

Turning the tables on counterfeiters

Ambitious legal reforms will soon make infringement more difficult. **Audax K Kameja, August N Mrema** and **Francis Kamuzora** of **Mkono & Co**, outline the benefits of government and private cooperation

Counterfeiting is a global problem and Tanzania has not been spared. For years now, the spectre of counterfeiting has cast a long shadow over Tanzania. Considering the number of fake products swamping the Tanzanian market, it is apparent that some people still see piracy and counterfeiting as a necessity, and perhaps the cheapest way to enjoy the fruits of the free market following the liberalization of the Tanzanian economy. Counterfeiting has prospered; the prevailing legal regime has appeared disorganized and hapless.

By contrast the local media has been vigilant. It has become the pre-eminent forum for denouncing the vice, recording outcry and sometimes giving practical suggestions to meet the shared challenges posed by the worldwide trade in counterfeit and pirated products. For instance, the *Alasiri* newspaper of November 27 2007 commends the Fair Competition Commission (FCC) for its efforts to stamp out counterfeiting. However, the *Rai Newspaper* of December 14 2007 blasts the toothless laws and the impotency of the Tanzania Bureau of Standards (TBS), and other state organs' failure to halt piracy and counterfeiting.

The *Tanzania Daima* of December 11 2007 asks the rhetorical question: "Which goods are counterfeit?" It asserts that while the TBS and other state organs have a mandate to ensure that counterfeit products do not find their way into the market, the large quantity of the counterfeit products in the market shows that these organs have failed. The newspaper warns that the problem will escalate because there is a lack of coordination between the state organs and the general public, stressing that most people do not know how to identify counterfeit products.

Moreover, on January 1 2008 the *Tanzania Daima* cited corruption among the public officials with the mandate to fight counterfeiting as one of the factors hindering the war against counterfeiting in Tanzania.

The local media are vigilant in denouncing the counterfeiting problem in Tanzania. Critics bemoan the ineptitude of the law and the lack of political will in addressing the problem seriously.

Reforms

The antiquated legislation and its failure to adapt to changes in the free market economy meant that people have castigated Tanzanian anti-counterfeiting measures. Tanzania was seen as a banana republic full of corruption and outdated legislation enacted either during the colonial era or during the state-controlled economy. Nevertheless, the tables now seem to have been turned against counterfeiters following an ambitious reform of the law on counterfeiting. Parliament passed the recent amendments in October 2007, bringing hope for an end to an era of counterfeiting.

While the Merchandise Marks Act was enacted in 1963, it is puzzling that the government failed to implement this legislation until 2005 – it was only gazetted on April 8 2005 and became operational on April 15 2005. This 42-year slumber bemuses critics because a piece of legislation enacted to address a problem in 1960s will not stand a chance in arresting the problem in the modern era of information technology.

While counterfeiting was escalating in Tanzania, the legal regime set up to oppose it barely existed. The blame falls squarely on the legal regime for its failure to implement the law or to amend the antiquated legislation to

TANZANIA

cope with changes. The ineptitude of the law has been the real culprit behind the counterfeiting problem, but it is not easy to demarcate with certainty when the vice started to invade our country. However, it is clear that the problem gained momentum with the liberalization of the economy in the early nineties. During this liberalization process, the legal regime was not reformed accordingly. Liberalization reduced the government's role in economic activities leaving it up to the private sector. At that time, there was slow growth of awareness of the importance of intellectual property. This encouraged piracy, looting and counterfeiting of IP rights. The loophole in the legal and regulatory framework gave the pirates and counterfeiters an opportunity to import and sell counterfeit products.

The slow growth of awareness of the importance of IP rights in Tanzania on the one hand, and the rate of poverty on the other, worsened the counterfeiting problem. The Confederation of Tanzania Industries (CTI) believes that the war against counterfeits will only bear fruit if the governments of the exporting countries in the Middle East and Asia make a serious effort to control the manufacturers of counterfeits. The CTI, in collaboration with other organizations, has launched anti-counterfeit campaigns warning that counterfeiting is bad because it erodes internal markets and business confidence in a given economy, and negates inward investment. CTI also blames the inherited legal framework.

But there is some light at the end of the tunnel following the recent amendments to the Merchandise Marks Act as sanctioned by the parliament in its session of October 2007, enacting the Written Laws Act 2007 (Miscellaneous Amendments Number 2 Act). Once in force, the amended law will secure a strategic battlefield for the war against importation, selling, manufacturing and distribution of counterfeit products in Tanzania.

Empowerment

The Amendments address the counterfeiting problem broadly. They aim to cure the deficiencies that persisted and undermined the efficient implementation of the Merchandise Marks Act in three key areas. Firstly, the Merchandise Marks Act did not empower the inspectors appointed under that law to investigate suspected dealers in counterfeits and if possible punish them. By contrast, the Amendments have empowered the inspectors to investigate any suspected person dealing in counterfeits and to initiate proceedings before the court whenever desirable. Under the amendments the inspectors have the power to demand from the supplier of any goods suspected to be counterfeit information relating to the manufacturer of those goods. If the supplier fails to supply that information within 14 days, the supplier shall be deemed to be the manufacturer of such goods.

