

# Protecting Intellectual Property through Private Prosecutions

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This Practice Note summarises the main legal and practical issues that rights' holders and their lawyers need to bear in mind when considering whether to bring a private prosecution for counterfeiting or piracy.

The note looks at the benefits of criminal prosecutions, the types of offences, potential risks, and provides a summary of the main stages of a prosecution and the relevant legal and procedural matters that may arise.

## Why prosecute?

Repeat offenders and organised criminals frequently copy, counterfeit and pirate protected goods. They may do so at a low level (e.g. at market stalls, car boot sales, pubs), but also as part of more sophisticated operations, such as through illicit websites and sham or phoenix companies. In such cases, the criminality is often clear. While prosecutions should not be used as a means of settling civil disputes over arguably legitimate activities, they offer a highly effective mechanism for dealing with clearly criminal activities that may not be dealt with adequately in the civil courts.

Perhaps the biggest benefit from prosecution is deterrence. Serious infringements can result in custodial sentences and confiscation of assets, putting infringers out of business and deterring others. Prosecution is also an effective means of targeting individuals and directors who might otherwise be able to hide behind a company set up for the purpose of committing infringing activities. In addition, prosecutions may deal with the infringing activity in question more quickly than civil proceedings, and a timely guilty plea in strong cases can save time and money. Finally, counterfeit goods may be forfeit and destroyed.

## Why a private prosecution?

In the recent past, the Crown Prosecution Service and, more commonly, local Trading Standards Services undertook a reasonable proportion of copyright and trade mark based prosecutions. However, budget cuts and competing priorities limit the number of cases that can realistically be investigated and prosecuted by statutory authorities. Even so, the law recognises that the lack of public resources should not be a barrier to the proper enforcement of the criminal law.

Anyone has the right to bring a private prosecution, unless the offence is one which requires the consent of the Director of Public Prosecutions (DPP) or Attorney-General.

### *Reference:*

*Prosecution of Offences Act 1985 (POA 1985), s.6(1)*

There are distinct benefits for private prosecutors in relation to costs, control and intelligence.

In cases involving one or more indictable offences, private prosecutors are entitled to recover the reasonable costs of investigation and prosecution from central funds, even if the defendant is acquitted, provided that they bring and pursue a prosecution in good faith. Because the costs come from central funds, this ability to recover is not contingent on the defendant's ability to pay. Moreover, prosecutors are generally not required to pay the defendant's costs in the event that they are acquitted.

Private prosecutors are able to retain a greater degree of control over the prosecution, allowing them to resource it appropriately, choose their own lawyers, and decide what charges to bring. In addition, information and intelligence gained as part of one prosecution can assist in prosecuting others.

## Offences

The main IP infringement offences are contained within the Copyright Designs and Patents Act 1988 (CDPA 1988) and the Trade Marks Act 1994 (TMA 1994). In addition, private prosecutors can charge infringers with the common law offence of conspiracy to defraud.

### Copyright - making or dealing with infringing articles

#### Offences

##### *CDPA 1988, s.107(1)*

- It is an offence for a person to make for sale or hire, import, possess or distribute copyright material without the consent of the copyright owner where he knows or has reason to believe that the article in question is an infringing copy of a copyright work.

##### *CDPA 1988, s.107(2)*

- s.107(2) creates a comparable offence relating to making or possessing articles for the purpose of making infringing copies of copyright work.

##### *CDPA 1988, s.107(2A)*

- It is an offence if a person communicates work to the public where he knows or has reason to believe that he is infringing copyright in that work.

s.107(3) provides for offences in relation to infringing public performances and playing of copyrighted works, while s.297-297A provides for offences in relation to fraudulently receiving programmes and unauthorised decoders.

Examples of copyright offences may include the sale of unauthorised recordings of copyright works (such as albums, films etc.), or possessing DVD 'burners' for the purpose of making such copies.

Directors and officers will have liability for offences committed by bodies corporate if it can be established that the offence has been committed with their consent or connivance.

