R v C in the UK Supreme Court – should parallel importation be criminalized?

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This article considers the issue of whether parallel traders and licensee overruns amounts to criminal infringement of trade marks in the United Kingdom. It examines the cases which have reached the Court of Appeal, the House of Lords and now the Supreme Court and suggests that its recent very short decision in R v C [2017] UKSC 58 was wrongly decided.

Keywords: *parallel trade, trade marks, infringement, criminal, Trade Marks Act 1994*

1 INTRODUCTION

The Trade Marks Act 1994¹ criminalizes the unauthorized affixation of a sign which is identical to or likely to be mistaken for a registered trade mark to goods for which the mark is registered. It also criminalizes certain forms of unauthorized dealing in ‘such goods’. The question is whether the ambit of ‘such goods’ means goods which have been marked without authority with a sign which is identical to or likely to be mistaken for the registered trade mark (the ‘mistaken for’ construction), or is the ambit different so that the words mean goods which, though marked with authority, are not authorized to be dealt with further (the ‘unauthorized’ construction). Surprisingly the answer to this question may reside in a proper understanding of TRIPs.

Our current trade marks system is partially harmonized so that players throughout the member states of the European Union can be sure, or ought to be sure that the laws of trade marks are applied consistently. This enables, or ought to enable, better strategic thinking on the part of business. Harmonization means that there is less need for both parochial advice and behaviour. Further, because of the language differences and differences of perception within the various member states, not to mention varying degrees of trade mark use, there are harmonized national systems as well as there being a single European-wide system.

Whilst harmonization has led to some efficiencies, the effect of harmonisation has been to increase the trade mark spend on the part of brand owners. The national systems are partially harmonized by means of a directive and the EU-wide system is more harmonized by means of a single European Union trade marks regulation. Both of these instruments have been in operation for over 20 years, although it is also right to say that every now and again (and even to this day) surprising decisions are made by our European courts. To comment on the diversity of decision-making by the judiciary would be outside the scope of this article, but consistency remains a very real issue; whether harmonization has been achieved or is achievable is a very real problem lying at the heart of the trade

1. References in this article to a section number alone are to the corresponding section of the Trade Marks Act 1994.

marks system. Without dwelling too much on this issue, it is to be noted that in other areas of intellectual property centralized right granting and adjudication appear to be preferred. In this latter respect the case for consistency is strong.

2 THE BASIC RULES – INFRINGEMENT AND REGISTRABILITY

Core to either set of rules is the notion of registrability – that is, by what rules is the registration of a trade mark to be decided – and infringement – that is, by what rules is a sign used in particular circumstances said to be an infringement of the rights ceded by the registration of a registered trade mark.² Central to the idea of infringement is the notion of whether mark and sign are identical. Is the sign identical to the mark? If so, then is the sign being used for goods³ which the mark is registered for? If both of those questions are answered in the affirmative then there is highly likely to be infringement. There is a slight wrinkle on this concept, which is that the use of the sign must ‘relate to’ the goods to which it is affixed – referred to by some as the badge of origin test and others as the trade mark use test. Whilst of interest, the concept is not directly apposite here. Add to the foregoing the notion that identity is augmented by similarity, ie substitute the word similar for identical above, and you have a complete picture of trade mark infringement at its core.⁴ Importantly and in addition, it must always be remembered (and never forgotten) that infringement is not infringement if the otherwise infringing acts are carried out with the consent of the trade mark owner or, it seems, her or, for the first and last time, his, proxies.

3 INFRINGING ACTS

As is often apparent in many legal spheres, there is much debate as to what is meant by the word ‘use’. Trade mark law is no exception. Statutes and regulations give examples of what constitutes use. The directive and regulation based rules on this are, for the purposes of this article at least, identical and include:

- (a) affixing the sign to the goods;
- (b) offering the goods, putting them on the market, or stocking them for those purposes under the sign; and
- (c) importing or exporting the goods under the sign.

What is important to note is what it does not cover; not included are:

- (a) mere possession of infringing goods;
- (b) as (a) but with the unexecuted intention of dealing in them;
- (c) offering the goods, putting them on the market, or stocking them for those purposes without reference to the sign; and
- (d) importing or exporting the goods without reference to the sign.

2. In this article a sign is a reference to what the defendant uses and a mark is a reference to what is registered.

3. And for the first and last time, services.

4. To be sure there are other species of infringement designed, in essence, to protect trade marks with a reputation – well known trade marks – but it is unnecessarily distracting to talk any more about the relatively rare use of the provisions concerned with the protection of well-known trade marks.

