

TRADE MARKS, GREY GOODS,
CRIMINAL SANCTIONS...
WHERE'S THE LINE?



MILES BENNETT

5, PAPER BUILDINGS



S. 92 TRADE MARKS ACT 1994

92 Unauthorised use of trade mark, &c. in relation to goods.

(1) A person commits an offence who ***with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor—***

(a) ***applies to goods*** or their packaging a sign identical to, or likely to be mistaken for, a registered trade mark, or

(b) ***sells or lets for hire***, offers or exposes for sale or hire or distributes goods which bear, or the packaging of which bears, such a sign, or

(c) ***has in his possession, custody or control in the course of a business*** any such goods with a view to the doing of anything, by himself or another, which would be an offence under paragraph (b).



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(2) A person commits an offence who with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor—

(a) ***applies a sign*** identical to, or likely to be mistaken for, a registered trade mark to material intended to be used—

(i) ***for labelling or packaging goods,***

(ii) ***as a business paper*** in relation to goods, or

(iii) ***for advertising goods,*** or

(b) ***uses in the course of a business*** material bearing such a sign for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods, or

(c) ***has in his possession, custody or control in the course of a business*** any such material with a view to the doing of anything, by himself or another, which would be an offence under paragraph (b).



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- (3) A person commits an offence who with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor—
- (a) ***makes an article specifically designed or adapted for making copies of a sign*** identical to, or likely to be mistaken for, a registered trade mark, or
 - (b) ***has such an article in his possession, custody or control in the course of a business***, knowing or having reason to believe 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.



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(4) A person does **not** commit an offence under this section unless—

(a) the goods are goods in respect of which the trade mark is registered, or
(b) the trade mark has a reputation in the United Kingdom and the use of the sign takes or would take unfair advantage of, or is or would be detrimental to, the distinctive character or the repute of the trade mark.

(5) It is a defence for a person charged with an offence under this section ***to show that he believed on reasonable grounds*** that the use of the sign in the manner in which it was used, or was to be used, was not an infringement of the registered trade mark.

R v JOHNSTONE [2003] UKHL 28



Lord Nicholls at paragraph 31 said this:

“For these reasons section 92 is to be interpreted as applying ***only when the offending sign is used as an indication of trade origin.*** This is one of the ingredients of each of the offences created by section 92. It must therefore be proved by the prosecution. Whether a sign is so used is a question of fact in each case. ***The test is how the use of the sign would be perceived by the average consumer of the type of goods*** in question:

R v JOHNSTONE [2003] UKHL 28



Summary:

The criminal offences under s.92 of the Trade Marks Act 1994 would only be made out when the offending sign had been used as an indication of trade origin; a defence of non infringement was available under s.92(5) if the defendant showed that his actions would not have amounted to ***civil infringement*** of the trade mark.



CIVIL INFRINGEMENT

10.— Infringement of registered trade mark.

(1) A person infringes a registered trade mark if he *uses in the course of trade* a sign which is identical with the trade mark in relation to goods or services which are *identical with those for which it is registered*.

(2) A person infringes a registered trade mark if he *uses in the course of trade* a sign where because—

(a) the sign is identical with the trade mark and is used in relation to goods or services *similar* to those for which the trade mark is registered, or

(b) the *sign is similar* to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered,

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark.



CIVIL INFRINGEMENT

(3) A person infringes a registered trade mark if he uses in the course of trade in relation to goods or services, a sign which—

(a) is identical with or similar to the trade mark ***where the trade mark has a reputation in the United Kingdom*** and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

(4) For the purposes of this section a person uses a sign if, in particular, he—

(a) ***Affixes*** it to goods or the packaging thereof;

(b) ***offers or exposes*** goods for sale, puts them on the market or stocks them for those purposes under the sign, or offers or supplies services under the sign;

(c) ***imports or exports goods*** under the sign; or

(d) ***uses the sign on business papers*** or in advertising.



CIVIL INFRINGEMENT

(5) A person who applies a registered trade mark to material intended to be used for **labelling or packaging** goods, as a business paper, or for advertising goods or services, shall be treated as a party to any use of the material which infringes the registered trade mark if when he applied the mark he knew or had reason to believe that the application of the mark was not duly authorised by the proprietor or a licensee.

