdict applications."

- [85] The right in question is BP's alleged copyright in the goods. In its answering affidavit, BP clearly stated that:

"The basis for this interim relief is the infringement of the first respondent's copyright in the RCU's. I address the necessary elements for the interdictory relief further below."

- [86] Notwithstanding the aforesaid, Mr Michau SC advanced further grounds on which the interim interdict is sought to wit, passing off and unlawful competition. This was not the case Ellies had to meet on the papers and I proceed to deal with the grounds for the interim interdict that BP relied upon in its answering affidavit.
- [87] Both parties provided lengthy highly technical explanations in support of their divergent views in respect of the question whether it is possible to claim copyright in respect of the technology of RCU's. For present purposes a short summary will suffice.
- [88] In the complaint affidavit Bick explained that the work to which copyright is claimed, is an infra-red protocol, referred to as the "MNEC IR protocol". Each of the buttons on the remote control, when pressed, generates a unique binary code (or digital command) which is transmitted to the decoder by way of a beam of infra-red light.
- [89] Bick states that he instructed a Korean company, Seoby Electronics Co Ltd, to develop a new infra-red (IR) remote control device for use with a new version of the Multichoice/DSTV decoder. A unique combination of binary codes was utilised by an employee of Seoby, one Kim Yong Tae, for the technology of the RCU. These codes were chosen by Bick and thus, Bick asserts, BP has a copyright to the technology of the DSTV RCU's.

- [90] Ellies responded by stating that it is a very simple exercise to emulate the infrared protocol and the binary codes for each command. The infrared protocol and binary codes are built into commonly available RCU's.
- [91] According to Ellies it is common knowledge that, digitally, information is represented in binary form. All data can be represented as a combination of binary 0's and 1's. Thus, the decimal number 0, for example, is typically represented by the binary combination 0000. Decimal number 1 is binary 0001, 2; is 0010, 3 is 001 and so forth. The combinations that can be created are endless.
- [92] Ellies states that there are, literally, thousands of binary codes that had at one stage or another been used for consumer infrared wireless communication, and particularly RCU's. The creation of a set of binary codes in respect of a particular RCU is simply applying the well-known principles of the binary code to create a specific combination for the remote in question.
- [93] According to Ellies, the protocol relied upon by BP, is, in any event, in itself valueless in the absence of a variety of other electronic circuitry. A remote control is composed of a circuit board to which is attached an integrated circuit ("IC"), an infrared ("IR") light emitting diode ("LED") and various other buttons. The binary codes are, but one of the various elements that ensures the proper functioning of a RCU.
- [94] Ellies asserts that the software in a microchip inserted into an RCU ensures that the desired commands created by the binary code is dispatched to the infrared LED

transmitter, which in turn transmits the code from the storage into the light, which is then pulsed out. Ellies alleges that the software in the microchip utilised in the imported RCU's is wholly different from that in BP's RCU. The fact that both can send the same signal does not make them the same program. Any allegation that the imported RCU's infringe BP's so-called copyright is as a result, according to Ellies, dispelled.

[95] Insofar as the claim to a "literary" work is concerned, Ellies pointed out that, if it is possible to claim any kind of right to the binary code, Kim Yong Tae, the employee of Seoby Electronics is the author of the protocol. In the result, BP is not the author of the protocol and any claim based on a "literary" work must fail.

[96] The aforesaid expose, albeit in the most basic terms, points to one thing and one thing only - serious doubt is thrown on BP's right to claim intellectual property to the protocol be it by way of copyright or in the form of a literary work.

[97] It follows that BP has not succeeded in establishing a *prima facie* right for the purposes of an interim interdict.

[98] In the absence of a *prima facie* right, there is no need to consider the remainder of the requirements for an interim interdict. The application for an interim interdict stands to be dismissed.

COSTS

[99] Mr Salmon SC requested that a cost order on an attorney and client scale be granted against BP. The basis for such a costs order is *inter alia*, BP's unreasonable conduct and the fact that their conduct amounts to an abuse of process.