Whilst there may be debate about what is meant by the words ‘under the sign’, there is no argument that if the sign plays no part in the purchasing, stocking or border transit decision then there can be no infringement. It might be supposed from that analysis that stolen but lawfully marked goods offend no law of trade marks; to be sure, other laws may be offended, such as the laws on consumer protection, theft or proceeds of crime, but not the law of trade marks.

4 INFRINGEMENT IN MORE DETAIL

If our would-be thief tries to sell the goods she has stolen then she may be guilty of handling stolen goods and the money she receives would almost certainly be criminal property and thus liable to be disgorged as proceeds of crime. Importantly, she would have at the very least put the goods on the market and likely under the sign and hence would be committing an act of trade mark infringement. Even if one alters the facts slightly and turns the thief into a co-conspirator with the manager of a factory with sufficient authority who is charged with the job of producing trade-marked goods as a contractor for a trade mark owner, then whilst allegations of theft and dealing in criminal property are most likely avoided (or the risk is substantially minimized) the allegation of infringement stands, even if the goods in question are lawfully marked. In other words, in the civil sphere the trade mark owner is free to be selective about who can carry out what acts. The reasons for this and why the law allows this are obvious, the trade mark owner must be able to control his channels of trade ... at least so far as first marketing is concerned. Hence it is an important principle of trade mark law, as it is with many other intellectual property laws, that the trade mark owner has the right to affix and the right to first market. True enough the trade mark owner has some rights to control the second-hand market but these rights are much more modest.

4.1 The economics of rights

Why give these rights to the trade mark owner? One idea should be dispelled at the outset. The purpose of the trade marks system is not to benefit the trade mark owner if it is accepted that the idea of the system is to ensure that purchasing decisions are more or better informed or the purchasing operation is made more efficient. It is true enough that certain commentators have described the purpose of a trade mark system in various ways, such as a means of saving search costs or performing ‘investment’, ‘advertising’ or other functions, and it is also true that these, as a summary of the purpose of a trade marks system, are succinct and, to a degree, are very broadly accurate, but the purpose of the system is still not for the trade mark owner’s benefit. To be sure rewards or incentives – which in some cases can be massive – are offered to trade mark owners but not for any other reason than the alternatives are more expensive and less efficient as a means of empowering purchasing decisions. Given that a trade marks system of some sort is unavoidable, then a regulated one where the principal stakeholders are one group of users of the system is preferable to one which is unregulated or one where a centralized trade marks regulator makes the running. Matters pertaining to business are best run by business.⁵

5. The words of Nigel Lawson, one-time Chancellor of the Exchequer, are apposite ‘the business of government is not the government of business’.

The purpose of this quasi-economic discourse is not to make the point that the trade marks system is about protecting trade mark owners; it is about enabling the public. Neither are the incentives for the trade mark owner all so wonderful in their effect. The rational strategy of a trade mark owner is profit maximization and this is achieved in one way: by differentiation and plug, that is by saying that the product is of good quality and that you cannot purchase anything like it anywhere else. Since differentiation is not the purpose of the law of trade marks and since product differentiation can lead to economic distortions then the rights given to a trade mark owner should rationally be the minimum necessary to incentivize her to become a participant in the system. This does not mean that the manner of deciding what those rights are by means of statutory construction should be restricted but, rather, approaches to statutory construction should have regard to the incentives to participate, the incentives to differentiate (by whatever means) and the distortions caused by differentiation.

5 BORDER CONTROLS

Since 1986 the EU member states have had, through a succession of regulations, a system of border controls concerning counterfeit goods. The essence of the system is that counterfeit goods (as defined by note 14 to article 51 of TRIPs)⁶ can be ‘detained or suspended from further release’ at an EEA/non-EEA border (but not an internal EEA border) during routine customs checks if they are suspected, by customs, of being counterfeit. Counterfeit goods are defined by note 14 as follows:

‘counterfeit trademark goods’ shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.

This is to be compared (favourably) with article 2(5) of Regulation (EU) No 608/2013 concerning customs enforcement of intellectual property rights, which defines counterfeit goods as follows:

‘counterfeit goods’ means: ... goods which are the subject of an act infringing a trade mark in the Member State where they are found and bear without authorisation a sign which is identical to the trade mark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trade mark.

The notion of what constitutes counterfeit goods is well defined and understood, and has been for over 30 years – great importance is attached to the juxtaposition of the words ‘bear’ and ‘without authorization’; it follows that if the mark is applied ‘with’ authorization then the goods are not counterfeit, whatever else they may be. It is an important aspect of the border control legislation that the system is not designed to resolve disputes concerning the extent or meaning of licences or consents. Goods are not to be regarded as counterfeit even if they first appeared in a channel of trade which was not intended by the trade mark owner. Thus, by reference to border legislation, our notional thief would not be counterfeiting or carrying on any counterfeiting activity if she stole genuine goods from a warehouse and attempted to sell them, and indeed was successful in doing so, though she may have a hard time in the civil courts.

