

**United Kingdom**  
Royaume-Uni  
Vereinigtes Königreich

**Report Q 169**

in the name of the United Kingdom Group  
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**Criminal Law Sanctions With Regard to the Infringement of Intellectual  
Property Rights**

2.1 *The groups are invited to indicate if the provisions of Article 61 of the TRIPS treaty were introduced into their national legislation with regard to trademarks and copyright.*

i) Trade Marks

Such provisions already existed and the legislation was not adjusted in relation to Article 61. Sections 92, 94 and 95 of the Trade Marks Act 1994 (TMA), provide that an individual found guilty of an offence under these sections can be fined, imprisoned, be made subject to community penalties, be placed on probation or be discharged either conditionally or absolutely.

The offences under S 92 are applying a sign (similar or identical to a registered trade mark) to goods, the labelling, packaging, advertising, selling, hiring or distributing of such goods, and being in possession of goods with a view to committing any such offence. It is also an offence to make any equipment designed to produce such goods or be in possession of such equipment.

Under S 94 and 95 it is an offence to falsify the register of trade marks or falsely represent a trade mark as being registered.

ii) Copyright

Sections 107-110 of the Copyright, Designs and Patents Act 1988 (CDPA) anticipated Article 61 in relation to copyright. An individual found guilty of an offence under these sections can be fined or imprisoned.

In relation to both trade marks and copyright, individuals may also be guilty of offences under English criminal law such as theft, conspiracy or incitement, even if they did not themselves carry out the act concerned. Depending on the nature of the act, further offences may also be committed under the Trade Descriptions Act 1968 or the Consumer Protection Act 1986.

*Do the national laws provide penal sanctions in the case of the violation of other rights of intellectual property such as patents, models, unfair competition and so on?*

There are no criminal sanctions for patent infringement or infringement of a registered or unregistered design right.

However, if the confidential information is on paper, for instance, then the taking of the paper may be actionable as theft.

S 198 of the CDPA provides criminal sanctions for infringing a person's performance rights. Under this section it is a criminal offence to make, deal or use illicit recordings of a performance and the sanctions for such an offence are a fine or imprisonment.

The law of passing off does not provide for any criminal sanctions.

However, it should be noted that persons conspiring to infringe any of the above rights may be criminally liable for such conspiracy.

2.2 *The groups are invited to present the conditions of the penal liability for the acts of the infringement of the intellectual property rights*

a) *does this penal liability require an intentional element?*

b) *who has the burden of proof?*

c) *is this special intentional element supposed or must it be proven positively?*

a) i) Trade marks

S 92 TMA requires that the wrongdoer commits the offence with a view to gain for himself or another, or with intent to cause loss to another. The wrongdoer need not actually make a 'gain', but must act with that object in mind. Therefore intent is involved.

A further requirement under S 92 TMA is that the consent of the proprietor is lacking.

ii) Copyright/Rights in Performances

S 107 and S 198 CDPA apply only to acts done in the knowledge that they are offences or where the person had reason to believe that they were offences. Therefore some intentional element is clearly required.

b) In relation to all these rights the prosecution has the burden of proof as to the substance to a standard of beyond reasonable doubt. The defence has the burden of proving exceptions or specific defences to the lower standard of the balance of probabilities.

c) In relation to all these rights, the intentional element must be positively proven, it will not be supposed.

2.3 *The groups must also indicate if there are differences between the acts of infringement of an intellectual property right from the point of view of the civil and penal liability*

i) Trade marks

The Trade Marks Act 1994 lays down certain acts that amount to civil infringement and certain acts that amount to criminal offences. The lists are not identical and current case law is unclear.

ii) Copyright/Rights in Performance

The principal difference between civil and criminal liability is that criminal sanctions only relate to commercialisation (such as importation, making copies for sale, keeping for sale, and so on), save for the act of giving away infringing copies where it is detrimental to the rights of the copyright owner. Additionally, in the criminal context the intentional element is required, that being a knowledge that the work in question is infringing or illicit.

*The groups must also indicate if the civil and penal liability are, in fact, likely to be engaged for the same acts of counterfeiting.*

It is not common for civil and criminal proceedings to relate to the same acts of counterfeiting, but it is not unknown. The same is true for pirated copyright works and works constituting performances.

