

Neutral Citation Number: [2019] EWCA Crim 2253

Case No: 201902039/A2

**IN THE COURT OF APPEAL (CRIMINAL DIVISION)**  
**ON APPEAL FROM Crown Court at Southwark**  
**HHJ Testar**  
**T20187036/7**

Royal Courts of Justice  
Strand, London, WC2A 2LL

Date: 12/12/2019

**Before :**

**LORD JUSTICE GREEN**  
**MR JUSTICE SOOLE**  
and  
**HER HONOUR JUDGE WALDEN-SMITH**

-----  
**Between :**

**REGINA**  
**- and -**  
**James CLEMENTS**

(Transcript of the Handed Down Judgment.  
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**Mr Johnathan Lennon** (instructed by **Rahman Ravelli Solicitors**) for the **Appellant**  
**Mr Barry Smith** (instructed by **Lexavoca Solicitors**) for the **Crown**

Hearing date: Thursday 12th December 2019

Judgment  
As Approved by the Court  
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**Lord Justice Green :**

**Introduction: Section 92(1) Trade Marks Act 1994**

1. On 29<sup>th</sup> January 2019 at the Crown Court at Southwark, the appellant was convicted of one count of unauthorised use of a registered trademark contrary to Section 92(1) Trade Marks Act 1994. Pursuant to that provision 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 trademark; 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 the view to the doing of anything, by himself or another, which would be an offence under paragraph (b).
2. The maximum sentence for this offence is one of 10 years custody. There are no applicable Sentencing Council Guidelines.

**Sentence**

3. In the present case, on 3<sup>rd</sup> May 2019 the appellant was sentenced to a period of custody of 2 years imprisonment suspended for two years. In addition, he was disqualified from being a director pursuant to Section 2 Company Directors Disqualification Act 1986 for a period of 5 years.
4. The appellant had initially faced an eight-count indictment. These included: counts of conspiracy to commit fraud contrary to the Fraud Act 2006; a count of making material omissions from a statement relating to a company's affairs contrary to Section 210 Insolvency Act 1986; and, counts of conspiracy relating to the unauthorised use of a trademark in relation to goods contrary to Section 92(1) of the Trade Mark Act 1994.
5. All these counts were, in the event, not pursued at trial and were ordered to lie on the file. The single count upon which the appellant was convicted was, as observed, unauthorised use of a trademark relating to goods contrary to Section 92(1) of the Trade Mark Act 1994. A count alleging fraud contrary to Section 1 of the Fraud Act 2006 was proceeded with but the appellant was acquitted of this charge. One additional count was dismissed at half time. The appellant did not give evidence at the trial.

**The facts in summary**

6. The facts are complex but may, for present purposes, be summarised as follows. The case arose as a private prosecution brought by and on behalf of KDB Isolation S.A, a company incorporated in France ("the Respondent"). It manufactures and distributes insulation material for the construction sector. In 2004, the Respondent was under the ownership of a company called Groupe Invest. The Respondent incorporated another company in the United Kingdom, KDB (UK). It was the intention that this company would act as a distributor for the Respondent's products in the UK.
7. The appellant was, at that time, a customer of KDB UK.

