



3 August 2017

## PRESS SUMMARY

**R v M (Appellant), R v C (Appellant) and R v T (Appellant) [2017] UKSC 58**  
*On appeal from: [2016] EWCA Crim 1617*

**JUSTICES:** Lord Neuberger (President), Lord Mance, Lord Sumption, Lord Hughes, Lord Hodge

### BACKGROUND TO THE APPEAL

This is an interlocutory appeal in a criminal case in which the appellants are defendants indicted for offences of unauthorised use of trademarks, contrary to section 92(1) of the Trade Marks Act 1994 (“the 1994 Act”). An offence is committed under that section where a person does any of the following three things (with the intent to gain or to cause loss, and without the consent of the trademark proprietor): (a) applies to goods a “sign identical to, or likely to be mistaken for, a registered trade mark”, (b) sells goods which bear “such a sign”, or (c) possesses in the course of a business any such goods with a view to committing an offence under (b).

The allegations against the appellants (which have yet to be proved) are that they are engaged in the bulk import and subsequent sale of goods bearing registered trademarks, manufactured abroad, in countries outside the EU. A significant portion of the goods said to be sold by the appellants were manufactured (and the trademark applied) with the permission of the trademark proprietor, but were then sold without the trademark proprietor’s consent (for example because the goods were in excess of the numbers or below the quality permitted by the trademark proprietor). The appellant describes these as “grey market” goods and distinguishes them from “true counterfeits” manufactured without the authorisation of the trademark proprietor.

At a preparatory hearing in the Crown Court, the appellants argued that while the sale of grey goods attracts civil liability, it is not covered by the offence in s.92(1), which properly construed applies only to “true counterfeits”. The appellants argued that “such a sign” in subsection (1)(b) refers back to (1)(a), so that 1(b) applies only to goods where the trademark has been applied without the consent of the proprietor. Any goods in the “grey market” category have had the trademark originally applied with the consent of the proprietor. It is only the sale which the proprietor has not authorised. It follows, they contend, that they are not, when it comes to paragraph (b), goods which bear “such a sign”. Both the trial judge and the Court of Appeal (Criminal Division) rejected that submission.

### JUDGMENT

The Supreme Court unanimously dismisses the appeals. Lord Hughes gives the lead judgment, with which the rest of the Court agrees.

### REASONS FOR THE JUDGMENT

So-called grey market goods are caught by the criminal offence in s.92(1), and the appellants’ contended construction of that section must be rejected. The plain reading of “such a sign” in (1)(b) is that it refers back to the sign mentioned in (1)(a) i.e. a sign which is “identical to, or likely to be mistaken for, a registered trade mark”. 1(b) therefore covers the unauthorised sale of any

goods bearing a trademark (regardless of whether the trademark was applied to the goods in their manufacture with consent or not). But this reference back to (1)(a) does not also incorporate into the meaning of “such a sign” the commission of an offence under (1)(a), i.e. the requirement that the sign has been applied without the consent of the proprietor. Such a reading of (1)(b) is strained and unnatural and requires one to read “such sign” as “such a sign, so applied”. The offences set out in (a), (b) and (c) are not cumulative, but separate, and the requirement in the opening lines of s.92(1) that the use made of the sign is “without the consent of the proprietor” applies to each type of use specified – whether it is the application of a trademark to goods, the sale of goods bearing a trademark, or the possession for sale of goods bearing a trademark. [8-12] The predecessor of section 92, section 58A of the Trademarks Act 1938, also plainly covered grey market goods. The appellants’ contention therefore that the more stringent test for intention in s.58A had the practical effect of confining criminal liability to cases of their category of “true counterfeits” must be rejected. [16-17]

There is therefore no ambiguity in the language of the section to justify investigating the Parliamentary debate at the passing of the 1994 Act. In any event, the appellants did not contend that Parliament considered a difference between true counterfeits and grey market goods. Still less is there any point at which it can be suggested that Parliament plainly confined itself to criminalising fake goods and abjured the criminalising of grey market goods. The authorities relied on by the appellants in support of their contention that such a distinction was plainly intended do not assist here, as they were not addressing any difference between fake goods and unauthorised goods on the grey market, and moreover came years after the passage of the 1994 Act so could not have been in mind at the time of its passing. [13-14]

The appellants are correct that in the context of goods which a proprietor voluntarily puts into the European single market with his trademark attached, section 12 of the 1994 Act, transposing article 7 of Directive 89/104/EEC, has the effect that further objection to the use of the mark is limited to special cases, such as changes or impairments to the goods. But that is true whichever of the rival constructions of section 92 is correct. Where it applies, this concept of exhaustion means that there is no infringement of the mark as a matter of civil law, and thus no criminal offence. But this sheds no light on the correct construction of section 92. [15]

There is no reason to strain the construction of s.92(1) to exclude the sale of grey market goods. This is not because of the supposedly adverse consequences which the Crown argued would follow, some of which would be as likely to ensue even on the correct interpretation of the section. The distinction between the two categories suggested by the appellant is not cut and dried, but both are clear infringements of the rights of the trademark proprietor. The plain meaning of the Act is that it is unlawful to put “grey goods” on the market just as it is to put fake ones on there. In both cases the trader is setting out to profit from someone else’s trademark without permission. [18]

In the alternative, the appellants contend that the Crown’s construction of section 92(1) involves a disproportionate breach of their rights under article 1, Protocol 1 to the European Convention on Human Rights. But the 1994 Act does not deprive them of their property, as it does not stop them selling the goods, except if they wish to do so whilst still with the misleading and infringing trademark attached. Such regulation of use or disposal of goods is permitted under the second paragraph of article 1 in the general interest, and is in any event a proportionate measure, striking a legitimate balance between the rights of the proprietor to protect his valuable trademark, and those of the person who wishes to sell good which he has bought. [19]

*References in square brackets are to paragraphs in the judgment*

## **NOTE**

**This summary is provided to assist in understanding the Court’s decision. It does not form part of the reasons for the decision. The full judgment of the Court is the only authoritative document. Judgments are public documents and are available at:**

<http://supremecourt.uk/decided-cases/index.html>