6. Which, in this article will be referred to as note 14.

6 SECTION 92 OF THE TRADE MARKS ACT 1994

The implementation of the trade marks directive in various member states of the EU has taken a number of forms. In some member states the means of enforcement is solely civil, in others it is solely criminal, in some (such as the UK) it is both, but exclusive as to which court hears the matter (but not as to whether both can), and in others the courts have dual or mutually exclusive powers.

There is no requirement in the trade marks directive for the means of enforcement to be either civil or criminal or both. It follows therefore that in terms of enforcement, member states are perfectly free to implement the trade marks directive in any way they please. Concerning s 92, the government minister at the time (Lord Strathclyde) said in debates:⁷

Clause 86 [which became s 92] is ... broader in its scope [than its preceding legislation], and the offence of trade mark counterfeiting is defined in much the same terms as trade mark infringement. I might add that there is an obligation to apply criminal sanctions against wilful counterfeiting under the intellectual property code⁸ being negotiated in GATT.

As can be seen, there was certainly a government policy to implement TRIPs (the relevant part of the WTO Agreement which superseded the General Agreement on Trade and Tariffs – GATT), and it has to be accepted that what became s 92⁹ was intended to stem the trade in and the making of counterfeit goods. It also has to be remembered that the government brought s 92 into the statute book as a result of perceived failings in the now repealed (in relevant respect) Trade Descriptions Act 1968, which enabled a defence of disclaimer so that a trader could legitimately sell counterfeit goods provided that she declared this to her customer at the time of sale. Section 92(1)(a) & (b) and (5) reads:

Unauthorised use of trade mark, &c. in relation to goods. 92.—(1) A person commits an offence who ...—
 (a) applies to goods ... a sign identical to ... a registered trade mark, or
 (b) sells ... goods which bear ... such a sign ...
 ...
 (5) It is a defence for a person ... to show that [s]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.

The section has been shorn of irrelevant wording to assist the reader with illumination.¹⁰

The meaning and scope of how paragraphs (a) and (b) of s 92(1) interrelate has only been considered twice by the appellate courts. The first time was the case of *R v Johnstone (Robert Alexander)*¹¹ and the second time was the case of *R v C*.¹² A third is pending, which is *R v M*, *R v C* and *R v T* on appeal to the Supreme Court. The third instance will be considered separately at the end of this article.

7. Lord Strathclyde (Parliamentary Under-Secretary to Department of Trade), HL Deb, 6 December 1993, Vol 550, col 754 (on second reading).

8. Which later became TRIPs.

9. In this article references to a section number alone are to the corresponding numbered section of the Trade Marks Act 1994.

10. In the remainder of this article references to paragraph (a) and paragraph (b) are to the corresponding paragraphs of s 92(1).

11. [2002] EWCA Crim 194; [2003] ETMR 1; [2002] FSR 840; on appeal to the House of Lords: *R v Johnstone (Robert Alexander)* [2003] U.K.H.L. 28; [2003] 1 WLR 1736.

12. [2016] EWCA Crim 1617; [2017] 1 Cr. App. R. 20.

In *Johnstone*, before the Court of Appeal, it was contended by the prosecution that s 92 was a complete code and that the infringement tests in s 10 or the available defences in s 12 were not relevant. If the prosecution were correct then that meant that the trade mark use defence being run by some of the defendants would not be available to them. The prosecution were emboldened in this argument: firstly because of the fact that there was a significant difference in wording between s 92 and s 10 (identical or likely to be mistaken for – s 92 – as against identical or confusingly similar to – s 10(1) and (2)); and, secondly, because where a customer makes a mistake then a consumer protection issue arises, that is, the word ‘mistake’ is redolent of the language of consumer protection and not trade mark protection. The prosecution advanced this argument because without it the Crown’s case against one of the defendants would fail owing to the fact that his argument that there had been no trade mark use was overwhelming.

