

England and Wales High Court (Administrative Court) Decisions

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Neutral Citation Number: [2018] EWHC 1255 (Admin)
Case No: CO/4462/2017

IN THE HIGH COURT OF JUSTICE
QUEEN'S BENCH DIVISION
ADMINISTRATIVE COURT

Royal Courts of Justice
Strand, London, WC2A 2LL
25/05/2018

B e f o r e :

LORD JUSTICE TREACY
and
MR JUSTICE MORGAN

Between:

The Queen on the Application of Leslie John Drain

Claimant

- and -

Birmingham Crown Court

Defendant

and

Birmingham and Trading Standards

Interested Party

and

Department for Business, Energy and Industrial Strategy

Intervener

Mr Neil Corre (instructed by Hollingsworth Edwards Solicitors LLP) for the Claimant
Mr Ben Mills (instructed by Birmingham City Council Legal Department) for the Interested Party
Ms Christina Michalos (instructed by the Government Legal Department) for the Intervener

Hearing date: 3 May 2018

HTML VERSION OF JUDGMENT APPROVED

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Lord Justice Treacy and Mr Justice Morgan:

1. This is the judgment of the court. This is an application to quash a forfeiture order made pursuant to s.97 of the Trade Marks Act 1994 by Her Honour Judge Stacey at Birmingham Crown Court on 18 May 2016. There had been a trial at Birmingham Crown Court before the same judge on an indictment alleging a number of counts of unauthorised possession, custody or control of goods bearing a sign identical to, or likely to be mistaken for, a registered trade mark with the consent or connivance of a company director or secretary. The primary offence was alleged to have been committed by a company contrary to s.92(1)(c) of the Act. This claimant was said to be criminally liable in that he had, as an officer of the company, consented or connived in the offence pursuant to s.101(5) of the Act. The jury was unable to reach a verdict and after consideration, the prosecutor indicated in March 2016 that it intended to offer no further evidence against the claimant on the grounds that the public interest did not require a retrial. That formal step was taken on 18 May 2016, the day of the hearing of the forfeiture application, and not guilty verdicts were entered.

2. On that occasion, the prosecutor (Birmingham City Council) made an application for forfeiture of the items seized by the council's trading standards officers in connection with the investigation or prosecution of the offences on the indictment. That application was made under s.97 of the Trade Marks Act 1994.

3. Section 97 provides as follows:

"97 Forfeiture: England and Wales or Northern Ireland.

(1) In England and Wales or Northern Ireland where there has come into the possession of any person in connection with the investigation or prosecution of a relevant offence—

- goods which, or the packaging of which, bears a sign identical to or likely to be mistaken for a registered trade mark,
- material bearing such a sign and intended to be used for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods, or
- articles specifically designed or adapted for making copies of such a sign,

that person may apply under this section for an order for the forfeiture of the goods, material or articles.

(2) An application under this section may be made—

- where proceedings have been brought in any court for a relevant offence relating to some or all of the goods, material or articles, to that court;
- where no application for the forfeiture of the goods, material or articles has been made under paragraph (a), by way of complaint to a magistrates' court.

(3) On an application under this section the court shall make an order for the forfeiture of any goods, material or articles only if it is satisfied that a relevant offence has been committed in relation to the goods, material or articles.

(4) A court may infer for the purposes of this section 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).

(5) Any person aggrieved by an order made under this section by a magistrates' court, or by a decision of such a court not to make such an order, may appeal against that order or decision—

- in England and Wales, to the Crown Court;
- in Northern Ireland, to the county court;

and an order so made may contain such provision as appears to the court to be appropriate for delaying the coming into force of the order pending the making and determination of any appeal (including any application under section 111 of the Magistrates' Courts Act 1980 or Article 146 of the Magistrates' Courts (Northern Ireland) Order 1981 (statement of case)).

(6) Subject to subsection (7), where any goods, material or articles are forfeited under this section they shall be destroyed in accordance with such directions as the court may give.

(7) On making an order under this section the court may, if it considers it appropriate to do so, direct that the goods, material or articles to which the order relates shall (instead of being destroyed) be released, to such person as the court may specify, on condition that that person—

- causes the offending sign to be erased, removed or obliterated, and
- complies with any order to pay costs which has been made against him in the proceedings for the order for forfeiture.

