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UK: Court of Appeal Sees Grey Goods as being Black and White

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The UK Court of Appeal's (Criminal Division) (CoA) judgment in [R v C & Ors \[2016\] EWCA Crim 1617](#) provides a positive result for brand owners tackling the thorny issue of grey goods. Here, the CoA held that selling grey goods can constitute a criminal offence under [s.92 of the Trade Marks Act 1994 \(TMA\)](#).

Traditionally, criminal proceedings have been the preserve of counterfeit goods (goods marked *without* the authorisation of the trade mark proprietor [see [R v Johnstone](#)]), with civil proceedings providing redress for grey goods (goods marked *with* authorisation, but where their subsequent disposal is unauthorised) under [s.10 TMA](#) (see [Levi Strauss v Tesco](#) and [Oracle v M-Tech](#)). A lacuna lay, however, in whether the importation into the EU of grey goods could also constitute a criminal offence. The opening to [s.92](#) states that:

“A person commits an offence if, with a view to gain for himself or with intent to cause loss to another, and without the trade mark owner’s consent, he:

Applies to goods or their packaging a sign identical to, or likely to be mistaken for, a registered trade mark (s.92 (1)(a) TMA);

Sells, lets for hire, offers or exposes for sale or hire, or distributes goods which bear, or the packaging of which bears, a sign identical to such a sign (s.92 (1)(b) TMA);

Has in his possession, custody or control, in the course of a business, any such goods with a view to sale or hire (s.92 (1) (c) TMA).” [emphasis added]

For a criminal offence to be found under [s.92 TMA](#), it is a prerequisite that civil infringement under [s.9 – 11 TMA](#) also be shown (per [R v Johnstone](#)). As the civil standard of proof is lower than the criminal level, this does not often present an issue (subject to any defences under [s.11 TMA](#)).

Here, the defendants were charged under [s.92 \(1\) \(b\)](#) with unlawfully selling various well-known brands which had been manufactured in countries outside the EU. The goods consisted of counterfeits as well as a range of grey goods, including cancelled orders, quality-control-rejected orders and unauthorised product overrun. The prosecution argued that both the counterfeit and the grey goods fell foul of [s.92 TMA 1994](#), which the Crown Court agreed with. The defendants appealed to the CoA.

The defendants focused on the fact that the sign was applied to some goods with the trade mark owner's authorisation. As the trade mark owner had provided consent in the goods' initial manufacture and the sign was in fact the registered trade mark (and not 'identical to, or likely to be mistaken for a registered trade mark'), the construction of s.92's wording meant that these goods could not fall foul. The CoA rejected these arguments, referring to public policy as it went. Ultimately, there was no good reason to distinguish between counterfeit and grey goods.

Although not heavily discussed in this case, s.92 (5) TMA provides a defence where it can be shown both that (i) the defendant believed on (ii) reasonable grounds that the use of the sign was not an infringement of the mark. However, with relatively few recent successful attempts to rely on the defence and the justices' comments regarding the negative public and economic impacts of such practices, it is difficult to see how many defendants' conduct could objectively be deemed reasonable in the absence of evidence that they had been duped into believing that they had authority to deal in the goods. The defences available under s.11 TMA should also not be forgotten.

This judgment is useful not only for rights holders with problems solely in the UK but also for those with issues in the UK and across the EU who are choosing a forum for enforcement. Indeed, s.92 is far more comprehensive than the minimum level of civil and criminal measures prescribed by Member States Council Directive No 89/104/EEC and the TRIPS Agreement. And it should be noted that s.92 covers not only direct sales but also use of the sign for labelling, advertising and making articles to create copies (s.92 (2) – (3)).

This is a welcomed decision for brand owners and demonstrates that the UK courts take a progressive approach to enforcing IP rights on the international stage. Whilst civil remedies such as trade mark infringement and breach of contract are invaluable, the personally draconian nature of criminal sanctions (an unlimited fine, 10-years imprisonment, or both) further disincentivizes such activity and provides another avenue of redress. When combined with the potential for public prosecutions via Trading Standards, the availability of private prosecutions, and the potential for specialist IP judges to hear criminal matters, it is clear that the UK is an effective forum for enforcement. Counterfeiters beware!

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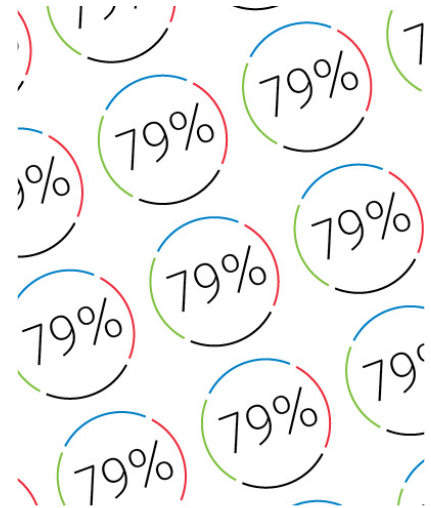
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