

Intellectual Property Crimes: Piracy and Counterfeits

In England and Wales all criminal proceedings begin in the magistrate's courts, and criminal offences are classed as:

- summary only - A summary offence is a criminal offence that is tried summarily, in other words, in front of a magistrate. Most minor criminal offences such as assault and battery and minor theft are deemed to be summary offences; or
- indictable - An indictable offence is a serious criminal offence that requires trial by jury in a Crown Court. Most common law offences such as rape, murder, and grievous bodily harm are considered to be indictable; or
- "either way" - Triable either by a magistrate or in the crown court before a judge and jury.

There is provision for criminal offences from trade marks and copyright, and apart from trivial breaches most offences are triable either way. In the House of Lords decision on *R v Johnstone* [2003], Lord Walker stated that "*counterfeiting, piracy and bootlegging are not exact terms but all involve deliberate, and generally fraudulent, infringement of various intellectual property rights – most notably trademarks, copyright, design right and performing rights.*"

Criminal proceedings are commenced by way of charge or applying to the court for a summons. For summary offences the time limit for prosecution is six months from the date of commission of the offence. There are no time limits for commencement for "either way" or indictable offences.

The Law

What is counterfeiting and piracy?

Counterfeiting generally relates to wilful trade mark infringement, while piracy generally relates to wilful copyright infringement.

Examples of counterfeiting could be:

- fake replica football shirts
- trainers
- clothing and so on

Examples of piracy could be:

- fake Digital Versatile Discs (DVD's)
- fake Compact Discs (CD's)
- unauthorised downloading of music from the internet and so on.

There is a fine line between counterfeiting and piracy and it's not uncommon for the two to overlap.

Intellectual property (IP) provides protection for people's inventions and creations and has four main areas: patents, trade marks, copyright (and related rights), and designs. Unauthorised use of someone's IP can be classed as IP crime and may lead to prosecution.

IP crime has a serious **economic** threat in the United Kingdom (UK), and is considered a serious threat to safety of consumers. No product is too cheap to copy, and no product immune. It is estimated that IP crime costs the UK economy around GBP £9 billion each year and it is growing considerably.

Copyright Designs and Patents Act 1988

The Copyright, Designs and Patents Act 1988 states: The owner of the copyright has the exclusive right to copy the work (Section 16). It is illegal to copy software without the copyright owner's permission. With regard to software, the copyright owner is the software developer / publisher. Legal penalties include unlimited fines and up to ten years in prison.

Sections 107 to 110 of the Copyright, Designs and Patents Act (1988) set out the criminal liability for making or dealing with infringing articles (piracy) and Section 198 of the Copyright, Designs and Patents Act make it a criminal offence to make, deal or use illicit recordings of a performance.

Underpinning a criminal action is a requirement that there must be “a view to gain to himself or another or with intent to cause loss to another and without the consent of another”. Criminal sanctions for Copyright and Performance Rights infringements only relate to commercialization and require knowledge that the work is unlawful. For trade marks, the laws are directed at punishing the counterfeiter and the dealer (“in the course of trade”). For all rights the burden of proof is on the prosecution to prove the case beyond all reasonable doubt. The legal requirements for the offence and defence of section 92 of the Trade Marks Act were explored in a House of Lords decision (R v. Johnstone [2003]) where the Lords held that the burden of proving the defence lay with the accused. Criminal courts cannot rule on the validity of an IP right and there are no specific provisions for a criminal court to adjourn case so that question of validity can be referred to a civil court; however, they do have a general power to adjourn. For an offence of counterfeiting, a court can hold a legal moral person (i.e. company) liable under penal sanctions and officers can be held personally liable where they consented or connived in the offence.

Sanctions and penalties for copyright and trade mark offences were more or less harmonized by the Copyright, etc. and Trade Marks (Offences and Enforcement) Act 2002. For summary convictions, the penalties are: a custodial sentence up to a maximum of 6 months; or a fine up to level 5 on the standard scale (currently £5,000); or both. For indictments, the maximum custodial sentence is increased to 10 years and the fine is undefined.

For trade marks, section 92 of the Trade Marks Act (1994) set out the offences for unauthorized use of trade marks and possession of goods bearing trade marks, and the Trademarks (Offences and Enforcement) Act 2002 define the offences concerning counterfeiting and unauthorized use of trademarks. A person does not commit an offence under this section 92 of the Trade Marks Act unless the trademark is registered or well-known. Local trading standards officers have a duty to enforce the provisions of section 92 together with provisions of the Trade Descriptions Act 1968, which deals with the incorrect description of goods, and the Consumer Protection Act 1986.

Fraud Act 2006

The Fraud Act 2006 sets out a new general offence of fraud, which carries a maximum custodial sentence of 10 years, and can be committed in three ways: by false representation; by failing to disclose information; and, by abuse of position. It also creates new fraud offences, including the obtaining of services dishonestly (with a maximum penalty of 5 years on indictment) and of possessing, making and supplying articles for use in frauds.

Under this Act, the focus is on the dishonest actions of the perpetrator; false representation can be implied by conduct and it is immaterial whether the consumer is deceived by the representation. This false representation includes where a person makes a representation to a machine and a response can be made without human involvement.

All Fraud offences in the Act are tied to economic gain or loss; therefore whilst the definition of “property” includes “intellectual property”, it is unusual in practice for intellectual property to be 'gained' or 'lost' when someone misuses it. Normally, an offence lies in unauthorised duplication or use. However, where a person has interfered (in some way) with intellectual property, or access to confidential information, as the person will usually be looking at an economic gain, they will be caught by the general fraud conditions that cover abuse of position or false representation. The Act does not repeal the common law offence of conspiracy to defraud, which only requires that the conduct prejudices another person’s rights, and so covers actions where no actual economic loss has been suffered (for example, dishonestly infringing a legal right or the fraudulent misuse of data).

Fraud by abuse of position potentially covers certain forms of misuse of trade secrets. For artists and the art market, fraud by false representation and fraud by failing to disclose information will make a criminal offence of non-disclosure of e.g. expert opinions. Possession of articles for use in frauds and making or supplying articles for use in frauds would allow prosecution of those involved at various stages with the production and supply of counterfeit goods; someone who creates fakes or alters goods, or even offers to do so, knowing or intending that it was to be sold as original would be able to be prosecuted along with the supplier.

Proceeds of Crime Act 2002

The Act placed a responsibility on all individuals to be on their guard against criminal conduct, including intermediaries such as banks.

A person may be committed to the Crown Court for confiscation proceedings under this Act following a conviction for any offence, indictable or summary, in the magistrate's court. The question of whether the person has a criminal lifestyle is central to the operation of the Act, because it determines whether the defendant is subject to the confiscation of benefit from his particular/general criminal conduct. A person has a criminal lifestyle if he satisfies one or more tests set out in the Act:

- The first test is that he is convicted of an offence specified in Schedule 2 of the Act (which includes the Copyright, Designs and Patents Act 1988 and the Trade Marks Act 1994);
- The second test is that the defendant is convicted of an offence of any description, provided it is committed over a period of at least six months and he obtained at least £5,000 from that offence and/or others taken into account by the court on the same occasion;
- The third test is that the defendant is convicted of a combination of offences amounting to "a course of criminal activity".

The Act allows confiscation orders to be issued to remove illegal profits from rogue profits from rogue traders such as counterfeiters.

For further information on intellectual property visit the Intellectual Property Office website: { HYPERLINK "<http://www.ipo.gov.uk/>" }

Esther George
Crown Prosecution service
Policy Directorate
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