(8) For the purposes of this section a "relevant offence" means

- an offence under section 92 above (unauthorised use of trade mark, &c in relation to goods),
- an offence under the Trade Descriptions Act 1968,
- an offence under the Business Protection from Misleading Marketing Regulations 2008,
- an offence under the Consumer Protection from Unfair Trading Regulations 2008, or

(e) any offence involving dishonesty or deception."

4. At the hearing before the judge there was no dispute that the court had power to consider forfeiture pursuant to s.97 and that the items concerned had been lawfully seized by the prosecuting authority. Further, there was no dispute that an offence pursuant to s.92 was a relevant offence for the purposes of s.97. It was also agreed that the proceedings were civil in nature, with a burden of proof on the balance of probabilities lying with the prosecutor.

5. There had been no conviction before the Crown Court but that of itself is not a bar to an application for a forfeiture order, as s.97(3) shows. If the court is satisfied that a relevant offence has been committed in relation to the goods, then the court has jurisdiction to make an order for forfeiture.

6. The issues before the Crown Court judge were:

- whether she was satisfied that the relevant offence (i.e., one under s.92) had been committed in relation to the goods, and
- whether the claimant could rely on the defence under s.92(5) for the purposes of this application.

The judge held that she was satisfied that a relevant offence had been committed and, secondly, that the claimant could not in the forfeiture proceedings rely on the defence provided to a person facing a criminal allegation provided by s.92(5). The judge went on to hold that if the Claimant could rely on s.92(5), in the context of an application under s. 97(3), he would have failed to prove the defence of reasonable belief required by s.92(5). Having reached those conclusions, the judge made a forfeiture order. Thereafter, an application was made to the Court of Appeal Criminal Division, which was rightly rejected for want of jurisdiction. The grounds advanced did not raise the matters which are the subject of this judicial review application.

7. An application for judicial review was then made to this court and leave has been granted by the single judge. The matter now raised before us is whether the order made was compatible with the claimant's European Convention rights, and in particular the question of proportionality when Article 1, Protocol 1 to the European Convention on Human Rights concerning a person's entitlement to the peaceful enjoyment of his possessions is taken into account.

8. At the hearing before the Crown Court, no point was taken as to any requirement for proportionality in relation to the making of the forfeiture order. At one point during argument the judge raised the question of whether the word "shall" used in s.97(3) was mandatory and whether the court should consider the Human Rights Act and international obligations (and thus, by inference, the European Convention on Human Rights), before making an order. Notwithstanding the judge's query, leading counsel then acting for the claimant did not accept the opportunity to follow the judge's lead. Accordingly, the judge's ruling did not deal with the question of proportionality since it had not been put forward as a relevant consideration on behalf of the claimant.

9. We deal first of all with the issue of jurisdiction. Section 29(3) of the Senior Courts Act 1981 provides that the High Court has jurisdiction over decisions of the Crown Court other than in matters relating to trial on indictment. The parties agree that this court has jurisdiction on the basis that the criminal proceedings had effectively been terminated with the prosecution's indication that it would not seek a retrial, and since it was well-established that a forfeiture application of this type constitutes separate civil proceedings. (See *R v Harrow Trading Standards ex-parte UNIC Centre Sarl* [2000] 2 All ER 449 at 459f-460a.) We accept that this court has jurisdiction for those reasons and also because the forfeiture application is not an issue between prosecutor and defendant formulated by the criminal indictment. As the wording of s.97(3) shows, the application is one which is made in relation to goods rather than an individual.

10. At the hearing before the judge decided the two issues placed for determination before her. In deciding the first issue, the judge clearly had in mind the requirement identified in *R v Johnstone* [2003] UKHL 28, [2003] 1 WLR 1736 at [27], [33] and [88] that there had in fact been a trade mark infringement. The judge's reasons have not been impeached at this hearing. In brief, they were based on evidence by the claimant and by representatives from trade mark owners, and evidence that trade mark holders had entered into commercial arrangements with other companies producing similar or identical goods to those produced by the claimant and his company.

11. The judge, in short, was satisfied that there had been an infringement of the trade mark of each of the trade mark holders concerned. The necessary ingredients of an offence under s.92(1)(c) are that a person commits the offence with a view to gain for himself or another or with intent to cause loss to another, without the consent of the proprietor, when he has possession, custody or control of goods in the course of a business with a view to selling, hiring or distributing the goods. The goods must be goods in respect of which the trade mark is registered or, where the trade mark has a reputation in the UK, use of the sign would take unfair advantage of, or be detrimental to, the distinctive character or repute of the trade mark: see s.92(4).

