

United Kingdom

Contributing firm
Bird & Bird



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Legal framework

Anti-counterfeiting efforts are principally governed by trademark and customs legislation.

Commercial entities seek to protect their brand and products by registering a portfolio of marks, which may consist of Community trademarks, controlled by the Community Trademark Regulation (40/94), and/or national registered marks, governed by the UK Trademarks Act 1994. This legislation also sets out provisions relating to infringement of registered marks as a result of their unauthorized use – for example, by those involved in counterfeiting. Customs authorities also have the power to seize goods suspected to be counterfeit under the EU Customs Regulation (1383/2003).

Other potentially relevant legislation includes the Proceeds of Crime Act 2002, which provides mechanisms to recover

unlawful gains made by convicted counterfeiters, and the EU IP Rights Enforcement Directive (2004/48/EC), which harmonizes the means of enforcing IP rights and the level of protection afforded to such rights throughout the European Union.

Anti-piracy provisions based on copyright and design rights are not discussed in this chapter.

Border measures

Customs notice application

The advantages of working with Customs to prevent the import of counterfeit goods into the United Kingdom are clear. Well-managed cooperation with Customs establishes an efficient and cost-effective first line of defence.

Under the EU Customs Regulation, a trademark owner may file a customs notice application requesting UK Customs (and, if desirable, the customs authorities in any other EU member states) to detain goods suspected of infringing the rights holder's marks, allowing the rights holder the

opportunity to take action to prevent the release of the goods onto the market. The Customs Regulation covers goods that are from a non-EU country (ie, not goods which are already in circulation in the European Union). If assistance has been requested in member states other than the United Kingdom, UK Customs will transmit the application to the respective customs authorities, some of which may require translations of the filed documents and other administrative formalities.

The application should include sufficient information to enable Customs to identify easily suspected infringing goods. Such information can include:

- descriptions/pictures of counterfeit goods;
- differences between authentic and counterfeit goods; and
- transport routes and patterns of infringement, if known.

Customs notices will remain in force for 12 months, but can be extended for successive 12-month periods.

While no fee is payable for filing an application, the rights holder is liable for, among other things:

- storage and destruction charges (although the rights holder may seek to recover such costs from the importer/addressee); and
- legal costs and compensation for any loss suffered by the importer or other third party in the event that a procedure started by the rights holder is subsequently discontinued or the goods detained or destroyed are subsequently found to be non-infringing.

Procedure following detention of goods

Upon detention of suspected counterfeit goods, Customs will immediately notify the rights holder and the declarant, and provide details about the nature of the goods and the actual/estimated quantity. At the rights holder's request, Customs may also provide samples and disclose the identity (if known) of the declarant, consignee, consignor, importer, exporter and manufacturer of the detained goods, but such information is provided only for purposes of determining whether the goods are infringing and to allow the rights holder to bring legal proceedings against the infringer if necessary. The Customs Regulation sets out sanctions (including the suspension or non-renewal of the application) that may be imposed if this information is misused, although the precise scope of lawful use arguably remains unclear.

Notification that goods have been detained by Customs will be accompanied by a simple declaration form in which the rights holder must confirm whether the detained goods are counterfeit. The rights holder initially has 10 working days to respond, extendable by a further 10 working days at the discretion of Customs. If the rights holder fails to respond within the deadline, Customs will release the goods.

Provided the declaration is made within the deadline, Customs will proceed to 'seize' the goods formally. The importer will then be notified and will have one month to file an appeal, failing which the goods will be forfeited for destruction.

In the unlikely event that the importer appeals, Customs will commence proceedings against the importer, in which the rights holder may be required to assist, for example by giving evidence and attending hearings.

Criminal prosecution

Offences

Certain unauthorized uses of trademarks

constitute offences under Section 92 of the Trademarks Act. Such offences include the unauthorized application of the offending mark to goods, and dealing in and keeping goods bearing such a mark. A Section 92 offence may be tried as a summary or indictable offence depending on its seriousness. A person convicted on indictment may be sentenced to up to 10 years in prison or an unlimited fine. Under Section 97 of the Trademarks Act, the court can also order the forfeiture of counterfeit goods, packaging, advertising and articles specifically designed or adapted for making counterfeit copies.