The significance in the difference in wording was not lost on the Court of Appeal however, which simply decided that whilst there may be a difference in wording there can have been no parliamentary intention for there to be a difference in meaning; s 92 had, at its core, something to do with infringement. In order for the appeal to succeed all the Court of Appeal had to decide was whether s 92 was about infringement and no more.¹³ Since the Court decided it was, then the trade mark use defence succeeded, and the appeal, so far as it concerned that defendant, was allowed. The Crown appealed to the House of Lords.¹⁴ In terms of the need to express itself, the House did not feel itself quite as constrained as the Court of Appeal but, rather, it was able to explain its position in more detail. Lord Nicholls construed s 92 in a slightly different way to the way in which the Court of Appeal did but came to the same conclusion. Lord Walker, however, explained the position in more detail, stating first that: ‘Section 92 was enacted by Parliament in conformity with international obligations (under article 61 of ... TRIPs) which take effect as part of Community law¹⁵. ...’,¹⁶ and going on to state that:

Both sides agreed that it is hard to find an example of conduct which would be a criminal offence under section 92(1) to (4), but would not amount to a civil infringement. It was also common ground that if an exceptional case were to be found (such as a single sale of a limited number of articles, such as T-shirts, arguably not amounting to trading) it would in practice be most unlikely to attract prosecution under section 92. ... [I]t must be recognised at once that if the scope or ‘footprint’ of section 92 is smaller than, and wholly contained within, the ‘footprint’ of the civil infringement sections, it is at first blush surprising that the linguistic differences between them are so extensive. Their superficial disparity must be explained, I think, by Parliament’s natural anxiety to frame the offence-creating provisions of the 1994 Act so as to be as self-contained and as simple a code as possible. Prosecutions under section 92 are heard either in the magistrates’ court or in the Crown Court. It would be burdensome if lay magistrates and juries regularly had to go into the intricacies of the law of civil infringement, especially in its present state of flux following the decision of the European Court of Justice in *Arsenal Football Club plc v. Reed* (Case C-206/01)[2003] 3 W.L.R. 450 (to which I shall return). I respectfully agree with the view of Lord Nicholls that this House should so far as possible adhere to the language of section 92, treating it as being as self-contained as possible, and avoiding any unnecessary elaboration of trade mark law as it falls to be applied in criminal courts.¹⁷

13. See *R v Johnstone* [2002] EWCA Crim 194, [2003] ETMR 1; [2002] FSR 840 at [46] in particular.

14. *R v Johnstone (Robert Alexander)* [2003] U.K.H.L. 28; [2003] 1 W.L.R. 1736.

15. This is and remains correct, though only to a limited extent – read on!

16. *R v Johnstone (Robert Alexander)* [2003] U.K.H.L. 28; [2003] 1 W.L.R. 1736 at 71.

17. *R v Johnstone (Robert Alexander)* [2003] U.K.H.L. 28; [2003] 1 W.L.R. 1736 at [73].

As Lord Walker made clear, the purpose of s 92 was to adhere to the UK's international treaty obligations in the form of article 61 of TRIPs, which reads (so far as relevant):

SECTION 5: CRIMINAL PROCEDURES

Article 61

Members shall provide for criminal procedures ... to be applied at least in cases of wilful trademark counterfeiting ... on a commercial scale. ...

Thus Lord Walker was explaining that if an act was not infringing in a civil sense then it could not be a criminal matter; he explained this on the basis that '... it is hard to find an example of conduct which would be a criminal offence ... but would not amount to a civil infringement'. Whilst it may be that those making submissions to the court were bound in some way not to make submissions since it would not have been in the interests of the defendant to do so, and the Crown appeared not to do so for whatever reason, while the intervenors – representatives of brand owners – ought to have done so, the proposition is not entirely correct. As has been highlighted above, possession of infringing goods, even with intent, is not tortious and yet it is, with the correct degree of intent, a criminal act. The question of interest for the purposes of this article is what did Lord Walker mean by 'smaller than' and 'wholly contained within'? Did he mean that civil infringement and criminal liability are never coterminous or did he mean that whilst the two could be coterminous in places, generally or in most cases they are not. A clear reading of Lord Walker's speech suggests the former. Indeed, linguistically it is impossible to come to any other conclusion. This point seems to have been forgotten.

Neither must it be forgotten that the status of border controls has been considered at the highest of judicial levels – see *Opinion 1/94*¹⁸ – and that they are one of the few aspects of TRIPs which fall within the common commercial policy (which means that the organs of the European executive have the power to sign treaties on our behalf but without parliamentary accountability). That implies that this is an area which needs to be consistently considered and applied throughout the EU, and, as made clear in *Opinion 1/94*,¹⁹ the EU border controls legislation sets that standard. The upshot is that if s 92 is accepted as a measure to curb counterfeit goods and the meaning of the word 'counterfeit' is set by the EU in some way, then there is no place for national courts or legislatures to say different. The effect of this is that the word 'counterfeiting' in article 61 of TRIPs is a defined expression from which no dissent by a national court is permitted.

