



The Anti-Counterfeiting Group  
Campaigning Against the Trade in Fakes  
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An ICC initiative  
**BASCAP**  
Business Action to Stop  
Counterfeiting and Piracy



**World  
Trademark  
Review**

# Anti-counterfeiting 2013

**United Kingdom**

Contributing firm Burges Salmon LLP

Part of The IP Media Group 

**A Global Guide**

# United Kingdom

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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 Customs Regulation (1383/2003), enacted into UK law by the Goods Infringing IP Rights (Customs) Regulations 2004, allows Her Majesty's Revenue and Customs (HMRC) to seize and destroy counterfeit goods; and 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.

In January 2012 the United Kingdom, along with 21 other EU member states, signed up to the Anti-counterfeiting Trade Agreement, which was designed to create a global standard for combating trade in counterfeit goods. However,

the agreement was subject to heavy criticism from opponents, who claimed that it infringed civil liberties. As a result, the European Parliament rejected the agreement on July 4 2012, with the effect that no member state may ratify the agreement.

The UK legal framework also includes a body of case law, including rulings from the European Court of Justice (ECJ). The practical implications in the United Kingdom of the most recent ECJ judgments are addressed in this chapter.

## Border measures

HMRC is responsible for taking action in respect of goods entering the country which infringe or are suspected of infringing IP rights. In order to prevent the import of counterfeit goods into the United Kingdom, it is important for rights holders to work directly with HMRC (which will intercept goods that it believes are infringing). In order to apply for protection by HMRC, the rights holder must complete an IP rights application, ideally 30 working days before the rights holder needs the protection period to commence (although it is possible for a rights

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holder to notify HMRC at short notice without an application if it believes that the arrival of counterfeit goods is imminent and lodge an application afterwards).

A different application form applies depending on whether the rights holder wants protection in the United Kingdom only in respect of UK trademarks (Form C1340) or in two or more EU member states where the rights holder has Community trademarks (Form C1340A). If a Community 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. The application must contain information to assist HMRC to identify suspected counterfeit goods, such as a sufficiently detailed description of the goods (including pictures if available), any information known about the type or pattern of the fraud and any technical differences, if known, between the authentic and counterfeit goods. The trademark owner must also provide proof of its trademark registrations.

### Procedure

Since 2009 the Goods Infringing IP Rights (Customs) Regulations have provided for a simplified procedure, which makes it possible for customs authorities to have intercepted goods destroyed 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 the 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.

### Goods in transit

In December 2011 the ECJ handed down its judgment in a joint case involving Nokia and Philips (C-446/09 and C-495/09), on reference from the Dutch and English courts, on the interpretation and application of the EU Customs Regulation. The ECJ confirmed that goods passing through the European Union can be detained as counterfeit only if the

rights holder can prove not only that such goods would infringe its rights if circulated in the member state in question, but also that there is an intention to circulate them within the European Union. Rights holders can seek to rely on evidence gathered by Customs to establish actual intention. However, in some cases proving intention may be difficult. For example, paperwork and/or witness evidence will be required in order to prove that goods have been sold or advertised for sale in the European Union. The decision prompted calls for Customs to be given greater powers to seize goods infringing IP rights, particularly where those goods are clearly counterfeit.

In May 2011 the European Commission proposed a new customs regulation (COM/2011/285) to simplify access to legal remedies and tackle counterfeiting more effectively. A number of amendments to the draft regulation have been made since it was first published, including an amendment seeking to reverse the burden of proof onto the owner or holder of the goods in question. The regulation is scheduled for a second reading in December 2012.

### **Criminal prosecution**

Section 92 of the Trademarks Act provides protection through criminal penalties aimed at deliberate counterfeit use of trademarks (including Community trademarks). 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 on those convicted (eg, in the recent case of *R v Singh (Harpreet)* [2012] EWCA Crim 1885, Mr Singh was sentenced to six months' imprisonment, suspended for two years, for possessing and offering for sale counterfeit clothing). The activities caught are wide and also include selling and distributing counterfeit goods, or 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 someone who simply does

not direct their mind to the question.

Criminal prosecutions are usually brought by the state, through Trading Standards. Local trading standards offices have a statutory duty to enforce the criminal provisions of the Trademarks Act. There are over 200 trading standards offices situated around the United Kingdom, each operating independently (although they collaborate on larger initiatives). 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 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) either from the accused or an award of prosecution costs out of central (state) funds. A criminal prosecution may also act as a deterrent. 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. Costs recovery, although possible, can also be difficult in practice.

### **Civil enforcement**

Section 10 of the Trademarks Act and Article 9 of the EU Community Trademark Regulation (2007/2009) set out when a registered trademark will be infringed. For example, in the context of counterfeit goods, the use in the course of trade of an identical mark in respect of identical goods constitutes an 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, and the Patents County Court and new small-claims track can offer a simpler route for rights holders in lower value claims.

### **Preliminary steps**

Before commencing proceedings (and in an attempt to avoid them), rights holders should first send a cease-and-desist letter to a suspected infringer (often accompanied by draft undertakings), setting out the rights holder's case as to why it believes 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 a discretionary one which 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 can use the EU E-commerce Directive (2000/31/EC) to protect it from liability, provided that it acts 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.

#### **Internet advertising**

The ECJ handed down a further judgment in September 2011, *Interflora v Marks & Spencer*

(C-323/09), answering questions raised by the English courts about keyword advertising.

The ECJ confirmed that in cases of internet advertising, double identity infringement (the use of an identical sign for identical services) will be proven only if, in addition to proving the normal criteria of infringement, there is an adverse effect on one of the 'functions' of the mark, such as the origin of the mark (the suggestion of an economic link), its advertising function, its quality or its investment function.

This adds an additional hurdle for rights holders, which must consider:

- how the third party is using the keyword;
- whether there is any evidence that the advertising is confusing;
- whether there is an impact on sales;
- whether the advertising relates to counterfeit goods; and
- whether the advertisement is aimed at consumers in the United Kingdom.

#### *Online investigation strategies*

In serious cases, a rights holder (or legal adviser) can take steps to disguise its IP address before accessing websites where it is suspected that counterfeit goods are being sold, as the webmaster of that site has the ability to see who is visiting the site and this may hamper initial investigations (eg, evidence gathering) before taking action.

#### **Preventive measures/strategies**

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.

#### **Conclusion**

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. [WTR](#)

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Jeremy Dickerson leads Burges Salmon's IP protection group and has 20 years' experience of exploiting and protecting leading brands. He has extensive experience in all areas of contentious and transactional intellectual property, including trademarks, patents and copyright. He has also worked considerably in the areas of sponsorship, merchandising, advertising and sales promotion, sport and internet issues, and has been involved in a number of leading cases and transactions in this area.

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 most leading IP organisations.



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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.



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Georgina Shaw advises on a wide range of IP, commercial and sports issues. Her particular areas of experience in the IP field include advising clients in relation to brand protection and infringement, including trademark infringement and passing off, domain name disputes, company name disputes and the online sale of counterfeit goods. Ms Shaw has recently been involved in High Court proceedings for a major UK broadcaster relating to trademark infringement and passing off. In the past year she has also obtained a postgraduate diploma in IP law and practice from Oxford University, which covered all aspects of IP law, including patents, trademarks, passing off, trade secrets, designs and copyright.