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UK Supreme Court confirms there are no grey areas when it comes to grey goods

Julius Stobbs (Stobbs IP) · Wednesday, August 23rd, 2017

The UK Supreme Court has recently published its [decision](#) on a question about whether the sale of so-called ‘grey goods’ can give rise to criminal liability. We covered the previous Court of Appeal decision [here](#). The Supreme Court has now confirmed the Court of Appeal’s previous decision – the sale of grey goods can give rise to criminal liability.

The case turned on a question of whether section 92(1) of the UK Trade Marks Act, which deals with trade mark infringement as a criminal offence, applies only when the trade mark is applied to goods without the owner’s consent, or whether it also applies when the trade mark owner consents to the application of the mark but does not consent to the sale of the goods. The distinction is crucial for considering grey goods, which are produced by the trade mark owner’s official manufacturers but are sold without the brand owner’s consent, often because they have been manufactured in excess of the numbers ordered, or because they have failed the brand owner’s quality control tests.

The appellants tried to argue that, because of the specific way in which the Act is worded, criminal sanctions should only apply when the mark is applied without consent, not when it is applied with consent but sold without that consent. The Supreme Court disagreed with that interpretation, calling it ‘strained and unnatural’. Selling grey goods therefore constitutes a criminal offence, and can be punished by an unlimited fine, 10 years’ imprisonment, or both.

Now that this point has been clarified, the matter will return to the Crown Court for a substantive hearing on the issue of infringement.

This decision provides helpful clarification for brand owners, ensuring that grey

market goods can be the subject of criminal proceedings. The stringent and personal sanctions which can be applied in criminal measures should serve as a disincentive to infringers. This confirmation puts grey goods within the remit of Trading Standards, the local government body which deals with criminal acts of trade mark infringement, and means that people selling grey goods can be prosecuted by the state (or a private individual/company) as well as being the subject of a civil claim.

This clarification simplifies any potential claim, as it avoids brand owners being obliged to prove not only that an item was sold without their consent, but also that the trade mark was applied without their consent.

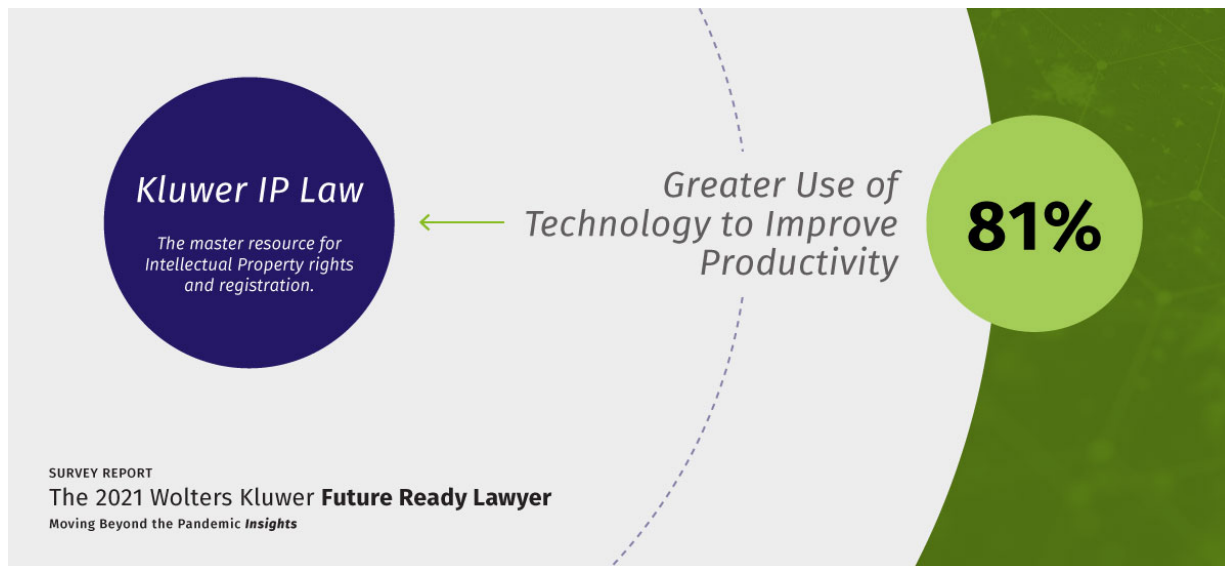
And, just in case you thought you'd got away without a mention of Brexit: if the UK government continues in its determination to extricate the UK from the jurisdiction of the CJEU, we'll be seeing the UK Supreme Court making more decisions on trade mark matters in future, as it becomes the final authority on this area of UK law.

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