Historically, when faced with the problem of counterfeiting or piracy a brand owner will consider taking civil action, request that Trading Standards prosecute the offender or just shrug their shoulders if, as in most cases, they believe it is not cost effective to do anything. Moreover, the option of using the state enforcement powers of Trading Standards (who generally enforce trading legislation in the UK) is becoming increasingly less likely given cuts to funding.

All is not lost, however. As an alternative, it is worth considering a private criminal prosecution. Private criminal prosecutions have several advantages over civil and Trading Standards actions including expense, speed and the significant additional deterrent effect. This article considers the advantages and disadvantages of pursuing a private criminal prosecution in England and Wales. In doing so, it provides brand owners with the necessary information to make a considered decision as to whether or not to do so.

What is meant by a private criminal prosecution?
Section 6 of the Prosecution of Offences Act 1985 provides that private criminal prosecutions can be brought by any person. This includes brand owners as well as organisations representing brand owners. Recently, there has been a move towards companies commencing private criminal prosecutions with notable brand names including Microsoft, Jemella (manufacturers of ghd straighteners) and Virgin Media included among them. Historically however, the most active organisations to bring this type of prosecution in IP cases have been the collecting societies and industry bodies such as the BPI (formerly the British Phonographic Industry) and the Federation Against Copyright Theft (FACT).

Discussing the right to bring private prosecutions, Lord Wilberforce in Gouriet v Union of Post Office Workers (1978) AC 435, stated, “The individual, in such situations, who wishes to see the law enforced has a remedy of his own: he can bring a private prosecution. This historical right which goes back to the earliest days of our legal system, though rarely exercised in relation to indictable offences...remains a valuable constitutional safeguard against inertia or partiality on the part of authority.”

What are the criminal offences?
The primary focus of this article is on trademark offences. However, brand owners should also be aware that there are also a number of other offences relating to the misuse of other intellectual property rights including, by way of example, section 107 of the Copyright, Designs and Patents Act 1988 (“CDPA”), which provides that it is unlawful to make or distribute infringing copies of a copyright work.

Section 92 of the Trade Marks Act 1994 (“TMA”) deals with unauthorised use of a trademark and makes it a criminal offence to infringe a trademark subject to certain defences. There are several offences, but the most relevant is set out in section 92(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:
- applies to goods or their packaging, a sign identical to, or likely to be mistaken for, a registered trademark;
- 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
- 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)."

As such, an individual commits a criminal offence when he affixes a brand holder’s registered trademark to counterfeit goods, sells or lets such goods, or has such goods in his possession where he intends to sell or let them to others in the course of business.

The principal defence
Once an offence has been established under section 92, it is then necessary to consider whether the accused has a defence. The principal defence is set out in section 92(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 trademark.”

However, it is not sufficient for the accused simply to state that they were unaware that their activities infringed a trademark. Ignorance or misunderstanding alone will not provide a defence under the TMA. In the case of R v Johnstone & others [2003] UKHL 28, the court held that for the accused to be able to rely on the defence under section 92(5) they had to have acted both honestly and reasonably.

The accused must show that they honestly and reasonably believed that their activities did not constitute an infringement. The evidential burden is on the accused to establish the defence on the balance of probabilities.”

The court will then issue and serve a summons on the accused who must appear in person before it within one month of the court summons. When the accused appears in person before the Magistrates’ Court, they must plead either guilty or not guilty to the offence in question. In many counterfeiting cases, the accused will plead guilty whereupon the court will pass sentence either at the hearing or on a subsequent date, having ordered a pre-sentence report into the background and circumstances of the offender. In a straightforward prosecution, the case will ordinarily proceed before the Magistrates’ Court. However, in more serious cases, the Magistrates’ Court may commit the case to the Crown Court of England and Wales for a jury trial or in the case of an offender who has pleaded guilty, for sentencing.

What are the penalties?
For more serious offences heard before the Crown Court, offences committed under section 92 TMA are punishable by up to 10 years’ imprisonment and/or an unlimited fine. For less serious cases heard before the Magistrates’ Court, offences are punishable by imprisonment not exceeding six months and/or a fine not exceeding the statutory maximum, currently £5,000. It is noteworthy that the potential sentences available to UK courts for trademark offences are among the most stringent in Europe.

The sentences that may be imposed under section 92 TMA offences can therefore be severe and serve as a strong deterrent. In the recent case of R v Peach & Hall (unreported), two individuals in the East Midlands were sentenced to four years and 10 months, respectively for their involvement in importing thousands of counterfeit products from China, including items bearing the well known “ghd” trademark. Another recent case involving counterfeit “ghd” products (R v Zhao & Liu – unreported) was brought by Birmingham Trading Standards against a group of counterfeiters from the West Midlands. The counterfeiters received custodial sentences and significant confiscation orders under the Proceeds of Crime Act 2002.

