

HOUSE OF LORDS

SESSION 2002-03

[2003] UKHL 28

on appeal from: [2002] EWCA Crim 194

OPINIONS OF THE LORDS OF APPEAL

FOR JUDGMENT IN THE CAUSE

Regina v. Johnstone (Respondent) (On Appeal from the Court of Appeal (Criminal Division))

ON THURSDAY 22 MAY 2003

The Appellate Committee comprised:

Lord Nicholls of Birkenhead

Lord Hope of Craighead

Lord Hutton

Lord Rodger of Earlsferry

Lord Walker of Gestingthorpe

LORD NICHOLLS OF BIRKENHEAD

My Lords,

Counterfeit goods and pirated goods are big business. They account for between 5% and 7% of world trade. They are estimated to cost the economy of this country some £9 billion each year. Counterfeit goods comprise cheap imitations of the authentic article, sold under the trade mark of the authentic article, as with imitation 'Rolex' watches. Pirated goods comprise illicit copies of the authentic article which are not sold under the trade mark of the authentic article. This would happen, for instance, when a person makes and sells unauthorised copies of computer software which is the subject of copyright. Thus, in the context of music recordings, a counterfeit compact disc is an unlawful copy of, say, a Virgin compact disc sold ostensibly as a Virgin product. A pirated compact disc is an unlawful copy of, in my example, a Virgin compact disc which is sold, not as a Virgin product, but under a different brand name.

Another type of unlawful trading is 'bootlegging'. Like counterfeit records and pirated records, bootleg records are also big business. They comprise copies of an unlawful recording of a performance at a live concert. The recording is made at an auditorium or taken from a radio or television broadcast.

Most bootleg products sold in this country are in compact disc format. They are mainly manufactured abroad and imported into this country without cases or paperwork. The importer then packages the discs, with created paperwork, into locally obtained cases.

So it was with the subject matter of the present appeal. The present appeal relates to copies, in the form of compact discs, of bootleg recordings made of performances by well known performers. The case concerns the use, in connection with these compact discs, of the criminal sanctions contained in the trade marks legislation. Questions about trade marks arise in this context in the following way. When sold to the public each of these compact discs bears, in the usual manner, the name of the performer whose performance is recorded on the disc: Rolling Stones, or Beatles, or whoever it may be. This name also appears on the accompanying paperwork inside the disc's case. Nowadays leading performers register their professional names as trade marks in respect of recordings. So, it is said, sales of the discs labelled in this way constitute infringements of the performers' registered trade marks.

The case arises out of the 'bootlegging' activities of Mr Robert Johnstone, the respondent to this appeal. His activities only came to light because of a misdirected parcel. Mrs Luddington lives in Hemel Hempstead. In October 1997 she was surprised to receive a large box. It contained 519 compact discs and associated artwork. The box had been mistakenly posted to her by Mr Johnstone from his home address in New Malden. Mrs Luddington notified Polygram Records, whose head of security retrieved the box and contacted the police.

Police officers then searched Mr Johnstone's home. They were accompanied by a representative of the trade body, British Phonographic Industry. Some 500 compact discs and audio cassettes were seized during the search. The investigator from BPI considered that most of the compact discs found, as well as those sent by error to Mrs Luddington, were bootleg recordings. Mr Johnstone was charged with having committed criminal offences under section 92 of the Trade Marks Act 1994 ('the 1994 Act').

The statutory provisions

Before elaborating further, and in order to explain the point of law which has arisen, I should refer briefly to the relevant statutory provisions. Part I of the 1994 Act concerns registered trade marks. Section 1 defines a trade mark as any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings. A trade mark may consist of words, including personal names. The proprietor of a registered trade mark has the rights and remedies provided by the Act: see section 2.

Sections 9 to 13 comprise a fasciculus of sections setting out the effect of a registered trade mark. Section 9(1) provides that the proprietor of a registered trade mark has the exclusive rights in the trade mark 'which are infringed by use of the trade mark in the United Kingdom without his consent'. The acts amounting to infringement if done without the consent of the proprietor are stated in section 10.

Section 10 deals with several different situations. Section 10(1) concerns the case where a person in the course of trade uses a sign identical with a registered trade mark in relation to goods identical with those for which it is registered. Such use constitutes infringement:

'(1) A person infringes a registered trade mark if he uses in the course of trade a sign which is identical with the trade mark in relation to goods or services which are identical with those for which it is registered.'

Section 10(2) addresses cases where either (a) a sign identical with a registered trade mark is used in relation to goods similar to those for which the trade mark is registered or (b) a sign similar to a registered trade mark is used in relation to goods identical with or similar to those for which the trade mark is registered. In such cases user constitutes infringement if there exists a likelihood of confusion on the part of the public. Section 10(3) concerns cases where a sign identical with or similar to a registered trade mark is used in relation to goods not similar to those for which the trade mark is registered. Then, in short, user constitutes infringement where the trade mark has a reputation within the United Kingdom and the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

One of the ingredients of infringement as described in section 10(1) to (3) is the 'use' of a sign by a person. Section 10(4) gives some examples of what this means. A person uses a sign if he affixes the sign to goods or its packaging, or if he offers goods for sale under the sign.

Section 11 specifies some limits on the effect of a registered trade mark. Section 11(2) provides:

'(2) A registered trade mark is not infringed by -

(a) the use by a person of his own name or address,

(b) the use of indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services, or other characteristics of goods or services, or

(c) the use of the trade mark where it is necessary to indicate the intended purpose of a product or service (in particular, as accessories or spare parts),

provided the use is in accordance with honest practices in industrial or commercial matters.'

Trade mark use: indication of trade origin

The message conveyed by a trade mark has developed over the years, with changing patterns in the conduct of business: see the discussion in *Scandecor Developments AB v Scandecor Marketing AB* (4 April 2001, UKHL 21 of 2001). But the essence of a trade mark has always been that it is a badge of origin. It indicates trade source: a connection in the course of trade between the goods and the proprietor of the mark. That is its function. Hence the exclusive rights granted to the proprietor of a registered trade mark are limited to use of a mark likely to be taken as an indication of trade origin. Use of this character is an essential prerequisite to infringement. Use of a mark in a manner not indicative of trade origin of goods or services does not encroach upon the proprietor's monopoly rights. Dillon LJ observed trenchantly in *Mothercare UK Ltd v Penguin Books* [1988] RPC 113, 118:

'it stands to reason that a Trade Marks Act would only be concerned to restrict the use of a mark as a trade mark or in a trade mark sense, and should be construed accordingly. If descriptive words are legitimately registered [as a trade mark], there is still no reason why

other people should not be free to use the words in a descriptive sense, and not in any trade mark sense.'

In this regard I cannot forbear adding the extreme hypothetical example beloved of trade mark lawyers. If a magazine publisher were to register an ordinary question mark, '?', as a trade mark for magazines this would not prevent the grammatical use of question marks on the covers of other magazines.

This fundamental principle, limiting the scope of the rights of the proprietor of a registered trade mark, was well established under the early trade marks legislation. It was carried forward expressly into section 4(1)(a) of the Trade Marks Act 1938 ('being used as a trade mark'). Section 4(1)(b) muddied the waters a little. The wording of section 4(1)(b) gave rise to an unresolved controversy over whether, and to what extent, this paragraph further extended the rights of a proprietor: see the discussion in Kerly's Law of Trade Marks, 12th ed, (1986), pp 263-265 and the authorities cited there. This controversy is now of no more than historic interest.

