

GUIDANCE NOTES FOR TRADERS

TACKLING MISLEADING COUNTRY OF ORIGIN CLAIMS AND COUNTERFEIT GOODS

Introduction

Misleading country of origin claims and counterfeit goods are two separate issues, with separate legal provisions in place to deal with offenders. However, the issues are often considered in the same light because of the similar motivation driving offenders and effect on legitimate traders.

The following guidance is intended to differentiate between the two issues and describe the legal measures in place to tackle both practices. It will tell you about what you can do to protect your business against these practices and offers tips on how you can avoid giving misleading country of origin claims.

Country of origin markings

Generally speaking, there is no requirement in the law of the United Kingdom or the European Union for goods to bear marks indicating their origin, nor is there anything to prevent voluntary origin marking where traders wish to do so. However, where such marks are applied to goods, the **Trade Descriptions Act 1968** (TDA) effectively requires these marks to be accurate. Subject to certain defences, this Act makes it a criminal offence for a person, in the course of business, to apply false or misleading trade descriptions to goods. The term "trade description" includes, amongst others, an indication, however given, of the "place of manufacture, production, processing or reconditioning" of the goods.

Annex A provides guidance intended to help traders to indicate the origin of their goods, either by direct reference or implicitly, in a way which is accurate and informative to consumers and which will avoid committing any offence under the Act. Ultimately, only the courts can decide whether, in particular circumstances, an offence has been committed. Traders should use the guidance in conjunction with the Act and take legal advice and seek the opinion of their local authority trading standards department (TSD) in any cases of uncertainty.

Enforcement

General - Enforcement of the Act is the responsibility of TSDs, who have powers under the Act to check for compliance with its requirements through the purchase of goods or securing the provision of services, accommodation or facilities. Amongst other things, they can inspect any

goods and enter any premises to ascertain whether or not an offence has been committed, and where they have reasonable cause to believe an offence has been committed and wish to ascertain that fact, they may require the production of books or documents relating to the trade or business and seize and detain goods.

As at the date of this Guidance, breach of the Act carries penalties of: on summary conviction, a fine of up to £5,000; and, on conviction on indictment, an unlimited fine or imprisonment for up to two years, or both.

Imported goods - When goods bearing false or misleading indications of origin, imported from third countries, are encountered by Customs in the exercise of normal import procedures, the Enterprise Act 2002 (Part 9 Restrictions on Disclosure of Information)(Amendment and Specification)(No.2) Order 2003 (S.I. 2003/2580) enables the details of the importation to be given to TSDs at the earliest operational opportunity. This allows TSDs the opportunity to take direct action under their powers at the point of entry into the UK.

Complaints – Information regarding breaches of the TDA should be reported to your TSD for consideration and action where appropriate. If at any time you are unhappy about the action taken, you should raise this first with the TSD concerned. Should you feel that the local authority has not handled the complaint satisfactorily, you should refer the matter to the Local Government Ombudsman. Local authorities are obliged to advise complainants about how to raise a complaint with the LG Ombudsman.

Counterfeit goods

The importation of counterfeit goods (goods infringing the Intellectual Property Rights (IPR) of another manufacturer) from third countries is subject to European law. Council Regulation (EC) No 3295/94 as amended by Council Regulation (EC) no 241/1999 allows the holder of an Intellectual Property Right to lodge an application with Customs to prohibit entry into the Community and the export or re-export from the Community of counterfeit, pirated and patent infringing goods.

The Regulation also provides for Customs to contact the Right Holder (RH) if they find suspected infringing goods during the course of their checks. In this case the goods will be detained and the RH invited to lodge an application within a specified timescale.

As from the 1st. October 2003 the administration fee for lodging an application with customs has been abolished ¹.

¹ The Goods Infringing Intellectual Property Rights (Customs) Regulations 2003

Full details of how customs operate the EC legislation on counterfeit, pirated and patent infringing goods and the UK legislation on goods infringing trade marks and copyright are explained in Customs Notice 34 (Intellectual Property Rights) available on the Customs website at hmce.gov.uk/forms/notices/34.htm

Further details of the application procedure can be obtained from:

HM Customs and Excise
International Trade Assurance Team
1st Floor West
Alexander House
21 Victoria Avenue
Southend on Sea
Essex SS99 1AA

Tel: 01702 36 7221

Enforcement

Customs are responsible for enforcement of the Regulations and can detain importations of suspected infringing goods for up to 10 days to allow the R.H. to confirm the status of the goods. For counterfeit and pirated goods once customs are satisfied on the basis of the R.H.'s written opinion that the goods are liable to forfeiture they will seize them. Subject to any appeal by the importer the goods will normally be destroyed. For goods infringing patents, supplementary protection certificates and registered or unregistered design rights the R.H. must satisfy customs that they have referred the suspected infringement to the relevant UK court within the 10 day period.

Under the legislation there is also a procedure called '*ex-officio*' action where Customs can detain suspected counterfeit imported goods for up to three working days. This is to enable a Rights Holder who previously does not have an application in force, to apply for registration to have his trademark/design protected.

It should be noted that Customs have no control over intra-Community movement of goods and that the EC Regulation allows action to be taken by Customs only at the time of importation from a third country and does not apply to grey market goods e.g. parallel trade goods and overruns.

Legal Instruments

Copies of the legislation referred to in this guidance note can be viewed at <http://www.hmso.gov.uk/stat.htm> or obtained from Her Majesty's Stationery Office or bookshops. Additional advice on country of origin marking is available from your TSD and on the protection of IPRs at importation from Customs National Advice Service, telephone 0845 010 9000 or the address above.