*Are the terms of the limitation of these acts identical from the point of view of the civil liability and the point of view of the penal liability?*

Civil liability only accrues if action is taken within 6 years from the date of infringement, unless the infringement was deliberately concealed, in which case the 6 year period starts to run from the time that infringement could reasonably have been uncovered.

In relation to criminal liability there is no time limit, though a criminal court will stay as an abuse of process any prosecution where a fair trial would be impossible due to delay.

2.4 *The groups must also indicate if their national laws provide the penal liability against a legal moral person for acts of counterfeiting.*

A company can face penal sanctions for infringement under the TMA and CPDA. In addition, its officers can be held personally liable for the commission of any offences under the TMA or CPDA where they have consented to or connived in the offence. Officers who may be liable include directors, managers, company secretaries or other similar employees.

2.5 *Does the penal court which rules on the penal liability for an act of counterfeiting have the capacity to rule on the question of the validity of an intellectual property right or is this only the concern of a civil jurisdiction?*

The criminal courts would not have jurisdiction on this matter, it would be left purely for the relevant civil court to decide.

*If the penal judge does not have the capacity to appreciate the validity of an intellectual property right and in particular to pronounce the revocation of it, is it possible for the defendant to the criminal proceedings in counterfeiting to*

*ask a stay of proceedings in order to seize the civil judge, or the patent office, of the appreciation of the validity of the right which is opposed to him?*

The position in the UK is unclear. There is no provision permitting the criminal court to adjourn a case so that the question of validity can be taken up by the civil court, but the criminal court does have a general power to adjourn. We are aware of at least one case where the criminal court has granted a general adjournment so that the defendant can apply to the civil court to impugn the validity of a trade mark.

2.6 *The groups must also indicate which are precisely the sanctions envisaged by their penal legislation for acts of infringements of intellectual property rights*

i) Trade marks

Sanctions under S 92(6) TMA are as follows:

(a) on summary conviction<sup>1</sup> to imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum (currently £5,000), or both;

(b) on conviction on indictment<sup>2</sup> to a fine or imprisonment for a term not exceeding ten years, or both.

ii) Copyright

Under S 107(5) CDPA, a person guilty of an offence is liable on summary conviction to imprisonment for a term not exceeding six months or a fine not exceeding level 5 on the standard scale (currently £5,000). The penalty is higher under S 107(4) where the infringing article was made for sale/hire, imported or distributed. In this situation a person is liable:

(a) on summary conviction to imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum (currently £5,000), or both;

(b) on conviction on indictment to a fine or imprisonment for a term not exceeding two years<sup>3</sup>, or both.

iii) Rights In Performances

Under S 198(6) CDPA, a person guilty of an offence is liable on summary conviction to imprisonment for a term not exceeding six months or a fine not exceeding level 5 on the standard scale. The penalty is higher where the illicit recording was made for sale/hire, imported or distributed. In this situation a person is liable:

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<sup>1</sup> summary conviction is where the defendant has been tried or pleaded guilty in a lower court where the offence is not regarded as being so serious.

<sup>2</sup> conviction on indictment is where the offence is regarded as being serious and involves a trial by jury in the Crown Court.

<sup>3</sup> The Copyright, Etc. and Trade Marks (Offences and Enforcement) Bill (a recently launched Private Members' bill) seeks to increase the penalties for copyright offences to 10 years in prison, in line with sanctions for trade mark offences.

(a) on summary conviction to imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum (currently £5,000), or both;

(b) on conviction on indictment to a fine or imprisonment for a term not exceeding two years, or both.

It should be noted that all of the above sanctions are maxima and are rarely used. In many cases a lesser sentence is imposed which may be a conditional or absolute discharge, a community punishment order, a probation order or a suspended sentence. An individual may also be barred from holding corporate office.

On conviction for conspiracy to defraud in relation to all of the above rights, the penalty can be no more than the appropriate substantive right. Further, directors of companies can face disqualification for periods of time.

*Are the courts which impose penal sanctions also qualified to allocate damages in repair of the damage undergone by victims of the acts of counterfeiting or is this question only the concern of the civil courts?*

The allocation and quantum of damages is a question for the civil courts only. The principal function of criminal proceedings is to punish the offender and therefore any fines imposed are not received by the victim of the infringer.

