

Anti-counterfeiting 2020



United Kingdom

AA Thornton

Louise Foster and Varuni Paranavitane

A Global Guide

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- Building and managing anti-counterfeiting strategies
- Pursuing and taking action against online counterfeiters
- Filing and maintaining records of IP rights with customs globally

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Legal framework

The Trademarks Act 1994 is the United Kingdom's primary piece of national trademark legislation and contains provisions covering trademark infringement, as well as criminal offences relating to anti-counterfeiting.

The Fraud Act 2006 and the Proceeds of Crime Act 2002 are often relevant to criminal IP cases. Under the Fraud Act it is a criminal offence to dishonestly make a false representation with the intention to make a gain for oneself or another or with the intention to cause loss to another or expose another to a risk of loss, and to make or possess articles for use in or in connection with fraud, and to make or supply articles for use in fraud. The Proceeds of Crime Act provides for the recovery of assets and proceeds obtained through crime, including IP crime, as well as recovery of proceeds of crime through civil proceedings where a criminal conviction has not been possible.

The following EU legislation applies in the United Kingdom until the end of the transition period following the United Kingdom's exit from the European Union:

- EU Regulation 2017/1001 (EU Trademark Regulations), which governs the unauthorised use of EU trademarks; and
- EU Regulation 608/2013 (EU Border Regulations), which concerns customs enforcement of IP rights.

Border measures

Her Majesty's Revenue and Customs (HMRC) and Border Force (BF) are the government authorities responsible for the UK borders, including enforcement of IP rights under the provisions laid down in the Trademarks Act and, until the end of the transition period, EU border regulations. HMRC is responsible for national policy on IP rights enforcement and BF is the law enforcement unit that implements this policy. The EU border regulations set out procedures that all EU customs authorities must adopt to enforce IP rights against counterfeit, infringing or pirated goods. BF implements these procedures as follows:

- BF identifies suspect goods and detains them for a set period of 10 working days (extendible for a further 10 working days) or three working days for perishable goods.



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- BF notifies the rights holder and owner of the suspect goods detained and, where appropriate, sends a sample of the goods.
- Rights holders confirm within the set period whether the suspect goods are counterfeit, pirate or infringing and request destruction or release.
- Owners of suspect goods must confirm whether they agree to destruction within the set period. BF will assume implicit agreement to destruction of the goods where no response is received from the owner.
- If the owner contests destruction of the goods, the rights holder will need to commence legal proceedings within the set period to determine whether an IP right has been infringed in order to have the goods destroyed.

To aid detection of suspect goods by BF, holders of IP rights with effect in the United Kingdom or other EU member states are advised to submit an application for action (AFA) to customs authorities. BF will detain suspect goods where there is no AFA in place; however, rights holders will need to submit an *ex officio* AFA within a short time to have the goods destroyed.

When filing an AFA, rights holders provide details of relevant IP rights, the IP rights holder and the correct legal and technical contacts, and information on how to identify when a product might be infringing, counterfeit or pirated. Information on rights holders’ genuine distribution chains, places of production and authorised distributors and importers is also requested. Rights holders can submit information to UK Customs regarding specific shipments of suspected counterfeit or

infringing goods (a red alert) or data on new trends relating to counterfeiting or infringing goods (a new trend).

Rights holders are encouraged to submit an AFA using the Enforcement Database (EDB), a free tool that acts as a central database for the information usually submitted in an AFA to aid frontline enforcers identify infringing goods. The tool allows direct communication between enforcers and rights holders and interacts with other existing databases such as the EUIPO register, TMview and Designview.

The EDB can automatically generate a completed AFA and submit this to HMRC electronically. The tool allows generation of the AFA only once it has sufficient information, so users can be confident that an AFA submitted through the EDB should be accepted by HMRC.

Further:

- under an AFA, rights holders agree to be liable for the costs incurred by customs authorities in taking action to enforce IP rights (eg, cost of destruction and storage of suspect goods);
- rights holders are also liable where suspect goods are found non-infringing and the owner suffers damage;
- there are restrictions on how the information received regarding suspect goods detained by BF can be used by rights holders; and
- EU border regulations do not apply to grey market goods, but there is provision to prohibit their import under UK legislation.

Exit from the European Union

Until the end of the transition period, an EU-wide AFA will continue to apply in respect of the European Union, including the United Kingdom. After that, rights holders based in the United Kingdom with IP rights relevant to the EU27 will need to file AFAs through a member state other than the United Kingdom.

Following the transition period, it seems likely that the UK government will ensure measures are in place to protect IP rights at the UK border that largely reflect the current procedures available under EU law.

Grey market goods

Section 89 of the Trademarks Act allows the owner or licensee of a registered trademark to give written notice to HMRC that a

consignment of goods is expected to arrive in the United Kingdom that will infringe the registered trademark. This written notice allows HMRC to prohibit the import of the goods, which must then be forfeited by the importer. This section applies to grey market goods, other than those arriving from the European Economic Area and released for free circulation. This section does not apply to goods for personal or domestic use, or goods to which the procedures laid out in the EU border regulations apply.