8. Groupe Invest sold the Respondent to Mr Berrand Laferre. He was appointed a Director on 1<sup>st</sup> October 2012. He sold KDB UK to the appellant. A distribution agreement was concluded between the companies, signed in Paris on 25<sup>th</sup> October 2012. Two sons of the appellant were appointed Directors of KDB UK. The appellant was heavily involved in the company, albeit that he did not have a formal role as a director. Under the distribution agreement the Respondent supplied products to the UK company. The contract contained the usual terms concerning payments for goods supplied, use of trademarks and the conditions to apply in the event of any dispute.
9. The French company owned several trademarks. “*Airflex*” was registered as a European trademark on 20<sup>th</sup> November 2006 following an application filed on 26<sup>th</sup> October 2004. The appellant filed the mark “*Airflex*” for registration as a trademark in the UK on 12<sup>th</sup> May 2014. The French company also registered the mark “*KDB Isolation*” as a European registered trademark with the application having been filed on 16<sup>th</sup> July 2014 and the mark entered onto the register on 9<sup>th</sup> December 2014. “*KDB*” was registered as a trademark in the UK in the name of the appellant on 31<sup>st</sup> November 2014.
10. On 15<sup>th</sup> October 2014, the Respondent terminated the distribution agreement. On 18<sup>th</sup> November 2014 it issued a claim in the High Court against KDB UK for breach of contract and non-payment of invoices amounting to €178,063.72. The UK company served a defence and issued a counterclaim. On 2<sup>nd</sup> July 2015, the Respondent filed an application for summary judgment. On 25<sup>th</sup> September 2015, KDB Ireland, a new company, was formed. The appellant was named as a director with one of his sons. On 14<sup>th</sup> October 2015, the High Court refused the application for summary judgment but made an order that the appellant pay €178,063.72 into court and gave directions in relation to the counterclaim. The sum was not paid as ordered. On 2<sup>nd</sup> November 2015, the Respondent secured judgment in default. Shortly thereafter, on 1<sup>st</sup> December 2015, liquidators allowed an application for KDB UK to be wound up.
11. On 11<sup>th</sup> September 2017 at Westminster Magistrates Court, DJ Snow granted an application made on behalf of the Respondent for a summons to be issued against the appellant and his co-accused.
12. By way of particulars it was alleged that between 9<sup>th</sup> December 2014 and 25<sup>th</sup> May 2017 the appellant, initially through KDB UK and subsequently as a sole trader applied the trademark “*KDB Insulation*” to products sold and exposed for sale in England and Wales. The prosecution case was that this activity infringed the trademarks owned by the Respondent. The products were sold on Amazon.co.uk and through other outlets. The prosecution alleged that approximately £300,000 worth of goods bearing infringing trademarks were sold by KDB UK. In relation to the appellant, approximately £27,000 of his income was said to have been generated from company sales or goods bearing the infringing trademarks.
13. The appellant was convicted by a jury of the offence under the Trade Mark Act 1994.

### **Grounds of challenge**

14. In his sentencing remarks the judge observed that the appellant was 70 years old. He had infringed the trademark owned by the Respondent. He had procured goods from elsewhere and applied a mark identical to, or likely to be mistaken for, the registered

trademark of the Respondent. This was serious offending and could not properly attract a conditional discharge. It passed the custodial threshold, but it could be suspended. In relation to disqualification from acting as a company director, the nature of the offending meant that a disqualification was appropriate. The amount of trading in breach of trade mark was significant, whether in total terms or as to the profit generated.

15. It is now argued that the offence did not pass the custody threshold and accordingly the sentence of suspended imprisonment should be quashed as wrong in principle. In particular, it is argued that the judge wrongly treated the appellant as having acted dishonestly and sentenced him accordingly when in law dishonesty was not part of the *mens rea* of the section 92 offence and the appellant had been acquitted of any offence involving dishonesty. It followed also that there were no identifiable facts or matters arising which could warrant the appellant being disqualified as a director having been acquitted of the principal allegation of fraud against him. That sentence was also wrong in principle.

### **Conclusion**

16. We remind ourselves that for a person to commit an offence under Section 92(1) of the Trade Mark Act the jury must have been sure that the appellant applied infringing trademarks with a view to gain for himself or another, or with an intent to cause loss to another, and without the consent of the proprietor. This is not defined in the legislation as an act of “*dishonesty*” but, by its terms, it assumes a degree of deliberate wrongdoing for financial gain. In the present case the jury were so sure. In his sentencing remarks, the judge observed that the chronology of this matter was “*rather central*”. The judge highlighted the salient facts giving rise to the conviction. In the course of his narrative of the facts the judge referred to the fact that KDB UK had acquired a substantial volume of goods from the Respondent and had not paid for them. He refers to the fact that some of the fraud charges originally upon the indictment were related to those events. At the end of his account of the facts, the judge observed that following the High Court proceedings, the appellant had been involved in procuring products from a third-party supplier to which the infringing trademark “*KDB Insulation*” had been applied. The judge stated that KDB UK was a vehicle through which the appellant traded. He also found that the acquisition of goods which were not paid for was part of the context to the trademark infringement.
17. There was no authority directly on point available to assist the court in deciding upon the appropriate sentence, and there is no relevant Sentencing Guideline. Reference was made to the judgment of the Court of Appeal in *R v Gill* [2010] EWCA Crim 324. In that case the appellant had pleaded guilty in relation to eight offences of the unauthorised application of a registered trademark and eight offences of, as a company director or secretary, consenting to or conniving in the unauthorised possession of material bearing a registered trademark. The appellant was engaged in the manufacture of counterfeit designer label clothing. Workers had been employed to make up fake goods. A distribution chain had been established. When the premises were searched in excess of 3,000 garments were discovered and there were over 6,000 false labels. The operation was sophisticated and included an intention to deceive. The defendant forged certificates of authenticity. In judgment the following was stated:

“Offending of this type and on this scale is serious. Legitimate businesses are cheated of the profit to which they are entitled having invested in design and marketing. The manufactured items are passed off as high quality when they are not. Investigation and prosecution is time-consuming and expensive.”

