



United Kingdom  
**Burges Salmon LLP**

*Jeremy Dickerson, Emily Roberts and Georgina Shaw*

# Anti-counterfeiting 2015

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### Legal framework

The primary anti-counterfeiting legislation in the United Kingdom is set out in trademark and customs legislation. The Trademarks Act 1994 contains both civil and criminal penalties for trademark infringement. The EU Community Trademark Regulation (207/2009) contains civil penalties for infringement of Community trademarks. The EU Customs Enforcement Regulation (608/2013) became effective generally in 2014, repealing the previous EU Customs Regulation (1383/2003). The new regulation does not differ dramatically from the previous legal framework, allowing customs authorities to seize and destroy counterfeit goods. However, it has a wider scope (eg, including trade names where they are protected under national law) and has also introduced a new procedure for monitoring small consignments. However, the new regulation does not extend to parallel imports, despite calls from some rights holders for it to do so.

The Proceeds of Crime Act 2002 deals

with the recovery of the proceeds of crime through the criminal courts, as well as civil recovery. Further criminal offences exist in relation to pirated goods which infringe copyright or design rights.

The UK legal framework also includes a body of case law, including rulings from the European Court of Justice (ECJ).

### Border measures

Her Majesty's Revenue and Customs (HMRC) is responsible for taking action in respect of goods entering the country which infringe or are suspected of infringing IP rights. Between 2013 and 2014, such actions at UK borders resulted in officials detaining more than 21,000 consignments of counterfeit goods.

In order to prevent the import of counterfeit goods into the United Kingdom, it is important for rights holders to work directly with HMRC. In order to apply for protection by HMRC, the rights holder must complete an IP rights application (an 'application for action'), ideally 30

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## The use of holographic labels and unique counterfeiting indicators can make it harder for infringers to replicate goods and easier for Customs to detect counterfeits

working days before the rights holder needs the protection period to commence (although it is possible for a rights holder to notify HMRC at short notice without an application if it believes that the arrival of counterfeit goods is imminent).

The rights holder can apply for protection either in the United Kingdom only or in two or more EU member states where the rights holder owns Community trademarks. The same application form is used for both types of application and the rights holder must specify whether it is making a national application or an EU application. If the latter, the rights holder can also specify the member states in which customs action is requested. If an EU application is filed, HMRC will notify the customs authorities of the other countries listed in the application. The application attracts no fee and, if granted, is valid for 12 months. It is possible to extend the application by further 12-month periods on written request, using a dedicated request for extension form.

The application must contain information to assist HMRC to differentiate between legitimate and counterfeit goods, such as:

- a sufficiently detailed description of genuine goods, including any distinctive features (with pictures if available);
- information on the place of production of genuine goods and authorised importers, suppliers and manufacturers; and
- any information known about any existing counterfeit goods or seizures.

The rights holder must also provide proof of its trademark registrations.

Under the new regulation, the rights holder is required to provide more information in the application for action than was previously required. However, this is to assist Customs to identify counterfeit goods, and therefore it is in the rights holder's interest to provide as much information as it can.

Two further forms have been created to notify Customs swiftly about any urgent/specific information (the 'red alert' form) and general trends (the 'new trends' form).

In addition, the new EU-wide enforcement database is intended to make it easier for customs authorities to recognise counterfeit goods. Rights holders can upload information about their IP rights and products to the centralised database free of charge; the only requirement for registering an account is a registered trademark or design in the European Union (Community or national). Once a rights holder has uploaded its information, the system can produce a pre-filled application for action, containing all the information needed by Customs to take action. Customs authorities across the European Union can access the database and view applications for action in their own language.