#### *References:*

*CDPA 1988 s.110*

#### Penalties

The maximum penalty for the most serious offences (making for sale or hire, importation, or distribution) is six months' imprisonment and/or a fine of £50,000 in the Magistrates' Court, or ten years' imprisonment and/or an unlimited fine in the Crown Court. The maximum penalty for offences under s.107(2A) is three months' imprisonment and/or a fine of £50,000 in the Magistrates' Court, or two years' imprisonment and/or an unlimited fine in the Crown Court. The maximum penalty for any other s.107 offence is three months' imprisonment and a fine.

#### *References:*

*CDPA 1988, s.107(4)-(5)*

### Unauthorised use of trade mark, etc. in relation to goods

#### Offences

##### *TMA 1994 s.92(1)*

- It is an offence for a person (with a view to gain for himself or another, or with intent cause loss to another) to apply to goods/packaging a sign which is identical to/likely to be mistaken for a registered

trade mark without the consent of the registered proprietor. It is also an offence to sell/hire, offer to sell/hire, distribute or possess such goods.

*TMA 1994 s.92(2)*

- o s.92(2) creates a comparable offence relating to material intended to be used for labelling or packaging goods, or as a business paper in relation to goods, or for advertising goods..

*TMA 1994 s.92(3)*

- o s.92(3) creates a comparable offence relating to making or possessing articles for the purpose of copying a sign identical to/likely to be mistaken for a registered trade mark.

These offences only relate to goods in respect of which the trade mark is registered in the UK or the trade mark has a reputation in the UK and the use of the sign takes or would take unfair advantage of, or would be detrimental to, the distinctive character or repute of the trade mark.

Typical examples would include selling fake branded merchandise, such as watches, designer clothing, club/designer branded sports merchandise, make up etc.

*References:*

*TMA 1994, s.92(4)*

Partners, directors and officers will have liability for offences committed by bodies corporate if it can be established that the offence has been committed with their consent or connivance. This will often be the case where the company is to all intents and purposes a front or vehicle for the criminal activity, meaning that directors cannot hide behind the corporate veil.

*References:*

*TMA 1994, s.101*

The rights of the proprietor will not be infringed if the sign is used purely for descriptive purposes. s.92 only applies where sign is used as an indication of trade origin.

*References:*

*TMA 1994 s.11(2)*

*R v Johnstone [2003] UKHL 28*

### Statutory defence

*TMA 1994 s.92(5)*

It is a defence for a person charged with an offence under s.92 to show that 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.

### Penalties

The maximum penalty for offences under s.92 is six months' imprisonment and/or a fine in the Magistrates Court, or ten years' imprisonment and/or a fine in the Crown Court.

*References:*

*TMA 1994, s.92(6)*

### **Conspiracy to defraud**

This offence requires a dishonest agreement by two or more people to embark on a course of conduct which they know will deprive a person of something which is his (or to which he is or would be entitled), or to injure

some proprietary right of his. It can only be tried in the Crown Court and the maximum penalty is ten years' imprisonment, an unlimited fine, or both.

*References:*

*Scott v Metropolitan Police Commissioner [1974] 3 All ER 1032*

## **What are the main risks and differences from civil litigation?**

The main risks and differences from civil proceedings revolve around (i) the additional protections offered to defendants in criminal cases, (ii) reputational issues, and (iii) reduced scope for settlement.

The most significant protection in criminal proceedings is the higher standard of proof, so that the prosecution must prove its case beyond reasonable doubt. There are also tighter restrictions on the prosecution's right to rely on hearsay and bad character evidence in criminal proceedings. The defendant is under far less onerous disclosure duties than in civil proceedings (and in less serious cases, is under no duty at all). Cases that are heard in the Crown Court are heard by a jury, who are considered to be more likely to return a verdict in favour of a defendant than a judge sitting alone.