Against this background I turn to the 1994 Act. Section 10(1) to (3) specifies the acts which constitute infringement, but there is no express statement that the offending use must be use as a trade mark. I would not regard this as sufficient reason to suppose that Parliament intended to depart from such a basic principle. But on this, as so much else in the law of trade marks, it is necessary to look for guidance beyond the confines of the 1994 Act. One of the main purposes of this statute was to implement EEC Council Directive 89/104 of 21 December 1988. This directive, which I shall call 'the trade mark directive', was concerned with harmonising the trade mark laws of member states. Articles 5 and 6 of the directive made provision regarding the rights conferred by a trade mark and the limits of those rights. Sections 10 and 11 of the 1994 Act give effect to these two articles. So authoritative guidance on the interpretation of section 10 now comes from the European Court of Justice.

For some time questions were raised on whether, given its derivation from article 5 of the trade mark directive, non-trade mark use could be caught by sections 10(1) to (3): see *British Sugar Plc v James Robertson & Sons Ltd* [1996] RPC 281, 291, per Jacob J, *Philips Electronics NV v Remington Consumer Products* [1998] RPC 283, 311-312, per Jacob J, and in the Court of Appeal, [1999] RPC 809, 823, per Aldous LJ. These doubts must now be regarded as laid to rest by the decision of the European Court in the 'football souvenirs' case of *Arsenal Football Club plc v Reed* [2003] RPC 144, 165. The court, at p 171, para 48, re-affirmed its characterisation of the purpose of a trade mark in terms which accord with the approach of English law:

'the essential function of a trade mark is to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. For the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish and maintain, it must offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality'.

The court then considered, at p 172, paras 51-54, the scope of the exclusive right conferred on the proprietor of a trade mark under article 5(1)(a) of the trade mark directive, which

corresponds to section 10(2)(a) of the 1994 Act. The court held that the scope of this right is co-terminous with the function of registered trade marks:

'the exclusive right under Article 5(1)(a) of the Directive was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions. The exercise of that right must therefore be reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods. The exclusive nature of the right conferred by a registered trade mark on its proprietor under Article 5(1)(a) of the Directive can be justified only within the limits of the application of that article. ... The proprietor may not prohibit the use of a sign identical to the trade mark for goods identical to those for which the mark is registered if that use cannot affect his own interests as proprietor of the mark, having regard to its functions. Thus certain uses for purely descriptive purposes are excluded from the scope of Article 5(1)(a) of the Directive because they do not affect any of the interests which that provision aims to protect, and do not therefore fall within the concept of use within the meaning of that provision'.
(emphasis added)

Plainly, section 10 of the 1994 Act is capable of being so construed. In accordance with the Marleasing principle (Marleasing [1990] ECR I-4135), it should therefore be so construed. Non-trade mark use is not within section 10(1) to (3).

Section 92 and Mr Johnstone's conviction

Part II of the 1994 Act relates to Community trade marks and international matters. Community trade marks were brought into effect by EEC Council Regulation 40/94, which is directly applicable to this country without the need for legislation by Parliament. Part II of the Act makes provision for consequential provisions and other matters. Part III of the Act, from section 62 to section 97, contains administrative and supplemental provisions. Tucked away towards the end of these provisions are four sections which create criminal offences. The material section for the purposes of this appeal is section 92, bearing the heading 'Unauthorised use of trade mark, &c in relation to goods'. Section 92(1) provides:

'(1) A person commits an offence who with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor -

(a) applies to goods or their packaging a sign

identical to, or likely to be mistaken for, a registered trade mark, or

(b) sells or lets for hire, offers or exposes for sale

or hire or distributes goods which bear, or the packaging of which bears, such a sign, or

(c) has in his possession, custody or control in the

course of a business any such goods with a view to the doing of anything, by himself or another, which would be an offence under paragraph (b).'

Section 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. Section 92(3) creates a comparable offence relating to making or possessing what can

loosely be described as printer's plates. The opening rubric of section 92(2) and (3) is the same as in section 92(1). The activities must be done with a view to gain or with intent to cause loss and, in either case, without the consent of the proprietor. Section 92(4) prescribes two limiting conditions. No offence is committed under the section unless one or other of these conditions is satisfied. I need mention only condition (a): that the goods are goods in respect of which the trade mark is registered. Section 92(5) provides a defence of reasonable belief of non-infringement:

'(5) It is a defence for a person charged with an offence under this section 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.'

I can now return to the narrative. Mr Johnstone was arraigned at the Crown Court at Kingston on an indictment containing twelve specimen counts. Each count related to one compact disc. In each count the offence comprised the false application or use of trade marks, contrary to section 92(1)(c) of the 1994 Act. The particulars of offence under count 1 read as follows:

'Robert Alexander JOHNSTONE on or before the 24th day of October 1997 with a view to gain for himself or another or with intent to cause loss to another and without the lawful consent of the proprietor had in his possession, custody or control in the course of a business, a compact disc entitled "The B Sides Collection - Volumes One and Two" bearing the trademark Bon Jovi, with a view to the commission of an act by himself or another which would be an offence under Section 92 (1)(b) of the Trade Marks Act 1994.'

At trial on 25 October 1999 Mr Lane QC submitted on behalf of Mr Johnstone that before the Crown could establish an offence under section 92 the Crown must prove a civil infringement of the registered trade mark in question, in accordance with the provisions of sections 9 to 11 of the 1994 Act. The defence wished to rely on section 11(2)(b) and contend that the use of the performer's name on each of the CDs was not as an indication of trade origin. It was merely to indicate who was the performer. Alternatively, Mr Johnstone wished to rely on the honest and reasonable belief defence under section 92(5).

Judge Mitchell, in a preliminary ruling, rejected these submissions. In doing so he followed several other decisions in the Crown Court. Section 92 was a 'stand alone' provision. It was a complete code so far as criminal offences were concerned, and it was not necessary to prove a civil infringement. 'Infringement' in section 92(5) meant unauthorised use as defined in the earlier provisions of the section. Mr Johnstone then pleaded guilty to the offences with which he was charged. He was subsequently sentenced to six months' imprisonment concurrent on each count. A confiscation order in the amount of £130,181.24 was made, together with forfeiture orders.

The Court of Appeal

Mr Johnstone appealed. On 31 January 2002 the Court of Appeal (Criminal Division), comprising Tuckey LJ and Pumfrey and Burton JJ, allowed the appeal. In disagreeing with the judge, the court considered that unless the defences available to a claim for civil infringement of a trade mark were available in criminal proceedings section 92 would embrace behaviour which could not be the subject of a successful civil claim. This is not what

Parliament intended. Section 92(5) presupposes that the illegal unauthorised use amounts to infringement as defined in sections 9(1) and (2) and 10: see the definition in section 104.

The Court of Appeal said that to establish an offence under section 92(1) the prosecution need not prove the defendant's conduct constituted a civil infringement unless the defence raises a defence under sections 10 to 12. Then it will be for the prosecution to disprove such a defence. The court allowed Mr Johnstone's appeal because the judge's ruling had denied him the opportunity to have his defence under section 11(2)(b) considered by the jury. The court did not order a re-trial. Mr Johnstone had served his sentence of imprisonment, and the alleged offences occurred 4½ years ago.

Section 92 and use as a trade mark

The certified question on this appeal to your Lordships' House is whether it is a defence to a criminal charge under section 92 of the 1994 Act that the defendant's acts do not amount to a civil infringement of the trade mark. On this, although he substantially modified his stance in the course of his reply, Mr Perry's opening submissions to the House were to the following effect. The 1994 Act provides for two separate regimes for the protection of trade marks and consumers. One regime is concerned with civil infringement, the other with criminal unauthorised use of trade marks in relation to goods. As a matter of construction section 92 does not require proof of civil infringement. In keeping with other offence-creating provisions, the ingredients of the offences created by section 92 appear on the face of the section. Parliament intended to create offences which would be simple for local weights and measures authorities to enforce and for magistrates and jurors to understand. Parliament did not intend to introduce questions of civil infringement into the criminal courts, save to the limited extent that an accused's belief he was not infringing a registered trade mark might amount to a defence.