Complying with the Country of Origin rules under the Trade Descriptions Act 1968.

Who is liable under the Act?

The Act applies throughout the chain of supply. Anyone who:

- in the course of a trade or a business
- applies an indication to goods that those goods are manufactured, produced, processed or reconditioned in a particular place

or

supplies, offers or exposes for supply, or has in their possession for supply, goods to which such an indication has been applied,

- in circumstances where that indication is false or misleading to a material degree

may be guilty of an offence, unless they can establish the following defence:

- the commission of the offence resulted from a mistake, reliance on information supplied to them, an act or default of another person, an accident, or from some other cause beyond their control

and

they took all reasonable precautions and exercised all due diligence to avoid the commission of the offence

Which goods are covered by the Act?

The Act applies to statements about all goods and parts of goods, other than statements that are applied in pursuance of various Acts listed in the Trade Descriptions Act itself.

Where is the country of origin?

Section 36 of the Act states that goods are deemed to have been manufactured or produced in the country in which they last underwent a treatment or process resulting in a substantial change. The Act does not define "substantial change" although one Order² has been made under

² Trade Descriptions (Country of Origin) (Cutlery) Order 1981, SI 1981/122

this section, which explicitly states that the process of silver-plating stainless-steel cutlery does not constitute a “substantial change”. It would ultimately be for a court to decide whether the particular country or place specified is indeed where the last *substantial* change took place. If you are in doubt about where your goods originate you should consult your local trading standards department, or seek legal advice.

Note: It should be emphasised that it is not just *country* of origin statements, which may mislead. Statements about a town, county, or region etc., are also covered by the Act, as are any other statements about origin.

How does the Act affect imported goods?

The Act applies irrespective of whether the goods were made in the UK or elsewhere and only applies to the supply of goods within the UK. If, in the course of undertaking their normal duties, H M Customs and Excise identify goods made abroad that are marked or labelled prior to their importation in a way which could create a misleading impression of their place of manufacture they may advise Trading Standards Authorities accordingly and, if there is evidence of a breach of the Act, Trading Standards may take action for a criminal offence under section 1(1)(a) or 1(1)(b) of the Act.

Note: Origin marking should not be confused with the Rules of Origin for the purposes of Customs classification. This is subject to a completely separate regime at European rather than national level.

What might indicate origin?

The main points to look out for are:

1. Does a company name or brand name used on the goods themselves or on any label or packaging that will accompany the goods or be displayed with them:
 - (a) include any place name - for example: “Jones of Piccadilly Limited”, “Sheffield Cutlers PLC”, “Windermere Sweaters”, “Italian Collection” etc.;
 - (b) refer to any person (living, fictional or dead) who is closely associated with a particular place - for example: John Bull, Uncle Sam, Bonnie Prince Charlie etc.; or
 - (c) refer to a well known structure or geographical feature - for example: the Eiffel Tower, Ben Nevis or the river Rhine?

2. Are there any illustrations or symbols on the goods, labels, packaging or display material, which show:

- (a) a person who is closely associated with a particular place;
- (b) a particular place, well known structure or geographical feature; or,
- (c) any flags, emblems, or other images which are associated with particular place, such as a national flag, the Scottish thistle or a coat of arms?

3. Is there any address which might be taken as an indication of origin shown on the goods, labels, packaging or display material - for example the manufacturer's registered office or headquarters address, or the address of the importer or distributor?

If your goods, labels, packaging or display material bear any of the above, and do not refer to the place where the goods were actually manufactured or produced, unless you take steps to correct the potentially misleading presentation, you may be committing an offence under the Act.

Are there exceptions?

There are some limited exceptions, for example:

- Whilst it is possible for a trademark to constitute a false trade description, section 34 of the Act contains exceptions in respect of certain long-established trademarks. However, traders should check whether a mark is likely to mislead (e.g. does it have clear geographical connotations?).
- The names of some goods, particularly foodstuffs, contain geographical place names. While originally some of these names did indicate the origin of a product, for many products the name has become generic for a particular product type; for example, Cheddar Cheese. In such cases the geographical element is no longer considered to indicate the origin of the goods. In this context, it should be noted that foodstuffs are subject to specific labelling requirements, which may include origin marking. Your local authority trading standards department will be able to advise you further on this.

Can I correct a misleading indication of origin?

Under certain circumstances the application of an accurate indication of origin in such a way as to overcome the possibility of misleading consumers and other traders might be appropriate. However, any such corrective statement would need to be as bold, precise and as compelling as the potentially misleading statement.

Similarly, where goods are presented in a way that wrongly implies that they were made in the UK, the application of a simple bold, precise and compelling statement to the effect that the goods are imported may be appropriate. Or, if imported goods bear a UK distributor's name and address, then, in the absence of any indication of their true origin, a qualifying statement such as "Imported by..." or "Distributed in the UK by..." may be appropriate.

Only a court can decide whether or not an the overall effect is false or misleading, and the only way to be sure that you are not committing an offence is by removing the offending indication.

If you are in any doubt, you should take legal advice and seek guidance from your local authority trading standards department.

www.tradingstandards.gov.uk/

Are advertising statements caught by the Act?

Yes. Traders should be aware that an inaccurate statement of origin in an advertisement, including an on-pack claim, could lead to action under the Control of Misleading Advertisements Regulations 1988 (SI 1988/915) as well as the Trade Descriptions Act.

Consumer and Competition Policy Directorate 5a
Department of Trade & Industry
October 2003