12. The claimant's company was a producer and wholesaler of ornamental metal signs depicting various models of cars and motorbikes. On those signs there were representations of the vehicle in question in faux-vintage advert style displaying the trade mark of the vehicle manufacturer.

13. The claimant is represented today by Mr Corre, who did not appear in the proceedings below. His essential contention is that a forfeiture order should not be made following acquittal if s.97 is read and given effect in a way which is compatible with Convention rights. He says that a mechanistic approach to s.97 should not be taken and in order to be compatible with the claimant's Convention rights, proportionality should be considered prior to making an order for forfeiture. In this case an order for forfeiture should not be made where it impacts upon the property rights of an acquitted person. Additionally, it was said that the effect of forfeiture on the claimant was disproportionate to the need to protect the trade mark proprietor, who has other remedies available to him. Alternatively, a declaration was sought that s.97 is incompatible with the claimant's rights under Article 1, Protocol 1.

14. Article 1 of the First Protocol to the Convention provides:

"Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law.

The preceding provisions shall not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties."

15. Mr Corre argued that, in resolving the two issues put before her by the parties, the judge had in effect misdirected herself because she had failed to consider proportionality. Her decision to order forfeiture was based on her conclusion that a relevant offence had been committed. Notwithstanding the fact that the claimant's own counsel had eschewed the opportunity to raise the issue of proportionality, the judge was under an overriding duty to consider the issue, irrespective of the parties' submissions. The judge should have considered alternatives to forfeiture since s.97(3), properly construed, did not oblige the judge to make a forfeiture order.

16. It was argued that a consideration of whether such an order was necessary and proportionate would involve consideration of the following factors:

- the rights of the trade mark proprietors;
 - the harm caused to them and the public if the offending articles are released back onto the market;
 - the right of the claimant to peaceful possession of property;
 - the adverse economic effects of forfeiture on the claimant, his business and employees;
 - whether trade mark proprietors could have pursued civil remedies such as damages, account of profits and injunctions (s.14), erasure of an offending sign (s.15), delivery up of infringing goods, materials and articles (s.16) and destruction or forfeiture of infringing goods (s.19);
 - whether an order under s.97(7) should be made, namely, a direction that the goods shall instead of being destroyed be released to such person as the court may specify on condition that the offending sign is erased, removed or obliterated, and that that person complies with any costs order made in the forfeiture proceedings.
 - whether an infringer could apply for a licence from the trade mark proprietor.
17. As part of his submissions, Mr Corre relied upon the decision in *Pepper v Hart* [1993] AC 593 in inviting the court to have regard to statements made by ministers recorded in *Hansard* during the passage of the Trade Marks Bill. We do not consider that such a step is necessary. Recourse to such material is only permitted where legislation is ambiguous, obscure or leads to absurdity. We do not think that that is the situation here and would decline to approach any decision by admitting in evidence such materials.

18. In so holding, we observe that:

- Under s.97(1) the fact that goods have come into possession of a person in connection with the investigation of an offence is sufficient to give that person standing to make an application for forfeiture. There is no requirement that a prosecution be brought.
 - If a prosecution is brought, an application for forfeiture may, pursuant to s.97(2), be made in any court where a prosecution relating to some or all of the goods has been brought. There is no requirement for a conviction.
 - Under s.97(3) the court shall not make an order for forfeiture unless it is satisfied that a relevant offence has been committed in relation to the goods in question. Thus, in our view there is no ambiguity or absurdity; there is nothing to prevent an order for forfeiture being made in relation to goods, even where there has been an acquittal, as long as the court is satisfied on the balance of probabilities that a relevant offence has been committed.
19. We add that, having considered those materials *de bene esse*, we would not in any event regard them as having materially advanced the claimant's case.

20. The claim in relation to proportionality arises from Article 1, Protocol 1. That Article distinguishes between a deprivation of possessions and a control of the use of property. The established case law in relation to this distinction has recently been reviewed by the Court of Appeal in *R (British American Tobacco UK Ltd) v Health Secretary* [2018] QB 149, at [91]-[115]. Mr Corre submitted that an order for forfeiture under s.97(3) involves a deprivation of possessions whereas Ms Michalos, for the intervener, submitted (relying on *Allgemeine Gold und Silberscheideanstalt* (1986) 9 EHRR 1) that such an order is a permissible control of the use of property.