I agree that the ingredients of the offences created by section 92 are to be found within the section itself. Where I part company with Mr Perry's opening submissions is on the interpretation of section 92. Section 92 is concerned to prohibit the wrongful exploitation of registered trade marks. It replaced section 58A of the Trade Marks Act 1938. Section 58A made the fraudulent use of a trade mark an offence. Difficulties arose in practice in proving the necessary intent in cases where at point of sale the trader disclaimed the authenticity of his goods. The trader would describe his counterfeit products as 'brand copies' or 'genuine fakes'. Section 92 avoids this problem. In particular, intention to infringe a registered trade mark is not an ingredient of the offence. Instead, section 92 focuses simply on unauthorised use of 'a sign identical to, or likely to be mistaken for, a registered trade mark': section 92(1)(a), (2)(a) and (3)(a).

In my view it is implicit in these provisions that the offending use of the sign must be use as a trade mark. Take, as an illustration, section 92(1)(a). This prohibits the application to goods of a sign identical to, or likely to be mistaken for, a registered trade mark. Apply this to a case where the registered trade mark consists of words capable of being used descriptively. Use of these words in their descriptive sense would be, in terms of trade mark law, unobjectionable. The registration of the word 'Alabaster' as a trade mark would not preclude others from lawfully stating that their product was 'made from alabaster'. Section 92 cannot have been intended to criminalise such conduct.

This is my starting point. Within the section there are two clear indications confirming this interpretation. First, a prescribed ingredient of each offence is that the conduct in question is done 'without the consent of the proprietor' of the registered trade mark. This assumes the proprietor could object to the acts in question. Without his consent the acts could not lawfully be done. The section is aimed at criminalising conduct of this character, namely, conduct to which the proprietor could object. This is as one would expect. Parliament cannot have intended to criminalise conduct which could lawfully be done without the proprietor's consent. Parliament cannot have intended to make it an offence to use a sign in a way which is innocuous because it does not infringe the proprietor's rights. That would be to extend, by means of a criminal sanction, the scope of the rights of the proprietor.

Secondly, section 92(5) presupposes that the conduct of the person charged was an infringement of a registered trade mark. It would make no sense for reasonable belief in non-infringement to provide a defence if infringement was irrelevant so far as the criminal offences are concerned.

Further, and looking more widely, the 1994 Act as a whole must be interpreted so far as possible to give effect to the trade mark directive. This obligation applies to provisions such as section 92, whose terms do not derive from the trade mark directive, as it does to provisions, such as section 10, which derive directly from the directive. Articles 5 to 7 of the directive embody a 'complete harmonisation' of the rules relating to the rights conferred by a trade mark: see *Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgesellschaft mbH* [1998] FSR 729, 735, para 25. They define the rights of trade mark proprietors in the Community: see *Zino Davidoff SA v A & G Imports Ltd* [2001] ECR I-8691, para 39. If section 92 were to be interpreted as applying in circumstances beyond those within sections 9 to 11, there might well be inconsistency with the trade mark directive.

For these reasons section 92 is to be interpreted as applying only when the offending sign is used as an indication of trade origin. This is one of the ingredients of each of the offences created by section 92. It must therefore be proved by the prosecution. Whether a sign is so used is a question of fact in each case. The test is how the use of the sign would be perceived by the average consumer of the type of goods in question: see *Sabel BV v Puma AG, Rudolf Dassler Sport* [1997] ECR I-6191,6224, para 23.

This should not give rise to practical difficulties for weights and measures authorities or for magistrates or jurors. Despite Mr Perry's submissions, I see no reason to doubt that all those concerned are well able to grasp and apply the notion of a sign being used as an indication of trade origin as distinct, for instance, from a sign comprising words being used descriptively. In the overwhelming majority of cases there should be little difficulty. Ironically, the present case is not so straightforward. I shall mention later why this is so.

It will be seen, therefore, that I have reached much the same conclusion as the Court of Appeal although by a more confined process of interpretation. On the interpretation of section 92 which commends itself to me the pieces of this little jigsaw, some home-grown, such as section 92, and others imported from the trade marks directive, although not fitting perfectly, fit together tolerably well. In particular, on this interpretation the circumstances in which criminal liability arises are for the most part either the same as, or narrower than, the circumstances in which civil liability arises under sections 9 to 11. This is as one would expect. Consistently with this, the section 92(5) defence can operate according to its tenor, with infringement bearing the meaning defined in section 104.

I should mention one possible exception. Civil liability under section 10(1) to (3) arises only in respect of use of a sign 'in the course of trade'. The equivalent phrase 'in the course of a business' appears in section 92 in respect of some, but not all, of the alternative sets of factual ingredients of the offences. For instance, this equivalent phrase appears in section 92(1)(c) and (2)(b) and (c). But it is not stated as a necessary ingredient in, for example, section 92(1)(a) or (2)(a). I doubt whether this dissonance between section 10(1) to (3) and section 92(1) to (3) is of practical importance. An essential ingredient of all the criminal offences created by section 92(1) to (3) is that a person commits an offence where 'with a view to gain for himself or another, or with intent to cause loss to another' he does the act in question. With this in mind it is hard to think of a realistic example of conduct which would attract criminal liability and yet be excluded from civil liability because it would not be 'in the course of trade'.

A question of fact

I turn to apply section 92(1)(c) to the facts of the present case, taking count 1 for ease of reference. 'Bon Jovi' is, it seems, registered as a trade mark for compact discs. Clearly Mr Johnstone would commit an offence under section 92(1) if he sold compact discs under the brand name 'Bon Jovi'. Used in this way the sign 'Bon Jovi' would be an indication of trade origin, in the same way as household names such as EMI or Sony are used to indicate the trade origin of compact discs marketed under those brand names. This use of the sign 'Bon Jovi' would be as an indication that the discs themselves all came from a source known as 'Bon Jovi'.

That is not what Mr Johnstone did. What he did was to include on the CD labels and, I assume, the accompanying packaging, the name of the group or artist whose performance was recorded on the CD in question: Bon Jovi in the case of count 1, U2 in the case of count 2, Rolling Stones in the case of count 3, and so on. Considered as a matter of principle, the position in this type of case is as follows. If the name of the artist or group affixed to the compact disc and displayed on the packaging is exclusively an indication of the name of the performer whose performance is recorded on the compact disc, and if this use of the name of the performer is not likely to be understood as indicating any other connection between the performer and the compact disc, then such use would be descriptive only. By identifying the performer it would be descriptive of the contents of the disc and nothing more. It would not be an indication of the trade 'origin' of the disc itself. Whether particular labelling and packaging satisfy this test, and consequently are innocuous for trade mark purposes, is a question of fact in each case.

On this question of fact different minds may sometimes reach different conclusions. This is illustrated by the decision of the Federal Court of Australia, sitting as a Full Court, in *Musidor BV v Tansing (t/as Apple Music House)* (1994) 123 ALR 593. Tansing manufactured and sold compact discs bearing bootleg recordings of live performances by the Rolling Stones group in the 1960s. The packaging bore a photograph of the Rolling Stones and the name Rolling Stones in prominent lettering. The compact discs also bore the name Rolling Stones. 'Rolling Stones' was registered as a trade mark for compact discs. The majority of the court, comprising Gummow and Heerey JJ, held that this use did not infringe the trade mark because it was not use as a trade mark. Use of the words 'Rolling Stones' on the packaging and discs would convey to the prospective purchaser that if he bought the disc and played it

there would emerge music of the well known group Rolling Stones. There is no other way of readily identifying the group whose performance was recorded on the disc.