6.1 *R v C*

*R v C*²⁰ was a case where the words 'wholly within' were tested, though not, it seems, 'smaller than'. In *C* the criminal division of the Court of Appeal was confronted with a classic licensee overrun problem where a brand owner had outsourced production to a factory, the factory overran on its production and although the licence permitted overruns, it expressly prohibited the further commercialization of those overruns. The point

18. (Opinion 1/94) *Re Competence of the Community to Conclude International Agreements Concerning Services and the Protection of Intellectual Property, sub nom Re the Uruguay Round Treaties* EU:C:1994:384; [1994] ECR I-5267; [1995] 1 CMLR 205 at [55].

19. *Ibid.*

20. [2016] EWCA Crim 1617; [2017] 1 Cr. App. R. 20.

to be decided on appeal from a ruling that the licensee overran (authorized marking but unauthorized onward supply) was put by the appellants in this way:

Can a criminal offence be committed under s. 92(1)(b) or (c) of the Trade Marks Act 1994 (selling, offering for sale or distribution/possession with a view) where the proprietor of the registered trade mark has given its consent to the application of the sign which is its registered trade mark or has itself applied its own registered trade mark, to the goods, but has not given its consent to the sale, distribution or possession of them?²¹

It should at once be pointed out that, as the reader will know by now, the mere possession of counterfeit or infringing goods is not tortious, and indeed mere distribution of counterfeit goods without reference to the trade mark is, equally, not tortious, although both acts appear to be crimes.²² Thus the question arose whether it was a matter of criminal liability for the goods, albeit lawfully marked, to be sold or otherwise commercially distributed in contravention of an express contractual term prohibiting further dealing in overruns. That distribution would clearly be an infringement of the trade mark rights of the brand owner; there would undoubtedly be trade mark infringement. The question is whether the goods were goods which were caught by s 92. The important part of s 92 concerned the prohibited acts in s 92(1), which is broken down into two parts, being s 92(1)(a) – not to mark goods without authority – and s 92(1)(b) – not to sell goods which bear ‘such a sign’ without authority.

7 LINGUISTICALLY CLEAR

The question arose as to the meaning of the words ‘such a sign’. Did they mean a sign identical to or likely to be mistaken for a registered trade mark, or did they mean a sign identical to or likely to be mistaken for a registered trade mark *where the sign had been applied without the consent of the trade mark owner*? The Court of Appeal in *R v C* decided that it meant the former and said that it was linguistically clear, that TRIPs was not offended and that the alternative construction was flatly contrary to authority. On the point of ‘linguistically clear’ this appears to be contrary to the impression to be gained from one reading – admittedly one of many – of s 92. Whilst the Court of Appeal in *C* is entitled to its views and for them to be given weight, there are those who differ. Declaring that certain prose is linguistically clear without more is unhelpful, and it might suggest a preference for one construction over another. It is also the case that linguistic clarity is not necessarily the touchstone for construction when it comes to statutes since the intention of parliament has to be gleaned, and in this respect international treaty obligations have to be taken into account, as has been stated in the context of s 92 on more than one occasion.

Also, the difficulty with the construction posed by the Court of Appeal in *R v C* is that parallel trade is now a criminal matter and has, so far as many transatlantic travellers are concerned, become so overnight; or in order to establish that it is not requires or potentially requires the sort of analysis which Lord Walker was keen should not be

21. *R v C* [2016] EWCA Crim 1617; [2017] 1 Cr. App. R. 20 at [3].

22. Most criminal judges confronted with this conundrum whereby s 92 is actually wider than s 10 usually repost or retort by saying that no prosecution would result in those circumstances. Whether this is true or not is a matter of discretion and not a matter of law. The fact remains that there are cases where s 92 catches the criminal who is innocent of infringement.

rehearsed in front of lay magistrates and juries in *Johnstone*.²³ People purchasing goods outside the EU and importing them into the EU, even if for their own use, are now criminals. Your author is amongst them. Hence, whilst linguistic clarity might not have been 100 per cent it was nevertheless sufficiently clear to give legs to the mistaken for construction.

8 TRIPS

The constitution in *C* was at pains to point out that TRIPS was a minimalist invention intended to create a grundnorm of expected behaviour concerning intellectual property. In this respect it could not have been more wrong.

It follows that the signatories to TRIPS, including the UK, were perfectly at liberty to make harsher or stricter or more protective rules, *but only so far as not trespassing on the common commercial policy of the EU*. To put it another way: it is indeed a correct proposition to say that signatories to TRIPS, including the UK, were perfectly at liberty to make harsher or stricter or more protective rules, but, like many legal propositions, much depends on how far this goes. The grundnorm sentiment cannot apply in the case of s 92 for two reasons.