Moreover, the Amendments have empowered the Inspectors to conduct summary proceedings by entertaining complaints in respect of counterfeit goods by the owners or consumers injured by the counterfeits products. This procedure is to be commended. It will reduce the bureaucracy that was undermining the Merchandise Marks Act, since under that legislation, inspectors could not take action against suspected counterfeit goods without obtaining a court order, or unless owners of the counterfeit goods gave their consent for the destruction of the counterfeits. Given the cumbersome nature of the court procedure and its technicalities, most counterfeit products remained in the market and by the time a court order was obtained they had been disposed of by way of sale.

As a safeguard against possible abuses of power, the Amendments prohibit those with powers under that law from exercising the powers if they have pecuniary or other interest in the subject matter. Apart from stressing the need for inspectors to observe the rules of

natural justice while handling complaints, the Amendments have upheld the right of appeal to a court of the Resident Magistrate Court if a party is aggrieved by the inspectors' decision.

The minister's power to make regulations improving the Merchandise Marks Act is another important reform brought by the Amendments. Before the amendments, the minister had no power to make regulations. This omission proved fatal to the implementation of the Merchandise Marks Act from day one. No rules or guidelines existed with legal force on how to implement the Merchandise Marks Act. The problem was exacerbated because the Merchandise Marks Act itself had no clear procedures on how to handle complaints of counterfeit products, let alone what to do with the seized products. It is expected that the power to make regulations bestowed on the minister, will enable the minister to consult various stakeholders and shape practical strategies for meeting the shared challenges posed by the problem of trade in counterfeit and pirated products.

The consensus is that the recent amendments have breathed new life into the law against counterfeiting. The Amendments will make the law more effective and flexible, as regular regulations can be promulgated to cope with change. Once the Amendments become operational, proprietors of IP rights will have a wider choice of strategies to adopt in curbing counterfeit products by enlisting a series of legislation and organs. Apart from the regime under the Merchandise Marks Act, there are other organs and laws that can now be enlisted to combat counterfeiting in Tanzania.

Food, Drugs and Cosmetics

The Tanzania Food, Drugs and Cosmetics Authority is a regulatory body established by the Tanzania Food, Drugs and Cosmetics Act 2003 (TFDA). The TFDA provides com-

prehensive provisions aimed at regulation and control of food, drugs, medical devices, cosmetics, herbal drugs and poisons. The TFDA prohibits the sale, manufacture and importation of food, drugs, medical devices, cosmetics, herbal drugs and poisons in Tanzania, unless the items have been registered with the Authority.

The TDFA was promulgated in February 2002 and came into force on July 1 2003. Under the TDFA it is now a criminal offence to sell, manufacture or import counterfeit food, drugs or cosmetics. Importantly, the TFDA provides that food, or a drug or cosmetic would be deemed to be counterfeit if it is manufactured under a name that belongs to another drug or cosmetic, is an imitation of another drug or cosmetic, or resembles another drug or cosmetic in a way that makes it likely to deceive consumers. If it bears on its label or container the name of another drug or cosmetic or if the label or container bears the name of an individual or company purporting to be a manufacturer of the drug or cosmetic while the individual or the company is fictitious or does not exist, it is also deemed counterfeit. The same applies if the item has been substituted wholly or in part by another drug or cosmetic or if it purports to be a product of the manufacturer while it is not.

Standards

The Tanzania Bureau of Standards (TBS) is a regulatory body established by the Standards Act 1975. The Standards Act was enacted to provide for standardization and specification of commodities to ensure the quality of commodities put on the Tanzanian market. The Standards Act empowers the minister, on the recommendation of the TBS and by a notice in the official gazette, to declare compulsory standards for any commodity. In a nutshell, the Standards Act prohibits the sale of a particular product in Tanzania unless it has been registered and approved by the TBS.

TANZANIA

TBS has proclaimed more than 1000 standards to be met by commodities placed on the Tanzanian market, in areas such as food, textiles, engineering and drugs. Out of the 1000 proclaimed standards, 336 are compulsory. Despite the presence of the Standards Law, many critics consider the TBS toothless and a failure in waging war against counterfeit products. Some commentators wonder what role TBS plays, given that counterfeit products are now predominant not only in the black market, but in the open market too. Lack of coordination with other organs has always been cited as one of the obstacles undermining the TBS. Apparently, the role of TBS is not to fight counterfeit as such but simply to standardize products intended for the Tanzanian market as long as they are approved by TBS and regardless of any conflicts relating to IP rights.