Prosecutors, private or otherwise, act in the wider public interest, and not simply as their client's representative. This means that they carry significant responsibilities in relation to disclosure, case management etc. Serious failures to abide by these responsibilities may result in a prosecution being stopped as an abuse of process.

There may also be reputational issues if rights' holders seek to bring prosecutions where there may be legitimate debate over fair use. The Director of Public Prosecutions ('DPP') has power to take over the running of a case, and will do so if it is vexatious or abusive. Proceedings brought in bad faith, which abuse the court's process, or which are conducted in an unsatisfactory way may lead to adverse costs against a prosecutor, may prevent the prosecutor from recovering their own costs, and may have a wider reputational impact.

Finally, the fact that prosecutions are brought in the wider public interest means that, even if a rights holder agrees to withdraw a private prosecution, the DPP can continue with it if it is in the public interest to do so. This means that settlement may not be an option since the private prosecutor cannot give an undertaking that the defendant will not be the subject of a prosecution by the DPP.

## **Bringing a private prosecution for IP infringement**

### **Investigation**

Before bringing a prosecution, prosecutors will almost certainly require assistance from the police. The City of London Police operate the Police Intellectual Property Crime Unit ('PIPCU'), dedicated to protecting the UK's creative industries.

Rights holders who wish to bring a prosecution are advised to obtain comprehensive evidence so that the grounds for a search warrant and arrest are made out before they seek assistance from the police. The stronger the evidence, the more likely the police will be to assist. Evidence such as surveillance material, covertly recorded test purchases and the like can help to establish a case and encourage the police to assist.

The right to institute a private prosecution does not give a private prosecutor a right of production of documents held by the CPS in order to determine whether or not there is sufficient evidence to bring a prosecution.

*References:*

*R v DPP ex parte Hallas (1988) 87 Cr App R 30*

## Search warrants

The police can apply to a Magistrates Court for a search warrant which will allow them to enter premises, and seize goods and evidence. The prosecutor's representatives may, at the discretion of the relevant force, accompany police executing the warrant.

### *References:*

*Police and Criminal Evidence Act 1984 (PACE 1984) s.8, s.16*

*CDPA 1988 s.109*

*TMA 1994 s.92A*

It is advisable for the police to be transparent when applying for warrants. While a failure to disclose to magistrates that the prosecution will be undertaken by a private prosecutor may not result in the warrants being quashed, there may be circumstances where the non-disclosure is so serious that the warrants will be quashed:

### *References:*

*R v Zinga [2012] EWCA Crim 2357*

*R (Vuciterni) v Brent Magistrates; Brent Trading Standards [2012] EWCA Civ 2140*

If the police have investigated and decided not to prosecute, they may nevertheless (i) retain seized material if a private prosecutor indicates that it is considering a prosecution, and (ii) pass that material into the possession of the private prosecutor. In some cases, it will be possible to retain property seized under search warrants subsequently quashed on the grounds of material non-disclosure.

### *References:*

*Scopelight Ltd v Chief Constable of Northumbria [2009] EWCA Civ 1156*

*R (Vuciterni) v Brent Magistrates; Brent Trading Standards [2013] EWHC 910*

## Interview

Thereafter, the police will carry out an interview under caution. If a defendant chooses not to answer questions in interview, the court may draw an adverse inference from their silence in the event that the case proceeds to trial. Following this, the prosecutor will need to make a decision about whether or not to bring proceedings.

## **The decision to prosecute**

### Charges

Prosecutors should select charges which reflect the seriousness and extent of the offending supported by the evidence, give the court adequate sentencing powers, and which enable the case to be presented in a clear and simple way.

### *References:*

*Code for Crown Prosecutors*

### The test for prosecution

Having decided on the appropriate charges, prosecutors should apply the two-stage test set out in the Code for Crown Prosecutors. In order to bring a prosecution, the prosecutor should be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. The test is whether an objective, impartial and reasonable jury, bench of magistrates, or judge sitting alone, properly directed and acting in accordance with the law, is more likely than not to convict the defendant of the charge alleged. The prosecutor must go on to consider whether a prosecution is required in the public interest.