[100] In view of my findings *supra*, I agree that a special cost order is called for in the circumstances.

ORDER

[101] In the premises, I grant the following order:

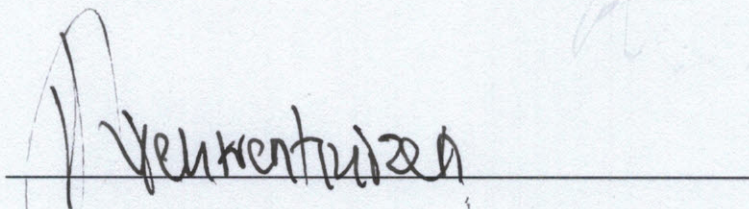
1. The search and seizure warrants issued by the Magistrate: Johannesburg Central on respectively 11 December 2017, 17 May 2018 and 29 May 2018 are set aside.
2. The Sixth Respondent is ordered to release the goods that was seized in terms of the second and third search and seizure warrants.
3. The Registrar of the High Court, Gauteng Division, Pretoria is directed to fix a date for an inquiry to be conducted by way of a High Court trial for the purposes of:-
 - 3.1 the determination of the amount of compensation to be paid by the First Respondent to the Applicant as contemplated in section 10(1)(c) of the Counterfeit Goods Act 37 of 1997; and
 - 3.2 the payment by the First Respondent to the Applicant of the amount of compensation found to be due to the Applicant pursuant to the determination, together with interest on such amount at the prescribed

rate of interest from the date of such determination until the date of payment and the costs of the determination.

4. The Applicant shall within 20 (twenty) days of the date of this order serve upon the Respondents and file a declaration particularizing the damages allegedly suffered by it as a result of the seizure of its goods under the search and seizure warrant issued on 11 December 2017, 17 May 2018 and 29 May 2018.
5. The First Respondents if so advised, shall with 10 (ten) days of the service of the Applicant's declaration, file a plea thereto.
6. The Uniform Rules of Court relating to discovery, inspection and all other matters of procedure shall apply to the determination.
7. The parties are authorised, on notice to the other parties and should it be required by one or both of them, to make application to the High Court of South Africa, Gauteng Division, Pretoria to add to, or vary the above order so as to facilitate the conducting of the determination and generally to make application for further directions in regard thereto.
8. The first respondent is ordered to pay the costs of the application on an attorney and client scale, which costs includes the cost of two counsel.
9. The counter-application is dismissed with costs, which costs to include the costs of two counsel.

rate of interest from the date of such determination until the date of payment and the costs of the determination.

4. The Applicant shall within 20 (twenty) days of the date of this order serve upon the Respondents and file a declaration particularizing the damages allegedly suffered by it as a result of the seizure of its goods under the search and seizure warrant issued on 11 December 2017, 17 May 2018 and 29 May 2018.
5. The First Respondents if so advised, shall with 10 (ten) days of the service of the Applicant's declaration, file a plea thereto.
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7. The parties are authorised, on notice to the other parties and should it be required by one or both of them, to make application to the High Court of South Africa, Gauteng Division, Pretoria to add to, or vary the above order so as to facilitate the conducting of the determination and generally to make application for further directions in regard thereto.
8. The first respondent is ordered to pay the costs of the application on an attorney and client scale, which costs includes the cost of two counsel.
9. The counter-application is dismissed with costs, which costs to include the costs of two counsel.

A handwritten signature in black ink, appearing to read 'N. Janse van Nieuwenhuizen', is written over a horizontal line. The signature is stylized with a large initial 'N'.

N. JANSE VAN NIEUWENHUIZEN
JUDGE OF THE HIGH COURT OF SOUTH AFRICA
GAUTENG DIVISION, PRETORIA

DATES HEARD

23, 24 and 25th of April 2019

JUDGMENT DELIVERED

11 July 2019

APPEARANCES

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Ref: LIT0117 (Mr A Dessington/LIT 0100)