The length of the sentence and/or the size of the fine will depend on the facts of the case. A more strict sentence may be imposed if the accused has: 1) sold a significant number of counterfeit products, 2) run a “professional” or highly organised business, 3) made a significant profit, and/or 4) put purchasers at risk by supplying dangerous products such as counterfeit pharmaceuticals or electrical items.

What are the alternatives to a private criminal prosecution?
As stated in the introduction, the two most common options when faced with counterfeiting activity are to lodge a complaint with Trading Standards or to commence a civil claim. Below we consider the advantages and disadvantages of the same over a private criminal prosecution.

A complaint to Trading Standards
Following the receipt of a complaint, Trading Standards will assume control of the matter and determine how to proceed. Trading Standards will decide how to prosecute the case, what evidence to submit and the time frame of the overall proceedings. This can leave the brand owner with very little control. If the relevant Trading Standards department does not consider a specific case a priority or does not have the time and the resources to deal with it effectively (which is becoming more common given budgetary constraints),
the brand owner’s complaint will not result in a prosecution. With a private criminal prosecution, however, the brand owner retains control over the proceedings and will be able to push the proceedings along in order to pursue a conviction.

Bringing a civil claim
There are several advantages in bringing a private criminal prosecution instead of a civil claim.

Confiscation orders
One of the most important powers available in criminal proceedings is that, on conviction, a Crown Court judge has the power to make a confiscation order. Under section 6 of the Proceeds of Crime Act 2002 (“POCA”), once a conviction is secured in the Crown Court, the prosecutor (or the Serious Organised Crime Agency) can request that the court make a confiscation order to recover any benefit obtained by the offender as a consequence of his criminal conduct. In the Magistrates’ Court, the prosecutor can request that the case is committed to the Crown Court following conviction so that confiscation proceedings may be pursued under section 70 POCA. “Benefit” includes any financial gain as well as any costs avoided in connection with the offences with which the offender has been convicted. In addition, prosecution for offences under section 92 TMA will allow the court to conclude that the accused has a “criminal lifestyle” (section 75(2) and Schedule 2 para 7 POCA). The court can then assume that all of the assets of the accused held at the date of conviction derive from criminal activity, as well as any income received and expenditures made by the offender within the previous six years. It is often these assumptions which counterfeiters fear most. To counteract these assumptions, the accused must prove that his assets, income or expenditure have derived from legitimate activity. Further, brand owners may enter into an arrangement with an investigating body authorised under POCA whereby the brand owner shares in the proceeds of any subsequent confiscation order.

Deterrence value
For some counterfeiters a criminal conviction may serve more of a deterrent to committing future infringements than an injunction or award of damages. Upon conviction of a criminal offence, the defendant will receive a sentence which may include a fine, a community penalty or imprisonment. Furthermore, the publication of a conviction may also act as a deterrent to other potential infringers by making it known that the brand owner is proactively targeting infringers. This is likely to act as a useful deterrent in encouraging them to stop their infringing activity or, perhaps more likely, turn to competing products, where they may think that the risks of prosecution are not so high.

Time/cost
The course of criminal proceedings can be considerably quicker than civil proceedings. Witness statements are generally much shorter than in civil proceedings and statute governs the process of disclosure. A criminal trial may well be heard within six months of the summons being issued or even quicker if held in the Magistrates’ Court. By contrast, a civil case is likely to take much longer, up to 12 months or more, if the case goes to full trial. Shorter timescales mean that the costs of criminal proceedings are usually substantially lower than in most civil cases.

Recovery of legal fees
Herein lies one of the major advantages of the private criminal prosecution. It is also possible for a brand owner to recover its legal fees and other costs such as investigator’s fees. The court may order either that the accused pay a successful prosecutor’s costs or make an award of prosecution costs out of central funds (eg, state funds), whether the accused is convicted or acquitted. In respect to an order against the accused, the court will take account of factors generally not relevant to the assessment of costs under the civil process, including the accused’s ability to pay. The court will make an order that the costs be paid out of central funds where the accused cannot pay the costs, unless there is some good reason for not doing so, for example, where the prosecution was commenced or continued without good cause.

What are the disadvantages of bringing a private criminal prosecution?
There are also some disadvantages to bringing a private criminal prosecution instead of pursuing civil proceedings or referring the complaint to Trading Standards.