However, under S 130 of the Powers of Criminal Courts (Sentencing) Act 2000, a criminal court can make an award of compensation to be paid by the accused (if convicted) to the victim. The limit on any payment is £5,000 on summary conviction, but is otherwise unlimited. However, the criminal court is unlikely to make an order if the defendant cannot comply with it and thus face bankruptcy. Further in our experience such orders are rare.

Clearly this is of limited use in practice as an owner whose rights have been infringed will probably be seeking greater compensation and a range of civil remedies and will therefore issue civil proceedings as well.

2.7 *The groups are finally invited to give all practical information which they consider useful for the understanding of their legal system and in particular the information concerning*

*a) the person vested with the right to initiate a penal procedure*

The Crown Prosecution Service<sup>4</sup> (CPS) initiates a penal procedure. Proceedings may be brought in the Magistrates' Court or in the Crown Court. However, proceedings in the Crown Court may be brought by the Crown acting through the Director of Public Prosecutions<sup>5</sup> or Attorney-General. Private prosecutions (brought by individuals or representative bodies) are also permissible both before the Magistrates and before the Crown Court.

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<sup>4</sup> This is the state agency responsible for the conduct of public prosecutions and is the responsibility of the Attorney-General (the government's chief legal officer).

<sup>5</sup> This is the civil servant appointed by the Attorney-General to run the CPS.

Additionally local authorities may prosecute where expressly empowered to do so, but they are currently only able to do so in relation to trade marks.

*b) the burden of proof [of the infringement]*

It is for the prosecution to prove their case, save where the defendant is in a better position to prove a certain fact (such as whether there is a licence) or a genuine belief of non-infringement.

*c) the possibility for the parties to settle the proceedings by agreement*

In criminal proceedings there would be no opportunity to 'settle' the proceedings by agreement. The only possibility would be a reduced sentence following the Defendant's co-operation with the CPS and police in their investigations. However, it is possible to reduce the gravity of the charge or reduce the number of charges if the prosecution come to the view that the remaining charges represent the overall gravity of the criminal behaviour and the public interest is served.

*d) other practical information*

The fact that penal sanctions are being invoked does not mean that civil proceedings cannot be brought. Any admissions or statements made in connected civil proceedings for infringement are generally inadmissible in the criminal proceedings.

*And the groups are invited to provide, if they exist, the statistical data concerning the resorts to penal procedures (times of procedures, costs, amount of litigation, etc.)*

These statistics are not compiled by specific reference to intellectual property crime and despite our best efforts such statistics do not exist. However, it is estimated<sup>6</sup> that counterfeiting and piracy cost UK industry almost £9 billion in 2000, with a subsequent loss to the Treasury of over £1.5 billion in lost taxes.

In our experience, penal penalties have ranged from the low level of a 40 hour Community Punishment Order to the more severe sanction of 4 ½ years imprisonment. Any fines imposed have ranged from £100 to a high of £10,500. The highest costs order imposed is £35,000.

2.8 *In addition, the groups are also invited to describe the role of the technical experts in this penal procedure.*

*And in particular to indicate whether the opinions of the technical experts can be used to question the validity of a right and whether this doubt should be taken into account to when considering the intentional element of the penal offence.*

Expert witnesses could be used if necessary in the criminal proceedings, but only in relation to the issues raised during that trial. As the criminal court has no jurisdiction over civil matters and could not decide the validity of the rights

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<sup>6</sup> By the Alliance Against Counterfeiting and Piracy ([www.aacp.co.uk](http://www.aacp.co.uk))

in question, an expert opinion on the validity of the rights could not be used to decide whether the offender 'intentionally' committed the offence in question.

Further in criminal cases it is necessary, before a witness can express an opinion as an expert, for him to be qualified as being expert in a field which is recognised as being one which calls for expertise, *i.e.* a recognised discipline or field of scholarship or study (whether academic or otherwise).

2.9 *Lastly, the groups are invited to make known their general opinion on the value of the penal sanctions for the infringement of intellectual property rights.*

The general view of the UK group is that penal sanctions should not be extended to other intellectual property rights. Criminal sanctions for the infringement of intellectual property rights are aimed at protecting personal rights within an economic context. Where economic loss is suffered due to infringement of intellectual property rights, civil proceedings provide a route for the recovery of that loss. Where infringement involves theft, fraud or deception, this should be dealt with under the relevant criminal law provisions.

