

Organisations: Trade mark, unauthorised use of etc.

Trade Marks Act 1994, s.92

Triable either way

Maximum: Unlimited fine

Use this guideline when the offender is an organisation. If the offender is an individual, please refer to the **Individuals: Trade mark, unauthorised use of etc.** guideline.

Note The penalties in this guideline for sentencing organisations are financial. Courts are required to consider financial penalties in the following order:

- compensation (which takes priority over any other payment);
- confiscation (Crown Court only);
- fine

Therefore, in this guideline the court is required to consider compensation and confiscation before going on to determine the fine

Step 1 – Compensation

The court must consider making a [compensation order](#) requiring the offender to pay compensation for any personal injury, loss or damage resulting from the offence in such an amount as the court considers appropriate, having regard to the evidence and to the means of the offender.

Where the means of the offender are limited, priority should be given to the payment of compensation over payment of any other financial penalty.

Reasons should be given if a compensation order is not made ([section 55 of the Sentencing Code](#)).

Step 2 – Confiscation

Confiscation orders under the Proceeds of Crime Act 2002 may only be made by the **Crown Court**. Confiscation must be considered by the Crown Court if either the prosecutor asks for it or the Crown Court thinks that it may be appropriate.

An offender convicted of an offence in a **magistrates' court** must be committed to the Crown Court where this is requested by the prosecution with a view to a confiscation order being considered (section 70 of the Proceeds of Crime Act 2002).

(Note: the valuation of counterfeit goods for the purposes of confiscation proceedings will not be the same as the valuation used for the purposes of assessing harm in this sentencing guideline.)

Confiscation must be dealt with before, and taken into account when assessing, any other fine or financial order (except compensation).

(See Proceeds of Crime Act 2002 sections 6 and 13)

Step 3 – Determining the offence category

The court should determine the offence category with reference to culpability and harm.

Culpability

The level of culpability is determined by weighing up all the factors of the case to determine the offending organisation's **role** and the extent to which the offending was **planned** and the **sophistication** with which it was carried out.

A – High culpability

- Organisation plays a leading role in organised, planned unlawful activity, whether acting alone or with others (indicators of organised/ planned activity **may include but are not limited to:** the use of multiple outlets or trading identities for the sale of counterfeit goods, the use of multiple accounts for receiving payment, the use of professional equipment to produce goods, the use of a website that mimics that of the trade mark owner or a legitimate trader, offending over a sustained period of time)
- Involving others through pressure or coercion (for example employees or suppliers)

B – Medium culpability

- Organisation plays a significant role in unlawful activity organised by others
- Some degree of organisation/planning involved
- Other cases that fall between categories A or C because:
 - Factors are present in A and C which balance each other out and/or
 - The offending organisation's culpability falls between the factors as described in A and C

C – Lesser culpability

- Organisation plays a minor, peripheral role in unlawful activity organised by others
- Involvement through coercion, intimidation or exploitation
- Little or no organisation/planning
- Limited awareness or understanding of the offence

Where there are characteristics present which fall under different levels of culpability, the court should balance these characteristics to reach a fair assessment of the offender's culpability.

Harm

The assessment of harm for this offence involves putting a monetary figure on the offending with reference to the **retail value of equivalent genuine goods** and assessing **any significant additional harm** suffered by the trade mark owner or purchasers/ end users of the counterfeit goods:

1. Where there is evidence of the volume of counterfeit goods sold or possessed:
 - a. the monetary value should be assessed by taking the **equivalent retail value of legitimate versions** of the counterfeit goods involved in the offending.
 - b. Where it would be impractical to assign an equivalent retail value of legitimate versions, an estimate should be used.
2. Where there is no evidence of the volume of counterfeit goods sold or possessed:
 - a. In the case of labels or packaging, harm should be assessed by taking the **equivalent retail value of legitimate goods** to which the labels or packaging could reasonably be applied, taking an average price of the relevant products.

- b. In the case of equipment or articles for the making of copies of trade marks, the court will have to make an assessment of the scale of the operation and assign an equivalent value from the table below.

Note: the equivalent retail value is likely to be considerably higher than the actual value of the counterfeit items and this is accounted for in the sentence levels. However, in **exceptional** cases where the equivalent retail value is grossly disproportionate to the actual value, an adjustment **may** be made.

The general harm caused to purchasers/ end users (by being provided with counterfeit goods), to legitimate businesses (through loss of business) and to the owners of the trade mark (through loss of revenue and reputational damage) is reflected in the sentence levels at step 2.