In his dissenting judgment Davies J reached a different conclusion on how this use of the words Rolling Stones would be understood. He expressed himself in quite general terms. If a trade mark is used in relation to sound recordings, and the name is that of a musical group, 'the use of the mark will ordinarily inform the public that the article is a recording of a performance by the group and that its release has been authorised by them or their organisation' [my emphasis]: see p 594.

In the present case the Court of Appeal preferred the minority opinion of Davies J, while emphasising that whether a mark is used as a trade mark is a question of fact in every case. I do not understand the Court of Appeal to have been saying that the test applicable when deciding this question of fact is different from what I have set out above. If they were, I respectfully disagree.

The crucial issue here, as I have said, is one of fact. I add a general comment. Difficulties can be expected to arise if trade mark law is utilised as a means of enforcing performers' rights in respect of recordings of their performances. Trade mark law, as already emphasised, is concerned essentially with the trade origin of goods. Protection for the rights of performers as such is properly found elsewhere: nowadays, in Part II of the Copyright, Designs and Patents Act 1988, as amended by the Duration of Copyright and Rights in Performers Regulations 1995 (SI 1995 no 3297), the Copyright and Related Rights Regulations 1996 (SI 1996 no 2967) and the Copyright, etc. and Trade Marks (Offences and Enforcement) Act 2002. This legislation contains an elaborate code concerning the rights of performers, together with remedies and criminal sanctions for infringements of performers' rights by making, possessing or selling illicit recordings. The code includes like provision for persons having recording rights. I recognise that, given the control performers have over recordings of their performances, a buyer of a compact disc may expect the recording has been approved by or on behalf of the performer. But that expectation, where it exists, is not necessarily indicative that the performer's name is being used on the compact disc as a trade mark or that the average buyer so understands.

For completeness I add that the decision of the European Court in Arsenal Football Club plc v Reed [2003] RPC 144, already mentioned, does not assist either way on this point in the present case. There the defendant sold football club souvenirs and memorabilia, including scarves bearing the name 'Arsenal'. The plaintiff football club had registered the trade mark 'Arsenal' for classes of goods which included scarves. The club claimed the defendant's activities infringed its registered trade marks. Having stated the applicable legal principles as quoted above, the European Court expressed its view on the facts of the case. Use of the Arsenal logo was not intended for purely descriptive purposes. The use was such as to create the impression 'that there is a material link in the course of trade between the goods concerned and the trade mark proprietor': see para 56. Whether it was open to the European Court to reach this factual conclusion has proved controversial: see [2002] All E R (D) 180. The rights and wrongs of this particular controversy are not material to the outcome of the present case.

The reasonable belief defence: section 92(5)

Mr Johnstone's alternative defence was based on section 92(5). His case was that he relied upon advice given by a reputable trade marks attorney that possession of the goods in question was lawful. Two points arise here. The first concerns the availability of the section 92(5) defence where the defendant does not know of the existence of the registered trade mark in question. In *Torbay Council v Satnam Singh* [1999] 2 Cr App R 451 the Divisional Court of the Queen's Bench Division held that the defence was not available in such a case. The court noted that section 92(5) speaks of a reasonable belief that the 'manner' of use of the sign did not infringe 'the registered trade mark'. Auld LJ held that this presupposes an awareness by the defendant of the existence of the registration against which he can match his manner of use of the allegedly infringing sign. The Court of Appeal followed this interpretation in *R v Keane* [2001] FSR 63. More recently, a differently constituted Court of Appeal, comprising Kay LJ and Andrew Smith J, doubted the correctness of this interpretation: see *R v Rhodes* [2002] EWCA 1390, [2003] FSR 147, 153, paras 21 and 22.

I share these doubts. The interpretation adopted in the *Satnam Singh* case draws a distinction Parliament cannot have intended. The language of the subsection gives no support to this distinction. Section 92(5) is concerned to provide a defence where the person charged has a reasonable belief in the lawfulness of what he did. Those who act honestly and reasonably are not to be visited with criminal sanctions. It makes no sense to confine this defence to cases where the defendant is aware of the existence of the registered trade mark and exclude altogether those cases where the defendant is not. Section 92(5) provides a defence where the defendant believes on reasonable grounds his use of the sign does not infringe a registered trade mark of whose existence he is aware. It would be extraordinary if the subsection does not equally furnish a defence in the stronger case where the reason why the defendant believes his use of the sign does not infringe a registered trade mark is that he reasonably believes no relevant trade mark is registered. Section 92(5) is to be interpreted as including the latter case as well as the former.

Burden of proof

The opening words of section 92(5) are that it 'is a defence for a person charged with an offence under this section to show that he believed ...'. This wording gives rise to the second point arising in respect of the section 92(5) defence. It concerns the burden of proof. On this there are conflicting decisions of the Court of Appeal. In the present case the Court of Appeal held that, having regard to the presumption of innocence in article 6(2) of the European Convention on Human Rights, the burden cast upon the accused is what is often called an evidentiary burden. He must raise an issue sufficient to require the prosecution to disprove it as part of the burden of proof resting on the prosecution. If the accused raises such an issue, and the prosecution fails to disprove the facts raised by the issue, the defence succeeds. It is not necessary for the accused person himself to prove the facts set out in section 92(5).

In the present case the prosecution did not argue the contrary view in the Court of Appeal. In the later case of *R v S (Trade mark defence)* [2002] EWCA Crim 2558 the prosecution took a different line. There the point was not conceded. After what was clearly a much fuller citation of authority and examination of the issue, the Court of Appeal, comprising Rose LJ and Hughes and Davis JJ, reached the contrary conclusion on the proper interpretation of section 92(5). Before your Lordships' House the prosecution submitted that the decision of the Court of Appeal in the present case was wrong and the views expressed in *R v S (Trade mark defence)* [2002] EWCA Crim 2558 were to be preferred.

In the events which have happened this issue does not call for decision in the present case. But the House should not leave the law on this point in its present state, with differing views expressed by the Court of Appeal. I shall, therefore, state my views as shortly as may be. First, I entertain no doubt that, unless this interpretation is incompatible with article 6(2) of the Convention, section 92(5) should be interpreted as imposing on the accused person the burden of proving the relevant facts on the balance of probability. Unless he proves these facts he does not make good the defence provided by section 92(5). The contrary interpretation of section 92(5) involves substantial re-writing of the subsection. It would not be sufficient to read the subsection as meaning that it is a defence for a person charged to raise an issue on the facts in question. That would not be sufficient, because raising an issue does not provide the person charged with a defence. It provides him with a defence only if, he having raised an issue, the prosecution then fails to disprove the relevant facts beyond reasonable doubt. I do not believe section 92(5) can be so read. I do not believe that is what Parliament intended.

The question which next arises is whether this interpretation, namely, that section 92(5) imposes a 'legal' or 'persuasive' onus on the person charged, is compatible with the presumption of innocence contained in article 6(2) of the European Convention on Human Rights. Prima facie this interpretation derogates from that principle. That much is clear. On this interpretation section 92(5) sets out facts a defendant must establish if he is to avoid conviction. These facts are presumed against him unless he establishes the contrary.

That is not the end of the matter. The European Court of Human Rights has recognised that the Convention does not, in principle, prohibit presumptions of fact or law. What article 6(2) requires is that they must be confined within reasonable limits which take into account the importance of what is at stake and maintain the rights of the defence: *Salabiaku v France* (1988) 13 EHRR 379, 388, para 28. Thus, as elsewhere in the Convention, a reasonable balance has to be held between the public interest and the interests of the individual. In each case it is for the state to show that the balance held in the legislation is reasonable. The derogation from the presumption of innocence requires justification.