The onus is on the trademark owner to inform HMRC of the details of the consignment, including, at a minimum, the date and time of the consignment's arrival. There is no provision that allows HMRC to seize such goods without a written notice, or once the goods have arrived in the United Kingdom.

The IP Rights AFA Approvals Team is the UK team responsible for granting AFAs, red alerts and new trends, and processing written notices provided under Section 89 of the Trademarks Act. Relevant forms and details of where to send these are available on the HMRC website.

Criminal prosecution

Under Section 92 of the Trademarks Act, it is a criminal offence for a person, with a view to gain for themselves or another, or with intent to cause loss to another, and without the consent of the owner, to:

- apply to goods or their packaging, sell or let for hire, offer or expose for sale or hire or distribute goods which bear, or the packaging of which bears, a sign identical to or likely to be mistaken for a registered trademark;
- possess, have custody or control in the course of a business any such goods with a view to doing any of the aforementioned activities;
- apply a sign identical to or likely to be mistaken for a registered trademark to material intended to be used for labelling or packaging goods, as a business paper in relation to goods or for advertising goods;
- use in the course of business, material bearing such a sign for labelling or packaging goods, as a business paper in relation to goods or for advertising goods, or to possess, or have custody or control in the course of

a business any such material with a view to doing any of the aforementioned activities; or

- make an article specifically designed or adapted for making copies of a sign identical to or likely to be mistaken for a registered trademark, or possess, have custody or control of such an article in the course of a business knowing that it has been, or is to be, used to produce goods, or material for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods.

The Supreme Court has recently held that these provisions can also apply to goods that are manufactured with the trademark owner's consent but sold without their consent, so do not necessarily just concern goods produced without consent of the trademark owner.

The Crown Prosecution Service (CPS) is the main public agency responsible for conducting criminal prosecution. Police will pass cases of offences committed under Section 92 of the Trademarks Act to the CPS for the purpose of bringing criminal proceedings against the suspected offenders.

National Trading Standards is the UK government authority that provides national and local protection and enforcement of IP rights. As well as conducting national campaigns and gathering intelligence into counterfeiting activity, Trading Standards has various regional teams that work alongside the police by carrying out a range of activities, including routine inspections of marketplaces and investigations into individuals and businesses. Trading Standards itself also has powers to bring criminal prosecutions, issue statutory notices and cautions, and obtain search and seizure orders from the courts.

The Police Intellectual Property Crime Unit (PIPCU) is the specialist unit within the police tasked with tackling serious and organised IP crime and, in particular, IP crime committed online. PIPCU works with other national government enforcement agencies and various groups representing areas of UK industry to stop counterfeit trading. PIPCU has powers to criminally prosecute. Rights holders are also able to submit cases themselves for consideration of investigation

by PIPCU when evidence of IP crime has been found.

Individuals and legal entities have the right to bring private prosecutions under the various criminal IP provisions. The CPS has no influence over private prosecutions.

The majority of IP crime cases involve fraudulent conduct on the part of offenders and provisions of the Fraud Act are thereby often enforced alongside UK trademark criminal provisions. Where possible, the provisions of the Proceeds of Crime Act are also used to recover assets and money obtained through IP crime.

Civil enforcement

Legislative non-criminal provisions relating to infringement of a UK trademark are set out in Section 10 of the Trademarks Act. Legislative non-criminal provisions relating to infringement of an EU trademark are set out in Article 9 of the EU Trademark Regulations.

For counterfeit goods, the use of a sign in the course of trade will normally be identical to the registered trademark and in relation to identical goods. This will therefore constitute infringement under Section 10(1) the Trademarks Act or Article 9(2)(a) of the EU Trademark Regulations. In the case of use of an identical mark for identical goods, there is no requirement for the trademark owner to demonstrate likelihood of confusion.

Examples of use of the sign include:

- affixing a trademark to goods or packaging;
- offering the goods under the trademark for sale; or
- importing or exporting the goods under the trademark.

The trademark owner may bring an action under Section 10 of the act in the Chancery Division of the High Court. Lower value cases should be brought in the Intellectual Property Enterprise Court, where damages and cost recovery are capped. For very low-value claims, there is a separate small-claims track.

Before commencing any legal action, the trademark owner should consider sending a pre-action letter to the infringer, depending on the remedy sought and the urgency of the matter.



A search order will allow the applicant to obtain access to the infringer's premises to search for and seize goods

If urgent action is required, the UK courts can, under certain circumstances, grant interim injunctions and 'search and seizure' orders against the infringer. These orders can be applied for without notice to the infringer and granted within days. An interim injunction can be used to immediately stop sales where the case is serious, where damages will not be an adequate remedy, and where the balance of convenience lies with the granting of the injunction.

A search order will allow the applicant to obtain access to the infringer's premises to search for and seize goods. These types of order are awarded only in limited circumstances. A successful applicant for an interim injunction will normally have to agree to pay damages to the defendant in case the applicant does not succeed at final trial.