Burden of proof
The burden of proof in criminal proceedings is higher than that for civil proceedings. In a criminal action, a brand owner must be able to demonstrate that the offence has been committed beyond any reasonable doubt. Criminal proceedings are therefore often unsuitable for genuine commercial disputes where, for example, there are complex trademark issues. However, in straightforward counterfeiting cases, meeting this higher standard of proof should be possible.

Commitment to prosecute
Brand owners should only commit to criminal proceedings that they are prepared to bring to trial because, unlike in civil proceedings, once criminal proceedings have commenced, it is not possible to settle the case. Criminal cases are essentially only resolved in three ways: 1) the court makes a finding of guilt or innocence, 2) the defendant pleads guilty to one or more or all of the offences that he faces or, 3) the prosecutor withdraws the proceedings. No agreement can be reached as to the severity of the sentence between the prosecution and the defence as this is a matter solely for the court. Consequently, there is no concept of plea bargaining in the criminal courts as the parties cannot agree a final outcome. However, a defendant may offer guilty pleas to one or more (but not all) of the offences with which he is charged. If the prosecutor considers that such an offer is acceptable, then this can...
resolve the proceedings. However, the issue of sentencing would still be left to the court.

Limited remedies
The offender may continue to deal in the counterfeit products in question before, during and following a conviction, because in criminal proceedings there is no entitlement to civil remedies such as an injunction (including interim injunctions) or damages/ an account of profits. However, in practice, an offender would be unwise and unlikely to do so.

Location of infringer
Prosecuting an individual resident outside the UK by way of a private criminal prosecution is difficult. Such an individual is unlikely to agree to attend court voluntarily and as such would need to be extradited. Even where it is possible to extradite the suspect to the UK, it may in many cases prove to be extremely time consuming.

Rules of disclosure
Unlike in civil proceedings, there is no standard disclosure by the accused of all documents that either support or hinder his case. Although the defence should provide a detailed statement of its case at the Crown Court, it is therefore possible that the criminal case will proceed without disclosure of documents held by the accused that may support the prosecution.

In contrast, the prosecutor has a continuing duty to disclose documents to the accused (similar to standard disclosure in civil proceedings) that might reasonably be considered capable of either undermining the case for the prosecution or of assisting the case for the accused. Any document disclosed by the prosecutor can only be used for the purpose of the criminal proceedings and the accused is not permitted to “use or disclose it or any information recorded in it”. Failure to adhere to this restriction is punishable by up to two years imprisonment. However, this restriction only applies to unused material. It does not apply to used material served as part of the prosecution case.

Furthermore, S17(3) of the Criminal Procedure and Investigations Act 1996 provides an exception to this restriction in so far as the information is communicated to the public in open court. Consequently, in the event that the document is read out in open court, there can be no restriction on the future use of that content.

In a private prosecution, the prosecutor is likely to have access to far more documents than a public prosecutor would have in his possession. This will include materials that are confidential such as quality guides (which help brand owners identify whether products are counterfeit or not), which brand owners would be reluctant to disclose for obvious reasons. There is an obligation on a private prosecutor to consider for disclosure all documents in his possession which may have an impact on the case. However, this does not mean that they will all be disclosed. It should always be remembered that documents will only be disclosed if they meet the disclosure test outlined previously. Consequently, if a document cannot reasonably be considered to be capable of either undermining the case for the prosecution or assisting the case for the defence, it ought not to be disclosed.

In the event that a court orders commercially sensitive material to be served on the defence because that material meets the disclosure test, there is no procedure in place in criminal proceedings to prevent that material being seen by the defendant once it has been disclosed to his or her representatives. The only option for the private prosecutor in those circumstances to prevent disclosure of that commercially sensitive material is to abandon the prosecution.

The prosecuting barrister owes a duty to the state, irrespective of any duty to his client, to ensure that the case is reviewed regularly and is conducted properly, objectively and fairly. Ultimately, this is a matter for the prosecutor’s discretion but there may be some occasions when he advises on a decision (including abandoning the case altogether) which is contrary to or not conducive to the brand owner’s interests.

Analysis
Private criminal prosecutions are not suitable for all instances of trademark infringement. For complex matters, the higher burden of proof may prove to be too great an obstacle. Furthermore, the commitment to prosecute removes the opportunity to negotiate a settlement.

However, for an effective deterrent against hardened counterfeiters in relatively straight-forward cases, private criminal prosecutions represent a very cost effective solution. In the current harsh economic climate, with an ever increasing supply of counterfeit goods, a brand owner which can establish a credible reputation for bringing private criminal prosecutions will benefit from a significantly heightened deterrent to counterfeiters considering trading in counterfeit versions of their goods.

Footnotes

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Thanks to Chris Badger of 23 Essex Street Chambers for his assistance with this article.