

# 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 Community Trademark Regulation (207/2009) contains civil penalties for infringement of Community trademarks. In June 2013 a new EU Customs Enforcement Regulation (608/2013) was adopted by the European Parliament and the European Council. It will become effective generally from 2014, repealing the existing EU Customs Regulation (1383/2003). Regulation 608/2013 does not differ dramatically from the existing 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 also introduces 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. 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, ideally 30 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).

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A different application form applies depending on whether the rights holder wants protection in the United Kingdom in respect of only 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 rights holder must also provide proof of its trademark registrations.

In addition, a new EU-wide enforcement database has recently been launched 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 authorities 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 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.

The destruction of goods under the simplified procedure is now compulsory under Regulation 608/2013 where the interested party has agreed to their destruction. HMRC may deem that the interested party has agreed to destruction where it has not explicitly opposed destruction within 10 working days (or three working days for perishable goods).

Regulation 608/2013 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, 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.

### **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 (eg, in *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 range of activities caught is broad and also includes 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 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 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 either the accused or an award of prosecution costs out of central (state) funds. A disadvantage of criminal proceedings is that, unlike in 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. The PIPCU investigates and prosecutes serious offenders, and has the power to seize assets and shut down websites hosting infringing material. In its first investigation the PIPCU arrested two men on suspicion of importing thousands of counterfeit DVDs and selling them as legitimate items online; DVDs with an estimated sale value of £40,000 were seized.

### **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 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

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infringement of Community trademarks, as well as UK trademarks. Additionally, the Intellectual Property Enterprise Court and new small-claims track can offer a simpler and 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 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 in *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 advertisement is confusing;
- whether there is an impact on sales;
- whether the advertisement relates to counterfeit goods; and
- whether the advertisement is aimed at consumers in the United Kingdom.

*Interflora* returned to the High Court for a final decision in May 2013. The court applied the ECJ's ruling in full.

### 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. [VTR](#)

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Jeremy Dickerson leads Burges Salmon's IP group and has more than 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 specialises in IP infringement, litigation and brand protection, 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 at the High Court and the Intellectual Property Enterprise Court. Ms Shaw also advises on anti-counterfeiting, in particular, how to tackle online sales of counterfeit goods, and on domain name issues, including domain name disputes and the Uniform Domain Name Dispute Resolution Policy. In 2012 Ms Shaw obtained a postgraduate diploma in IP law and practice from Oxford University, which covered all aspects of IP law.