21. Mr Corre relied on the decision of the Supreme Court in *R v Waya* [2013] 1 AC 294, in which their Lordships held that Article 1, Protocol 1 requires a court not to make a confiscation order under the Proceeds of Crime Act 2002 if it would be disproportionate to do so. That Act was subsequently amended by the Serious Crime Act 2015 to give legislative effect to that judgment. By parity of reasoning it was submitted that a similar approach should be taken to a forfeiture order under s.97 of the Trade Marks Act.

22. Before the hearing, all parties appeared to agree that, if one construed s. 97(3) literally, the subsection had the effect that the court was obliged to order forfeiture if it was satisfied that a relevant offence had been committed. It was this suggested literal construction which led Mr Corre to rely on Article 1, Protocol 1 as the basis of his submission that the subsection had to be given a non-literal reading so as to permit the court to consider the proportionality of an order for forfeiture. Conversely, the other parties submitted that the suggested literal reading was the correct one and that Article 1, Protocol 1 did not require the court to consider the proportionality of an order for forfeiture.

23. However, at the hearing, Mr Corre put the case differently. He submitted that the ordinary meaning of the words in s.97(3) was to confer on the court a power to order forfeiture if it was satisfied that a relevant offence was committed but s.97(3) did not state that the court must order forfeiture in such a case.

24. Both Mr Mills, on behalf of the prosecutor as an interested party, and Ms Michalos, on behalf of the intervener, disagreed with Mr Corre's submission as to the ordinary meaning of s.97(3). Both agreed that the terms of s.97(3) "on an application under this section the court shall make an order for the forfeiture of any goods, material or articles only if it is satisfied that a relevant offence has been committed in relation to the goods, material or articles", required the court to make a forfeiture order once it was satisfied that a criminal offence had been committed. Attention was drawn to the use of the word "shall" in s.97(3) and again in s.97(6). Mr Corre continued to submit, in the alternative, that if this interpretation of s.97(3) was correct, the section would have rendered incompatible with Article 1, Protocol 1 by fettering the court's discretion and leading to a disproportionate order.

25. We agree with Mr Corre's submission at the hearing as to the ordinary meaning of s.97(3) and we are unable to accept Mr Mills' and Ms Michalos' submissions on this point. The language used merely emphasises the requirement that the court must be satisfied that a relevant offence has been committed before it can make any order for forfeiture. This is clear because the sub-section uses the formulation "shall...only if". In *Collins English Dictionary* there is a definition of "only if" as "never...except when". Applying that definition in s.97(3) the sub-section would read: "the court shall never make an order for the forfeiture of any goods...except when it is satisfied that a relevant offence has been committed in relation to the goods...". In this formulation, "shall" has its usual mandatory meaning but is negative rather than positive in its operation. Another way of expressing the same sense is to say: "the court shall not make an order for the forfeiture...unless it is satisfied...". In our judgment, therefore, s.97(3) does not oblige the court to order forfeiture. If the court has been satisfied that an offence has been committed in relation to the goods the court may make an order, but is not required to do so.

26. We note that in the case of *Waya* s.6(5) of the Proceeds of Crime Act 2002 stated that if the court decides that the defendant has benefited from criminal conduct it *must* (our italics) make a confiscation order. In those circumstances, their Lordships read into the provision a requirement of proportionality so as to ensure that it remained Convention-compliant. Given our conclusion that s.97(3) does not oblige the court to order forfeiture it seems to us that the argument that the section has to be read in a different way in order to give effect to Article 1, Protocol 1, or that the section is incompatible with it, falls away. There is in those circumstances no need to read any words into the sub-section as was done in *Waya*. We do not need to consider any further the submissions as to whether an order for forfeiture involves a deprivation of possessions or is merely a control of the use of property.

27. The submissions in this case have revealed that there has been uncertainty in the past as to the effect of s. 97(3), although we consider that its intended operation is clear. We have also noted that the position is variously described in a number of textbooks dealing with s.97(3) and with the equivalent wording in ss. 114A(4), 204A(4) and 297C(4) of the Copyright, Designs and Patents Act 1988, as amended by the Copyright, etc, and Trade Marks (Offences and Enforcement) Act 2002. This case therefore provides the court with an opportunity to describe the intended effect of these provisions.