First, the definition of counterfeiting was concerned with cross-border trade, which is immutable and more or less absolute in its meaning (or why, one might ask rhetorically, have a definition in the first place?). It would be absurd if the framers of TRIPS had intended that note 14 was to have different meanings in different places, as the effect of such a view would mean that trade between states of the world would be wholly distorted, the very thing that TRIPS was intended to avoid. Secondly, the Minister in Parliament²⁴ (and, indeed, Lord Walker in *Johnstone*) stated that the government's and thus parliament's intention was to comply with TRIPS; that since article 61 of TRIPS contained a reference to a word defined in note 14 it is clearly correct that the grundnorm of article 61 is not the fact of counterfeiting but was to do with commercial trading in counterfeit goods (which *was* the grundnorm), or something less such as passenger baggage (which would be the optional extension); article 61 of TRIPS does not in any way qualify note 14. Furthermore, the grundnorm argument,

23. A good example of a case where fantastically complicated issues of fact were played out in the Chancery Division of the High Court in England and Wales is *Mastercigars v Hunters & Frankau* [2006] EWHC 410(Ch). The issue was whether consent to export and subsequently import Cuban cigars, given by a shop selling cigars amounted to consent by the trade mark proprietor, who owned the company which owned the shop, or at least controlled it. That issue was complicated by the fact that the trade mark owner also made an allegation (subsequently found to be contrived and false) that the goods were counterfeit and that despite the shop selling genuine cigars in substantial volumes, they had somehow been substituted by counterfeit cigars on their way to Havana airport, albeit that the timeframes in question were a matter of hours. The Court found the acts of importation into the UK to be infringing since the shop, not being the trade mark owner and notwithstanding that it was owned by the trade mark proprietor was incapable of giving the requisite consent. The Court of Appeal, [2007] EWCA Civ 176, overturned that aspect of the High Court's analysis and found the cigars to have been properly imported with consent. The case lasted two weeks, comprised ten lever arch files and required some fairly forward and complicated thinking by one of this country's most respected trade mark appeal judges who is not known for sloppy judgments or lack of clarity.

24. Lord Strathclyde (Parliamentary Under-Secretary to Department of Trade), HL Deb, 6 December 1993, Vol 550, col 754 (on second reading).

whilst undoubtedly correct only applies to part II of TRIPs' 'standards concerning the availability, scope and use of intellectual property rights', at least if the preamble to TRIPs is to be believed, which draws a clear distinction between minimum standards on trade mark protection and, on the other hand, uniformity of counterfeiting rules.²⁵

9 '... FLATLY CONTRARY TO AUTHORITY ...' AND *R V IVAN GENIS*

In its judgment the Court of Appeal laid heavy emphasis on the judgment of an earlier constitution²⁶ in the case of *R v Ivan Genis*.²⁷ There were a number of allegations made in that case but the principal one of relevance here is that the defendant was accused of selling what were called black market goods. By black market goods is meant goods which have no association whatever with the trade mark owner; this is in contradistinction to grey market goods where the goods have some association with the trade mark owner, for instance where there has been a consent to affixation but not to onward disposal. Mr Genis was convicted of selling counterfeit goods. He applied for permission to appeal to the Court of Appeal on the basis that the trial judge failed to direct the jury that the goods might have been grey market goods despite the fact that it was not seriously argued in his favour at trial, though some evidence was adduced to support the proposition. The trial judge accordingly allowed the prosecution to adduce evidence rebutting the grey market assertion. That evidence was unchallenged by the defence. Nonetheless the point was not expressly put to the jury, perhaps because the point was not seriously in issue; after all there had been no challenge to the rebuttal evidence of the prosecution. The crux of the deliberation of the Court of Appeal in *Genis* was stated to be:

... when the jury asked during the course of their deliberations why goods leaving a legitimate (licensed) manufacturer's 'side door' would be infringing, the judge told them uncontroversially, that this was because on the evidence, this could only have happened without the trade mark proprietor's express or implied consent.²⁸

What is important to note is the fact that nowhere in this analysis is the express question which was posed in *C* – that 'such goods' is either part of the 'mistaken for' hypothesis or the 'unauthorized' hypothesis. Given the importance of this question, one might have thought that *Genis* would not make a fair starting or indeed finishing point for serious analysis of the 'such goods' question. However, and be that as it may, the point was not unrehearsed by the Court of Appeal in *Genis*. Their judgment can only have been correct if they were implying or accepting that the 'such goods' question was to be resolved in the 'mistaken for' way. Strictly speaking and subject to the laws of precedent (about which more a little later) this judgment is indeed authority for

25. 'Recognizing, to this end, the need for ... rules and disciplines concerning ... (b) the provision of adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights ... [and] (c) the provision of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems; ...'.