A person charged with an offence under Section 92 has a defence if that person can show that he or she believed on reasonable grounds that use of the offending mark was not an infringement of the registered mark. This may include situations where the person was not aware of the existence of the mark, or where he or she believed that no relevant trademark was registered.

Trading Standards

Local Trading Standards offices are required to enforce Section 92 within their own area. As this is one of the many consumer protection provisions enforced, there can be inconsistencies in approach. Such inconsistency is also due in part to differences in the amount of resources available to offices.

To determine whether an offence has been committed, Trading Standards officers have the power to:

- make test purchases of goods;
- secure the provision of services; and
- enter premises (other than dwelling places).

Officers can also seize and detain any goods, and order the alleged infringer to produce accounts if they have reasonable cause to suspect that an offence has been committed. The officers' powers are territorial and they cannot act unless an offence has been committed in their area. In cases where the counterfeiters consist of a large organized unit, Trading Standards may seek police assistance as the police have broader powers of seizure and arrest, and can conduct searches without a warrant.

Private prosecutions

While it is usually the authorities that prosecute offenders under Section 92, individuals or trade associations can also initiate private prosecutions. The key difficulty for private prosecutions is the

collection of admissible evidence under the complicated evidence rules.

Civil enforcement

Dealing in counterfeit goods (including importing, offering or otherwise placing them on the market) constitutes trademark infringement under Article 9 of the Community Trademark Regulation or Section 10(1) of the Trademarks Act, as the case may be.

Cease and desist letters

Typically, the rights holder will first send a cease and desist letter to the infringer asserting its trademark rights and requesting undertakings that the infringing activity will cease immediately. The rights holder may also seek:

- delivery up or destruction of remaining stock;
- damages or an account of profits; and/or
- reimbursement of its legal costs.

The rights holder is also likely to seek supplier details so it can trace the supply chain with the aim of identifying the manufacturer and/or original importer. The cease and desist letter needs to be worded carefully to avoid potential actions for groundless threats under Section 21 of the Trademarks Act.

Search and seizure orders

Where the rights holder is concerned that a cease and desist letter would result in valuable evidence of the infringing activity being destroyed or removed, it may instead apply to the court for a search and seizure order, which allows entry to the infringer's premises to seize evidence without notice to the infringer. However, the court is likely to grant such an order only where the rights holder can show that:

- the damage caused (or likely to be caused) is sufficiently serious;
- there is clear evidence that the infringer is in possession of incriminating evidence; and
- there is a real chance that such evidence would be destroyed if the infringer were given notice.

Interim injunctions and full proceedings

In the event that the rights holder needs to take urgent action to stop the infringing activity, the rights holder may apply to the court for an interim injunction, either with notice or exceptionally without notice. In cases of extreme urgency, applications may be made by telephone.

An interim injunction is a discretionary measure and will be issued only where the rights holder would suffer irreparable harm if an injunction were not granted until the end of the trial. The court will take into account, among other things:

- whether there is a serious question to be tried;
- whether damages would be an adequate remedy. In counterfeiting, the damage suffered to the rights holder's reputation arguably cannot be remedied by damages alone;
- the balance of convenience of each party; and
- any delay (while not a bar to an injunction, delay is likely to count against the rights holder).

If an interim injunction is granted, the defendant must cease the allegedly infringing activities once the terms of the injunction are brought to its attention. The rights holder must also provide a cross-undertaking in damages to compensate the defendant for loss suffered in the event that the injunction is subsequently overturned at full trial.

An interim injunction will last only until the full trial. At that point, the rights holder will seek to prove its case and ask the court to replace the interim injunction with a permanent injunction. During the full trial, the rights holder is likely to seek an order requiring the defendant, among other things to:

- deliver up or destroy the infringing goods;
- pay an account of profits or damages; and
- reimburse the rights holder's legal costs.