(6) Nothing in the preceding provisions of this section shall be construed as preventing the use of a registered trade mark by any person for the purpose of identifying goods or services as those of the proprietor or a licensee.

But any such use ***otherwise than in accordance with honest practices in industrial or commercial matters shall be treated as infringing*** the registered trade mark if the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.



EXHAUSTION OF RIGHTS

12. Exhaustion of rights conferred by registered trade mark.

(1) A registered trade mark is not infringed by the use of the trade mark in relation to goods ***which have been put on the market in the European Economic Area under that trade mark by the proprietor or with his consent.***

(2) Subsection (1) does not apply where there exist legitimate reasons for the proprietor to oppose further dealings in the goods (in particular, where the condition of the goods has been changed or impaired after they have been put on the market).

R V M & OTHERS [2017] UKSC 58

- The goods were manufactured abroad, in countries outside the EU.
- Some of the goods in the possession of the defendants are said to have been manufactured by people who were neither the trade mark proprietor, nor *authorised* by the proprietor to make them. **This first category of goods, the appellants describe as counterfeits in the true sense.**

R V M & OTHERS [2017] UKSC 58

A significant portion of the remainder of the goods are, however, ones where there had originally been an authorisation of manufacture by the registered trade mark holder, whether by subcontract, licence or otherwise, but whose sale had not been authorised by him. They were thus sold, bearing the trade mark, without the consent of the owner of the mark.

Some garments might deliberately have been made by the factories in excess of the numbers permitted..

Some might have been made in excess of the order without that original ulterior intention, but then have been put on the market without his consent...

Some might have been made under a permission which was cancelled by the trade mark owner; *that in turn might include* cases where the trade mark owner was dissatisfied with the quality...,

Those are not exhaustive of the possibilities. These latter various types of goods are described by the appellants as goods appearing on the “**grey market**”.

R V M & OTHERS [2017] UKSC 58

The Supreme Court confirmed:

- There has to be civil infringement...
- All the activities in the third bullet point on the preceding slide amount to civil infringement.

THE DEFENCE ARGUMENT:

S.92 only applies to “true” counterfeits not “grey market” goods.

R V M & OTHERS [2017] UKSC 58

THE SUPREME COURT'S DECISION:

1. So-called grey market goods are caught by S.92
2. The offences set out in paragraphs (a), (b) and (c) of section 92 are, as a matter of plain reading, not cumulative, but separate. *Each stands alone.*
3. **The mental element of a view to gain or the intent to cause loss** is applicable to all three.

R V M & OTHERS [2017] UKSC 58

- Where it applies, the concept of exhaustion means that there is no infringement of the mark as a matter of civil law, and thus no criminal offence.
- There is no reason to strain the language of section 92(1)(b) so as to exclude the sale of “grey market” goods
- The possible difficulty of distinguishing, where there has been an overrun, between the goods marketed with the proprietor’s authority and those which were a backdoor venture on the part of the manufacturer and subsellers, may arise. In many cases the circumstances of the exit from the factory and of the subsequent sales will often be telling.

R V M & OTHERS [2017] UKSC 58

- The defendant may occasionally be in a position to assert that he was taken in and thus reasonably believed that no infringement was involved. Such a defence, if advanced, must be met on its merits, which will no doubt involve investigation of, inter alia, ***the circumstances in which the defendant acquired the goods and the inquiries which he did or did not make.***
- Defendants who set out to buy up grey market goods to make a profit on re-sale do so ***because the object is to cash in on someone else's trade mark.*** If such be proved, they have scant claim to a beneficent construction of the Act. As it is, its ordinary reading plainly means that, ***unless they have the statutory defence, they have committed an offence.***
- There is in any event nothing disproportionate in the 1994 Act penalising sales when the infringing trade mark is still attached, nor in imposing a criminal sanction on those who might otherwise calculate that the risk of liability in damages is worth taking. That is a perfectly legitimate balance to draw between the rights of the proprietor to protect his valuable trademark and goodwill, and those of the person who wishes to sell goods which he has bought.

AND AT THE END OF THE DAY?