*References:*

*Code for Crown Prosecutors*

## **Commencing proceedings**

### The Information

In order to bring a prosecution, the prosecutor is required to lay a written 'information' before a Magistrates Court. In relation to a summary only offence (i.e. one that can only be tried in the Magistrates Court such as under CDPA 1988 s.107(3)) the information must be laid within six months of the alleged offence.

*References:*

*Magistrates Court Act 1980 (MCA 1980) s.1*

*Criminal Procedure Rules r.7*

The information must contain statement of the offence that describes the offence in ordinary language, must identify any legislation that creates it, and contain such particulars of the conduct constituting the commission of the offence as to make clear what the prosecutor alleges against the defendant.

*References:*

*Criminal Procedure Rules r.7*

The information should be accompanied by a draft summons which contains notice of when the defendant is to appear at court, and specify each offence in respect of which it is issued.

There may also be grounds to seek restraint of a defendant's assets if there is an appreciable risk of them being dissipated.

## **First appearance**

### Disclosure

In relation to CDPA 1988 and TMA 1994 offences, the prosecution must serve initial details of the prosecution case on the defendant. These must include either a summary of the evidence, statements in support of the prosecution case, or a combination of the two, as well as details of the defendant's previous convictions (which will need to be obtained from the police).

*References:*

*Criminal Procedure Rules r.10*

### Plea

The defendant will usually be required to indicate whether they plead guilty or not guilty (though this will not necessarily be the case if the defendant is charged with an indictable only offence such as conspiracy to defraud).

### Mode of trial

If the defendant pleads guilty at the magistrates' court, the tribunal will determine whether it has sufficient sentencing powers. If so, it may proceed to sentence or adjourn for up to a few weeks before passing sentence. If the court considers that its powers are insufficient, the case will be sent to the Crown Court for sentence.

If the defendant pleads not guilty, or does not give an indication as to plea, the court will consider the seriousness of the charges and whether it considers that the case should be tried by either three lay Magistrates or a District Judge in the Magistrates Court, or whether it should be sent for trial by jury in the

Crown Court. Even if the court considers that the case is not sufficiently serious for Crown Court trial, the defendant may nevertheless elect to be tried in the Crown Court.

*References:*

*MCA 1980 s.19*

## **Disclosure**

The prosecutor is under a far-reaching, comprehensive and ongoing duty to retain, preserve, and search for potentially relevant material. The prosecutor must disclose details of any material in its possession which has not been previously disclosed and which might reasonably be considered capable of undermining the case for the prosecution or assisting the defence. The duty is triggered by a defendant pleading not guilty in summary proceedings in the Magistrates Court, or where the accused is sent for trial in the Crown Court.

*References:*

*Criminal Procedure and Investigations Act 1996 (CPIA 1996) s.1, s.3*

It is important that private prosecutors familiarise themselves with the applicable disclosure requirements set out in CPIA 1996, the Attorney-General's Guidelines on Disclosure, the Judicial Protocol on the Disclosure of Unused Material, the Code of Practice issued under Part II of CPIA 1996, and Rule 22 of the Criminal Procedure Rules.

Once a case has been committed for trial, the prosecution is, to all intents and purposes, brought on behalf of the Crown. Counsel for the prosecution has a responsibility not only to their client but also the ordinary general responsibilities of prosecution counsel, which include disclosing all unused evidence that may undermine the prosecution case or assist that for the defence. In those circumstances the court will be likely to order that the CPS or police disclose unused material if the prosecutor applies to the court for a summons.