26. On an application for permission to appeal where the applicant for permission and defendant in the Crown Court below was only represented to the extent that he had written advice from expert and highly respected leading counsel with many years' experience in criminal intellectual property matters, including trade marks. Otherwise, he had to represent himself.

27. [2015] EWCA Crim 2043.

28. *R v Ivan Genis* [2015] EWCA Crim 2043 at [28].

the ‘mistaken for’ construction and, strictly, the constitution in *C* was bound by it, unless *Young v Bristol Aeroplane Co. Ltd*²⁹ was to be followed (that the judgment was *per incuram*). However the court in *Genis* did not hear the full argument, the applicant for permission was a litigant in person (albeit that he was armed with an opinion from the preeminent leading counsel on the question), no *amicus curae* was appointed, nor, given the importance of the question, were submissions invited from interested groups. Further, the court did not even begin to consider the competing arguments or constructions; it was taken as read that the ‘mistaken for’ hypothesis was correct. As such, it is hardly surprising that if *Genis* is binding authority it is a weak one in relation to an unargued point; and that is, frankly, why the constitution in *C* appeared to accept that it was somewhat unfair to say that it was bound by it (see [34]). Even then and finally, however, *Genis* is an authority for nothing since the constitution in *Genis* made no order, it being an accepted rule of precedent that the authority of a court and its ability to be binding on other courts which are lower in the precedent order is the reasoning used to support the order which it made ... not the one it didn’t.³⁰ Whilst the case of *Genis* may therefore be meritoriously important it is technically not relevant. Further, the Court of Appeal has been known to reverse its own judgments when, on a subsequent occasion, it was realized that the question was far more important than the attention it merited on the first occasion.

10 CONCLUSION

The Court of Appeal’s construction of s 92(1)(b) is, with respect, perverse. It ignores the stated aims of the government in enacting s 92(1)(b) – to stem the making and selling of counterfeit goods – it ignores or, more properly, brushes aside the definition of counterfeit goods to be found in the border regulation (which, in turn, follows note 14 to article 51 of TRIPs), and it ignores the stated aims of article 61 of TRIPs and the House of Lords’ and Government’s endorsement of those aims in construing and enacting s 92 in the first place. Add to that that in your author’s experience (spanning some 25 years) the magistrates and the Crown Court have routinely construed s 92(1)(b) in a way that prohibits the selling of unlawfully marked goods but which does not prohibit the selling of lawfully marked goods, no matter how they got onto the market. The politest one can be about the judgment would include the word ‘bold’ somewhere in the prose.

There are also serious technical difficulties in the way of the judgment of the Court of Appeal when heed is given to Lord Walker’s comments in *Johnstone*, that the lives of the magistrate and the juror are not to be made difficult by presenting them with unnecessarily complicated cases. To be sure there are undoubtedly likely to be trade mark licences which are clear about what can be marked, what overruns are permissible and what can be sold by the factory operator. There are also likely in some if not most cases to be mere understandings between the parties or cases where the factory operator did not deal directly with the trade mark proprietor but instead dealt with an agent whose language of agreement is subject to context, bad words, and even worse a misunderstanding of what the law is. What happens if a long line of dealing by the factory operator has led to reasonable assumptions arising or estoppels such that notwithstanding the trade mark proprietor’s strict legal position, he really didn’t mind and

29. [1944] KB 718, C.A.

30. *Rickless and Others v United Artists Corporation* [1988] Q.B. 40, 55F–G, C.A.

in the face of knowledge did nothing? What happens if some agreement, approval or going along with it is manifest and the trade mark owner without warning and on seconds notice revokes the position? What happens, as happened in *Mastercigars*,³¹ if the trade mark owner is fraudulent at worst and inconsistent at best, and has given his content in one guise and denied he gave it in another? These are the sort of jury matters which Lord Walker was trying to avoid.

The Court of Appeal in *C* overstepped itself and failed to have regard to the implications of its judgment in terms of parallel imports where a whole raft of infringers (arising by way of parallel importing) have been created overnight. This judgment cannot have been correct.