If the circumstances do not warrant urgent action, then following pre-action correspondence the trademark owner may start proceedings in a UK court.

Remedies available at the final court hearing on infringement include:

- permanent injunctions against future infringement;
- orders for the infringer to pay damages or an account of profits to the trademark owner;
- orders for the infringer to deliver up or destroy the infringing goods; and
- costs awards in favour of the trademark owner.

Anti-counterfeiting online

Counterfeit goods are increasingly sold and distributed online, with social media platforms now considered to have overtaken the use of auction sites and online marketplaces for sales of counterfeit goods. Counterfeit goods sales have moved into hidden closed-groups on platforms such as Facebook, making them harder to detect.

Online marketplaces and social media platforms all have procedures to take down infringing content and listings of counterfeit goods. Many platforms also have procedures for brand owners to register or verify their brands with the platform, increasing consumer trust and allowing easier identification and removal of counterfeit goods.

There are numerous private companies offering services to:

- detect infringing content and sales of counterfeit goods online;
- monitor registration of domain names containing trademarks; and
- monitor use of brand names on the Internet and social media by third parties.

The government recognises the challenge that online counterfeiting represents today. There are various national agencies dedicated to tackling the issue and assisting rights holders in enforcement against counterfeiters. These agencies collaborate with international anti-counterfeiting initiatives to increase effectiveness and ensure intelligence sharing.

The National Markets Group Real Deal campaign is a cross-sector initiative of Trading Standards, the police, the UK Intellectual Property Office (UKIPO) and organisations representing rights holders and industries to tackle the trade in counterfeits. The Real Deal Online programme was launched in 2018 in conjunction with the National Trading Standards e-Crime Team to tackle the growing issue of counterfeit goods sold in closed social media groups.

PIPCU focuses on stopping online counterfeit trading. PIPCU can bring prosecutions and have assets seized under the Proceeds of Crime Act, and currently runs three operations focused on this.



Brands should engage with and assist enforcement agencies, as many of these agencies can prosecute counterfeiters on behalf of rights holders

Operation Ashiko targets '.uk' domains being used to commit IP crime. Operation Creative works with advertisers to suspend advertising on websites that make copyright-infringing content available, thereby disrupting the websites' revenue stream. Operation Methone focuses on stopping the sale of counterfeit goods on Facebook marketplace.

Nominet, the '.uk' '.cymru' and '.wales' domain registry, offers a domain name dispute resolution service that can be used by rights holders to take down domain names used in relation to online IP infringement. To use the dispute resolution service, rights holders must submit a complaint backed up with evidence and pay a fee. If it is not possible to settle the dispute through the mediation phase, an independent expert will decide the case and, if appropriate, cancel the domain name or transfer it to the complainant.

Internet service providers (ISPs) can, through the courts, be made subject to a blocking order, available under Section 97 of the Copyright, Designs and Patents Act, whereby ISPs are ordered to block websites known to host infringing content.

Preventative measures/strategies

There are several government agency initiatives aimed at tackling the issue of counterfeiting and infringement:

- The Anti-Counterfeiting Group is an organisation that works with brands and their representatives, government bodies and enforcement agencies to improve intelligence sharing and engagement with anti-counterfeiting efforts. Members of the group receive access to guidance on anti-counterfeiting.

- The National Markets Group Real Deal campaign focuses on the trade in counterfeits at physical markets.
- The UKIPO's Intelligence Hub coordinates intelligence on counterfeiting and piracy activity received from enforcement agencies and rights holders to disrupt the supply chain and trade of counterfeits. Brand owners can report suspicious activity to ipintel@ipo.gov.uk.

Brands should engage with and assist enforcement agencies, as many of these agencies can prosecute counterfeiters on behalf of rights holders.

Brands also need to be pro-active and use the channels that are made available by these initiatives to take action against counterfeiting, as well as using the brand verification and registration tools made available by online platforms.

An AFA by Customs and use of the EDB will ensure as many shipments of counterfeits are stopped by Customs as possible and provide valuable intelligence. It is helpful for rights holders to document any intelligence received regarding counterfeiting of their brands. Over time this will build a picture of the physical routes that counterfeiters use to bring fake goods into the United Kingdom and the online spaces used for sales, inform brands of the tell-tale signs of counterfeit goods, create awareness of trends in the types of goods that counterfeiters are copying and help detect repeat offenders.

Compiling guidance to inform consumers and enforcement agencies on how to distinguish a brand's genuine goods from counterfeits is valuable. It is also important to provide simple channels for consumers to alert brands to possible counterfeit sales.

Technological advancements mean that there are now various types of anti-counterfeiting security feature that brands can use, ranging from holographic labels to block chain technology and digital ink on swing tags that enable consumers to identify genuine products. Brands should be careful as to how widely they distribute detailed guidance on how to identify when their goods have been counterfeited. Too much information on how to spot a fake in the wrong hands can assist counterfeiters. **WTR**

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