Anti-counterfeiting online

The first challenge to anti-counterfeiting on the Internet is identifying the offender. For sellers that operate their own website, conducting a Whois search of the domain name may provide some information. In other cases (eg, sales through online auctions), it may be necessary to seek information on the seller from the site operator or internet service provider (ISP) hosting the website. ISPs and site operators usually do not disclose such information upon request as they have a confidentiality obligation to their customers. Rights holders can apply for a Norwich Pharmacal order, under which ISPs or site operators must disclose such information. In practice, ISPs often take a neutral position and neither oppose nor consent to the application.

Most online auction sites have policies for dealing with IP infringement. The rights

holder can file a complaint concerning the suspected counterfeit goods with the site owner. The latter usually works with the rights holder to remove the infringing listings if necessary. In several cases, rights holders have also taken action directly against the online auction sites. Louis Vuitton, Hermès and L'Oréal have sued eBay in EU member states for allowing the sale of counterfeit goods on its website, arguing that eBay is a direct participant in the sale of counterfeit goods and therefore liable for trademark infringement. While the courts found in favour of the rights holders in France and Germany, the Belgian courts found that eBay was not liable, as it was not required to monitor and review actively its website. At the time of writing, the UK *L'Oréal Case* has not yet been decided and the liability of auction sites remains unclear at this stage.

After identifying the defendant, the rights holder needs to determine the appropriate jurisdiction for initiating legal proceedings. Under EU Council Regulation 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, a defendant domiciled in an EU member state shall be sued in the courts of that state, subject to certain exceptions. One such exception is that a defendant may be sued in the courts of the EU member state where the harmful event occurred or may occur. While this opens up the possibility of suing in a member state where a website is "merely available", this exception is applied narrowly by English courts. The courts have found in trademark infringement cases that a mark used on a foreign website is not "used" in the United Kingdom unless the site is targeted at that jurisdiction.

Preventive measures/strategies

The downturn in the economy and consumption means there may be a corresponding decrease in production of infringing products. However, in some sectors infringing activity may be exacerbated by consumers opting for cheaper counterfeit goods. Whatever the situation, it is a good opportunity for rights holders to take a step back and reconsider their anti-counterfeiting strategies.

As a first step, an audit of IP rights will assist rights holders to identify any 'blind spots' in their portfolio. Second, the current economic climate makes it particularly important for rights holders to make good use of public resources. Well-managed cooperation with UK Trading Standards and customs authorities is a

cost-effective way to deal with counterfeit goods. As the authorities have limited resources to deal with large flows of goods, it is helpful to provide them with training on identifying counterfeits (including any specific indicators). Rights holders should keep the authorities updated with lists of licensees and information on sources of counterfeit products.

Public resources can be used in conjunction with in-house teams and local investigators to monitor the market. This will help businesses to build up their knowledge base of infringing activity and target offenders in preparation for civil proceedings when the budget permits. [WTR](#)

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She has acted for multinational companies in respect of IP matters in China, Hong Kong and the United Kingdom, including assisting in contentious matters involving patents, copyright and trademarks for pharmaceutical drugs, computer software and digital technology. Ms Chen's expertise also includes advising clients on strategies for protection and enforcement of IP rights, licensing agreements and domain name disputes.

Ms Chen has recently been involved in advising a leading international technology firm on patent litigation disputes across the Asia-Pacific region.



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Mr Grist has advised on a broad range of IP matters, both contentious and non-contentious. He has experience in patent litigation, and trademark and design right enforcement for clients from a number of different sectors, including pharmaceuticals and biotech, and consumer electronics manufacturing. In particular, he has been involved in the management of anti-counterfeiting programmes which have involved working closely with customs authorities throughout Europe.

Mr Grist has also worked extensively with life sciences clients on commercial agreements and has advised on a range of IP issues relating to acquisitions and licensing. In 2005, he was seconded to a major international pharmaceutical company.