### Procedure

A simplified procedure exists, which makes it possible for Customs to destroy intercepted goods without the need to determine whether any right has been infringed under national law (ie, without the need to apply to court). The simplified procedure operates as follows:

- On being notified by HMRC that it has detected goods which it suspects to be counterfeit, the rights holder has 10 working days (subject to a discretionary extension of a further 10 working days) to assess the suspected goods and, if on assessment it believes them to be counterfeit, to write to the consignor, consignee and carrier of the goods stating its intention to have the goods destroyed and the date for this, and requesting their permission for this action.
- Once this period has elapsed, if none of these parties has objected to destruction, their consent is assumed and the goods will be seized for destruction. A one-month standstill period then commences, following which the goods will be destroyed.
- If any interested party objects before seizure for destruction, the rights holder must either commence court proceedings to determine whether the goods are counterfeit or accept that they will be released.
- If any interested party wishes to object after seizure, it must lodge an appeal. HMRC must then start condemnation proceedings to determine whether the goods can be destroyed. The expense of these may be passed on by HMRC to the rights holder.
- If the rights holder is unable to obtain destruction of the goods via this procedure, it remains open to the rights holder to bring court proceedings for a determination.

The destruction of goods under the simplified procedure is now compulsory under the regulation where the interested party has agreed to their destruction. HMRC will deem that the interested party has agreed to destruction where it has not explicitly opposed destruction within 10 working days (three working days for perishable goods).

#### **Small consignment procedure**

The regulation also introduces a new procedure specifically for small

consignments of counterfeit goods (containing three units or less, or weighing less than two kilograms), which allows for their destruction without the need for explicit agreement from the rights holder. The rights holder must have made a general request for destruction in the application for action, and the holder of the goods must have either consented or failed to oppose destruction within 10 days of notice. Rights holders may be required to pay the costs incurred for storage and destruction. The rights holder must expressly consent to this procedure by ticking the relevant box in the application for action.

#### **Scope of seizure power**

The regulation has expanded the ability of European customs authorities to seize goods. First, the European Court of Justice's ruling in the joined cases *Philips/Nokia* (C-446/09 and C-495/09, 2011) has not been changed by the regulation. This means that customs authorities may intercept counterfeit goods in transit through their territories even where the goods are not intended for sale in that member state, provided there is enough evidence that the goods are intended to enter the internal market somewhere.

Second, *Martin Blomqvist v Rolex* (C-98/13, July 2014) expanded the scope of the regulation to allow customs to seize and detain counterfeit goods privately imported from outside the European Union to an EU-resident consumer. This will be the case even if the non-EU seller is not directly targeting EU residents as a customer base.

#### **Criminal prosecution**

Section 92 of the Trademarks Act provides protection through criminal penalties aimed at deliberate counterfeit use of trademarks (including Community trademarks). Between April 2013 and April 2014, UK prosecutors advised on and prosecuted 265 offences using this act. The penalties on indictment include imprisonment for up to 10 years, an unlimited fine or both, and the courts have demonstrated a willingness to impose custodial sentences. The range of activities

caught is broad and includes selling and distributing counterfeit goods, and applying signs to goods or packaging which could be confused with a rights holder's trademark. However, the civil requirements for trademark infringement must be proven for a criminal prosecution to succeed. An infringer may have a defence if it can show that it believed on reasonable grounds that the use was not an infringement, but this defence cannot be used by a party which does not direct its mind to the question.

Criminal prosecutions are usually brought by Trading Standards authorities,

which have a statutory duty to enforce the criminal provisions of the Trademarks Act. Trading Standards officers have powers to assist in investigating potential counterfeiting (eg, by requiring traders to produce documentation relating to their goods); they can seize counterfeit goods and may collaborate with the police to conduct raids on premises.

Trading Standards and other bodies can also seek confiscation orders under the Proceeds of Crime Act. For example, in April 2012 the Medicines and Healthcare Products Regulatory Agency was granted



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Jeremy Dickerson leads Burges Salmon's IP group and has over 20 years' experience of exploiting and protecting leading brands. He also has extensive experience in other areas of contentious and transactional intellectual property, including patents and copyright, and has also worked in the areas of sponsorship, merchandising, advertising and sales promotion, sport and internet issues.

Mr Dickerson is a regular speaker and writer on IP issues, and is a guest lecturer on passing off at Oxford University. He is a member of the Chartered Institute of Patent Agents, the Institute of Trademark Attorneys, MARQUES, the International Association for the Protection of Intellectual Property, the Pharmaceutical Trademarks Group, the European Communities Trademark Association and the International Trademark Association.