Penal sanctions where provided can be useful, but are not as widely used as they could be. The tendency of the courts to give relatively light sentences diminishes their value as a deterrent.

Criminal proceedings are unsatisfactory wherever there is an issue of validity of the intellectual property rights.

3. *Proposals for solutions for the future:*

*On the basis of the evaluation of the existing legal system in their country, the groups are invited to formulate proposals for the future which could form the subject of a harmonisation at the international level.*

3.1 *The groups are invited to take position on the advisability of subjecting to penal sanctions the violation of all the intellectual property rights: Should the penal sanctions be extended to other intellectual property rights, including the patents?*

The view of the UK group is that penal sanctions should not be extended to all the intellectual property rights, including patents.

3.2 *The groups are invited to formulate observations on the existence of the intentional element as condition required for the application of penal liability to the authors of infringement of intellectual property rights.*

*Should this violation be deliberate[d]?*

Yes, it should, but penal liability should also arise where a defendant ought to have known he was taking the risk of committing a criminal offence.

*Could the proof of the intentional character result from the nature of the infringement or does it have to be proven positively by the victim of the counterfeiting?*

The burden is always on the prosecution to prove all the elements of the offence, including intention where necessary. The nature of the infringing article may well give rise to an inference of intent.

- 3.3 *Should the Penal Judge have to rule on the validity of an intellectual property right whose infringement is reproached within the penal procedure or should he leave the question of the appreciation of the validity of such a right to the concern of the Civil Judge or the patent office, and to postpone consequently to rule in the penal procedure while waiting for the ruling of the proper authority on the validity of the title called upon in the penal authority?*

It is submitted that it is wrong for any but the most specialist and experienced tribunals to rule upon the validity of intellectual property rights. Given the very wide range of cases before the criminal courts it is inappropriate for a general criminal judge to rule upon such validity. Even if this were not so, the difficulties in running cases before lay judges or juries are too large to contemplate in a limited budget legal system. At present our legal system does not allow the criminal judge to rule upon the validity of such rights but neither does it preclude an effective reference to the appropriate civil court to rule upon such things, adjourning the criminal proceedings in the meantime. This does, however, require the supervision by the criminal courts of the civil process which is constitutionally undesirable.

To this we add four observations. Firstly, the defendant in criminal proceedings should not be convicted (or stand the liability of being so convicted) where his liability depends upon uncertain law or upon facts which he could not possibly understand. Secondly, there is a danger that if the adjournment is lengthy then the memories of witnesses could fade and that could prejudice the rights of both prosecutors and defendants, making a fair trial impossible. The possibility of a lengthy adjournment is greater in the case of the validity of intellectual property rights because of the possibility of final and interlocutory appeals. Thirdly, we also observe that it is of the utmost importance that invalid intellectual property rights should not be relied upon whether in a civil or criminal context. Fourthly, as there is a move towards internationally subsisting rights (eg. the Community Trade Mark), we would be seriously concerned at the prospect of a judge inexperienced in intellectual property matters undermining such rights.

- 3.4 *The groups finally have to determine if the victim of counterfeiting must be a master of the criminal proceedings i.e. introduce it and put an end to it, in particular by settlement?*

No. However there is nothing to stop the victim of counterfeiting from being the prosecutor as opposed to the state. Once started, it is difficult for the victim

to settle the proceedings with the defendant since it may be perceived as being a perversion of the course of justice.

*Could the victim of the counterfeiting be able to use, in particular within the framework of the civil procedure, the documents from the penal procedure and in particular the evidence of the alleged counterfeiting?*

Yes, under our law there is nothing to stop evidence in criminal proceedings from being used in civil proceedings, though there are safeguards and procedures which must be followed. This should cause no difficulty as there is no compulsion in criminal proceedings on a defendant to incriminate himself.

#### 4. *Various*

*The groups are invited to announce all other aspect[s] of the question which could result from the examination of the questions above and which would not be expressly mentioned in the working guidelines.*

In relation to trade marks, the Court may order forfeiture of goods in respect of which an offence under S 92 TMA has been committed.