Competition

The Fair Competition Commission (FCC) is a regulatory body established by the Fair Competition Act 2003. The FCC has the task of enhancing the welfare of the people of Tanzania as a whole by promoting and protecting effective competition in the market and preventing unfair and misleading conduct. Counterfeiting is all about misleading consumers at the expense of the consumer and the legitimate IP proprietor, so it falls foul of the spirit of the Fair Competition Act. The FCC is also responsible for the regulation and implementation of the Merchandise Marks Act. The inspectors appointed under the Merchandise Marks Act are employees of the FCC. The FCC has tried its best to wage war against counterfeiting activities since its creation.

Critics say that the coming into operation of the Merchandise Marks Act and its recent amendments are the most divisive legal reforms in the long history of the counterfeiting problem in Tanzania. For some, this is a

sign of positive developments towards stamping out counterfeiting. Others feel that more reforms are required, especially in the Customs law, criminal law, standards law and IP law, to have a useful coordination between the various organs in the fight against counterfeiting.

Indeed, after the Merchandise Marks Act came into operation in 2005 a series of well-coordinated anti-counterfeiting activities and raids took place, in which counterfeit goods worth millions of Tanzanian shillings were seized and destroyed. The raids have come about through a joint effort of IP proprietors using the services of TFDA, FCC, and TBS in collaboration with the Tanzania Police Force and sometimes the Customs officials.

A danger to the public

In 2007 the successes were tangible. Various raids were conducted in the cities of Dar es Salaam and Mwanza, and dozens of counterfeit products were impounded and destroyed. According to official reports in March 2007, about 3,085 cartons of counterfeit lighting products imported from China were impounded and destroyed. On August 1 2007 and August 23 2007, 346 cartons of counterfeit *KIWI* shoe polish which were imported from China were impounded and destroyed. On October 4 2007 and October 8 2007, more than 1281 cartons of counterfeit electrical products imported from China were impounded and destroyed. On October 4 2007, more than 240 counterfeit television sets and 404 counterfeit speakers deceptively marked *Hitachi*, *Philips*, *Sony*, *Wega* were destroyed. Other impounded counterfeits included dozens of cosmetics, drugs and electronic items.

These coordinated efforts have been commended because it is exceptional that government bodies link up with the private sector to launch such campaigns. It is extraordinary that such actions undertaken against

profiteers of counterfeiting yield results. However, when everybody has something to lose unless action is taken, it is only logical that all stakeholders should come together and work as a team. It is well known that an economy that allows uncontrolled trade in counterfeit goods will also suffer blatant evasion of duties and is a flawed economy, bound to fail. While the government loses uncollected tax revenue, the legitimate industry loses its rightful share of the market to pirates. Consumers are exposed to sub-standard and dangerous goods. Fire accidents are frequently reported in Dar es Salaam, and subsequent reports have shown the source to be electrical faults attributed to substandard electrical products.

In the area of health care TFDA reports suggest that the Tanzanian pharmaceutical market is dominated by counterfeits with unrelated combinations. Many people are losing their lives due to fake drugs and the fire accidents. Other products prone to being counterfeited are packed food items, cosmetics and toiletries. It is therefore clear that everybody loses except the profiteers. This reminds us of the old adage – people of a common interest, professional or otherwise, will come together when threatened and will defend their rights. It is encouraging that for the first time the attitude of the law has changed and is now taking a central role in spearheading the war against counterfeiting.

While the policing and reforms are expected to be effective, there is still a need to harmonize the various pieces of legislation covering trade mark protection, Customs laws regarding measures to be taken at the border against importation of counterfeits, and other laws relating to the manufacture and trade in counterfeit and sub-standard goods. There is also the feeling that penalties for those infringing the law do not offer enough deterrent.

Tangible remedies

More public education is also required. Real success in the war against counterfeit will be minimal if consumers do not know the consequences and how to identify counterfeit products, or are happy to buy whatever appears to be more of a bargain. The law has now branded importers and sellers of counterfeits as criminals, and this will certainly fix the loopholes in criminal law that have impeded proprietors' efforts in using the criminal machinery to fight counterfeits. It is expected that the new regime will offer tangible remedies against counterfeit activities in Tanzania.

Tanzanian IP law is still developing. Encouraging amendments and improvements have been proposed and some have been implemented. The government is now serious about improving the business environment and attracting foreign investors following liberalization of the economy. How far the efforts will go and how long they will take remains to be seen. Succinctly, it is acceptable as a general rule that IP law must command respect from all stakeholders and in particular from government law enforcement organs because IP rights are an engine through which business is conducted. This engine is linked to other areas such as taxation and investment, so its function must be predictable. The law must be enforceable and unambiguous to facilitate smooth business transactions, increase confidence and arm the respective proprietors with a strong weapon against infringement and counterfeiting. This will only be achieved if the country has strong laws with effective enforcement of anti-counterfeiting measures and regulations. It is now for the IP proprietors to take the initial step of seeking protection and asserting their rights before calling on the relevant authorities for enforcement.

For contact details of MKONO & CO, please see their entry on page XXX.