

Anti-counterfeiting and anti-piracy

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Squire Sanders

Introduction

This practice note provides guidance on the issues to consider and steps to take when tasked with tackling identified instances of counterfeiting and piracy. Since neither of these terms have universally accepted definitions, they are used in this note to denote acts of trade mark infringement (counterfeiting) and copyright infringement (piracy) which constitute criminal offences as well as attracting civil liability. In this note, the word 'target' is used to refer to counterfeiters and pirates alike.

This note does not detail the statutory provisions, and associated case law, relating to infringement and the associated offences which are most typically relevant to counterfeiting and piracy. They are properly the subject of a separate note produced specifically for that purpose; see Anti-counterfeiting and customs.

Instead, this note assumes that the fact of the infringement and offence is beyond reasonable doubt and that the real challenge faced is working out what, practically, to do about it.

The strategies and challenges associated with taking on dedicated targets who know what they are doing is unlawful but are determined to continue doing it anyway is very different to the strategies and challenges associated with taking on otherwise legitimate competitors who have over-borrowed elements of branding and/or copyright works for their own products and strayed into infringement territory.

Bluntly, a letter before action and threat of infringement proceedings, which is typically the first (and often successful) step in an infringement dispute between two primarily legitimate businesses, is highly unlikely to work against targets of this nature.

[Trade Marks Act 1994, TMA 1994, ss 10, 92](#)
[Copyright, Designs and Patents Act 1988, CDPA 1988 ss 16-18, 22-23, 27, 107](#)

Step 1 - what do you know about your target?

More often than not, targets are elusive and make it very difficult for rights owners to identify who they are, where they live, or anything else about them. They are not the type of opponent that disputes lawyers typically face, ie legitimate businesses whose owners can quickly be identified and which operate through limited companies from fixed premises with a lawfully employed workforce. They will not enter into an appearance in proceedings against them unless they have to, and they are highly unlikely to comply with court orders for injunctions or damages. Enforcement of court orders is not easy when the respondent has hidden his assets and disappeared.

Targets are, however, keen to maximise their profits as much as possible as easily as possible. If you have a number of targets and have to choose which to take on first, those who trade online are likely to be easier targets as it is likely to be easier to identify who they are, where they live, and how significant their operations are. There are a variety of ways to get information from internet service providers and auction site operators.

Ultimately, the less you know about your target, the less likely it is that you will be able to achieve anything of value without the help of law enforcement agencies, such as Trading Standards and/or the police. They are likely to have many similar (and more serious) cases to investigate already with plenty of intelligence to go on. Unless the goods in question pose a serious health and safety risk, the police are unlikely to make counterfeiting and piracy their priority.

The lesson here for rights holders is to pick your target carefully. Pursuing and getting smaller wins may ultimately serve your purpose more effectively than using limited resources to pursue a big fish you will never land.

Step 2 - what do you want to achieve and why?

Right holders which experience problems from counterfeiters and pirates will typically be serial victims. Targets of this nature choose which rights holders to target by reference to three criteria: how easy is it, how much will I make, and how likely am I to get caught? Unsurprisingly, many of them come up with the same answers. Consequently, counterfeiting and piracy will rarely be a one-off problem, and a rights holder will need an enforcement strategy for how best to tackle the problem which will make most effective use of the limited resources available.

Where there is a health and safety element involved, high-level strategies will need to take second billing behind the imperative of stopping the specific target in question from continuing to put consumer safety at risk. In other cases, taking on one target at a time without a clear strategy is likely, in the long run, to be an expensive and largely unproductive exercise which will barely make a dent in the problem.

The more productive anti-counterfeiting/anti-piracy strategies are those that put reduction of the problem as a whole as the primary objective, rather than stopping any particular target or making money from damages or compensation. Prevention is better than cure both from a financial perspective (rights holders will save more money by reducing counterfeiting/piracy than they will ever recover from targets via enforcement proceedings) and from a reputational perspective.

Enforcement activity best serves that objective if it used to send a message to existing or would-be targets and then perpetuate that message. That message should be that targets face a significantly greater chance of being identified and prosecuted if they counterfeit/pirate rights holder X's products than if they counterfeit/pirate right holder Y's products, and that the outcome of a prosecution relating to rights holder X will be a lengthy prison term, and/or the award and successful enforcement of a significant damages or compensation award.