Under the CDPA a copyright owner may ask the Court for an order "delivering up" (transferring to him) infringing copies and may, under certain conditions, seize infringing copies in the possession of a person not at a permanent place of business (ie. from street vendors and the like). A copyright owner also has these rights in relation to devices for the circumvention of copy-protection or in relation to the publication of information to enable or assist circumvention of copy-protection of a copyright work in electronic form.

Additionally, with regard to trade marks, copyright, patents and design rights (registered and unregistered) the Commissioners of Customs and Excise may prohibit importation of infringing goods when notice is given by the rights owner.

UK law also provides a power for courts to order the confiscation of assets and money from defendants that have been convicted of acquisitive crimes, i.e. from which they have derived a "benefit". These are expressly stated to include offences under the trade marks and copyrights statutes and apply to both lower and higher courts.

Once the prosecutor applies for the order on the basis that the required criteria apply, the court has a duty to make the order so long as some "benefit" was derived. Often the value of the "benefit", exceeds the realisable assets. This is because, firstly, the "benefit" is deemed to include everything passing through the defendant's hands, whether or not it is still in his possession. Secondly, if the defendant has been convicted of two or more such offences or it is his second conviction for such offences within the last six years, then the very powerful statutory assumptions apply. These entitle the court to presume that all assets that have passed through the defendant's hands in the previous six years derived from the criminal activity.

It is then for the defendant to prove otherwise. If the "benefit" exceeds the realisable assets, the court has a duty to order the confiscation of all of the

defendant's assets. If not, the court can order confiscation of an amount up to the "benefit" level. The impact is that confiscation orders can lead to very significant payments. They are ordered in addition to any fine or prison sentence and, indeed, courts are obliged to set an additional prison sentence for non-payment.

Whilst these are wide-ranging powers, they are very rarely used in the context of IP crime (they were first enacted only to combat drugs and terrorism). This is largely because the prosecuting authorities have insufficient resources to devote to the additional procedures involved. There is also a general lack of awareness that the powers exist.

### **Summary**

Article 61 of the TRIPS treaty already appears in UK legislation. In the UK there are criminal sanctions for infringement of trade marks, copyright and rights in performances. These existing penal sanctions are not as widely used as they could be.

The view of the UK group is that criminal sanctions should not be extended to other intellectual property rights, including patents. Infringement of such rights should be dealt with by the relevant civil procedure. Where infringement involves theft, fraud or deception, this should be dealt with under the appropriate criminal law provisions.

### **Résumé**

L'Article 61 de l'Accord ADPIC (TRIPS) apparaît déjà dans la législation britannique. Au Royaume Uni, des sanctions pénales sont prévues pour la contrefaçon de Marques, Copyright et droits relatifs aux Représentations Publiques. Ces sanctions pénales ne sont pas appliquées aussi largement qu'elles pourraient l'être.

L'opinion du groupe Royaume Uni est que les sanctions pénales ne devraient pas être étendues aux autres droits de propriété intellectuelle, y compris le droit des brevets. La contrefaçon de ces droits devrait relever de la procédure civile compétente. Lorsque la contrefaçon implique le vol, la fraude ou la supercherie, ces actes devraient être soumis aux dispositions pénales correspondantes.

### **Zusammenfassung**

Artikel 61 des TRIPS Vertrages (Agreement on Trade Related Aspects of Intellectual Property Rights) ist schon in der britischen Gesetzgebung erschienen. Im Vereinigten Königreich gibt es gesetzliche Strafen gegen die Verletzung von Marken-, Urheber- und künstlerischen Vorführungsrechten. Diese bestehenden gesetzlichen Strafen werden nicht ausreichend in Anspruch genommen.

Die Gruppe des Vereinigten Königreichs ist der Ansicht, daß diese gesetzlichen Strafen nicht auf andere Rechte geistigen Eigentums, einschließlich Patentrechte, erstreckt werden sollten. Verletzungen solcher Rechte sollten in entsprechenden zivilrechtlichen Verfahren behandelt

werden. Fälle wo die Rechtsverletzung auch Diebstahl, Betrug oder Irreführung einschließt sollten im Einklang mit den entsprechenden strafrechtlichen Vorschriften abgewickelt werden.