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Emily Roberts specialises in contentious intellectual property and brand protection, advising clients on all aspects of IP protection and enforcement, including trademarks, passing off, copyright, design rights, company name policing and domain name disputes. She has particular expertise in IP issues relating to the Internet, advising clients regarding domains and websites which infringe IP rights and the online sale of counterfeit goods. She works with a number of major brands, such as Virgin, Starbucks and Harrods, and has gained invaluable commercial experience working in-house with Virgin on secondment.

a confiscation order for £14.4 million in relation to the supply of fake and unlicensed medicines.

It is also open to rights holders to bring private prosecutions against counterfeiters, which can act as a strong deterrent. Criminal proceedings can be much quicker than civil proceedings and usually result in lower costs. It is possible to recover legal fees and other costs (eg, investigator's fees) from the accused or an award of prosecution costs out of central (state) funds. A disadvantage of criminal proceedings is that unlike civil

proceedings, the case cannot be settled out of court, and therefore a party commencing criminal proceedings must be prepared to go to trial.

### **Police Intellectual Property Crime Unit**

In September 2013 the City of London Police launched a new Police Intellectual Property Crime Unit (PIPCU) to tackle IP-related crime in the United Kingdom, focusing in particular on offences committed online. PIPCU investigates and prosecutes serious offenders, and has the power to seize assets and shut down websites hosting infringing material. Since its launch, PIPCU has investigated IP crime worth more than £30 million. For example, in March 2014 it dismantled an organised criminal group selling counterfeit fashion goods, seizing hundreds of thousands of pounds' worth of fake gloves, high-end cosmetics, sunglasses, teeth whitening kits and e-cigarette refills. Internationally, in 2014 PIPCU strengthened links with China's security authorities. This is significant as China remains the main country from which counterfeit goods enter the European Union (generating 66% of all detained products).



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Georgina Shaw specialises in contentious intellectual property, advising international and household brands on the protection and enforcement of their intellectual property. Ms Shaw has gained particular experience in the areas of trademark infringement and passing off, where she has represented clients in a number of cases in the High Court, the Intellectual Property Enterprise Court and the Court of Appeal. Ms Shaw also advises on anti-counterfeiting – in particular, how to tackle online sales of counterfeit goods and domain name issues.

### **Civil enforcement**

Section 10 of the Trademarks Act and Article 9 of the Community Trademark Regulation set out when a registered trademark will be infringed. For example, in the context of counterfeit goods, use in the course of trade of an identical mark in respect of identical goods constitutes infringement under Section 10(1), without any need for the rights holder to demonstrate a likelihood of confusion.

The High Court of England and Wales has jurisdiction to hear actions brought for the infringement of Community trademarks, as well as UK trademarks. Additionally, the Intellectual Property Enterprise Court and the small-claims track can offer a simpler, more economical route for rights holders in lower-value claims.

### **Preliminary steps**

Before commencing proceedings (and in an attempt to avoid them), a rights holder

should first send a cease and desist letter to a suspected infringer (often accompanied by draft undertakings), setting out its case as to why it believes that its rights are being infringed, and requiring the suspected infringer to cease its infringing activities. However, rights holders must choose their words carefully and be wary of Section 21 of the Trademarks Act, under which “groundless threats” are actionable.

### Interim injunctions and search orders

A cease and desist letter may not always be practical or advisable if urgent action is required. In some circumstances, interim injunctions and search and seizure orders are available to provide more immediate assistance to rights holders.

Interim injunctions can be used to put an immediate stop to sales if rights holders can show that:

- there is a serious issue to be tried;
- damages would be an inadequate remedy;
- the balance of convenience favours the granting of an injunction; and
- there are no decisive special factors in the defendant's favour.

Such an order can be obtained within a matter of days and can be made with or without notice. However, this remedy is discretionary and must be brought without any undue delay; successful applicants will ordinarily be ordered to provide a cross-undertaking in damages to protect the defendant from damage should it succeed in overturning the injunction at trial.

Search orders are designed to secure and preserve evidence and can be used to obtain access to an infringer's premises to search and seize goods and documentation. Such orders are draconian in nature and specific rules and safeguards apply. There must be a real risk that relevant material will be destroyed or disposed of before an order will be granted, and all searches must be supervised by an independent officer of the court (usually a solicitor from an independent firm).