*References:*

*R v Pawsey [1989] Crim L.R. 152*

Unlike in civil proceedings, the defence is not under a corresponding duty of comprehensive disclosure. Notwithstanding this, defendants in Magistrates Court trials have the option of providing a Defence Case Statement ('DCS') setting out matters such as the nature of defence, facts in issue, details of any alibi, and any further disclosure sought. If defendants do not serve a DCS, they may be unable to obtain further disclosure from the prosecution. Defendants in Crown Court trials must serve a DCS. If they fail to do so, the court may draw an adverse inference from their silence. Upon service of a DCS, the prosecution must review the material in its possession to consider whether it holds any other material that may be liable to be disclosed.

*References:*

*CPIA 1996 ss.5-6*

*Criminal Procedure Rules r.22*

## **Abuse of process/halting proceedings**

While most private prosecutors will have at least some indirect personal motive in bringing a private prosecution, the court will be slow to halt the proceedings on this basis unless the prosecution is truly oppressive or where the private prosecutor essentially encourages the crime they seek to prosecute.

*References:*

*R v Bow Street Magistrates ex parte South Coast Shipping [1993] QB 645*

*R (Dacre) v City of Westminster Magistrates [2009] 1 WLR 2241*

The DPP has the power to take over any private prosecution at any stage in the proceedings, either for the purpose of continuing the proceedings or for stopping them.

*References:*

*POA 1985 s.6(2)*

Once the DPP has taken over proceedings, she is free to discontinue them or to offer no evidence.

*References:*

*POA 1985 ss.23-23A*

In deciding whether or not to discontinue proceedings, the DPP will apply the Code for Crown Prosecutors in the usual way, rather than only discontinuing where there is clearly no case to answer.

*References:*

*R (Gujra) v GPS [2012] UKSC 52*

## **Remedies**

### Sentences

The courts treat IP infringements seriously and cases often result in custodial sentences and fines. In addition, infringing articles may be delivered up or destroyed.

*References:*

*CDPA 1988 s.114, 114A*

*TMA 1994 s.97*

Where the loss to the rights holder is readily quantifiable, the court may make a compensation order (though quantifying the loss in an IP infringement case can often be difficult). A defendant who fails to satisfy such an order may be ordered to serve a custodial sentence in default.

Beyond that, and with the assistance of a financial investigator, private prosecutors may institute confiscation proceedings. IP offences are 'lifestyle' offences for the purposes of the Proceeds of Crime Act which means that the court will start on the assumption that all of the money and assets that have come into the defendant's possession within the preceding six years are the benefit of criminal conduct. If the defendant fails to discharge this assumption, the court will assess the quantum of the confiscation order against that amount. Failure to satisfy a confiscation order can lead to substantial sentences in default. Sums paid in satisfaction of a confiscation order inure to the state, rather than to the prosecutor.

*References:*

*Schedule 2 of Proceeds of Crime Act 2002*

*R v Zinga [2014] EWCA Crim 52*

Recent examples of substantial sentences include:

- The imprisonment for eight years of an individual responsible for importing and selling 400,000 set-top boxes that allowed viewers to watch paid-for television channels for free, causing an estimated loss to the cable operator £380 million. A confiscation order of over £8.5 million was also made.
- The imprisonment for 33 months of an individual for recording the film *The Fast & Furious 6* from the back of a cinema and then uploading it, following which the film was downloaded 700,000 times;
- The imprisonment for 32 months and 21 months respectively of the owner/operator and principal uploader of the Dancing Jesus forum the most popular music file sharing website in the UK.



## Costs

In cases concerning one or more indictable offences, private prosecutors are entitled to the reasonable costs associated with the investigation and prosecution, unless they have acted improperly and/or in bad faith. The usual order is for costs to be taxed, in which case the bill of costs will be assessed by the National Taxation Team who will determine whether the costs applied for are reasonable in the circumstances of the proceedings brought.

### *References:*

*POA 1985 s.17*

### Practical points:

In copyright type cases relating to films, music, television etc., the advent of the internet has seen something of, though not a complete, move away from offences involving physical goods to those involving streaming sites and those relating to illegal downloads. Prosecutors will need to be mindful of matters such as where web hosting occurs and to be alive to potential jurisdictional issues that may arise from this.

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