28. It seems to us therefore that the judge was wrong in law to proceed on the basis that she had no discretion under s.97(3). This was not her fault. The prosecutor's application had submitted that she had no discretion and leading counsel for the claimant appears to have accepted that. Within s.97, sub-s.(6) and (7) provide discretion as to whether the goods forfeited should be destroyed or released to a forfeited person, subject to conditions. No submission was made to the judge as to the latter of these alternatives. We will consider below whether it is now open to the claimant to seek judicial review of the order of forfeiture on the ground that the judge erred in law and did not have regard to all material considerations, when the judge's approach was supported by the claimant's counsel and the judge was not given any material on which to assess the question of proportionality. But first we will comment on the more general submissions made to us as to the proportionality of a forfeiture order under s.97(3).

29. We bear in mind that Parliament has chosen to enable forfeiture to take place when infringing goods are shown to be the subject of a criminal offence. It is not necessary that the person in possession of those goods should have committed an offence for this provision to bite. The mischief aimed at is to prevent the recirculation of goods which a court is satisfied infringing a trade mark and would cause further economic harm if permitted to go back into circulation. Whilst it is true that there are alternative measures available by way of civil proceedings, there is nothing disproportionate in the Crown Court having exercised jurisdiction in this case where it had heard the relevant evidence over a period of weeks and where this claimant had an opportunity to be represented and give evidence in the forfeiture proceedings. It would be time consuming, expensive and inefficient for the court to decline to make an order and to leave matters to be dealt with through civil proceedings brought, no doubt, by a plethora of aggrieved trade mark holders. No submission was made as to this alternative route to the court below, perhaps illustrating the weakness of the point.

30. The claimant's written argument before this court was premised upon it being disproportionate to make a forfeiture order against a person who had not been convicted of a criminal offence. As s.97(3) demonstrates, the order is made against the goods and not any particular person. There is nothing in the scheme of the legislation which is disproportionate in framing the legislation in that way so as to keep infringing goods off the market. First, a person in the position of this claimant may not be shown to have consented or connived in the offence, and thus not to have committed an offence, even where the goods are shown to infringe trade mark. In other situations, the goods may have been seized by the authorities and although it is clear that the goods are counterfeit, the actual perpetrator may not have been traced or brought before the court for other reasons. It would be contrary to reason for trading standards authorities to have to store potentially huge quantities of counterfeit goods in the absence of conviction of an identified individual. For these reasons, we consider that the specific point taken as to the acquittal of this claimant does not advance his case.

31. Where a person has been in possession of goods which infringe the criminal law in a way harmful to the interests of trade mark owners we see no force in this claimant's assertion that the court should stay its hand and refuse a forfeiture order so as to enable him to resume possession of those goods. The fact that the goods represent a considerable financial value to the claimant merely serves to illustrate the necessity for a forfeiture order, rather than to militate against it. This is particularly so where the nature of the goods in this case means that the trade mark impregnated in the metal plaques represents the essential feature and value of the product as the evidence in the case established. In other words, the image on the plaque is the very reason for buying it. For similar reasons, consideration that a person who had infringed trade mark on an industrial scale should have the opportunity to negotiate a licence is wholly unrealistic in the context of proceedings where the purpose of the trade mark proprietors was to secure forfeiture of the infringing goods.

32. We now return to the circumstances of the present application for judicial review. In the court below, the judge's ruling was confined by the approach of the parties to the issue of whether an offence had been committed in relation to goods (and one other issue which has fallen away). The judge was not invited to consider the question of proportionality, nor was any material put before the court of a type which might have led her to consider proportionality. We are of the view that the matter which the claimant has now belatedly advanced for consideration would not have led to any different conclusion in this case. For all these reasons, we would reject this claim and hold that there was no question of disproportionality in making a forfeiture order in this case. It also follows that we would refuse the application for a declaration of incompatibility.

33. In those circumstances we find it hard to see how there can be a valid claim for judicial review at all of a decision when the judge was never required to confront the issue put before this court. Had the judge been asked to consider exercising a discretion not to make a forfeiture order, she would undoubtedly have made the order which she did make. For these reasons we would reject this claim for judicial review.