Examples of **significant additional harm** may include but are not limited to:

- Substantial damage to the legitimate business of the trade mark owner (taking into account the size of the business)
- Purchasers/ end users put at risk of physical harm from counterfeit goods (this may be evidenced by a failure to take steps to be satisfied that the goods are safe)

Where purchasers/ end users are put at **risk of death or serious physical harm** from counterfeit goods, harm should be at least category 3 even if the equivalent retail value of the goods falls below £50,000.

	Equivalent retail value of legitimate goods	Starting point based on
Category 1	£1million or more or category 2 value with significant additional harm	£2 million
Category 2	£300,000 – £1million or category 3 value with significant additional harm	£600,000
Category 3	£50,000 – £300,000 or category 4 value with significant additional harm	£125,000
Category 4	£5,000 – £50,000 or category 5 value with significant additional harm	£30,000
Category 5	Less than £5,000 and little or no significant additional harm	£2,500

Step 4 – Starting point and category range

Having determined the category at step 3, the court should use the table below to determine the starting point within the category range below. The starting point applies to all offenders irrespective of plea or previous convictions.

Where the value is larger or smaller than the amount on which the starting point is based, this should lead to upward or downward adjustment as appropriate.

For category 1 cases an upward adjustment within the category range should be made for any significant additional harm.

The fine levels below assume that the offending organisation has an annual turnover of not more than £2 million. In cases where turnover is higher, adjustment may need to be made at Step 5 below including outside the offence range.

Harm	Culpability		
	A	B	C
Category 1 £1 million or more Starting point based on £2 million	Starting point £250,000 Category range £150,000 - £450,000	Starting point £100,000 Category range £50,000- £200,000	Starting point £50,000 Category range 25,000 - £100,000
Category 2 £300,000 – £1million Starting point based on £600,000	Starting point £150,000 Category range £75,000 - £250,000	Starting point £50,000 Category range 25,000 - £100,000	Starting point £30,000 Category range £15,000 - £50,000
Category 3 £50,000 - £300,000 Starting point based on £125,000	Starting point £50,000 Category range £25,000 - £100,000	Starting point £25,000 Category range £15,000 - £50,000	Starting point £10,000 Category range £5,000 - £25,000
Category 4 £5,000- £50,000 Starting point based on £30,000	Starting point £25,000 Category range £15,000 - £50,000	Starting point £10,000 Category range £5,000 - £25,000	Starting point £5,000 Category range £2,000 - £10,000
Category 5 Less than £5,000 Starting point based on £2,500	Starting point £10,000 Category range £5,000 - £30,000	Starting point £5,000 Category range £2,000 - £10,000	Starting point £1,000 Category range £250 - £5,000

Having determined the appropriate starting point, the court should then consider adjustment within the category range for aggravating or mitigating features. The following list is a **non-exhaustive** list of additional factual elements providing the context of the offence and factors relating to the offender. Identify whether any combination of these, or other relevant factors, should result in an upward or downward adjustment from the starting point.

Factors increasing seriousness

1. Previous relevant convictions or subject to previous relevant civil or regulatory enforcement action
2. Organisation or subsidiary set up to commit counterfeiting activity
3. Counterfeiting activity endemic within organisation
4. **Expectation of substantial financial gain**
5. Purchasers put at risk of harm from counterfeit items (where not taken into account at step one)
6. Attempts to conceal/dispose of evidence
7. Attempts to conceal identity
8. Failure to respond to warnings
9. Blame wrongly placed on others

Factors reducing seriousness or reflecting mitigation

1. No previous relevant convictions or previous relevant civil or regulatory enforcement action
2. Organisation co-operated with investigation, made early admissions and/or voluntarily reported offending
3. ~~Business otherwise legitimate~~
4. Little or no actual gain to organisation from offending
5. Lapse of time since apprehension where this does not arise from the conduct of the offender

General principles to follow in setting a fine. The court should determine the appropriate level of fine in accordance with [section 125 of the Sentencing Code](#), which requires that the fine must reflect the seriousness of the offence and requires the court to take into account the financial circumstances of the offender.

Obtaining financial information [Dropdown]

Where the offender is a company or a body which delivers a public or charitable service, it is expected to provide comprehensive accounts for the last three years, to enable the court to make an accurate assessment of its financial status. In the absence of such disclosure, or where the court is not satisfied that it has been given sufficient reliable information, the court will be entitled to draw reasonable inferences as to the offender's means from evidence it has heard and from all the circumstances of the case.