Identifying the requirements of a reasonable balance is not as easy as might seem. One is seeking to balance incommensurables. At the heart of the difficulty is the paradox noted by Sachs J in *State v Coetzee* [1997] 2 LRC 593, 677, para 220: the more serious the crime and the greater the public interest in securing convictions of the guilty, the more important the constitutional protection of the accused becomes. In the face of this paradox all that can be said is that for a reverse burden of proof to be acceptable there must be a compelling reason why it is fair and reasonable to deny the accused person the protection normally guaranteed to everyone by the presumption of innocence.

The relevant factors to be taken into account when considering whether such a reason exists have been considered in several recent authorities, in particular the decisions of the House in *R v Director of Public Prosecutions, ex parte Kebilene* [2000] 2 AC 326 and *R v Lambert* [2001] UKHL 37, [2002] 2 AC 545. And there is now a lengthening list of decisions of the Court of Appeal and other courts in respect of particular statutory provisions. A sound starting point is to remember that if an accused is required to prove a fact on the balance of probability to avoid conviction, this permits a conviction in spite of the fact-finding tribunal having a reasonable doubt as to the guilt of the accused: see Dickson CJ in *R v Whyte* (1988) 51 DLR (4th) 481, 493. This consequence of a reverse burden of proof should colour one's

approach when evaluating the reasons why it is said that, in the absence of a persuasive burden on the accused, the public interest will be prejudiced to an extent which justifies placing a persuasive burden on the accused. The more serious the punishment which may flow from conviction, the more compelling must be the reasons. The extent and nature of the factual matters required to be proved by the accused, and their importance relative to the matters required to be proved by the prosecution, have to be taken into account. So also does the extent to which the burden on the accused relates to facts which, if they exist, are readily provable by him as matters within his own knowledge or to which he has ready access.

In evaluating these factors the court's role is one of review. Parliament, not the court, is charged with the primary responsibility for deciding, as a matter of policy, what should be the constituent elements of a criminal offence. I echo the words of Lord Woolf in *Attorney-General of Hong Kong v Lee Kwong-kut* [1993] AC 951, 975:

'In order to maintain the balance between the individual and the society as a whole, rigid and inflexible standards should not be imposed on the legislature's attempts to resolve the difficult and intransigent problems with which society is faced when seeking to deal with serious crime.'

The court will reach a different conclusion from the legislature only when it is apparent the legislature has attached insufficient importance to the fundamental right of an individual to be presumed innocent until proved guilty.

I turn to section 92. (1) Counterfeiting is fraudulent trading. It is a serious contemporary problem. Counterfeiting has adverse economic effects on genuine trade. It also has adverse effects on consumers, in terms of quality of goods and, sometimes, on the health or safety of consumers. The Commission of the European Communities has noted the scale of this 'widespread phenomenon with a global impact'. Urgent steps are needed to combat counterfeiting and piracy: see the Green Paper, *Combating Counterfeiting and Piracy in the Single Market*, COM (98) 569 final, and its follow up, COM (2000) 789 final. Protection of consumers and honest manufacturers and traders from counterfeiting is an important policy consideration. (2) The offences created by section 92 have rightly been described as offences of 'near absolute liability'. The prosecution is not required to prove intent to infringe a registered trade mark. (3) The offences attract a serious level of punishment: a maximum penalty on indictment of an unlimited fine or imprisonment for up to ten years or both, together with the possibility of confiscation and deprivation orders. (4) Those who trade in brand products are aware of the need to be on guard against counterfeit goods. They are aware of the need to deal with reputable suppliers and keep records and of the risks they take if they do not. (5) The section 92(5) defence relates to facts within the accused person's own knowledge: his state of mind, and the reasons why he held the belief in question. His sources of supply are known to him. (6) Conversely, by and large it is to be expected that those who supply traders with counterfeit products, if traceable at all by outside investigators, are unlikely to be co-operative. So, in practice, if the prosecution must prove that a trader acted dishonestly, fewer investigations will be undertaken and fewer prosecutions will take place.

In my view factors (4) and (6) constitute compelling reasons why the section 92(5) defence should place a persuasive burden on the accused person. Taking all the factors mentioned above into account, these reasons justify the loss of protection which will be suffered by the individual. Given the importance and difficulty of combating counterfeiting, and given the comparative ease with which an accused can raise an issue about his honesty, overall it is fair

and reasonable to require a trader, should need arise, to prove on the balance of probability that he honestly and reasonably believed the goods were genuine.

For these reasons, which are substantially the same as those given by Rose LJ in *R v S* (Trade mark defence) [2002] EWCA Crim 2558, I consider the persuasive burden placed on an accused person by the section 92(5) defence is compatible with article 6(2). This being so, it becomes unnecessary to consider whether, if this interpretation of section 92(5) were incompatible with article 6(2), section 92(5) might be open to a different interpretation pursuant to section 3(1) of the Human Rights Act 1998.

I would dismiss this appeal. The answer to the certified question is that use of the offending sign as an indication of trade origin is an ingredient of the offences created by section 92 of the 1994 Act.

LORD HOPE OF CRAIGHEAD

My Lords,

I have had the advantage of reading in draft the speeches of my noble and learned friends Lord Nicholls of Birkenhead and Lord Walker of Gestingthorpe. I agree with them, and for the reasons which they give I too would dismiss this appeal.

LORD HUTTON

My Lords,

I have had the advantage of reading in draft the speeches of my noble and learned friends Lord Nicholls of Birkenhead and Lord Walker of Gestingthorpe. I agree with them and for the reasons which they give I too would dismiss this appeal.

LORD RODGER OF EARLSFERRY

My Lords,

I have had the privilege of reading in draft the speech delivered by my noble and learned friend Lord Nicholls of Birkenhead, as well as the speech to be delivered by my noble and learned friend Lord Walker of Gestingthorpe. I respectfully agree with both of them and, for the reasons that they give, I too would dismiss the appeal.

LORD WALKER OF GESTINGTHORPE

My Lords,

Counterfeiting, piracy and bootlegging of consumer goods (including video and audio recordings, computer equipment, toys and perfume) are big business and have a significant effect on the economies of many countries. A recent (1998) Green Paper from the Commission of the European Communities estimated that counterfeiting and piracy accounted for between 5 percent and 7 percent of world trade, with the estimated figure being as high as 25 percent in the audio-visual industry. Counterfeiting, piracy and bootlegging are not exact terms but all involve deliberate, and generally fraudulent, infringement of various intellectual property rights—notably trade marks, copyright, design right and performing rights. Counterfeiting is generally used to include unauthorised sale,

under a well-known trade mark, of goods not made or authorised by the proprietor of the trade mark. Piracy is generally used to include infringement of copyright (including copyright in computer software). Bootlegging is generally used to describe the sale of sound recordings made, without authority, either at live concerts or from broadcasts. Typically, bootleg sound recordings are sold under a manufacturer's name which is unobjectionable but with unauthorised use, on the compact disc and its packaging, of the name of the performers (for instance, the Rolling Stones) despite the fact that their name may be a registered trade mark.

The international community has a strong interest in suppressing these dishonest activities by both civil and criminal sanctions. This case is concerned with this country's criminal sanctions against misuse of trade marks used in the popular music industry. Your Lordships have in a sense been looking at only a small part of the total picture of sanctions against these activities, since your Lordships have not been concerned with civil or criminal sanctions against copyright infringements, or with the far-reaching civil and criminal sanctions provided under the Trade Descriptions Act 1968 and the Consumer Protection Act 1987.

Section 92 of the Trade Marks Act 1994 ("the 1994 Act") creates a number of criminal offences punishable (on conviction on indictment) by up to ten years' imprisonment. The principal issue raised on this appeal is whether a person can be convicted of an offence under section 92 for acts which do not amount to a civil infringement of a registered trade mark. There are also some subsidiary and related issues. In order to explain how they arise it is necessary to say something about the background to the 1994 Act and its legislative scheme and purpose.