### Final remedies

If the defendant does not file a defence within the timescales required, judgment in default can be obtained.

Another means of obtaining an early final remedy is summary judgment. A rights holder can make an application for summary judgment only if the defendant has no real prospect of success and there is no compelling reason for a trial.

Unless an early determination is obtained or the matter is settled, the rights holder's final remedy will be granted after a full trial. Available remedies include:

- a permanent injunction to prevent any future infringement;
- damages or an account of profits;
- delivery up or destruction of goods; and
- an award for the recovery of costs.

### Anti-counterfeiting online

#### ISP liability

The ECJ's judgment in *L'Oréal v eBay* (C-324/09, July 2011) provided guidance on a number of questions raised by the English courts on the liability of internet service providers (ISPs).

Where an ISP hosts a webpage on which counterfeit goods are sold, but plays no active role in the advertising of goods and is unaware of facts which ought to lead it to conclude that the advertisement would be unlawful (or takes expeditious remedial action on becoming aware), it may be able to use the EU E-commerce Directive (2000/31/EC) to protect it from liability, provided that it has acted diligently enough to fall within the standard for protection under the directive.

However, rights holders can obtain orders against ISPs at a national level for preventive measures to thwart the marketing or sale of counterfeit goods on their websites. Such measures must be effective and proportionate, which leaves it open to national courts to decide what forms of injunction (or other remedy) will be available.

The recent judgment in *Cartier v BskyB* ([2014] EWHC 3354 (Ch)) confirmed that the *L'Oréal* decision empowers the courts to grant injunctions against non-infringing

intermediary parties. In particular, the case imposed a blocking injunction against an ISP hosting a website offering counterfeit goods for sale. This required the ISP to prevent its subscribers from accessing the website in question.

The judgment confirmed that such injunctions are often the only effective method of reducing the use of counterfeit websites, and opened up this remedy to other rights holders. Crucially, by impeding access to websites at ISP level, rights holders can be sure that "inexperienced or lazy users" are immediately prevented from participating in counterfeit trade. Although not necessarily deterring those online users who determinedly seek to purchase counterfeit goods, this remedy, if used, may hamper the recent consumer trend of accidentally or habitually using such websites instead of genuine suppliers.

It remains to be seen exactly how *Cartier* will be applied in other cases, and whether orders for a blocking injunction could be discharged, varied or lifted after a set amount of time. However, it is a significant positive development for rights holders in their fight against online counterfeiters.

### Preventive measures/strategies

For rights holders, risks can be minimised by entering into robust contractual relationships with third-party manufacturers, distributors and suppliers. Goods can also be customised to reduce risks. For example, the use of holographic labels and unique counterfeiting indicators can make it harder for infringers to replicate goods and easier for Customs to detect counterfeits.

Adopting and maintaining an effective monitoring strategy is a prudent preventive measure and acts as a deterrent to potential infringers. A reputation for taking robust decisive action where appropriate can also act as a deterrent. For example, the effective use of pre-action cease and desist letters can be an effective low-cost strategy, and a consistent enforcement strategy sends the right message to potential infringers.

Rights holders should be aware of the range of measures open to them and should be ready to take swift action. Building relationships and cooperating with HMRC and Trading Standards can go a long way to assist rights holders, and having a trusted legal adviser on hand to advise promptly on available remedies, such as interim injunctions and search orders, can help rights holders to resolve issues swiftly as they arise.

The UK counterfeit goods market is currently valued at £1.3 billion according to Home Office statistics, meaning that the prevention of counterfeiting is currently high on the agenda of UK and European legislative bodies. The Consumer Rights Bill 2014, currently before Parliament, has brought enhanced focus on the rights of consumers and the need to toughen policy on counterfeiting. The year 2015 will also see the creation of a five-year strategy to combat IP crime led by new UK IP Minister Lucy Neville-Rolfe. In Europe, there are proposals for modifications to the EU Trademark Regulation and Directive, including calls for the ability to intercept counterfeit goods passing through the European Union, even where destined for sale outside of the European Union. **WTR**



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