10.1 *R v C* in the Supreme Court

About a year later Lord Hughes gave a short judgment in *R v C*³² on an appeal by the defendant from the judgment of their lordships in the Court of Appeal. None of the arguments above mentioned and, it is submitted, of importance, were or appear to have been rehearsed before that court. This was regrettable. *Johnstone* was distinguished (in fact rightly but on a highly technical basis) on the basis that it was not concerned with the question concerning ‘such goods’. Lord Hughes, with barely disguised irritation, stated that there was no discernible parliamentary intention (accorded via any statement) which assisted in the question as to whether parliament intended that grey market goods should be covered by s 92.³³ His reasoning is to be seen when he said:

The appellants’ reading of ... [s 92(1)](b) is, by contrast, strained and unnatural. It does not simply reach back to [s 92(1)](a) but to the general words of the section which precede it. It requires one to read ‘sign’ in [s 92(1)](a), which is incorporated into [s 92(1)](b), as ‘which bears a sign, so applied’, or at least as ‘such a sign, so applied’.³⁴

That their Lordships were not shown or taken to Lord Strathclyde’s speech in the House of Lords second reading is obvious (or, that appears to be the case), or that they did not heed it is alarming; further, that they were not shown or taken to any of the consumer protection legislation, such as the Consumer Protection from Unfair Trading Practices Regulations 2008³⁵ (which deals precisely with the problem that their Lordships were so anxious to solve), is even more of a concern. No interest groups were invited to intervene and neither was any *amicus* asked to act; had she been instructed then she would have drawn attention to these issues. The Crown in an unremarkable and characteristic display of good judgment did instruct its treasury junior (a highly respected trade marks practitioner) in the Supreme Court (but not below). Moreover, the starting basis for their lordships’ judgment is of concern because it is boldly stated that mere possession of infringing goods is tortious (it is not).

The entire basis of the speech of Lord Hughes is to do with fakes where there was no basis whatsoever for a link with the brand owner. Even more worrying still was the total lack of consideration of TRIPs, note 14, the border regulation, or the consequences of making many millions of people per month counterfeiters overnight.

31. *Mastercigars v Hunters & Frankau* [2006] EWHC 410(Ch), [2007] EWCA Civ 176.

32. *R v C* [2017] UKSC 58.

33. *Ibid* at [13].

34. *Ibid* at [12].

35. SI 2008/1277.

Whilst any author should be slow to criticize the output of a clearly learned and considerate institution, this judgment hardly represents the high water mark in trade mark law. Indeed, the legal position merits more consideration than it was given by the Supreme Court.

10.2 The correct position

The words ‘such sign’ are to be construed in accordance with the economic basis for trade marks. What this means is that a trade mark provides a basis to the purchaser of the goods which are marked with an idea of what he is buying, so that, for instance, in the case of, say, a Kit-Kat the purchaser does not need to unpack the goods and check them (whether by tasting or otherwise) before the purchase. When goods are affixed in this way then the affixed sign is performing a function – that the sign relates to the goods *and* that the sign is there with the approval of the manufacturer of the goods. Hence if the sign is there with proper approval by the person entitled to give that approval then the trade mark is being used properly and the purchaser can rest assured that no matter how the goods got onto the market, they are approved. If, as Lord Walker said in *Johnstone*, the criminal provisions are contained ‘wholly within’ the criteria for civil infringement then the affixation of the sign in question must have been without consent for the goods to be infringing. If the sign is applied with consent then they are not infringing and if the sign is applied without consent then they are. Consent is at the core of trade mark infringement. Hence, like most trade mark law, it is indeed possible to produce ‘strained and unnatural’ constructions (if really they be). The ‘reading back’ theory is not as daft as one may suppose, especially if one accepts that consent is at the heart of any case on infringement. What Lord Hughes and the Court of Appeal before him was saying was that there is a considerable difference between the following two sets of wording when it comes to s 92. First the actual wording (ignoring irrelevant wording):

92.– (1) A person commits an offence who ... without the consent of the proprietor ... applies to goods ... a sign identical to ... a registered trade mark ...

and then a version with the notion of consent in the right places (also ignoring irrelevant wording):

92.– (1) A person commits an offence who applies to goods a sign identical to a registered trade mark without the consent of the proprietor ...

Trade mark lawyers would not see a difference, especially where s 92 is tiered in a logical way – making counterfeit goods, selling them and keeping them with the intention of selling them. However, Lord Hughes’s analysis is not to be dismissed so quickly since his real point (albeit hidden in his judgment) is that the words ‘without the consent of the proprietor’ have a scope which encompasses *both* paragraphs (a) and (b) since those words precede *both* paragraphs and are therefore contained within each. This is undoubtedly correct but as a matter of construction it is wrong when looked at from the point of view of the aims of s 92, which are to discourage the making and thence selling of counterfeit goods and not the making of counterfeit goods and selling of genuine ones.