The law of trade marks has ancient origins which are preserved in the non-statutory law of passing off. Statutory regulation of trade marks, including a system of registration, was introduced by the Trade Marks Act 1875 and the Trade Marks Registration Act 1875. For much of the 20th century the operative statute was the Trade Marks Act 1938 ("the 1938 Act"). In recent times the whole of trade mark law has been re-shaped by the 1994 Act, which was enacted (as its long title states),

"to make new provision for registered trade marks, implementing Council Directive No. 89/104/EEC of 21 December 1988 ['the Directive'] to approximate the laws of the Member States relating to trade marks; to make provision in connection with Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark; to give effect to the Madrid Protocol Relating to the International Registration of Marks of 27 June 1989, and to certain provisions of the Paris Convention for the Protection of Industrial Property of 20 March 1883, as revised and amended; and for connected purposes".

In construing the 1994 Act your Lordships have to approach it as a new statute, the main purpose of which is to implement the Directive. The Directive aims at the partial approximation (but not the complete harmonisation) of the trade mark laws of the member states. The 1994 Act must be construed accordingly (see *Marleasing SA v La Comercial Internacional de Alimentación SA* [1990] ECR I - 4135, para 8). But many of the basic concepts in the Directive appear to be the same as, or closely similar to, those which have informed the previous domestic law. That is natural enough, since the basic purpose of a trade mark is the same in any national economic system. The purpose is as a guarantee of

commercial origin. As it was recently put by the European Court of Justice in *Philips Electronics NV v Remington Consumer Products Limited* [2003] RPC 14, 22, para 30,

"according to the case-law of the Court, the essential function of a trade mark is to guarantee the identity of the origin of the marked product to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin, and for the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish, it must offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking which is responsible for their quality".

In order to fulfil this function, a trade mark must be distinctive. That has always been a requirement under English law (although under the 1938 Act two levels of distinctiveness were required for so-called Part A and Part B registrations, a complication which has now disappeared). Distinctiveness is in this context to be contrasted with descriptiveness. Words which would be absurdly inappropriate as a description (such as North Pole for bananas: see *British Sugar plc v James Robertson & Sons Limited* [1996] RPC 281, 306) may for precisely that reason be particularly distinctive. The contrast is closely connected with the issue of trade mark use (that is, use of a registered trade mark for its statutory purpose, rather than for some other purpose) to which it will be necessary to return.

Section 92 must be set in its context of the general scheme of the 1994 Act. Its scheme is that Part I (sections 1-50) deals with registered trade marks. Part II (sections 51-60) deals with Community trade marks and international matters. Part III (sections 62-98) contains administrative and other supplementary provisions. Part IV (sections 99-110) contains miscellaneous and general provisions. For present purposes the most important sections in Part I are sections 1-3 and 9-12. Section 1 defines "trade mark" as "any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings". Section 2 provides that a registered trade mark is a property right which gives the proprietor rights and remedies under the Act. Section 3 lists absolute grounds for refusal of registration, including (in sub-section (1)),

"(b) trade marks which are devoid of any distinctive character;

(c) trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services, or other characteristics of goods or services . . ."

The general effect of paragraph (c) is to indicate that a proposed trade mark may not perform a purely descriptive function, and its language is echoed by that of section 11 (2)(b).

Section 9 (1) provides,

"The proprietor of a registered trade mark has exclusive rights in the trade mark which are infringed by use of the trade mark in the United Kingdom without his consent.

The acts amounting to infringement, if done without the consent of the proprietor, are specified in section 10".

So what amounts to an infringement (sometimes referred to in the course of argument in the appeal as civil infringement) is to be gathered from section 10, as supplemented by sections 11 and 12. These sections are something of an intricate mosaic (no doubt reflecting the difficulties facing the draftsman in amalgamating the old law under the 1938 Act with the Directive, and in particular Articles 5 and 6 of the Directive).

The text of sections 10 and 11 is set out either verbatim or in detailed summary in the speech of my noble and learned friend Lord Nicholls of Birkenhead, which I have had the advantage of reading in draft (and from which I also gratefully adopt the summary of the facts). I will merely repeat the general effect of sections 10 and 11 (section 12 deals with exhaustion of rights and is not relevant to this appeal).

(1) Infringement occurs only if there is unauthorised use in the course of trade (defined in section 103 as including any business or profession).

(2) If use is of the same mark for the same goods (referred to in argument as double identity) liability is (subject to the question of trademark use) automatic: section 10 (1), reflecting Article 5 (1) (a).

(3) If the allegedly infringing use is a case of identity of mark (only) or of goods (only) with mere similarity in the other element, liability is not automatic but depends on likelihood of confusion: section 10 (2), reflecting Article 5 (1) (b).

(4) If the mark used is the same or similar, but the goods are not similar, there is liability if the trademark has a reputation in the United Kingdom, and the alleged infringement takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark: section 10(3), reflecting the permissive provision in Article 5(2) (which has recently been given a liberal interpretation by the European Court of Justice in *Davidoff & Cie SA v Gofkid Limited* 9 January 2003, paras. 17-30).

(5) Use is defined (non-exhaustively) in section 10 (4), reflecting Article 5(3); section 10 (5) extends liability to accomplices; and section 10 (6) covers comparative advertising (and similar special uses) provided that they are fair and honest.

(6) All these provisions are subject to the specific restrictions and exceptions in sections 11 and 12. For present purposes the most important exception is in section 11 (2)—

"A registered trade mark is not infringed by—

(a) the use by a person of his own name or address,

(b) the use of indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services, or other characteristics of goods or services, or

(c) the use of the trademark where it is necessary to indicate the intended purpose of a product or service (in particular, as accessories or spare parts),

provided the use is in accordance with honest practices in industrial or commercial matters".

This provision reproduces, almost word for word, Article 6(1) of the Directive.

Section 92, in Part III of the 1994 Act, represents the third generation of statutory provisions creating trademark offences. From the earliest days it was an offence to falsify the register or falsely represent a trade mark as being registered (see now sections 94 and 95 of the 1994 Act) but those provisions are not now in point. Section 58A of the 1938 Act (introduced by the Copyright, Designs and Patents Act 1988) first made fraudulent application or use of a trade mark a criminal offence. Your Lordships are not concerned with the detail of section 58A but it may be noted that it had a relatively demanding test of mens rea and it proved unsatisfactory in practice.

It is necessary to set out section 92 in full:

(1) A person commits an offence who with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor—

(a) applies to goods or their packaging a sign identical to, or likely to be mistaken for, a registered trade mark, or

(b) sells or lets for hire, offers or exposes for sale or hire or distributes goods which bear, or the packaging of which bears, such a sign, or

(c) has in his possession, custody or control in the course of a business any such goods with a view to the doing of anything, by himself or another, which would be an offence under paragraph (b).

(2) A person commits an offence who with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor—

(a) applies a sign identical to, or likely to be mistaken for, a registered trade mark to material intended to be used—

(i) for labelling or packaging goods,

(ii) as a business paper in relation to goods, or

(iii) for advertising goods, or

(b) uses in the course of a business material bearing such a sign for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods, or

(c) has in his possession, custody or control in the course of a business any such material with a view to the doing of anything, by himself or another, which would be an offence under paragraph (b).

(3) A person commits an offence who with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor—

(a) makes an article specifically designed or adapted for making copies of a sign identical to, or likely to be mistaken for, a registered trade mark, or

(b) has such an article in his possession, custody or control in the course of a business,

knowing or having reason to believe that it has been, or is to be, used to produce goods, or material for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods.