1. *For companies:* annual accounts. Particular attention should be paid to turnover; profit before tax; directors' remuneration, loan accounts and pension provision; and assets as disclosed by the balance sheet. Most companies are required to file audited accounts at Companies House. Failure to produce relevant recent accounts on request may properly lead to the conclusion that the company can pay any appropriate fine.
2. *For partnerships:* annual accounts. Particular attention should be paid to turnover; profit before tax; partners' drawings, loan accounts and pension provision; assets as above. Limited liability partnerships (LLPs) may be required to file audited accounts with Companies House. If adequate accounts are not produced on request, see paragraph 1.
3. *For local authorities, fire authorities and similar public bodies:* the Annual Revenue Budget ("ARB") is the equivalent of turnover and the best indication of the size of the defendant organisation. It is unlikely to be necessary to analyse specific expenditure or reserves unless inappropriate expenditure is suggested.
4. *For health trusts:* the independent regulator of NHS Foundation Trusts is Monitor. It publishes quarterly reports and annual figures for the financial strength and stability of trusts from which the annual income can be seen, available via www.monitor-nhsft.gov.uk. Detailed analysis of expenditure or reserves is unlikely to be called for.
5. *For charities:* it will be appropriate to inspect annual audited accounts. Detailed analysis of expenditure or reserves is unlikely to be called for unless there is a suggestion of unusual or unnecessary expenditure.

Step 5 – Adjustment of fine

Note the fine levels above assume that the offending organisation has an annual turnover of not more than £2 million. In cases where turnover is higher, adjustment may need to be made including outside the offence range.

Having arrived at a fine level, the court should consider whether there are any further factors which indicate an adjustment in the level of the fine including outside the category range. The court should 'step back' and consider the overall effect of its orders. The combination of orders made, compensation, confiscation and fine ought to achieve:

- the removal of all gain
- appropriate additional punishment, and
- deterrence

The fine may be adjusted to ensure that these objectives are met in a fair way. The court should consider any further factors relevant to the setting of the level of the fine to ensure that the fine is proportionate, having regard to the size and financial position of the offending organisation and the seriousness of the offence.

The fine must be substantial enough to have a real economic impact which will bring home to both management and shareholders the need to operate within the law. Whether the fine will have the effect of putting the offender out of business will be relevant; in some bad cases this may be an acceptable consequence.

In considering the ability of the offending organisation to pay any financial penalty the court can take into account the power to allow time for payment or to order that the amount be paid in instalments.

The court should consider whether the level of fine would otherwise cause unacceptable harm to third parties. In doing so the court should bear in mind that the payment of any compensation determined at step one should take priority over the payment of any fine.

Below is a **non-exhaustive** list of additional factual elements for the court to consider. The court should identify whether any combination of these, or other relevant factors, should result in a proportionate increase or reduction in the level of fine.

Factors to consider in adjusting the level of fine

- Fine fulfils the objectives of punishment, deterrence and removal of gain
- The value, worth or available means of the offender
- Fine impairs offender's ability to make restitution to victims
- Impact of fine on offender's ability to implement effective compliance programmes
- Impact of fine on employment of staff, service users, customers and local economy (but not shareholders)
- Impact of fine on performance of public or charitable function

Step 6 – Consider any factors which indicate a reduction, such as assistance to the prosecution

The court should take into account [section 74 of the Sentencing Code](#) (reduction in sentence for assistance to prosecution) and any other rule of law by virtue of which an offender may receive a discounted sentence in consequence of assistance given (or offered) to the prosecutor or investigator.

Step 7 – Reduction for guilty pleas

The court should take account of any potential reduction for a guilty plea in accordance with [section 73 of the Sentencing Code](#) and the [Reduction in Sentence for a Guilty Plea](#) guideline.

Step 8 – Totality principle

If sentencing an offender for more than one offence, consider whether the total sentence is just and proportionate to the offending behaviour in accordance with the [Totality](#) guideline.

Step 9 – Ancillary orders

Forfeiture – section 97 of the Trade Marks Act 1994

The prosecution may apply for forfeiture of goods or materials bearing a sign likely to be mistaken for a registered trademark or articles designed for making copies of such a sign. The court shall make an order for forfeiture only if it is satisfied that a relevant offence has been committed in relation to the goods, material or articles. A court may infer that such an offence has been committed in relation to any goods, material or articles if it is satisfied that such an offence has been committed in relation to goods, material or articles which are representative of them (whether by reason of being of the same design or part of the same consignment or batch or otherwise).

The court may consider whether to make other ancillary orders. These may include a [deprivation order](#).

- [Ancillary orders – Magistrates' Court](#)
- [Ancillary orders – Crown Court Compendium, Part II Sentencing](#)

Step 10 – Reasons

[Section 52 of the Sentencing Code](#) imposes a duty to give reasons for, and explain the effect of, the sentence.

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