That message can only be sent if the rights holder pursues the right target (one whose prosecution can result in the right kind of outcome), and ensures that the outcome of its enforcement effort is effectively communicated to the counterfeiting and piracy community. Communication of regular stories of successful prosecutions relating to a specific rights holder company should be the objective. A failure to communicate success stories properly wastes the unquantifiable and important deterrent effect which enforcement efforts can generate.

The question rights holders and their advisors should ask when considering action against any identified target is what action, if any, against that particular target will serve the objective best, and whether similar or different action against another identified target will serve that objective better? In short, are you going after the right target for the right reasons?

Step 3 - how can you realistically achieve your objectives?

Civil action

Disputes lawyers, when tasked with stopping damaging trade mark or copyright infringements as soon as possible, will typically think first of search orders and other interim remedies. A rights holder determined to go it alone might:

- apply to the court for an order requiring third parties to disclose information about their target. For example, auction websites may be required to provide the name, address and bank account details of a vendor which has used its site to sell counterfeit goods, as well as individual transaction records relating to the goods in question which enable a rights owner to ascertain the total number and value of the transactions completed via that site. The rights owner may then apply for an order against the bank with which the account is held requiring it to divulge equivalent identity details as well as details of the current balance of the account
- armed with identity, address and financial information, apply to the court for search, detention and freezing orders, which will hopefully result in evidence of the wrong-doing and significant counterfeit/pirated stock being found and seized and the perpetrator's assets being frozen
- apply for and obtain an interim injunction in light of the evidence seized to prevent any further wrong-doing pending trial
- pursue civil infringement proceedings against the target, and obtain a permanent injunction and financial relief in the form of a damages or profits order, and
- enforce the order for financial relief against the frozen cash assets of the defendant.

Those tactics do have a place in the counterfeiting and piracy fields and can be effective against the right kind of target. However, they have serious limitations and disadvantages which will often make them inappropriate. Most notably:

- prohibitive cost: obtaining and enforcing the Norwich Pharmacal, Bankers Trust, search, detention, and freezing orders mentioned above requires the investment of very significant lawyer resource, and could easily cause the rights holder to incur a six-figure costs liability before it even knows if it will find any evidence to seize or if the target has any cash assets worth freezing. It will be rare that investment of that level of resource on such a speculative basis will be justified
- refused entry: a determined target of this nature is considerably less likely than the owner of an otherwise legitimate business to allow a group of solicitors to walk into his or her premises, search it, and seize goods, even if they are armed with a court order endorsed with a penal order. If any subsequent attempt is made by law enforcement agencies to gain entry to, and search, the same premises, the prospects of there being any evidence left to seize will be significantly reduced

There are alternatives to the more traditional dispute lawyer tactics which will typically deliver more of the rights-holders' objectives. None of them are perfect, and none of them come with any guarantees. They include the following

[CPR 31.17](#)

[Norwich Pharmacal Co and others v Commissioners of Customs and Excise \[1973\] 2 All ER 943](#)
[Bankers Trust Co v Shapira and others \[1980\] 3 All ER 353](#)

[References: CPR 25.1\(1\)\(c\), \(f\), \(h\)](#)

[References: CPR 25.1\(1\)\(a\)](#)

[References: TMA 1994, s 10](#)
[CDPA 1988, ss 16-18, 22-23](#)

Criminal investigation by law enforcement agencies followed by prosecution

The investigation of targets by Trading Standards or, particularly, the police has clear advantages when compared to any civil action which may be taken:

- the investigatory powers which law enforcement agencies have available to them under the Proceeds of Crime Act 2002 (POCA 2002) and other legislation are far more extensive than any powers which might be conferred on a rights owner by civil court order, and can be obtained and used far more quickly and effectively. Obtaining details about a target's identity and their finances from third parties (via production orders, disclosure orders, customer information orders and account monitoring orders (POCA 2002, ss 345, 357, 363, 370), freezing their assets via restraint orders (POCA 2002, s 41), and gaining access to and seizing evidence and counterfeit/pirated goods (POCA 2002, s 352, TMA 1994, s 92A or CDPA 1988, s109) are all far more likely to be achieved by law enforcement agencies than by a rights owner acting under its own steam. The police also have powers of arrest which are not available to a rights owner
- the sanctions which can be applied following a conviction for the relevant criminal offences (ie a custodial sentence) are a more effective and newsworthy deterrent than any civil court order for an injunction and damages or profits, and consequently more likely to serve the ultimate objective of sending the right message to the counterfeiting and piracy communities
- the availability of a Powers of Criminal Courts (Sentencing) Act 2000 (PCC(S)A 2000) compensation order for the rights holder from cash assets confiscated pursuant to a POCA 2002 confiscation order is more likely to be successfully enforced than any civil court order for damages or profits, since a convicted counterfeiter or pirate who fails to meet a confiscation order will typically receive an extended custodial sentence
- finally, the cost to the rights-holder of assisting law enforcement agencies and the Crown Prosecution Service (CPS) in their own investigations and subsequent prosecution is likely to be far less than if the rights holder takes all required action itself

Tackling counterfeiting and piracy is unlikely to be a priority for the police, and may not be a priority for Trading Standards. Consequently, any rights holders seeking assistance from law enforcement agencies will need to be able to convince those agencies that taking action against a target identified by a rights holder is a worthwhile use of their limited resources. The best and easiest way of doing so is to make it as easy as possible for them to help you by providing a detailed report which:

- sets out everything the rights holder knows about the target and the nature and extent of his activities, including all documentary and witness evidence
- explains why the target's activities constitute criminal offences, by reference to the relevant statutory provisions. (It is worth noting in this respect that counterfeiting and piracy will in many cases constitute fraud as well as offences under trade marks and copyright legislation. Badging the target's activities as fraudulent may attract more interest from law enforcement agencies)
- provides suggestions for the optimal course of action which law enforcement agencies might take to investigate and apprehend the target, together with details of the relevant authorities under which the required powers are available to them for the purposes suggested

References: POCA 2002, ss 41, 345, 352, 357, 363, 370

TMA 1994, s 92A

CDPA 1988, s 109

References: TMA 1994, s 92(6);

CDPA 1988, s 107(4)

References: PCC(S)A 2000, s 130

POCA 2002, s 6

An obvious disadvantage of working with law enforcement agencies is that the rights holders will forfeit control over the course the investigation takes and any subsequent action, including prosecution. For that reason, it is important for the rights holder and their advisors to keep as close as possible to the criminal investigations and any subsequent prosecution as possible, in an advisory capacity. A successful prosecution, and maximising both the sentence a convicted counterfeiter/pirate might receive and the amount of compensation the rights owner may receive from confiscated assets, will require ongoing assistance from the rights owner, not least in the form of witness evidence confirming the counterfeit or pirate nature of goods which may have been seized.

It is also important to bear in mind that a rights owner which encourages law enforcement agencies to commit their resources to a particular investigation and prosecution, only to then lose interest and withdraw meaningful support before the investigation and/or prosecution has been completed, is unlikely to find law enforcement agencies so amenable next time around.

Private prosecution

Finally, and very briefly, it is always open to rights holders to bring private prosecutions against counterfeiters. Of course, the criminal standard of proof and procedural rules are different to, and impose a higher burden than, their civil equivalents, and rights holders and their advisors need to be very careful to ensure that they meet the necessary standards.

This will typically require evidence which will not be available to a rights owner unless search and seizure order have been obtained and successfully executed by the rights owner itself or by law enforcement agencies.

If Trading Standards or the CPS decide not to prosecute a target which they have investigated, it is lawful for them to release evidence they have obtained to rights holders so that the rights holder may pursue a prosecution itself.

Finally, the court may order the payment out of central funds of such amount as the court considers reasonably sufficient to compensate a private prosecutor for any expenses properly incurred by him in the proceedings. It is therefore possible for a rights owner to recover a contribution towards its costs of the prosecution even if the prosecution was unsuccessful or no cash recovery was made from the target.

References: [Enterprise Act 2002, part 9](#)
[Scopelight Ltd and others v Chief of Police for Northumbria and another](#)
[2010] 2 All ER 431

References: [Prosecution of Offences Act 1985, s 17](#)

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If you would like to contribute to Lexis®PSL IP & IT please contact:

Simon Hamlet
LexisNexis
Halsbury House
35 Chancery Lane
London, WC2A 1EL

simon.hamlet@lexisnexis.co.uk
+44 (0) 20 7400 2907

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