(4) A person does not commit an offence under this section unless—

(a) the goods are goods in respect of which the trade mark is registered, or

(b) the trade mark has a reputation in the United Kingdom and the use of the sign takes or would take unfair advantage of, or is or would be detrimental to, the distinctive character or the repute of the trade mark.

(5) It is a defence for a person charged with an offence under this section 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.

(6) A person guilty of an offence under this section is liable—

(a) on summary conviction to imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum, or both;

(b) on conviction on indictment to a fine or imprisonment for a term not exceeding ten years, or both.

There is no special definition of "infringement" in section 92 (5). Under the index in section 104 it is to be construed in accordance with sections 9(1) and (2) and 10. It was not argued that that does not necessarily include sections 11 and 12.

Section 92 was enacted by Parliament in conformity with international obligations (under Article 61 of the Agreement on Trade-Related Aspects of Intellectual Property Rights, or "TRIPS") which take effect as part of Community law. Mr Hobbs QC (for the intervener, The British Phonographic Industry) gave a detailed explanation of the background but it is not necessary to go further into it.

Much of the argument before your Lordships has focused on sub-section (5) of section 92. It provides a defence if the accused shows that he believed on reasonable grounds that he was not infringing the registered trade mark. This very strongly suggests (but the section does not in terms state) that it must also be a defence if the accused was not actually infringing the registered trade mark under sections 9 to 11. The Court of Appeal found that argument conclusive. Tuckey LJ put the point strongly (para 46):

"Put another way, it would provide a defence when a defendant has a reasonable belief that there is no civil infringement, when in fact the absence of civil infringement would be no defence. This is a nonsense".

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. Mr Perry (for the appellant) identified six points of substantial difference between section 92 and what I will call the civil infringement sections, and it is useful to examine these. But it 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* [2003] RPC 144 (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.

As the arrangement and language of the two sets of provisions is so different it may be helpful to summarise Mr Perry's six points.

(1) Under section 92 the prosecution must prove the special mens rea of "with a view to gain" (including causing loss to another). There is no civil equivalent.

(2) The offence-creating provisions apply only in respect of goods (whereas the civil provisions cover goods or services).

(3) The offence-creating provisions refer to a sign "identical to, or likely to be mistaken for" the registered mark. This is a simpler and narrower formulation than that in section 10(2).

(4) Section 92(4) combines the functions of parts of sections 10(2) and (3) but differs in substance only if the form of words in sub-section (4) ("goods in respect of which the trade mark is registered") is narrower than that in section 10(2)(a) ("identical with or similar to").

(5) Section 92(5) has no civil equivalent: a defendant's belief in his innocence is irrelevant to civil liability.

(6) Criminal liability may arise from acts although they are not done in the course of trade (this is, as already noted, the only respect in which the scope of section 92 may be wider, and it seems to be of little practical importance).

In summary, section 92 is clearly narrower on points (1), (2) and (5) above; it may be narrower (and is certainly not wider) on points (3) and (4); point (6) tends to lead to an unprofitable debate as to whether fraudulent activities should be regarded as a trade, and it is easy to see why Parliament avoided language which raised that issue. However Mr Perry's points do not include the issues which lie at the heart of this appeal, that is (i) whether "trade mark use" is a necessary ingredient of criminal liability under section 92; (ii) if so, what are its proper limits; and (iii) how it should be dealt with in practice, in terms of directions to a jury or self-direction to magistrates, in prosecutions under section 92. To those issues I now turn.

"Trade mark use" is a convenient shorthand expression for use of a registered trade mark for its proper purpose (that is, identifying and guaranteeing the trade origin of the goods to which it is applied) rather than for some other purpose. It is easy to recognise those cases which fall squarely on one side or other of the line. If a counterfeiter sells a cheap imitation

watch under the trade mark OMEGA, he is fraudulently engaging in trade mark use (as he is, as Mr Hobbs suggested, if he uses the mark HOME GAS but prints the first and last letters very faintly). But if a publisher publishes a book named "Mother Care/Other Care" (a serious study of the upbringing of young children of working mothers) there is no infringement of the registered trade mark of Mothercare UK Limited, despite the fact that the trade mark is registered for many classes of goods, including books: see *Mothercare UK Limited v Penguin Books Limited* [1988] RPC 113.

That was a decision of the Court of Appeal on a Part A registration under the 1938 Act, but the essential point holds good. Dillon LJ said at pages 118-9,

"it stands to reason that a Trade Marks Act would only be concerned to restrict the use of a mark as a trademark or in a trademark sense, and should be construed accordingly. If descriptive words are legitimately registered in Part A of the register, there is still no reason why other people should not be free to use the words in a descriptive sense, and not in any trademark sense.

Mr Aldous took the further point, on the trademark aspect of the case, that Mothercare suffers damage because the value and exclusivity of its mark is diminished, by any use by anyone else of the words 'mother care', but that, in my judgment, can only be so if those words are used by the offender as a trademark or in a trademark sense; if descriptive words are merely used descriptively, the mark is unaffected.

In the present case the words 'Mother Care' in the title of the book are not, in my judgment, used as a trademark or in any trademark sense. They are merely used descriptively as describing, with the words 'Other Care' what the book is about".

Similarly Bingham LJ said at page 123 (of section 4(1)(b) of the 1938 Act),

"To conclude otherwise would be to hold (where a trademark consists of an English word or words) that Parliament intended to grant the proprietor of the trademark what would in effect be commercial copyright in that word or those words. Had that been the intention, the drafting of the section could have been a great deal simpler".

In *Bravado Merchandising Services Ltd v Mainstream Publishing (Edinburgh) Ltd* [1996] FSR 205, a comparable question arose under the 1994 Act. The petitioner was the proprietor of the trade mark *Wet Wet Wet* (the name of a popular music group). It was registered for (among other classes of goods) books. The defendant intended to publish a book about the group using "*Wet Wet Wet*" as part of the title. In the Court of Session Lord McCluskey found (distinguishing *Mothercare*) that that would be trade mark use, but that it would nevertheless be within section 11 (2)(b) (as amounting to an indication of the characteristics of the goods to which the mark was applied) and so would not amount to an infringement. So Lord McCluskey might be thought to have given with one hand and to have taken away with the other; but that depends on whether sections 10 and 11 of the 1994 Act should be seen as contingent or intersecting circles, a point on which there was a good deal of discussion in the course of argument.

Your Lordships were also referred to the decision of the Federal Court of Australia in *Musidor BV v Tansing* (1994) 123 ALR 593. The Federal Court was divided as to whether the trade mark *Rolling Stones* (registered in respect of compact discs as well as other goods) was infringed by bootleg discs (using recordings made at live concerts in the 1960's) which used

the words Rolling Stones on each disc and its case insert. The insert also stated that the recordings had not been authorised. The majority (Gummow and Heerey JJ) concluded that this was not trade mark use (at page 605):

". . . the words "The Rolling Stones" are not used for the purpose of indicating a connection in the course of trade between him and the discs or any other goods in respect of which the trade marks are registered. Rather, they are used here to identify a recording made many years ago of a live performance by those persons in the United States, which has been reproduced and embodied in the discs manufactured by the respondent".

Davies J, dissenting, thought that there had been trade mark use, and that the disclaimer of authorisation made no difference (at page 598):

"To exemplify the infringement, assume that 'Pierre Cardin' and 'Gucci' are registered trade marks and that the Pierre Cardin organisation or the Gucci organisation manufactured goods but declined to put them on sale being not satisfied with their quality. It would, in my opinion, be an infringement for some other person without authority to put the goods on the market with the description that they had been manufactured by Pierre Cardin or by Gucci but that the sale had not been authorised. Yet that is what the respondent seeks to do in the present case".