18. On the facts an immediate custodial sentence of 33 months was appropriate. The issue before the Court of Appeal was whether a sentence of less than 33 months was proper. The Court took into account the appellant’s age, his relative good character, his poor health and his prior position as a respected member of the Leicester Sikh community who had carried out a significant amount of charity work. He was also a carer for his son with special needs and there was a significant period of delay not attributable to any conduct on the part of the appellant between the discovery of the offences and the prosecution. In these circumstances, the court reduced the overall sentence to one of 18 months imprisonment. He was further entitled to full credit for his guilty plea. The ultimate sentence was one of 12 months imprisonment. The sentence was not suspended.
19. Other authorities exist which deal with the sentences appropriate for possession of counterfeit goods with a view to sale contrary to section 92(1)(c) of the Act. One such example is *R v Pasley* [2003] EWCA Crim 2727. There the appellant pleaded guilty to 10 counts and was sentenced to a term of 21 months immediate imprisonment reduced on appeal to 12 months. The sentence was not suspended. The judgment in *Pasley* cited other comparable cases such as: *R v Carter* (1992) 13 Cr App. R(S); *R v Gibbon* (1995) Cr. App. R(S) 398; and, *R v Kemp* (1995) 16 Cr App. R.(S) 941. Considerations relevant to sentencing as identified in these authorities include: the value and volume of the goods in question; the duration and profitability of the offending; whether the offending was sophisticated; and whether the business started out legitimately and moved to become unlawful over time. We do not intend to suggest that this list is exhaustive.
20. It is obvious that the custody threshold can be passed in cases such as this.
21. In the present case, the judge cited *Gill*. He recognised that it was different on the facts, but he concluded that the custodial threshold had also been passed. The judge took account of the volume of the trading and the relevant context which had involved the appellant being active in a company (his vehicle) that had not paid for goods acquired from the French company and which had avoided meeting a judgment debt by being placed into liquidation.
22. It is argued before this court that the appellant was sentenced as if he had been convicted of dishonesty by causing KDB UK to become insolvent with a view to avoiding observance of the judgment of the High Court. It is pointed out that the judge referred to cheating. It is true that he did make such a reference, but he was merely paraphrasing and reciting what had been said in *Gill* by the Court about an offence under section 92 Trade Mark Act i.e. that it was a form of cheating. The expression used in *Gill* (ibid) to describe an offence under Section 92 was: “*Legitimate businesses are cheated of the profit to which they are entitled having invested in design and marketing*”. The Court was doing no more than reflecting the ingredients of the section 92 offence. The judge was not therefore equating this with

dishonesty under the Fraud Act nor was he referring to the prior failure to make payment due to the Respondent or the effects of the liquidation which served to defeat the judgment of the High Court in favour of the Respondent.

23. In our judgment, the judge did not confuse dishonesty with the *mens rea* of the offence under the Trade Mark Act 1994.
24. More broadly the judge addressed himself to relevant aggravating and mitigating factors. We can see nothing wrong in the judge taking account of the corporate context as an aggravating factor. The appellant deliberately used infringing trademarks, thereby exploiting the goodwill of the Respondent to its economic disadvantage, in the immediate aftermath of the company, which the appellant used as his trading vehicle, failing to pay its contract debts to the Respondent and being placed into liquidation to avoid a judgment debt also in favour of the Respondent. This was the context and the judge was entitled to pay at least some regard to it by way of aggravation.
25. So far as the disqualification is concerned, Mr Lennon for the appellant has made clear to us that the heart of his submission focuses upon the disqualification. Mr Lennon says that at base this was nothing more than a commercial dispute involving a lawful liquidation. Nothing in the facts deserved disqualification. In our view, the judge was entitled to look at the entirety of the events in question, including the prior commercial context to the infringement of the trademarks that the applicant was found guilty of. Had the applicant been correct in saying that the judge wrongly treated this as a case of dishonesty, then there might have been force in the argument. However, in the circumstances set out in the judgment and which we have recounted in some detail, we detect no error on the part of the judge in the imposition of a 5-year disqualification.
26. In these circumstances the appeal is dismissed.