Davies J also expressed the view that the respondent had not used the words 'Rolling Stones' in good faith.

Comparable problems have recently been considered by the European Court of Justice in Arsenal Football Club plc v Reed [2003] RPC 144. Arsenal Football Club ("AFC") is the proprietor of four trade marks, including two word marks ("Arsenal" and "Arsenal Gunners") registered for (among other goods) clothing and sports footwear. Mr Reed had since 1970 been selling clothing (especially scarves) marked "Arsenal". He displayed prominent notices disavowing "any affiliation or relationship with the manufacturers or distributors of any other product". AFC sued him for passing off and trade mark infringement. The claim in passing off failed. The trade mark claim led to a reference to the European Court of Justice by the High Court (Laddie J) of the following questions:

"(1) Where a trade mark is validly registered and

(a) a third party uses in the course of trade a sign identical with that trade mark in relation to goods which are identical with those for which the trade mark is registered; and

(b) the third party has no defence to infringement by virtue of article 6 (1) of [the Directive]:

does the third party have a defence to infringement on the ground that the use complained of does not indicate trade origin (i.e. a connection in the course of trade between the goods and the trade mark proprietor)?

(2) If so, is the fact that the use in question would be

perceived as a badge of support, loyalty or affiliation to the trade mark proprietor a sufficient connection?"

As already noted, article 6(1) (like section 11(2)) makes an exception for descriptive use, but only if it is use "in accordance with honest practices in industrial or commercial matters". It

is not entirely clear whether the terms of the reference made by the High Court assumed that article 6(1) provided no defence because of the need for descriptiveness, or because of the proviso as to honest practices.

In making the reference Laddie J made what he described as findings of fact which are recorded in the judgment of the European Court of Justice (paras. 21-22):

". . . the High Court rejected [AFC's] argument that the use by Mr Reed of the signs registered as trade marks was perceived by those to whom they were addressed as a badge of origin, so that the use was a "trade mark use".

According to the High Court, the signs affixed to Mr Reed's goods were in fact perceived by the public as "badges of support, loyalty or affiliation".

The European Court of Justice recognised (para 54) that

". . . uses for purely descriptive purposes are excluded from the scope of article 5(1) of the Directive because they do not affect any of the interests which that provision aims to protect, and do not therefore fall within the concept of use within the meaning of that provision (see, with respect to a use for purely descriptive purposes relating to the characteristics of the product offered, Case C-2/00 Hölderhoff [2002] ECR I-4187, para. 16)".

The Court distinguished Hölderhoff (where a trade mark had been used to describe a method of cutting precious stones, rather than to identify their producer) as being concerned with a transaction in the course of wholesale trade. The Court stated that Mr Reed's use of the Arsenal sign took place in the context of sales to consumers and was obviously not intended for purely descriptive purposes. The use was such as to create the impression that there was a material link in the course of trade between Mr Reed's goods and AFC. AFC could therefore rely on what Mr Reed had done as trade mark use.

Laddie J has since (12 December 2002, [2002] All ER(D)180) held that the European Court of Justice exceeded its jurisdiction by determining issues of fact which were for the national court to decide (and which he had, as he saw it, already decided in a manner favourable to Mr Reed). An appeal to the Court of Appeal seems likely.

The law is therefore in something of a state of disarray. But even if the European Court of Justice exceeded its jurisdiction in the Arsenal case (a point on which I would express no view), its exposition of the general principles is still highly material. The Court has excluded use of a trade mark for "purely descriptive purposes" (and the word "purely" is important) because such use does not affect the interests which the trade mark proprietor is entitled to protect. But there will be infringement if the sign is used, without authority, "to create the impression that there is a material link in the course of trade between the goods concerned and the trade mark proprietor" (para 56). There may be such a link, in the view of the European Court of Justice, even though the consumer treats the mark as a badge of support for or loyalty to the trade mark proprietor. As Advocate-General Colomer put it in a footnote to his opinion (para. A66, footnote 52),

"However much Mr Reed may announce that the goods which he sells neither come from [AFC] nor are authorised by it he is able to market them—and his customers buy them—precisely because they bear the signs which, under registered protection, identify the club".

The difficulty arises, I think, because between cases which are clearly at the opposite extremes of "distinctiveness" and "descriptiveness" there is something of a no man's land of debateable cases, and the problem of analysis varies with the character of the mark and the character of the goods to which it is affixed. Disputes about books, and scarves, and compact discs, cannot easily be resolved by a single test. Most people would have an intuitive feeling that to label a compact disc with the words "Rolling Stones" is less purely descriptive than entitling a biography "Wet Wet Wet". That is no doubt because a group of musicians are in some sense the authors (or at least the performers) of what is on the disc, but are not the authors of an unauthorised book about themselves. But in that case is not their real grievance infringement of their copyright or their performing rights, rather than of their trade mark? Was not Mr Hölterhoff's real complaint infringement of his design right in two new methods of cutting precious stones (if indeed he had invented those methods) rather than of his trade mark?

These are difficult questions which it is not necessary for your Lordships to determine in order to dispose of this appeal. Whatever uncertainties there are about the decision of the European Court of Justice in Arsenal, its likely effect is that the province of trade mark use has annexed a significant part of the no man's land in which elements of distinctiveness and descriptiveness overlap. But it would be idle to speculate whether the view taken by the European Court of Justice in the Arsenal case is reconcilable with the majority view in Musidor because (as Lord Nicholls has emphasised in his speech, and as I respectfully agree) trade mark use is essentially a question of fact (of a fairly complex sort). Musidor can indeed be seen as turning on whether it was right for the Federal Court to differ from the trial judge on an issue of that sort. The judgments mention some of the factors which may contribute to the eventual conclusion: the prominence and apparent purpose with which the group's name (and registered trade mark) is used on the disc and its packaging; what other brand marks (registered or unregistered) are used on the disc and its packaging; the terms and prominence of any disclaimer (although a disclaimer, by itself, cannot be conclusive); and any other matters going to the alleged infringer's good faith and honesty.

I come back to what I described as the issues which lie at the heart of this appeal. First, is trade mark use a necessary ingredient of criminal liability under section 92? On this point I am in respectful agreement with the reasoning and conclusions in the speech of Lord Nicholls. It is a necessary ingredient, and there is no need to go on a circuitous route through article 6(1)(b) or section 11(2)(b) in order to arrive at that conclusion. It is adequately (if not pellucidly) expressed in the language of section 92, which in its three offence-creating sub-sections requires the defendant, for the purpose of gain, to have applied a sign to goods (or their packaging), or to have engaged in other acts or conduct in relation to goods (or business materials) which bear that sign. I would hold that such acts or conduct must be restricted to acts or conduct amounting to trade mark use. Facts such as those of Mothercare or Hölterhoff would not fall within any of sub-sections (1) to (3) of section 92.

On the second issue (the proper limits of trade mark use) I would not go so far as the Court of Appeal went in preferring the minority view in Musidor and in inclining to the view that every bootlegging case of this sort would involve trade mark use. It seems likely that Mr Johnstone would have had a difficult task in making good the defences on which he wished to rely. However, he should have been permitted to run them. I agree with the Court of Appeal that his conviction (on his pleading guilty after not being allowed to put forward the

defences on which he wished to rely) must be regarded as unsafe. I would therefore dismiss this appeal.

That is sufficient to dispose of the appeal itself, but there remain the issue of the burden of proof placed on the defendant by section 92 (5), and further issues, on which your Lordships heard argument, whether *R v Keane* [2001] FSR 63 and *R v S* (Trade mark defence) [2002] EWCA Crim 2558) were rightly decided. On all these issues I am in complete and respectful agreement with the speech of Lord Nicholls.